

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

In the
Morris Tyler Moot Court of
Appeals at Yale

UNITED STATES,

Petitioner,

v.

ARTHREX, INC., ET AL.,

Respondents.

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

BRIEF FOR ARTHREX, INC.

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(additional captions 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

Administrative patent judges, appointed by the Secretary of Commerce, make final decisions in patent adjudications within the United States Patent and Trademark Office. The questions presented are as follows:

1. Whether, for purposes of the Appointments Clause, U.S. Const. art. II § 2, cl. 2, administrative patent judges 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 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. Petitioner intervened in the court of appeals in accordance with 28 U.S.C. § 2403(a).

Respondents are Arthrex, Inc., Smith & Nephew, Inc., and Arthrocare Corp. Arthrex was the patent owner in the proceedings before the Patent Trial and Appeal Board and the appellant in the court of appeals. Smith & Nephew and Arthrocare were the petitioners before the Patent Trial and Appeal Board and the appellees before the court of appeals.

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OPINIONS BELOW

The opinion of the court of appeals is reported at 941 F.3d 1320. The court's order denying rehearing en banc is reported at 953 F.3d 760. The Patent Trial and Appeal Board's final written decision is unpublished, but is available at 2018 WL 2084866.

JURISDICTION

The court of appeals entered its judgment on October 31, 2019 and denied the petitions for rehearing on March 23, 2020. On March 19, 2020, this Court extended the time to file a petition for a writ of certiorari 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. submitted their petition on June 29, 2020 (No. 19-1452). The next day, Arthrex, Inc. filed its petition (No. 19-1458). On October 13, 2020, this Court granted and consolidated the petitions.

This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

An appendix has been affixed reproducing the relevant constitutional and statutory provisions.

INTRODUCTION

After Arthrex successfully sued a competitor for infringing on a patent, the competitor challenged aspects of the patent in inter partes review before the Patent Trial and Appeal Board. A panel of three administrative patent judges ruled against Arthrex.

Their decision represented the final word of the Executive Branch on Arthrex's patent, despite the fact that no presidentially appointed and Senate-confirmed officer reviewed and approved the decision. APJs possess the discretion to apply this nation's patent laws as they see fit in thousands of binding proceedings each year. Appointed by the Secretary of Commerce, they are neither directly accountable to the President nor answerable to a principal officer who is. Arthrex challenges this unconstitutional state of affairs, whereby unelected administrators become unreviewable rulers of their own domain within the Executive Branch.

APJs issue final written decisions on behalf of the Executive Branch, which no principal officer can overturn. This is a power only principal officers can wield, and for this reason alone APJs are not inferior officers. They are also subject to less control by a superior than any inferior officer recognized by this Court. Although directed by general administrative oversight and policy guidance, APJs are not removable at will like the inferior officers in *Edmond*, *Free Enterprise Fund*, and *Freytag*. At-will removal may not always be necessary for inferior officers, but constrained removal authority must be counterbalanced by other robust forms of control such as strong review of an officer's decisions. That is not the case here. APJs enjoy significant autonomy *and* make final Executive Branch decisions. They are principal officers, and their appointment by the Secretary of Commerce violates the Appointments Clause.

The Federal Circuit correctly determined that APJs are unconstitutionally appointed principal officers. However, the court's decision to sever Title 5 tenure protections as applied to APJs was improper.

First, the court's chosen remedy was misguided because it failed to cure the constitutional defect in the statute. Under the Federal Circuit's remedy, APJs remain unconstitutionally appointed principal officers because they continue to issue final written decisions on behalf of the Executive Branch.

The Federal Circuit's remedy is also contrary to congressional intent. Under the standard administrative model repeatedly chosen by Congress, administrative judges receive tenure protections. Congress followed this model in the AIA, seeking to insulate APJs from political pressure. The Federal Circuit's remedy runs roughshod over this plan, creating an adjudicative scheme Congress would not have enacted.

Moreover, severance of any kind was inappropriate in this case. The Federal Circuit made an unguided policy choice among many diametrically opposed remedies. Such a legislative choice is for Congress. The severability doctrine does not give courts license to become drafters, particularly when a chosen remedy directly contradicts congressional intent.

As written by Congress, the AIA violates the Appointments Clause by giving the authority of a principal officer to APJs appointed by the Secretary of Commerce. As rewritten by the Federal Circuit, the AIA still violates the Appointments Clause. This Court should reject both versions of the statute as incompatible with the Constitution. This Court should affirm the court of appeals' judgment with respect to the merits, but reject the Federal Circuit's remedy and allow Congress to decide how best to correct the AIA.

STATEMENT

I. The Requirements of the Appointments Clause

The Framers understood that “the President alone and unaided could not execute the laws,” and would need to rely on “the assistance of subordinates.” *Myers v. United States*, 272 U.S. 52, 117 (1926). They wrote the Appointments Clause to govern how the most important of these subordinates are to be appointed, dividing all officers of the United States into two classes for that purpose. See *United States v. Germaine*, 99 U.S. 508, 509 (1878). For principal officers, the Appointments Clause balances the sole power of the President to nominate with the requirement of Senate approval, thereby preserving “public accountability for both the making of a bad appointment and the rejection of a good one.” *Edmond v. United States*, 520 U.S. 651, 660 (1997); see also *The Federalist No. 77*, at 461 (Hamilton) (Clinton Rossiter ed., 1961) (“The blame of a bad nomination would fall upon the president singly and absolutely. The censure of rejecting a good one would lie entirely at the door of the senate.”). This onerous process of appointment is the default for inferior officers, as well, but the Constitution also allows Congress to vest the appointment of these subordinates “in the President alone, in the Courts of Law, or in the Heads of Departments.” U.S. Const. art. II, § 2, cl. 2.

Within the Executive Branch, the Appointments Clause establishes a carefully designed hierarchy: a “chain of dependence,” with the President at the helm. See 1 *Annals of Cong.* 518 (1789) (statement of James Madison) (Joseph Gales ed., 1834). All executive officers are either appointed by the President with the advice and consent of the Senate, or are answerable to those who are. Through this structure, even if the

President does not always appoint inferior officers, such officers remain accountable to him or her. And the President, in turn, remains politically accountable for the officers' decisions.

II. The Statutory Background

A. The History of APJs

The Constitution gives Congress the enumerated power to make laws “securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. art. I, § 8, cl. 8. Exercising this power was an early priority for Congress, which passed its first patent statute in 1790. Patent Act of 1790, Ch. 7, 1 Stat. 109 (1790). Congress first vested the power to grant or deny patents in three principal officers, and then in a single principal officer. See *id.*; Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318 (1793).

In 1836, Congress created the Patent Office, led by a Commissioner of Patents who was appointed by the President and confirmed by the Senate. Act of July 4, 1836, ch. 357, § 1, 5 Stat. 117. Congress then created the first administrative judges for patent claims in 1861. Act of Mar. 2, 1861, ch. 88, § 2, 12 Stat. 246. Known as “examiners-in-chief,” these adjudicators were appointed by the President and confirmed by the Senate. *Id.* Any party could appeal the decision of an examiner-in-chief to the Commissioner of Patents, a presidentially appointed and Senate-confirmed principal officer. *Id.*

In 1870, Congress appointed an “examiner in charge of interferences” to adjudicate disputes over who first created a particular invention. Act of July 8, 1870, ch. 230, § 2, 16 Stat. 198. Parties could appeal the decision of this examiner first to the examiners-in-

chief, *id.* § 10, and subsequently to the director of the Patent Office. *Id.* § 46.

With the Patent Act of 1952, 35 U.S.C. § 1, Congress established the United States Patent and Trademark Office as an executive agency, housed within the Department of Commerce, to handle “the granting and issuing of patents and the registration of trademarks.” 35 U.S.C. § 2(a)(1). The USPTO is led by the USPTO Director, who is appointed by the President, by and with the advice and consent of the Senate. 35 U.S.C. § 3(a)(1).

In 1975, Congress empowered the Secretary of Commerce to appoint examiners-in-chief. Pub. L. No. 93-601, sec. 1, § 3(a), 88 Stat. 1956 (1975). Then in 1999, Congress renamed examiners-in-chief as “administrative patent judges” and empowered the Director of the USPTO to appoint APJs. Pub. L. No. 106-113, app. I, sec. 4717, § 6(a), 113 Stat. 1501A-580 (1999). But in 2008, Congress again required the Secretary of Commerce to appoint APJs. Pub. L. No. 110-313, § 1(a), 122 Stat. 3014 (2008).

Congress has established various administrative processes for reviewing already-issued patents in recent decades. See *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). In 1980, Congress authorized “ex parte reexaminations,” 35 U.S.C. § 134(b), which are third-party challenges to an existing patent. And in 1999, Congress empowered APJs to hear appeals of “inter partes reexaminations” which are similar to ex parte reexaminations, but permit third-parties to actually participate in the reexamination process. Pub. L. No. 106-113, app. I, sec. 4717, §§ 4601–4608, 113 Stat. 1501A–567 to 1501A–572.

B. The America Invents Act

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA). Pub. L. No. 112-29, 125 Stat. 284 (2011). This Act converted inter partes reexamination into an adjudicative proceeding called inter partes review. It also replaced the Board of Patent Appeals and Interferences, on which APJs served, with the Patent Trial and Appeal Board.

The Board is an administrative tribunal consisting of the Director, the Deputy Director, the Commissioners for Patents and Trademarks, and more than 200 administrative patent judges. 35 U.S.C. § 6(a); John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 Duke L.J. 1657, 1683 (2016) (noting the existence of more than 200 APJs). Only the Director is appointed by the President and confirmed by the Senate. The Commissioners and Deputy Director are appointed by the Secretary of Commerce, 35 U.S.C. § 3(b), and APJs are “appointed by the Secretary, in consultation with the Director.” *Id.* § 6(a). Administrative patent judges are “persons of competent legal knowledge and scientific ability.” *Ibid.* Most APJs are “subject to the provisions of title 5, relating to federal employees.” 35 U.S.C. § 3(c). Thus, APJs may be removed “only for such cause as will promote the efficiency of the service.” 5 U.S.C. § 7513(a).¹

¹ A small minority of administrative patent judges who serve in leadership positions, such as the Chief Administrative Patent Judge, Vice Chief Administrative Patent Judge, and Deputy Chief Administrative Patent Judge, are classified as members of the Senior Executive Service. See 85 Fed. Reg. 9524, 9532-9522 (Feb. 19, 2020). These officers can only be removed “for misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in a transfer of function.” 5 U.S.C. § 7543(a).

The Board hears appeals of adverse decisions from patent examiners in patent applications and reexaminations, as well as several other forms of adjudications. See 35 U.S.C. § 6(b). In inter partes review, the Board hears third-party challenges to issued patents. 35 U.S.C. § 311. In post-grant review, the Board may cancel a patent within nine months of its issuance, 35 U.S.C. § 321, and in derivation proceedings it may cancel patent claims that derive from a petitioner's invention, 35 U.S.C. § 135. The Board adjudicates all cases in a panel "of at least 3 members . . . who shall be designated by the Director." 35 U.S.C. § 6(c).

The Director has no power to overturn a Board decision. However, the Director has several means of attempting to direct the Board. The Director can promulgate regulations to "govern the conduct of proceedings." 35 U.S.C. § 2(b)(2)(A). The Director can select which Board members will hear a particular case. 35 U.S.C. § 6(c). And the Director may designate any Board decision as precedential in an attempt to narrow the discretion of future Board decisions. See Patent Trial and Appeal Board, Standard Operating Procedure 2.

This case arises from an inter partes review adjudicated by the Board. Prior to the AIA, inter partes reexamination followed the same procedures that govern the examination of initial patent applications. See 35 U.S.C. § 314 (2006). But through the AIA, Congress "convert[ed] inter partes reexamination from an examinational to an adjudicative proceeding, and rename[d] the proceeding 'inter partes review.'" H.R. Rep. No. 112-98, pt. 1, at 42 (2011).

Under inter partes review, the USPTO "is authorized to reconsider and to cancel an issued patent claim in limited circumstances." *Oil States Energy*

Servs., 138 S. Ct. at 1370. Any individual can petition the USPTO for inter partes review of an existing patent if the patent was either obvious or anticipated by the prior art at the time the patent was granted. 35 U.S.C. § 311. The AIA permits the Director to institute inter partes review if he finds a “reasonable likelihood” the petitioner will prevail, 35 U.S.C. § 314(a), though the Director has delegated this authority to the Board, 37 C.F.R. § 42.4(a). When inter partes review is initiated, a panel of “at least 3 members” of the Board adjudicates the claim. 35 U.S.C. § 6(c).

Inter partes review proceeds with “many of the usual trappings of litigation.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018). The petitioner and the patent owner are entitled to discovery, 35 U.S.C. § 316(a)(5), may file affidavits, declarations, and written memoranda, 35 U.S.C. § 316(a)(8), and are entitled to an oral hearing before the Board, 35 U.S.C. § 316(a)(10). The petitioner must prove the unpatentability of the disputed patent by a preponderance of the evidence. 35 U.S.C. § 316(e). And a patent owner may also settle with the petitioner prior to the Board’s final decision. 35 U.S.C. § 317.

At the conclusion of the review, the Board issues a “final written decision.” 35 U.S.C. § 318(a). The Board also possesses the sole authority to grant a rehearing. 35 U.S.C. § 6(c). A party dissatisfied with the final written decision of the Board may appeal the decision only to the Federal Circuit. 35 U.S.C. § 141(c). Neither the Director nor the Secretary has authority to review the final determination of the Board.

III. The Present Controversy

Arthrex is a global leader in the development and production of medical devices and procedures used in

orthopedic surgery. This case centers on Arthrex's U.S. Patent No. 9,179,907 (the '907 patent). The '907 patent describes a knotless suture securing assembly that allows surgeons to reattach soft tissue to bone more easily.

A. Arthrex's '907 Patent and Inter Partes Review

In 2015, Arthrex sued Smith & Nephew Inc. for infringing the '907 patent. *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 15-cv-1756 (E.D. Tex. filed Nov. 10, 2015). After trial, a jury found that Smith & Nephew had infringed Arthrex's patent claims. *Smith & Nephew, Inc. v. Arthrex, Inc.*, 2018 WL 2084866, at *1 (P.T.A.B. May 2, 2018). But after the district court entered judgment, the parties entered into a settlement agreement. *Ibid.*

Smith & Nephew then sought inter partes review of the '907 patent, arguing that certain claims in the patent were not entitled to a priority date before May 8, 2014. *Smith & Nephew, Inc.*, 2018 WL 2084866 at *1. A panel of three APJs agreed with Smith & Nephew and issued a final written decision finding that the '907 patent's priority date was May 8, 2014. *Id.* at *17.

B. Arthrex's Appeal and Appointments Clause Challenge

Arthrex appealed the Board's final written decision to the Federal Circuit pursuant to 35 U.S.C. § 141(c). Arthrex argued that the APJs who rendered the final decision in the proceeding were unconstitutionally appointed principal officers. The Federal Circuit agreed and vacated and remanded the Board's

decision. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

The court of appeals recognized that under *Edmond v. United States*, 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.” *Arthrex, Inc.*, 941 F.3d at 1328 (quoting *Edmond*, 520 U.S. at 663). Stressing the fact that APJ decisions are unreviewable by any principal officer, and that APJs are not removable without cause, the court held that APJs were not sufficiently subordinate to any principal officer to be inferior officers. The Director’s abilities to promulgate procedural and policy regulations, designate Board opinions as precedential, and determine the composition of Board panels were insufficient to overcome the fact that no principal officer can review APJ decisions or remove APJs without cause. See *Arthrex*, 941 F.3d at 1335.

The court understood *Edmond* to examine three factors to determine whether an officer is a principal or inferior officer: “(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.” *Id.*

The Federal Circuit determined that the first factor, review authority, indicated that APJs are principal officers. No “presidentially-appointed officer has independent statutory authority to review a final written decision by the APJs before the decision issues on behalf of the United States.” *Arthrex*, 941 F.3d at 1329. And parties can only appeal a decision to the Federal Circuit or seek rehearing from the Board. Because “the decision to rehear would be made by a panel of at least three members of the Board,” the

Director lacks “the power to single-handedly review, nullify or reverse a final written decision issued by a panel of [administrative patent judges].” *Ibid.*

The court of appeals rejected the argument that the director has other tools that allow him to indirectly review decisions of APJs. The Director has the discretion whether to institute inter partes review, the authority to assign APJs to panels, the ability to designate Board decisions as precedential, and the ability to intervene in appeals to the Federal Circuit. But, the court of appeals concluded, these do not amount to an ability to review final Board decisions. *Id.* at 1330. And only the Board can decide to grant a rehearing.

On the second factor, the court of appeals recognized that “[t]he extent to which an officer’s work is supervised or overseen by another Executive officer also factors into determining inferior versus principal officer status.” *Id.* at 1331. Because the Director possesses the authority to promulgate regulations, designate particular Board opinions as precedential, and designate the panel of judges who decide a particular inter partes review, the court determined that this factor weighed in favor of concluding that APJs are inferior officers. *Id.*

Finally, the court of appeals held that the third factor, removal power, suggested that APJs are principal officers since both the Secretary of Commerce and the Director lack “unfettered removal authority.” *Id.* at 1332. The court recognized that the 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.” *Ibid.* And the Secretary’s power to remove APJs from federal service under 5 U.S.C. § 7513(a) for “such cause as will promote the efficiency of the service” was significantly

more restricted than the at-will removal power that was present in *Edmond*. *Id.* at 1333–34.

After considering these three factors, the court also looked to historical practice. The court noted that prior to 1975, APJs (then known as examiners-in-chief) “were subject to nomination by the President and confirmation by the Senate.” *Id.* at 1334. The court then recognized that modern APJs “wield significantly more authority than their Examiner-in-Chief predecessors. But the protections ensuring accountability to the President for these decisions on behalf of the Executive Branch clearly lessened in 1975.” *Id.* at 1335.

Ultimately, the court concluded that APJs “are principal officers” who must “be appointed by the President and confirmed by the Senate” and “the current structure of the Board violates the Appointments Clause.” *Id.*

The court then determined that it could remedy the Appointments Clause violation by “sever[ing] the application of Title 5’s removal restrictions to [APJs].” *Id.* at 1337. The court determined that if the Secretary could remove APJs at will, it would “render[] them inferior rather than principal officers” and severance of the for-cause removal restrictions was the “the narrowest viable approach to remedying the violation of the Appointments Clause.” *Id.* The government argued that alternatively, the court could construe Title 5’s “efficiency-of-service” standard as actually permitting at-will removal, but the court determined that was “not a plausible construction.” *Id.* at 1335. The court also rejected the government’s suggestion that the court sever the AIA’s requirement that at least three Board members sit on every panel so that the Director could unilaterally review final written decisions of administrative patent judges. *Id.* at 1336.

The court determined that the government’s proposal would “be a significant diminution in the procedural protections afforded to patent owners” and “d[id] not believe that Congress would have created such a system” as the “[t]he current three-judge review system provides a broader collection of technical expertise and experience on each panel.” *Id.*

Because the inter partes review at issue in this case was adjudicated by APJs who were unconstitutionally appointed when they issued their decision, the court held “that a new panel of APJs must be designated and a new hearing granted.” *Id.* at 1340.

C. The Federal Circuit’s Denial of Rehearing

The court of appeals subsequently denied the petitions for rehearing en banc filed by all three parties. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 761 (Fed. Cir. 2020). The court fractured along various lines, issuing a majority opinion, two concurrences, and three dissents.

Two concurring opinions agreed with the panel’s determination that APJs are unconstitutionally appointed principal officers. Judge Moore, joined by Judges O’Malley, Reyna, and Chen found that the panel had properly applied the *Edmond* framework. *Id.* at 762.

Judge O’Malley, joined by Judges Moore and Reyna, also agreed that APJs “are principal officers.” *Id.* at 766. They separately concurred to disagree with Judge Dyk’s suggestion, in dissent, that “the court’s decision to sever the application of Title 5’s removal protections from the remainder of the AIA retroactively renders all prior APJ decisions constitutional, thereby

obviating the need for panel rehearings in any cases decided under the AIA.” *Id.*

Judge Dyk, joined in full by Judges Newman and Wallach and in part by Judge Hughes, dissented and argued that the panel’s decision to sever Title 5 removal protections for APJs was “not consistent with Supreme Court precedent” because “the panel is performing major surgery to the statute that Congress could not possibly have foreseen or intended.” *Id.* at 769. As the judges recognized, “[r]emoval protections for administrative judges have been an important and longstanding feature of Congressional legislation, and this protection continued to be an important feature of the AIA enacted in 2011.” *Id.*

Judge Hughes, joined by Judge Wallach, separately dissented. They would have held that APJs are inferior officers properly appointed by the Secretary of Commerce. *Id.* at 781. However, this dissent also rejected the panel’s severability analysis, finding that “[g]iven the federal employment protections APJs and their predecessors have enjoyed for more than three decades, and the overall goal of the America Invents Act,” Congress would not have “divested APJs of their Title 5 removal protections to cure any alleged constitutional defect in their appointment.” *Id.* at 781.

Finally, Judge Wallach separately dissented. He believed that administrative patent judges are inferior officers because “the Director’s ability to select a panel’s members, to designate a panel’s decision as precedential, and to de-designate precedential opinions gives the Director significant authority over the APJs.” *Id.* at 788.

SUMMARY OF ARGUMENT

I. The Federal Circuit correctly determined that administrative patent judges are unconstitutionally appointed principal officers.

First, the appointment of APJs is only constitutional if they are subordinate to a principal officer. The Appointments Clause requires all principal officers to be nominated by the President and confirmed by the Senate, and APJs are appointed by the Secretary of Commerce.

Under the Appointments Clause, inferior officers must be subordinate to a principal officer. *Edmond*, 520 U.S. at 662. They must be subject to sufficient supervisory control by a principal officer, and their decisions must be subject to principal officer review. Without both forms of oversight, an officer cannot be inferior.

Second, APJs are not subordinate to any principal officer, and therefore cannot be inferior officers. They issue final, unreviewable decisions on behalf of the Executive Branch and are not subject to sufficient control by a superior.

This Court has established that for officers to be inferior, a principal officer must be able to review their decisions. In *Edmond*, this Court held that judges of the Coast Guard Court of Criminal Appeals were inferior officers in large part because they had “no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Edmond*, 520 U.S. at 665. Subsequent cases applying *Edmond* have made clear that the authority to issue final, unreviewable decisions is incompatible with inferior officer status. See *N.L.R.B. v. SW Gen., Inc.*, 137 S. Ct. 929, 948 (2017) (Thomas, J., concurring); *Dep’t of Transp. v. Assoc. of Am. R.Rs.*, 575

U.S. 43, 64 (2015) (Alito, J., concurring). No principal officer reviews final APJ decisions. The government attempts to fashion review power for the USPTO Director from that officer’s ability to shape and influence APJ panels before they hear proceedings. But designating the members of a panel does not equate to control over its ultimate decision. And if it ever could—if the Director could somehow preordain Board decisions before parties’ claims are heard—that would flagrantly violate due process. The AIA contemplates no principal officer review of APJs’ final decisions, which bind the Director and the Secretary of Commerce. Administrative patent judges cannot logically be subordinate to a principal officer who is bound by their decisions.

APJs also cannot be inferior officers because they are not subject to sufficient control by any principal officer. In evaluating control, this Court looks above all to the “powerful tool for control” that is removal. *Edmond*, 520 U.S. at 664. In prior cases, removal without cause has been a crucial factor in determining officers to be inferior. See *ibid.*; *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010). That authority is lacking in this case. Without any review of APJ decisions, the highly constrained removal authority of the Secretary of Commerce does not provide enough control over APJs’ work to render them inferior officers. Nor do other forms of loose oversight including administrative management, procedural direction, and policy guidance. Such forms of general oversight have never been independently sufficient for inferior officer status, and are not here.

II. Although the Federal Circuit correctly held that APJs are unconstitutionally appointed principal

officers, the court erred in severing Title 5 tenure protections as applied to APJs.

First, the court of appeals' remedy did not cure the AIA's constitutional defect. APJs remain unconstitutionally appointed principal officers because they can issue final written decisions on behalf of the Executive Branch. Eliminating APJs' tenure protections does not alter their ability to issue the Executive Branch's final word on a particular decision.

Second, the Federal Circuit's remedy is contrary to Congress's intent in enacting the AIA. Congress typically provides administrative judges tenure protections to ensure impartial adjudications. These protections were especially important to Congress in crafting the AIA. Congress sought for valuable patent rights to be adjudicated before an impartial judge. The court of appeals' remedy undermines that impartiality while still allowing APJs to issue the final word of the Executive Branch.

Third, severance was improper here as it required the court of appeals to engage in judicial policymaking. This Court employs a presumption in favor of severability as it typically permits courts to avoid judicial policymaking. But here, there are many divergent ways Congress could remedy the AIA. Congress could elevate APJs to serve as presidentially appointed and Senate-confirmed principal officers. Or Congress could choose any number of ways to ensure that the Director possesses sufficient supervision and control over APJs. This policy choice should be made by Congress, not the federal judiciary.

The court of appeals' use of application severability compounds this problem. Congress has never enacted a tenure provision specific to APJs, and thus, there was no statutory text the court of appeals actually severed.

Instead, the court invalidated Title 5 tenure protections as applied to APJs. Application severability necessarily involves judicial line-drawing that should be avoided. Ultimately, severance is improper here as it would force the judiciary to choose from a variety of policy options without any guidance from Congress.

ARGUMENT

I. APJs Are Unconstitutionally Appointed Principal Officers

APJs are unconstitutionally appointed principal officers. When APJs, serving on a panel of the Board, issue a decision in a patent proceeding, that is the final determination of the Executive Branch. For that reason alone, they cannot be regarded as inferior officers. But in addition, APJs are also not subject to enough control to render them subordinate to any principal officer. APJs enjoy a significant level of independence from the Secretary of Commerce and the USPTO Director, all the while making decisions that are unreviewable within the Executive Branch. They are not inferior to any principal officer. Rather, they themselves are principal officers, and their appointment by the Secretary of Commerce violates the Appointments Clause.

A. Under the Appointments Clause, Inferior Officers Must Be Subordinate to a Principal Officer.

“Liberty requires accountability.” *Assoc. of Am. R.Rs.*, 575 U.S. at 57 (Alito, J., concurring). The Appointments Clause protects both. The Appointments Clause is one of the “significant structural safeguards of the constitutional scheme,” maintaining a strict

requirement of presidential appointment and Senate confirmation for principal officers. *Edmond*, 520 U.S. at 659.

In order for this constitutional safeguard to function, the distinction between principal and inferior officers must be respected. Appointing principal executive officers as if they were inferior not only robs the President and Senate of their constitutional prerogative to appoint such officers, but also undermines the hierarchical structure of the Executive Branch. In doing so, it vitiates public accountability for Executive Branch decisions, creating unelected officers answerable neither to the President nor to the principal officers the President appoints. To prevent this, the Appointments Clause allows flexibility for appointing only inferior officers, since they are subordinate to principal officers in whom both the President and the Senate have placed their trust.

1. Inferior Officers Are Officers Subordinate to a Principal Officer.

Recognizing the important values protected by the Appointments Clause, this Court takes special care to enforce the distinction between inferior and principal officers. See *N.L.R.B.*, 137 S. Ct. at 945-49 (Thomas, J., concurring); *Assoc. of Am. R.Rs.*, 575 U.S. at 64-66 (Alito, J., concurring); *Free Enter. Fund*, 561 U.S. at 510; *Edmond*, 520 U.S. 651; *Weiss v. United States*, 510 U.S. 163, 182-94 (1994) (Souter, J., concurring); *Morrison v. Olson*, 487 U.S. 654 (1988). In doing so, this Court has relied on the simple fact that “whether one is an ‘inferior’ officer depends on whether he has a superior.” *Edmond*, 520 U.S. at 662.² Inferior officers

² In *Morrison v. Olson*, the Court concluded that an independent counsel under the Ethics in Government Act of 1978 was an

are “officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” *Id.* at 663. That is, in order to be inferior an officer must be subordinate to a principal officer.

This understanding follows directly from the original public meaning of “inferior,” the context of the Appointments Clause, and usage of the term “inferior” elsewhere in the Constitution. As Justice Scalia noted in his *Morrison* dissent, dictionaries from the time of the founding define “inferiour” as meaning either “lower in place, . . . station, . . . rank of life, . . . value or excellency,” or “subordinate.” *Morrison*, 487 U.S. at 719 (Scalia, J., dissenting) (quoting S. Johnson, *Dictionary of the English Language* (6th ed. 1785)). See also *N.L.R.B.*, 137 S. Ct. at 947 (Thomas, J., concurring).

inferior officer based not on a subordinate relationship to a principal officer, but on four factors: the independent counsel’s limited tenure, limited jurisdiction, limited duties, and removability. That opinion, however, explicitly disclaimed setting forth a test for inferior officer status. See *Morrison*, 487 U.S. at 671 (“We need not attempt here to decide exactly where the line falls between the two types of officers.”). *Morrison* was, by its own terms, limited to the facts of the case. By contrast, *Edmond* establishes a general test for inferior officer status. See *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.”) (emphasis added). And it is that test that this Court has followed and applied in subsequent cases. See *N.L.R.B.*, 137 S. Ct. at 945–49 (Thomas, J., concurring); *Assoc. of Am. R.Rs.*, 575 U.S. at 64–66 (Alito, J., concurring); *Free Enter. Fund*, 130 S. Ct. 3138. As Justice Thomas has put it, “it is difficult to see how *Morrison*’s nebulous approach survived our opinion in *Edmond*.” *N.L.R.B.*, 137 S. Ct. at 947 n.2 (Thomas, J., concurring). To the extent that the *Morrison* factors have any bearing on this case, they would weigh in favor of principal officer status as APJs are not comparably limited in tenure, jurisdiction, or duties as the independent counsel was.

The context of the Appointments Clause, concerned with organizational structure, relative hierarchy, and “political accountability relative to important government assignments,” clearly favors the latter definition. *Edmond*, 520 U.S. at 663.

Usage of the term “inferior” elsewhere in the Constitution confirms this interpretation. Article III vests the judicial power in “one supreme Court” and other “inferior Courts” established by Congress. U.S. Const. art. III, § 1. Article I similarly refers to Congress’s ability to “constitute Tribunals inferior to the supreme Court.” U.S. Const. art. I, § 8, cl. 9. “Supreme” and “inferior” describe a relationship of hierarchy. “Inferior” courts are not vaguely lesser in stature, but rather subordinate to the court that is “supreme.” See Steven G. Calabresi & Gary Lawson, *The Unitary Executive, Jurisdiction Stripping, and the Hamdan Opinions: A Textualist Response to Justice Scalia*, 107 Colum. L. Rev. 1002, 1021–22 (2007). Likewise, inferior officers in the Appointments Clause are inferior insofar as they are subordinate to principal officers.

2. *Subordination Requires Sufficient Control of Inferior Officers and Review of Their Decisions*

In *Edmond*, this Court evaluated whether judges of the Coast Guard Court of Criminal Appeals were inferior or principal officers, giving the Court’s fullest explanation of when an officer is inferior. *Edmond* and its progeny demonstrate that this Court answers that inquiry by examining two relevant ways in which an officer can be subordinate to a superior: whether the officer’s decisions are subject to a superior’s review, and whether the officer is sufficiently supervised or

controlled by a superior, including through the power of removal.

The *Edmond* Court began its analysis by recognizing that the Judge Advocate General had “administrative oversight over the Court of Criminal Appeals,” through formulating policies and setting procedural rules. *Edmond*, 520 U.S. at 664. Alongside these methods of oversight, the Court also emphasized the Judge Advocate General’s ability to remove judges without cause. *Ibid.* Next, the Court considered the ability of the Court of Appeals for the Armed Forces to review decisions of the Court of Criminal Appeals, finding significant the fact that “the judges of the Court of Criminal Appeals have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Id.* at 665.

In distinguishing the Coast Guard judges from the Tax Court judges that were at issue in *Freytag v. Commissioner*, 501 U.S. 868 (1991), the *Edmond* Court reiterated and clarified these two factors: “First, there is no Executive Branch tribunal comparable to the Court of Appeals for the Armed Forces that reviews the work of the Tax court . . . And second, there is no officer comparable to a Judge Advocate General who supervises the work of the Tax Court.” *Id.* at 666.

Subsequent cases applying *Edmond* similarly look both to review of an officer’s decisions and supervision of an officer’s work. In *Free Enterprise Fund*, this Court briefly concluded that members of the Public Company Accounting Oversight Board were inferior officers, “given that the [Securities and Exchange] Commission is properly viewed . . . as possessing the power to remove Board members at will, and given the Commission’s other oversight authority.” *Free Enter. Fund*, 561 U.S. at 510. The “other oversight authority”

described in that opinion included, crucially, the SEC’s review of all rules and sanctions issued by the Board. *Id.* at 486. And in *N.L.R.B. v. SW General, Inc.*, Justice Thomas concluded that the general counsel of the NLRB was likely a principal officer because “the general counsel’s prosecutorial decisions [were] unreviewable,” and because the Board lacked “the power to remove him or otherwise generally to control his activities.” *N.L.R.B.*, 137 S. Ct. at 948 (Thomas, J., concurring).

Together, then, these two forms of oversight—review of an officer’s decisions and supervision or control of an officer’s work—are what determine whether an officer is inferior. Given the hierarchical structure contemplated by the Appointments Clause, it is clear that both forms are necessary. An officer whose decisions are not subject to any review cannot be regarded as properly subordinate to any other officer. *Cf. Assoc. of Am. R.Rs.*, 575 U.S. at 64 (Alito, J., concurring) (“Inferior officers can do many things, but nothing final should appear in the Federal Register unless a Presidential appointee has at least signed off on it.”). And likewise, an officer who is unremovable or whose conduct is uncontrollable could not be said to be subordinate to any superior. In other words, for an officer to be inferior, the Constitution demands sufficient oversight both over decisions and over the decision maker.

B. APJs Are Subordinate to No Principal Officer

1. No Principal Officer Can Review and Reverse the Final Determinations of APJs

The Patent Trial and Appeal Board hears various patent matters in panels of at least three, designated

by the Director. 35 U.S.C. § 6(c). In all of these proceedings, APJs can render final decisions appealable only to an Article III court. See 35 U.S.C. § 141. The Board can also choose to grant a rehearing of its own decision, see 35 U.S.C. § 6(c), but this again results in a final decision made by the Board. As members of the Board, APJs are empowered by statute to make these final determinations of the Executive Branch, and for this reason alone they cannot be inferior officers.

When inventors press their patent claims all the way through the various layers of examination and review at the USPTO, their claims before the Executive Branch end with the final decision of the Board. After an inter partes review decision, parties may appeal to the Federal Circuit, but otherwise the AIA mandates that the Director “*shall* issue and publish” a certificate effectuating the Board’s decision. 35 U.S.C. § 318(b) (emphasis added). In the structure created by the AIA, it is APJs—officers who have been neither nominated by the President nor approved by the Senate—who make the Executive Branch’s final determination as to the patents on which individual and company fortunes can depend.

This is utterly unlike the power wielded by officers this Court has recognized as inferior. In *Edmond*, this Court concluded that judges of the Coast Guard Court of Criminal Appeals were inferior officers in large part because the Court of Appeals for the Armed Forces could review and reverse their decisions. See *Edmond*, 520 U.S. at 664–65. Unlike APJs, the Coast Guard judges could not independently “render a final decision on behalf of the United States.” *Id.* at 665. In *Free Enterprise Fund*, members of the Public Company Accounting Oversight Board were held to be inferior officers in part because the SEC had the power “to

review any Board rule or sanction.” *Free Enter. Fund*, 561 U.S. at 489. The special trial judges that were at issue in *Freytag*, too, lacked the power wielded by APJs. Although the Tax Court can authorize special trial judges to render decisions in certain kinds of proceedings, this is always “subject to such conditions and review as the court may provide.” 26 U.S.C. § 7443A(c).

Unlike any of these inferior officers, APJs possess the statutory authority to render final Executive Branch decisions, a power this Court has repeatedly identified as a hallmark of principal officer status. See *N.L.R.B.*, 137 S. Ct. at 948 (Thomas, J., concurring); *Assoc. of Am. R.Rs.*, 575 U.S. at 64 (Alito, J., concurring); *Edmond*, 520 U.S. at 665. Indeed, the Executive Branch itself has operated on the same understanding. The Office of Legal Counsel has cautioned that if an inferior officer were to render the final decisions of an executive department, it would “raise serious questions under the Appointments Clause.” Secretary of Education Review of Administrative Law Judge Decisions, 15 Op. O.L.C. 8 (1991).

The government, recognizing the problem a lack of review poses to their theory of APJs as inferior officers, has offered various substitutes for actual review of APJ decisions. But none of these workarounds can change the fact that APJ decisions are final.

First, the Director has the authority to decide whether to institute inter partes review, post-grant review, and derivation proceedings in the first place—though the Director has delegated this authority to the Board by regulation. 35 U.S.C. §§ 135(a), 314, 324; 37 C.F.R. § 42.4(a). The ability to decide whether to have a hearing, however, is simply not the ability to review the decision that results from one. When a hearing

progresses to a final Board decision, the Director's power to institute is of no avail in reviewing or reversing that decision. Moreover, even if this were countenanced as a form of review, the Director does not have this power with regard to *ex parte* appeals. 35 U.S.C. § 134. The Director's ability to decide whether to institute some, but not all, of the proceedings heard by APJs in no way allows the Director to review APJ decisions.

After APJs have rendered their final decision, the Director can intervene in an appeal of their decision to the Federal Circuit. 35 U.S.C. § 143. In other words, the Director can ask another body to overturn the decision, only after it has already become the final decision of the Executive Branch, and only when a party decides to seek judicial review. The Director can also designate or de-designate a Board decision as precedential, unilaterally or through a Precedential Opinion Panel. See Patent Trial and Appeal Board, Standard Operating Procedure 2, at 1, 11 n.4. Once again, this is not review of the relevant decision. It may affect the weight a decision has for future proceedings, but does nothing to alter the result in the case at hand.

The closest the Director comes to a power to review APJ decisions is through involvement in the Board's rehearing of its own proceedings. According to the USPTO, the Director has the power, "in his or her sole discretion," to convene a panel to decide whether to rehear a decision. Patent Trial and Appeal Board, Standard Operating Procedure 2, at 5. Even assuming the Director has this additional power,³ this gives the

³ The relevant text of the AIA is as follows: "Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the

Director only one vote on a panel of at least three. The Director can hope that another Board member will share his desire to rehear, but cannot himself make the rehearing decision.

If the Director wants to review a Board decision, and is fortunate enough for the Board to decide to grant a rehearing, what then? Can the Director review and potentially reverse the original Board decision? In short, no. The Director designates who serves on Board panels, including the panels that conduct rehearings. See 35 U.S.C. § 6(c). The government relies on this authority as a way of controlling the result of the rehearing. But the power to designate is not the power to decide. *Cf.* Gary Lawson, *Appointments and Illegal Adjudication: The America Invents Act Through a Constitutional Lens*, 26 *Geo. Mason L. Rev.* 26, 59 (2018) (“The power to pick panels is not the power to decide.”). The Director can only assemble a panel of inferior officers and then hope that they will arrive at a particular decision. And even if the Director’s hope is not in vain, and a Board panel arrives at the desired conclusion, it is still the panel making that final decision—a panel in which the Director wields at most one vote out of three.

Patent Trial and Appeal Board may grant rehearings.” 35 U.S.C. § 6(c). The statute clearly distinguishes the power of the Director to designate panels of the Board for specific proceedings from the power of the Board itself to grant rehearings. The Director is one member of the Board, but it is not up to the sole discretion of the Director—or of any panel the Director may designate—to grant a rehearing. Only the Board as a whole can make that decision. *Cf. In re Alappat*, 33 F.3d 1526, 1583–84 (Fed. Cir. 1994) (Schall, J., dissenting) (interpreting a similar provision governing the Board of Patent Appeals and Interferences). Properly construed, then, the AIA gives the Director only one vote out of many when the Board as a whole decides whether to rehear a proceeding.

The Director’s ability to designate, *ex ante*, the members of a rehearing panel, is not the ability to determine the ultimate outcome of that rehearing. It is not, in other words, a form of review. In fact, trying to make it into one would generate significant due process problems. An impartial tribunal is a fundamental and basic element of a hearing that complies with due process. See, *e.g.*, *Peters v. Kiff*, 407 U.S. 493, 501 (1972) (“Due process requires a competent and impartial tribunal in administrative hearings.”); *Goldberg v. Kelly*, 397 U.S. 254, 271 (1970) (“[A]n impartial decision maker is essential.”). And stacking a rehearing panel to the extent that it is certain to result in a preordained decision is about as partial as one can imagine. *Cf. Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd.*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring) (questioning the propriety of “expanding panels where the PTO is dissatisfied with a panel’s earlier decision”); *In re Alappat*, 33 F.3d 1526, 1532 n.4 (Fed. Cir. 1994) (noting that the Director’s designation authority is constrained by due process). The Director of course has some ability to shape rehearing panels as he sees fit, but that ability cannot constitutionally rise to the level of predetermining the panel’s ultimate decision before it hears any evidence—in other words, the level it would need to rise to in order to become a form of review.

In sum, no amount of creative implementation can escape the plain text of the statute. In proceedings like the *inter partes* review of Arthrex’s patent, APJ decisions are the final word of the Executive Branch. In this case, it was a panel of three APJs who issued the Executive Branch’s final word on Arthrex’s ‘907 patent. The Director does not review Board decisions; rather, final Board decisions bind the Director. As long as the Federal Circuit does not overturn a Board decision, the

AIA mandates that the Director “shall issue and publish a certificate” effectuating it. 35 U.S.C. § 318(b). The fact that APJs are able to render final decisions of the Executive Branch, subject to no review by a principal officer, means that they cannot be inferior officers.

2. *No Principal Officer Exercises Sufficient Control over APJs.*

In evaluating an officer’s status under the Appointments Clause, this Court also looks to whether the officer is subject to the supervisory control of a principal officer. In this case, the forms of control that principal officers exercise over APJs fall well short of the level that has previously identified inferior officers. The Secretary’s ability to remove APJs is significantly constrained, in stark contrast to the at-will removal present in *Edmond*, *Free Enterprise Fund*, and *Freytag*.

In *Edmond*, this Court examined the degree to which the Judge Advocate General exercised control over Coast Guard Court of Criminal Appeals judges, considering administrative oversight, the formulation of policy, and the establishment of procedural rules. *Edmond*, 520 U.S. at 664. Above all, however, the Court emphasized the “powerful tool for control” that is removal without cause. *Ibid.* Similarly, in *Free Enterprise Fund*, the Court’s conclusion that Public Company Accounting Oversight Board members were inferior officers depended heavily on the SEC’s ability to “remove Board members at will.” *Free Enter. Fund*, 561 U.S. at 510. The special trial judges recognized as inferior officers in *Freytag* were also removable without cause. See, e.g., *First W. Gov’t Sec. Inc. v. Comm’r*, 94 T.C. 549, 558 (1990). At-will removal is not always

required for inferior officers, but a weaker removal power must be counterbalanced by other, stronger forms of control. Tenure protections may be appropriate, for example, for an inferior officer whose decisions are subject to robust review by superiors. No such review exists for APJs.

Removal without cause has typically been important to this Court's analysis because, where appropriate, it is such an effective tool of control. Not only does it allow a superior to remove an insubordinate inferior swiftly and with great flexibility, but the possibility of such removal also operates as a strong form of ex ante control. An officer subject to discretionary removal by a superior will take care to follow that superior's direction. Cf. Neomi Rao, *Removal: Necessary and Sufficient for Presidential Control*, 65 Ala. L. Rev. 1205, 1228 (2014) ("Without any action on the President's part, officers subject to removal by the President will be encouraged to exercise their discretion in line with the President's policies."). By contrast, the more an officer's tenure is protected, the more independence they will exercise and the less accountable they will be to a superior.

No principal officer can remove APJs without cause. The AIA specifies that USPTO officers and employees are "subject to the provisions of title 5," 35 U.S.C. § 3(c), which allows removal only "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). To satisfy this standard, the Secretary would have to show that an APJ's "misconduct is likely to have an adverse impact on the agency's performance of its functions." *Brown v. Dep't of Navy*, 229 F.3d 1356, 1358 (Fed. Cir. 2000). Potentially more important, though, is that this standard brings with it significant procedural roadblocks to removal. An APJ whom the Secretary

attempts to remove for a reason that falls within the “efficiency of the cause” standard is entitled to thirty days’ advance notice, an opportunity to respond with the representation of counsel, and a written removal decision with specific reasons supporting the decision. 5 U.S.C. § 7513(b). An APJ can also then appeal to the Merit Systems Protection Board for review of the decision. 5 U.S.C. § 7513(d). This lengthy process does not resemble the swift, flexible, and discretionary ability to remove an inferior without cause. It is far from that “powerful tool for control” that was present in *Edmond*, in *Free Enterprise Fund*, and in *Freytag*.

In order to compensate for the lack of removal without cause, the government emphasizes the Director’s power to designate Board panels, and the hypothetical ability to decline to designate an APJ to any panel. In practice, this is not how the Director exercises the designation power. Designation decisions are based on various factors including balancing the workloads of different APJs, avoiding conflicts of interest, matching APJs to proceedings calling for their particular technical expertise, and paneling new APJs alongside experienced ones. See Patent Trial and Appeal Board, Standard Operating Procedure 1, at 3–4, 6–8. The Director’s authority to designate panels is conditioned by the need to balance these competing concerns in assigning “thousands of cases each year” to Board members. *Id.* at 1.

Even if the Director eschewed such procedures, though, misusing the designation power to keep a particular APJ from serving on panels is not removal. Removal is a powerful tool of control in part because it is a one-time, final decision. The Director’s decision not to designate, by contrast, would have to be made again and again, always subject to reconsideration. In addition, this form of ersatz removal would necessitate

tying the Director's hands in terms of the ability to select panels from the entire pool of APJs—not to mention expending resources to pay APJs who are kept from serving on panels. Since this would be so inefficient and impractical, it is unlikely to occur in practice and cannot be as effective as removal at ensuring control over APJs.

Limits on the removal of APJs also weaken the Director's ongoing supervision of active APJs. The potential of removal without cause gives force to a superior's guidelines—it is an incentive to follow such directives carefully, by virtue of creating a serious consequence for failing to do so. By contrast, a heavily constrained removal power weakens the effect of the Director's supervisory powers over APJs. These diminished powers fall short of the supervision needed to make APJs properly subordinate to the Director.

In *Edmond* and *Free Enterprise Fund*, this Court considered forms of administrative oversight, procedural direction, and policy guidance as effective forms of control only in the context of potential removal without cause. See *Free Enter. Fund*, 561 U.S. at 510; *Edmond*, 520 U.S. at 664. In this case, the Director has the former, but no officer has the latter. The Director has general administrative oversight over APJs, can set procedural regulations for their work, and can establish policy and precedents for APJs to follow. See *Arthrex*, 941 F.3d at 1331–32. But without a broad, flexible removal authority to lend teeth to such powers, these loose forms of supervision are not sufficient to make APJs properly subordinate to the Director. Especially in the highly fact-dependent context of reviewing patent claims, there is enormous discretion in deciding how to apply broad policies and old precedents to new cases. And the Secretary's removal power is too highly constrained to ensure that APJs

will align their use of discretion with the goals of their superiors.

Administrative oversight, procedural direction, and policy guidance were not by themselves sufficient to render officers inferior in *Edmond* and *Free Enterprise Board*. Nor are they enough here. APJs are not subject to the level of supervisory control that was present in those cases.

No principal officer has the power to review APJ decisions, and no principal officer has sufficient control over APJs to render them subordinate. Under the AIA, officers neither appointed by the President nor confirmed by the Senate exercise significant autonomy and discretion in giving the Executive Branch's final word on contested applications of patent law. This means that neither the Director, nor the Secretary, nor even the President can properly be held accountable for APJ decisions. None of them can reverse final APJ decisions, and the President does not even nominate the officers who make those decisions. In thwarting the hierarchical structure of the Executive Branch, this arrangement vitiates political accountability for government decisions that can make or break the fortunes of inventors, companies, and whole industries. It is that accountability that the Appointments Clause is designed to protect, and the appointment of APJs currently violates that structural safeguard of our Constitution.

II. The Federal Circuit's Remedy Is Improper

The Federal Circuit correctly held that APJs are unconstitutionally appointed principal officers. However, the court of appeals erred in severing Title 5 tenure protections as applied to APJs. Although this

Court “presumes that an unconstitutional provision in a law is severable,” *Barr v. Am. Ass’n of Pol. Consultants, Inc.*, 140 S. Ct. 2335, 2350 (2020), severance is impermissible unless the remaining statutory text is “(1) constitutionally valid, (2) capable of ‘functioning independently,’ and (3) consistent with Congress’ basic objectives in enacting the statute,” *United States v. Booker*, 543 U.S. 220, 258–59 (2005) (internal citations omitted). The court of appeals’ remedy is inappropriate for three reasons: first, the AIA is still not “constitutionally valid” as APJs remain unconstitutionally appointed principal officers with the power to issue final written decisions. Second, stripping APJs’ tenure protections is improper as these protections were essential to Congress’s core objectives in enacting the AIA. Finally, severance required the Federal Circuit to engage in a policy choice between various divergent remedies. Congress, not the federal judiciary, should determine which remedy is preferred.

A. The Federal Circuit’s Remedy Does Not Leave the AIA Constitutionally Valid

1. Administrative Patent Judges Remain Principal Officers, Even Without Tenure Protections

“Before severing a provision and leaving the remainder of a law intact, this Court must determine that the remainder of the statute is ‘capable of functioning independently’ and thus would be ‘fully operative’ as a law.” *Am. Ass’n of Pol. Consultants, Inc.*, 140 S. Ct. 2335 (2020) (quoting *Seila L. LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2209 (2020)).

Here, the remaining law cannot function independently because APJs remain unconstitutionally appointed principal officers. Even under the Federal Circuit's remedy, APJs will continue to issue final written decisions that revoke valuable property rights. Because "anyone who has the last word in the executive department on a matter of federal law is, of necessity, a principal officer," the court of appeals' remedy is no remedy at all. Lawson, *supra*, at 30.

This Court has frequently recognized that principal officer review of administrative judges is essential to their inferior status. See, e.g., *Ass'n of Am. Railroads*, 575 U.S. at 64 (Alito, J., concurring). The *Edmond* Court noted that a principal officer's control over an administrative judge is "not complete" without the "power to reverse decisions." *Edmond*, 520 U.S. at 664; see also Kent Barnett, *Resolving the ALJ Quandary*, 66 Vand. L. Rev. 797, 813 (2013) (noting that if "ALJs [had] the power to issue final decisions, they well could be transformed into principal officers.").

Under the court of appeals' remedy, neither the Director nor any other principal executive officer can review APJ decisions. Only the Board can grant rehearing. 35 U.S.C. § 6(c). And only the Federal Circuit can review appeals. 35 U.S.C. § 141. Ultimately, the Director still cannot "review, nullify or reverse a final written decision issued by a panel of APJs." *Arthrex*, 941 F.3d at 1329.

This Court has recognized that "the most telling indication of [a] severe constitutional problem" may be "the lack of historical precedent for [an] entity." *Free Enterprise Fund*, 561 U.S. at 505. The structure adopted by the Federal Circuit, in which inferior administrative judges issue the final word of the Executive Branch, is one this Court has never permitted. If APJs are to be inferior officers, they must

“have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Edmond*, 520 U.S. at 665. The court of appeals’ remedy does not cure the AIA’s constitutional infirmities.

2. *The Federal Circuit’s Remedy Creates New Constitutional Concerns*

This Court presumes that “Congress did not intend the alternative which raises serious constitutional doubts.” *Clark v. Martinez*, 543 U.S. 371, 381 (2005). Thus, courts should avoid remedies that “would likely raise independent constitutional concerns whose adjudication is unnecessary to decide this case.” *United States v. Nat’l Treasury Emps. Union*, 513 U.S. 454, 479 (1995). The Federal Circuit’s remedy, allowing for Director interference in agency adjudications, will surely raise serious due process concerns. Congress cannot be presumed to have desired a structure that would permit significant political interference in a formerly impartial adjudication.

A patent is private property that “confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation.” *James v. Campbell*, 104 U.S. 356, 358 (1882). In *Edmond*, even while emphasizing the importance of principal officer control, this Court assumed that such control would never rise to the level of “influenc[ing] (by threat of removal or otherwise) the outcome of individual proceedings.” *Edmond*, 520 U.S. at 664. Cf. Martin H. Redish & Lawrence C. Marshall, *Adjudicatory Independence and the Values of Procedural Due Process*, 95 Yale L.J. 455, 504 (1986) (“[D]ue process is inadequately protected when an individual must

depend on an adjudicator who lacks salary and tenure protection . . . to protect an entitlement to a life, liberty, or property interest.”).

The Executive Branch can use the removal power as a powerful tool of control so long as it is not used to unduly influence the outcomes of particular adjudications. But absent executive review of APJ decisions, that is the exact role the Federal Circuit’s remedy is asking at-will removal to play. As this Court has frequently recognized, “[a] fair trial in a fair tribunal is a basic requirement of due process.” *In re Murchison*, 349 U.S. 133, 136 (1955).

The Federal Circuit suggests that, under its remedy, the Director possesses the power to place enormous pressure on APJs to rule in a particular way through the issuance of guidance and his newfound ability to terminate APJs at will. If true, this indicates that individuals’ valuable property rights may be adjudicated in a manner inconsistent with the Due Process Clause.

“We sometimes take it for granted today that independent judges will hear our cases and controversies. But it wasn’t always so.” *Oil States Energy Servs., LLC*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting). Because the court of appeals’ remedy will require this Court to confront yet another potential constitutional infirmity, this Court should reject the court of appeals’ decision to sever Title 5 protections as applied to APJs.

B. Stripping APJs’ Tenure Protections Is Contrary to Congress’s Objectives in Enacting the AIA

A court “cannot rewrite a statute and give it an effect altogether different from that sought by the

measure viewed as a whole.” *Murphy v. Nat’l Collegiate Athletic Ass’n*, 138 S. Ct. 1461, 1482 (2018). And the remaining statutory text “must function in a manner consistent with Congress’ intent.” *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 678 (1987). Congress has historically understood that administrative judges require tenure protections. And the Congress that enacted the AIA was no exception: one of their major goals in modifying inter partes review was to create a system where independent judges could adjudicate valuable property rights. The court of appeals’ remedy is improper as it directly undermines Congress’s intent in enacting the AIA.

1. Congress Has Historically Understood the Need for Tenure Protections for Administrative Judges

During the first Congress, Representative John Vining recognized that Department Heads should be removable by the President because “the best principle is, that he who is responsible for the conduct of the officer, ought to have the power of removing him. 1 Annals of Cong. 483 (1789) (statement of John Vining) (Joseph Gales ed., 1834). But this principle did not apply to executive officers with adjudicative functions. For example, James Madison suggested that the Comptroller of the Treasury deserved some type of tenure protection as the Comptroller “partakes strongly of the judicial character, and there may be strong reasons why an officer of this kind should not hold his office at the pleasure of the Executive branch.” *Id.* at 636. And Representative William Smith argued that the Comptroller of the Treasury “ought to be independent of the Executive, in order that he might not be influenced by that branch of the Government in his decisions.” *Id.* at 637.

This view has persisted throughout the nation's history. Under the current standard administrative model, agency heads "have the authority to reverse ALJs' decisions in full," but "have a circumscribed ability to discipline and remove ALJs." Barnett, *supra*, at 807; see also Rao, *supra*, at 1249 (noting that "presidents have not historically asserted the authority to remove adjudicators at will and this longstanding and largely unquestioned understanding has developed into a very strong convention"). Tenure protections for ALJs can be beneficial to the President because "[i]f the President seeks to regulate through impartial adjudication, then insulation of the adjudicator from removal at will can help him achieve that goal." *Free Enter. Fund*, 561 U.S. at 522 (Breyer, J., dissenting).

Congress reinforced this view in adopting the Administrative Procedure Act. Through the APA, Congress sought "to render examiners independent and secure in their tenure and compensation." S. Rep. No. 79-752, sec. 11 at 215 (1945). And today, "[t]he substantial independence that the Administrative Procedure Act's removal protections provide to administrative law judges" continues to be "a central part of the Act's overall scheme." *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2060 (2018) (Breyer, J., concurring in part).

This history demonstrates that Congress has understood that executive review of ALJ decisions, rather than at-will removal, is the standard way for principal officers to supervise ALJs. "This procedural format ensures that the evidentiary facts will be found in the first instance by an official who is not subject to the agency's control. At the same time, it ensures that the agency retains full control over policy—a power it can exercise when it performs its review." Daniel J.

Gifford, *Federal Administrative Law Judges: The Relevance of Past Choices to Future Directions*, 49 Admin. L. Rev. 1, 9 (1997).

The Court of appeals should not have struck APJs' tenure protections because "striking the removal provisions would lead to a statute that Congress would probably have refused to adopt." *Bowsher v. Synar*, 478 U.S. 714, 735 (1986).

2. Tenure Protections Were Critical to Congress's Goals in Enacting the AIA

By eliminating tenure protections for APJs, the court of appeals reconstituted the AIA so that it no longer "function[s] in a manner consistent with Congress' intent." *Alaska Airlines, Inc.*, 480 U.S. at 678. "Removal protections for administrative judges have been an important and longstanding feature of Congressional legislation, and this protection continued to be an important feature of the AIA enacted in 2011." *Arthrex, Inc.*, 953 F.3d at 769 (Hughes, J., dissenting). Providing the Director the power to terminate APJs at will is directly contrary to Congress's "overarching purpose" of the AIA: "to create a patent system that is clearer, fairer, more transparent, and more objective." 157 Cong. Rec. 12,984 (2011) (statement of Sen. Kyl).

Through the AIA, Congress sought to "convert[] inter partes reexamination from an examination to an adjudicative proceeding." H.R. Rep. No. 112-98, pt. 1, at 46 (2011). To accomplish this, the AIA created "an adversarial process before the Patent Office that mimics civil litigation." *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). For example, litigants undertake discovery, submit written briefs, and present oral argument to APJs. 35 U.S.C. § 316(a). And the USPTO

itself refers to an inter partes proceeding as a “trial.” 37 C.F.R. § 42.100(a). Congress has long understood that by ensuring that Board members “may not be removed from office, except for cause,” Congress “insulate[d] these quasi-judicial officers from outside pressures and preserve[d] integrity within the application examination system.” H.R. Rep. No. 104-784, at 32 (1996). Congress intended for APJs to mirror trial courts in substantive ways and Congress would not have enacted the AIA without the tenure protections that were necessary to ensure APJ impartiality.

The statutory structure created by the AIA confirms that Congress intended for the Board to be independent. The Board sits as a panel of at least three members, 35 U.S.C. § 6(c), and Board decisions are only appealable to the Federal Circuit. 35 U.S.C. § 141. Congress intentionally crafted a statutory scheme in which valuable patent rights were subject to impartial adjudication. Permitting the Secretary to terminate any APJ who does not fully comport with the Secretary’s preferred outcome is directly contrary to Congress’s intent in enacting the AIA.

The court of appeals panel below concluded that Congress “would have preferred a Board whose members are removable at will rather than no Board at all.” *Arthrex, Inc.*, 941 F.3d at 1337–38. The court reached this conclusion by analogizing this case to *Free Enterprise Fund*, where this Court “invalidated and severed the problematic ‘for-cause’ restriction from the statute rather than holding the larger structure of the Public Company Accounting Oversight Board unconstitutional.” *Arthrex, Inc.*, 941 F.3d at 1337. But *Free Enterprise Fund* is materially different from this case.

In *Free Enterprise Fund*, the PCAOB members promulgated auditing rules and conducted enforcement proceedings. 561 U.S. at 485. Unlike administrative law judges, Congress does not typically grant tenure protections to officers who exercise broad rulemaking and enforcement powers because doing so would undermine the political accountability of agency heads. See *Seila Law*, 140 S. Ct. at 2201–2203. In *Free Enterprise Fund*, severing the tenure protections was congruent with how Congress typically structures officers with rulemaking and enforcement powers. But here, the court of appeals created an adjudicative structure that does not exist anywhere in the administrative state: administrative judges with no tenure protection who can issue unreviewable final decisions on behalf of the Executive Branch. Congress may want to adopt this entirely unique structure for APJs, and maintain APJs’ status as principal officers. But it should be Congress’s decision, not the judiciary’s, to undertake such a novel administrative structure.

APJs adjudicate valuable property rights that can be worth billions of dollars. Congress clearly intended for APJs to possess tenure protections which have long been understood to be essential to impartial adjudication. Ultimately, “[b]y eliminating Title 5 removal protections for APJs,” the court of appeals “perform[ed] major surgery to the statute that Congress could not possibly have foreseen or intended.” *Arthrex, Inc.*, 953 F.3d at 769 (Dyk, J., dissenting).

C. Severability Here Was Improper as It Required the Federal Circuit to Engage in Judicial Policymaking

1. *There Are Many Divergent Ways Congress Could Remedy the AIA*

Aside from the problems with the particular remedy the court of appeals adopted, severance of any kind is improper here because there are a number of divergent ways Congress could remedy the unconstitutionality of the AIA. Congress could choose to promote ALJs to be presidentially appointed and Senate-confirmed principal officers, as examiners-in-chief historically were. Or Congress could choose to subordinate APJs and ensure they are supervised and controlled by a principal officer. Further complicating this issue is that APJs are principal officers not because of any one provision, but because multiple statutes work together to limit the Director's supervision and control of APJs. Choosing among a wide variety of divergent policy options is a decision that Congress, not unelected judges, should make.

First, Congress, not the judiciary, should decide whether to elevate or subordinate APJs. Choosing between these alternatives necessarily requires judicial lawmaking that should be avoided. This Court has recognized that severance may be improper when doing so would require the Court to “foresee which of many different possible ways [the legislature] might respond to the constitutional objections.” *Randall v. Sorrell*, 548 U.S. 230, 233 (2006). And in *Free Enterprise Fund*, this Court refused to “blue-pencil a sufficient number of the Board’s responsibilities” because “such editorial freedom—far more extensive than our holding today—belongs to the Legislature, not the Judiciary.” *Free Enter. Fund*, 561 U.S. at 509–10; see also *Bowsher*, 478 U.S. at 734–35 (recognizing that severance may be improper when it “would require this Court to undertake a weighing of the importance Congress attached to the removal provisions” against other

provisions in the statute). The decision of whether APJs should be principal or inferior officers is a significant policy decision that should be made by Congress.

Even if this Court assumed that Congress intended for APJs to be inferior officers, the Federal Circuit still engaged in judicial policymaking in selecting how to increase the Director's oversight and control over APJs. APJs are unconstitutionally appointed principal officers not because of any single provision within the AIA, but because of the interaction of multiple statutory provisions that limit the Director's authority over APJs.

The justification for the presumption in favor of severability is that “the presumption manifests the Judiciary's respect for Congress's legislative role by keeping courts from unnecessarily disturbing a law apart from invalidating *the provision* that is unconstitutional.” *Am. Ass'n of Pol. Consultants, Inc.*, 140 S. Ct. at 2351 (emphasis added). But when the constitutionality of a statute is dependent not on “the provision,” but on multiple provisions, the judiciary must choose a remedy “based on nothing more than speculation as to what the Legislature would have preferred. And the result of its choice can have a dramatic effect on the governing statutory scheme.” *Seila Law*, 140 S. Ct. at 2224 (Thomas, J., concurring in part). Thus, when the constitutionality of a statute depends on multiple provisions, “respect for Congress's legislative role” entails allowing *them* to legislate.

This is especially true in light of Congress's recent decision to ensure Director review of decisions of the Trademark Trial and Appeal Board (TTAB). In the aftermath of the Federal Circuit's decision below, Congress sought “[t]o clarify the historical understanding of the Director's role and preempt

additional challenges” and thus, the Trademark Modernization Act of 2020 included “language expressly confirming the authority of the Director to reconsider TTAB decisions.” H.R. Rep. No. 116-645, at 22 (2020). The Act was signed into law on December 21, 2020. Consolidated Appropriations Act, 2021, § 228, Pub. L. No. 116-260 (2020). Congress may desire to allow the Director to review both PTAB and TTAB decisions. Or alternatively, Congress may want APJs to remain presidentially appointed principal officers. But this is a decision for Congress, not the judiciary.

2. Application Severability Necessarily Entails Judicial Policymaking

The AIA contains no tenure provision specific to APJs. Thus, the court of appeals could not actually “sever” any statutory text. Instead, the court invalidated Title 5’s protection “as applied to APJs.” *Arthrex Inc.*, 941 F.3d at 1338. Application severability necessarily entails judicial policymaking and this further suggests that severance was improper here. “[J]udges and Justices find application severability more troubling in practice [than text severability] because it can require them to craft substantive provisions where the legislature has crafted none.” Michael C. Dorf, *Fallback Law*, 107 Colum. L. Rev. 303, 370–71 (2007).

As Justice Ginsburg recognized, “[t]here is usually great caution on the part of the Court from tampering with the statute. So excision is one thing. You just drop a provision. That’s not possible here.” Transcript of Oral Argument at 27–29, *Ayotte v. Planned Parenthood of N. New England*, 546 U.S. 320, 329 (2006) (No. 04-1144). Here, “[t]here is nothing to subtract. There’s an addition and courts have been reluctant to do that” as

courts “feel much more comfortable cutting something out than putting something in.” *Ibid.*

For example, this Court refused to sever invalid applications of the Ethics in Government Act because “drawing one or more lines between categories of speech covered by an overly broad statute, when Congress has sent inconsistent signals as to where the new line or lines should be drawn, involves a far more serious invasion of the legislative domain.” *Nat’l Treasury Emps. Union*, 513 U.S. at 479 n.26. And in *Ayotte*, this Court recognized that “we restrain ourselves from ‘rewrit[ing] state law to conform it to constitutional requirements’ even as we strive to salvage it.” *Ayotte v. Planned Parenthood of N. New England*, 546 U.S. 320, 329 (2006) (quoting *Virginia v. American Booksellers Assn., Inc.*, 484 U.S. 383, 397 (1988)). In situations where a remedy would require “line-drawing [that] is inherently complex,” the suggested remedy “may call for a ‘far more serious invasion of the legislative domain’ than we ought to undertake.” *Ayotte*, 546 U.S. at 330.

Given the wide range of remedies available, this Court should hold that the existing structure of the Board is unconstitutional, dismiss the inter partes review against Arthrex, and permit Congress to fix the AIA as it sees fit.

CONCLUSION

The court of appeals' judgment should be upheld with respect to the merits, but reversed with respect to the remedy.

Respectfully submitted.

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APPENDIX**1. U.S. Const. art. II, § 2, cl. 2 provides:**

He shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur; and he shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

2. 5 U.S.C. 7513 provides:**Cause and procedure**

(a) Under regulations prescribed by the Office of Personnel Management, an agency may take an action covered by this subchapter against an employee only for such cause as will promote the efficiency of the service.

(b) An employee against whom an action is proposed is entitled to--

(1) at least 30 days' advance written notice, unless there is reasonable cause to believe the employee has committed a crime for which a sentence of imprisonment may be imposed, stating the specific reasons for the proposed action;

(2) a reasonable time, but not less than 7 days, to answer orally and in writing and to furnish

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affidavits and other documentary evidence in support of the answer;

(3) be represented by an attorney or other representative; and

(4) a written decision and the specific reasons therefor at the earliest practicable date.

(c) An agency may provide, by regulation, for a hearing which may be in lieu of or in addition to the opportunity to answer provided under subsection (b)(2) of this section.

(d) An employee against whom an action is taken under this section is entitled to appeal to the Merit Systems Protection Board under section 7701 of this title.

(e) Copies of the notice of proposed action, the answer of the employee when written, a summary thereof when made orally, the notice of decision and reasons therefor, and any order effecting an action covered by this subchapter, together with any supporting material, shall be maintained by the agency and shall be furnished to the Board upon its request and to the employee affected upon the employee's request.

3. 35 U.S.C. 3 provides:

Officers and employees

(a) Under Secretary and Director.

(1) **In general.** The powers and duties of the United States Patent and Trademark Office shall be vested in an Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark

Office (in this title referred to as the “Director”), who shall be a citizen of the United States and who shall be appointed by the President, by and with the advice and consent of the Senate. The Director shall be a person who has a professional background and experience in patent or trademark law.

(2) Duties.

(A) In general. The Director shall be responsible for providing policy direction and management supervision for the Office and for the issuance of patents and the registration of trademarks. The Director shall perform these duties in a fair, impartial, and equitable manner.

(B) Consulting with the public advisory committees. The Director shall consult with the Patent Public Advisory Committee established in section 5 on a regular basis on matters relating to the patent operations of the Office, shall consult with the Trademark Public Advisory Committee established in section 5 on a regular basis on matters relating to the trademark operations of the Office, and shall consult with the respective Public Advisory Committee before submitting budgetary proposals to the Office of Management and Budget or changing or proposing to change patent or trademark user fees or patent or trademark regulations which are subject

to the requirement to provide notice and opportunity for public comment under section 553 of title 5, as the case may be.

(3) Oath. The Director shall, before taking office, take an oath to discharge faithfully the duties of the Office.

(4) Removal. The Director may be removed from office by the President. The President shall provide notification of any such removal to both Houses of Congress.

(b) Officers and Employees of the Office.

(1) Deputy under secretary and deputy director. The Secretary of Commerce, upon nomination by the Director, shall appoint a Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the United States Patent and Trademark Office who shall be vested with the authority to act in the capacity of the Director in the event of the absence or incapacity of the Director. The Deputy Director shall be a citizen of the United States who has a professional background and experience in patent or trademark law.

(2) Commissioners.

(A) Appointment and duties. The Secretary of Commerce shall appoint a Commissioner for Patents and a Commissioner for Trademarks, without regard to chapter 33, 51, or 53 of title 5.

The Commissioner for Patents shall be a citizen of the United States with demonstrated management ability and professional background and experience in patent law and serve for a term of 5 years. The Commissioner for Trademarks shall be a citizen of the United States with demonstrated management ability and professional background and experience in trademark law and serve for a term of 5 years. The Commissioner for Patents and the Commissioner for Trademarks shall serve as the chief operating officers for the operations of the Office relating to patents and trademarks, respectively, and shall be responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent and trademark operations, respectively. The Secretary may reappoint a Commissioner to subsequent terms of 5 years as long as the performance of the Commissioner as set forth in the performance agreement in subparagraph (B) is satisfactory.

(B) Salary and performance agreement. The Commissioners shall be paid an annual rate of basic pay not to exceed the maximum rate of basic pay for the Senior Executive Service established under section 5382 of title 5, including any applicable locality-based comparability payment that may be

authorized under section 5304(h)(2)(C) of title 5. The compensation of the Commissioners shall be considered, for purposes of section 207(c)(2)(A) of title 18, to be the equivalent of that described under clause (ii) of section 207(c)(2)(A) of title 18. In addition, the Commissioners may receive a bonus in an amount of up to, but not in excess of, 50 percent of the Commissioners' annual rate of basic pay, based upon an evaluation by the Secretary of Commerce, acting through the Director, of the Commissioners' performance as defined in an annual performance agreement between the Commissioners and the Secretary. The annual performance agreements shall incorporate measurable organization and individual goals in key operational areas as delineated in an annual performance plan agreed to by the Commissioners and the Secretary. Payment of a bonus under this subparagraph may be made to the Commissioners only to the extent that such payment does not cause the Commissioners' total aggregate compensation in a calendar year to equal or exceed the amount of the salary of the Vice President under section 104 of title 3.

(C) Removal. The Commissioners may be removed from office by the Secretary for misconduct or nonsatisfactory performance under the performance

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agreement described in subparagraph (B), without regard to the provisions of title 5. The Secretary shall provide notification of any such removal to both Houses of Congress.

(3) Other officers and employees. The Director shall

(A) appoint such officers, employees (including attorneys), and agents of the Office as the Director considers necessary to carry out the functions of the Office; and

(B) define the title, authority, and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Director may determine.

The Office shall not be subject to any administratively or statutorily imposed limitation on positions or personnel, and no positions or personnel of the Office shall be taken into account for purposes of applying any such limitation.

(4) Training of examiners. The Office shall submit to the Congress a proposal to provide an incentive program to retain as employees patent and trademark examiners of the primary examiner grade or higher who are eligible for retirement, for the sole purpose of training patent and trademark examiners.

(5) National security positions. The Director, in consultation with the Director of the Office of Personnel Management, shall maintain a program for identifying national security positions and providing for appropriate security clearances, in order to maintain the secrecy of certain inventions, as described in section 181, and to prevent disclosure of sensitive and strategic information in the interest of national security.

(6) Administrative patent judges and administrative trademark judges. The Director may fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for level III of the Executive Schedule under section 5314 of title 5. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation under section 5306(e) or 5373 of title 5.

(c) Continued Applicability of Title 5. Officers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees.

(d) Adoption of Existing Labor Agreements. The Office shall adopt all labor agreements which are in effect, as of the day before the effective date of the Patent and Trademark Office Efficiency Act, with respect to such Office (as then in effect).

(e) Carryover of Personnel.

(1) From PTO. Effective as of the effective date of the Patent and Trademark Office Efficiency Act, all officers and employees of the Patent and Trademark Office on the day before such effective date shall become officers and employees of the Office, without a break in service.

(2) Other personnel. Any individual who, on the day before the effective date of the Patent and Trademark Office Efficiency Act, is an officer or employee of the Department of Commerce (other than an officer or employee under paragraph (1)) shall be transferred to the Office, as necessary to carry out the purposes of that Act, if--

(A) such individual serves in a position for which a major function is the performance of work reimbursed by the Patent and Trademark Office, as determined by the Secretary of Commerce;

(B) such individual serves in a position that performed work in support of the Patent and Trademark Office during at least half of the incumbent's work time, as determined by the Secretary of Commerce; or

(C) such transfer would be in the interest of the Office, as determined by the

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Secretary of Commerce in consultation
with the Director.

Any transfer under this paragraph shall be effective as of the same effective date as referred to in paragraph (1), and shall be made without a break in service.

(f) Transition Provisions.

(1) Interim appointment of director. On or after the effective date of the Patent and Trademark Office Efficiency Act, the President shall appoint an individual to serve as the Director until the date on which a Director qualifies under subsection (a). The President shall not make more than one such appointment under this subsection.

(2) Continuation in office of certain officers.

(A) The individual serving as the Assistant Commissioner for Patents on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for Patents until the date on which a Commissioner for Patents is appointed under subsection (b).

(B) The individual serving as the Assistant Commissioner for Trademarks on the day before the effective date of the Patent and Trademark Office Efficiency Act may serve as the Commissioner for

Trademarks until the date on which a Commissioner for Trademarks is appointed under subsection (b).

4. 35 U.S.C. 6 provides:

Patent Trial and Appeal Board

(a) In General. There shall be in the Office a Patent Trial and Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.

(b) Duties. The Patent Trial and Appeal Board shall--

- (1)** on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);
- (2)** review appeals of reexaminations pursuant to section 134(b);
- (3)** conduct derivation proceedings pursuant to section 135; and
- (4)** conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

(c) 3-Member Panels. Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) Treatment of Prior Appointments. The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.

5. 35 U.S.C. 141 provides:

Appeal to Court of Appeals for the Federal Circuit

(a) Examinations. An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his or her right to proceed under section 145.

(b) Reexaminations. A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision

only to the United States Court of Appeals for the Federal Circuit.

(c) Post-Grant and Inter Partes Reviews. A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

(d) Derivation Proceedings. A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board in the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.

6. 35 U.S.C. 142 provides:

Notice of appeal

When an appeal is taken to the United States Court of Appeals for the Federal Circuit, the appellant shall file in the Patent and Trademark Office a written notice of appeal directed to the Director, within such time after the date of the decision from which the appeal is taken as the Director prescribes, but in no case less than 60 days after that date.

7. 35 U.S.C. 143 provides:**Proceedings on appeal**

With respect to an appeal described in section 142, the Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an inter partes or post-grant review under chapter 31 or 32. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

8. 35 U.S.C. 311 provides:**Inter partes review**

(a) In General. Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) Scope. A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) Filing Deadline. A petition for inter partes review shall be filed after the later of either--

- (1) the date that is 9 months after the grant of a patent; or
- (2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

9. 35 U.S.C. 312 provides:

Petitions

(a) Requirements of Petition. A petition filed under section 311 may be considered only if

- (1) the petition is accompanied by payment of the fee established by the Director under section 311;
- (2) the petition identifies all real parties in interest;
- (3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including
 - (A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) Public Availability. As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

10. 35 U.S.C. 313 provides:

Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

11. 35 U.S.C. 314 provides:

Institution of inter partes review

(a) Threshold. The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with

respect to at least 1 of the claims challenged in the petition.

(b) Timing. The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after--

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) Notice. The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) No Appeal. The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

12. 35 U.S.C. 315 provides:

Relation to other proceedings or actions

(a) Infringer's Civil Action.

(1) Inter partes review barred by civil action. An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action. If the petitioner or real party in interest files a civil action challenging

the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either-

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(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim. A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) Patent Owner's Action. An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder. If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such

a response, determines warrants the institution of an inter partes review under section 314.

(d) Multiple Proceedings. Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel.

(1) Proceedings before the Office. The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.-- The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised

or reasonably could have raised during that inter partes review.

13. 35 U.S.C. 316 provides:

Conduct of inter partes review

(a) Regulations. The Director shall prescribe regulations--

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more

than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) Considerations. In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) Patent Trial and Appeal Board. The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) Amendment of the Patent.

(1) In general. During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions. Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims. An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) Evidentiary Standards. In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

14. 35 U.S.C. 317 provides:

Settlement

(a) In General. An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) Agreements in Writing.--Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as

between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

15. 35 U.S.C. 318 provides:

Decision of the Board

(a) Final Written Decision. If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) Certificate. If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights. Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United

States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review. The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

16. 35 U.S.C. 319 provides:

Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.