No. 19-1434

In the Supreme Court of the United States

UNITED STATES,

Petitioner,

v.

ARTHREX,

Respondent.

On Petition for a Writ of Certiorari to The United States Court of Appeals for the Federal Circuit

BRIEF FOR PETITIONER

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QUESTIONS PRESENTED

The Patent Trial and Appeal Board (PTAB) at the United States Patent and Trademark Office (USPTO) is primarily comprised of Administrative Patent Judges (APJs). APJs are appointed by the Secretary of Commerce and assigned to panels of the PTAB by the Director of the USPTO. As panel members, they review appeals from patent determinations and conduct *inter partes* review, a trial-like proceeding reviewable by the USPTO's Precedential Opinion Panel and the Federal Circuit. After Arthrex, Inc., was granted a patent in November 2015, Smith & Nephew, Inc., and ArthroCare Corp. requested *inter partes* review of the patent. A panel of three APJs determined that some of Arthrex's claims were unpatentable. Arthrex appealed the decision to the Federal Circuit, arguing that APJs were principal officers whose appointment violated the Appointments Clause of the Constitution.

The questions presented are:

(1) Whether, for purposes of the Appointments Clause, Administrative Patent Judges receive sufficient direction and supervision from principal officers to render them "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 Appointment Clause defect in the current statutory scheme by severing the application of 5 U.S.C. § 7513(a) to these judges, making a retroactive interpretation of constitutional law.

LIST OF ALL PARTIES

Petitioner is the United States of America, which intervened in the court of appeals below.

Respondents are Arthrex, Inc., which was the appellant in the court of appeals below, and Smith & Nephew, Inc., and ArthroCare Corp., which were appellees in the court of appeals below and support petitioner's position.

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JURISDICTION

The court of appeals entered judgment on October 31, 2019. A petition for writ of certiorari was timely filed and granted on October 13, 2020. This Court's jurisdiction rests on 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article II, section 2, clause 2 of the United States Constitution, provides that the President:

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

Relevant statutory provisions are reproduced in the appendix to this brief.

STATEMENT

A. Statutory Background of the Patent Trial and Appeal Board

The United States Patent and Trademark Office (USPTO) is a federal agency within the Department of Commerce responsible for granting patents and registering trademarks, along with protecting American ideas and innovations. U.S. Patent & Trademark Office, *About Us*, https://www.uspto.gov/about-us. The USPTO fulfills the constitutional mandate of Article I, section 8, clause 8, which gives Congress the power "[t]o promote the Progress of Science and useful Arts, by 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. The Director of the USPTO, the office's chief executive, is "appointed by the President, by and with the advice and consent of the Senate." 35 U.S.C. § 3.

The Patent Trial and Appeal Board (PTAB) is an adjudicative body within the USPTO and is responsible for reviewing adverse decisions on patent applications by Patent Examiners, reviewing appeals of reexaminations of patents by patent owners, conducting derivation proceedings for patent applications, and conducting *inter partes* and post-grant reviews. 35 U.S.C. § 6. The PTAB has existed for over a century, and in its current form decides around 10,000 appeals and conducts around 1,500 trial proceedings each year. *See* U.S. Patent & Trademark Office, *Patent Trial and Appeal Board Statistics*, https://www.uspto.gov/patents/ptab/statistics. The PTAB consists of "[t]he Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks," and more than 200 Administrative Patent Judges (APJs). *Id.*; *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019).

An APJ's primary role is to serve as a member of the PTAB. Every proceeding of the PTAB is heard by panels of "at least 3 members," which are "designated by the Director." 35 U.S.C. § 6. The Director may delegate this designation authority to the Chief Judge of the PTAB. U.S. Patent Trial & Appeal Bd., Standard Operating Procedure 1 at 1, https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf. The Director has also issued default guidelines on designating panels. *Id.* at 3–16. Due to the sheer number of cases the PTAB hears, most general panels for PTAB proceedings are composed primarily of APJs.

Title 35, chapter 1 of the U.S. Code lays out the nature of an APJ's employment. APJs are "appointed by the Secretary [of Commerce], in consultation with the Director." 35 U.S.C. § 6. The number of APJs is not statutorily fixed and instead varies according to the needs of the PTAB. The Director has the authority to fix the rate of pay for APJs. 35 U.S.C. § 3(b)(6). As written, Title 35 further provides that Title 5 of the U.S. Code applies to all officers and employees of the USPTO, including APJs. 35 U.S.C. § 3(c). Under Title 5, the Director has the power to fire APJs "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a).

B. *Inter Partes* Review and Appeals

Among the duties of the PTAB is *inter partes* review, which is a "trial proceeding conducted . . . to review the patentability of one or more claims in a patent" on particular grounds specified by statute. U.S. Patent & Trademark Office, *Inter Partes Disputes*, https://www.uspto.gov/patents/laws/america-invents-act-aia/inter-partes-disputes. Congress implemented the current *inter partes* review system in 2012 as part of the bipartisan Leahy-Smith America Invents Act

("AIA"). Pub. L. No. 112-29, § 6, 125 Stat. 284, 299–305 (2011). The AIA aimed to "modernize the U.S. patent system and strengthen America's competitiveness in the global economy." U.S. Patent & Trademark Office, *Leahy-Smith America Invents Act*, https://www.uspto.gov/patents/laws/leahy-smith-america-invents-act-implementation. This Court has upheld the constitutionality of *inter partes* review as "a matter that Congress can properly assign to the [USPTO.]" *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018).

The *inter partes* review system resembles an adjudicative proceeding, but the Director retains significant influence over its operation. "[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." 35 U.S.C. § 311. While *inter partes* review can "mimic[] civil litigation[,]" *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018), it "is neither clearly a judicial proceeding instituted by a private party nor clearly an enforcement action," but is rather a "hybrid" proceeding, *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018). "The decision whether to institute inter partes review is committed to the Director's discretion." *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018). Further, "[t]he Director shall prescribe regulations" regarding the conduct of *inter partes* review. 35 U.S.C. § 316.

A panel of the PTAB may issue what is termed a "final written decision" in all processes it examines, but any party dissatisfied with the panel's decision—whether in reviewing patent applications, patent reexaminations, derivation proceedings, or *inter partes* review—may then appeal the decision to the United States Court of Appeals for the Federal Circuit. 35

U.S.C. § 141. The Director has the power to "intervene in an appeal" before the Federal Circuit from a PTAB decision in derivation proceedings, *inter partes* review, or post-grant review. 35 U.S.C. § 143.

In addition to the power to intervene in appeals before the Federal Circuit, the Director has the power to designate or de-designate opinions of a PTAB panel as precedential. U.S. Patent Trial & Appeal Bd., Standard Operating Procedure 2 at 1, https://www.uspto.gov/sites/default/files/documents /SOP2%20R10%20FINAL.pdf. Further, the Director "may convene a Precedential Opinion Panel" consisting of three members appointed by the Director, including the Director. *Id.* at 5. The Precedential Opinion Panel (POP) is an internal body within the USPTO that can "review a decision and . . . order sua sponte rehearing" in any case presided over by a PTAB panel. *Id.* In addition to having sua sponte review power, the POP also allows parties to request a POP review of their case. The POP may also designate its decisions as precedential, binding other PTAB panels to follow the decision set forth by the POP. *Id.* at 3.

C. The Present Controversy

Arthrex, Inc., the respondent in the instant case, applied for a patent for a knotless suture securing assembly in May 2014 and was granted the patent in November 2015. Knotless Graft Fixation Assembly, U.S. Patent No. 9179907 (hereinafter "'907 patent"). Arthrex's suture securing assembly enables surgeons to reattach soft tissue that has detached from bone more quickly and with greatly reduced effort. *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. IPR2017-00275, 2018 WL 2084866, at *6 (P.T.A.B. May 2, 2018). Asserting a flaw in Arthrex's priority claim, Smith & Nephew, Inc., and ArthroCare Corp. requested *inter partes* review of fourteen of the thirty claims made in the '907 patent,

and the PTAB instituted review of twelve of those claims. *Id.* at *1. The PTAB panel was composed of three APJs. *Id.* After briefing and trial, the panel found that the petitioners had successfully demonstrated that twelve examined claims were unpatentable. *Id.* at *3.

Arthrex appealed the PTAB panel's decision to the Federal Circuit, arguing that the appointment of APJs violated the Appointments Clause of the Constitution, and the United States intervened on the side of the appellees. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1325 (Fed. Cir. 2019). The Federal Circuit panel agreed with Arthrex's claim, holding that while the Director had supervisory authority over APJs, other criteria rendered APJs principal rather than inferior officers under the Appointments Clause. *Id.* The panel considered several methods by which it could remedy this Appointments Clause violation, ultimately deciding to adopt the narrowest possible remedy available and "sever the application of Title 5's removal restrictions to APJs." *Id.* at 1335–37. In effect, this severance permits the Director to remove APJs from office at will. *See id.* at 1337–38. After applying the severance, the Federal Circuit panel opted to vacate and remand the PTAB's decision in order to incentivize future Appointments Clause challenges. *Id.* at 1340. The panel specified that, on remand, the PTAB must designate a new panel of APJs and grant a new hearing. *Id.* The panel decision was without noted dissent.

The Federal Circuit denied all parties' petitions for a panel rehearing and rehearing en banc. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760 (Fed. Cir. 2020) (per curiam). Judges Moore and O'Malley issued opinions concurring in the denial of rehearing. *Id.* at 762–69. Judges Dyk, Hughes, and Wallace issued

opinions dissenting from the denial of rehearing. *Id.* at 769–89.

SUMMARY OF ARGUMENT

I. Administrative Patent Judges are inferior officers

First, the standard for determining whether an officer is inferior or principal is based on an analysis specific to the context of employment. There is no exclusive criterion for determining whether an officer is inferior. *Edmond v. United States*, 520 U.S. 651, 663 (1997). Rather the determination of whether APJs are inferior officers should be based on several factors, which may include whether a principal officer has supervision and removal power, and whether the work of APJs is reviewed by principal officers.

Second, APJs are supervised by Senate-confirmed principal officers: primarily the Director of the USPTO, with additional direction from the Secretary of Commerce. This Court has held that supervision by a principal officer is a key factor in determining whether an officer is inferior. *Edmond v. United States*, 520 U.S. at 663 (1997). The Secretary of Commerce appoints APJs in consultation with the Director, and has discretion over who to appoint within the criteria set out by Title 35.

Once an APJ is appointed, the Director of the USPTO has significant supervisory authority over the work of APJs. The Director promulgates regulations and is responsible for all policy direction for the PTAB. The Director also designates binding precedent for PTAB adjudication, and may convene a POP to establish norms on recurring issues and provide guidance on issues of first impression. The decision of whether to institute *inter partes* review and the

composition of a PTAB review panel is also under the discretion of the Director.

Further, the Director has removal power over APJs. The Director can remove an APJ pursuant to Title 5, a general standard according to this Court. *Arnett v. Kennedy*, 416 U.S. 134, 159 (1974). The Director may be removed by the President without cause, so there is no double layer of removal protection that might infringe on the power of the Executive. The for-cause removal scheme for APJs is in line with past precedent, in which this Court deemed an officer with for-cause removal protection to be an inferior officer. *See Morrison v. Olson*, 487 U.S. 654 (1988). The Director may also prevent APJs from working without removing them from their position, as the Director has discretion in appointing APJs to PTAB panels. Therefore, the Director has significant supervisory authority over the hiring, work, and removal of APJs.

Third, principal officers have review authority over APJs that also renders APJs inferior officers. The Director can choose to convene a POP, which may review any decision by the PTAB either sua sponte or at the request of a party. This means that all work by APJs has the potential to be reviewed at the Director's discretion.

While the Director has significant review authority over the work of APJs, other principal officers also have the power to review PTAB decisions. Parties in an *inter partes* review may appeal to the Federal Circuit for review of a PTAB determination. The Federal Circuit can vacate decisions made by the PTAB. If a party appeals to the Federal Circuit, the Director may also intervene in the case and ask the Federal Circuit to vacate the decision. The scope of review of APJs here is consistent with other cases where this Court held that officers subject to similar review were inferior. *See*

Lucia v. S.E.C., 138 S. Ct. 2044 (2018). The review of work of inferior officers is intended in part to ensure that clear lines of accountability exist between the Executive, principal officers, and inferior officers. Because that accountability is evident here, APJs are inferior officers.

Fourth, Congress intended for APJs to be inferior officers, lending weight to that determination. In Title 35, Congress vested the appointment power for APJs in the Secretary of Commerce, indicating that they envisioned APJs to be inferior officers. 35 U.S.C. § 6. While the predecessors of APJs were statutorily limited in number and required the consent of the Senate, Congress moved away from that scheme to provide discretion for principal officers to determine hiring of APJs. Congress also gave the Director extra review oversight over the work of APJs than previously existed. These factors show that Congress envisioned the role of APJs as inferior officers appointed and supervised by principal officers.

II. The Severance of Removal Protections as Applied to Administrative Patent Judges Properly Cures Any Constitutional Defect in Their Appointment

First, while Petitioner maintains that APJs are inferior officers under the Appointments Clause as situated in Title 35, the severance employed by the court of appeals (hereinafter, the "as-applied severance") fully resolves any ambiguity as to their status. Because removability is one of the central factors determining whether an officer is a principal or inferior, *see Edmond v. United States*, 520 U.S. 651, 664 (1997), subjecting APJs to the at-will removal authority of the Director clearly makes APJs inferior officers. This approach neatly addresses any constitutional infirmity in the appointment of the APJs and conforms with this Court's approach to an

analogous issue in *Free Enterprise Fund v. Public Company Accounting Oversight Board*. 561 U.S. 477 (2010).

Second, the court of appeals rightly identified the as-applied severance as the narrowest appropriate method to ensure the minimal disruption of the existing statutory scheme, following this Court's guidance that it "should refrain from invalidating more of the statute than is necessary." *Regan v. Time, Inc.*, 468 U.S. 641, 652 (1984). The adopted severance preserves the functioning of the *inter partes* review system as Congress intended and avoids unwanted spillover effects on other federal employees, the other employment rights of APJs, and the ability of Americans to access knowledgeable and impartial review of their patent disputes.

Third, because the courts' constitutional interpretations of statutes are retroactive, the as-applied severance obviates the need for vacatur and remand of this case and itself serves as a sufficient remedy. Retroactivity of constitutional decisions is a "general rule" with only limited exceptions, none of which apply here. *Harper v. Virginia Dept. of Taxation*, 509 U.S. 86, 94 (1993); *Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 758–59 (1995). The court of appeals mischaracterized this Court's precedents to suggest vacatur and remand were required when, in actuality, review on the merits in a limited subset of cases is sufficient to account for the interests of Respondent and others similarly situated.

ARGUMENT

I. ADMINISTRATIVE PATENT JUDGES ARE INFERIOR OFFICERS

The Appointments Clause ensures that government officers who wield power on behalf of the United States have proper accountability. *See Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 483 (2010). Under the Appointments Clause, principal and inferior officers may be subject to different appointment procedures. For principal officers, the Constitution provides that "[the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint . . . all other Officers of the United States." U.S. Const. art. II, § 2, cl. 2. While inferior officers may be appointed in the same way, the Constitution also provides that "Congress may by Law vest the Appointment of such inferior Officers . . . in the President alone, in the Courts of Law, or in the Heads of Departments." *Id.* An officer of the United States is distinguished from an ordinary employee because an officer "exercis[es] significant authority pursuant to the laws of the United States." *Buckley v. Valeo*, 424 U.S. 1, 126 (1976). APJs wield significant authority and are therefore officers. But the line between types of officers is not a question of authority, *see id.,* and requires a closer analysis of what makes an officer inferior.

A. Distinguishing between inferior and principal officers is based on contextual analysis of non-exclusive criteria

"Generally speaking, the term 'inferior officer' connotes a relationship with some higher ranking officer or officers below the President." *Edmond v. United States*, 520 U.S. 651, 662 (1997). This view of inferior officers as defined by their employment

relationship with a principal officer consistent with the actions of the first Congress in establishing the first executive department, the Department of Foreign Affairs. Congress explicitly provided a principal officer, the Secretary of the department, and "an inferior officer . . . to be employed therein as [the Secretary] shall deem proper[.]" Act of July 27, 1789, ch. 4, § 2, 1 *Stat.* 28. This Court in early Appointments Clause jurisprudence referred to inferior officers as "subordinates of the heads of the departments." *United States v. Germaine*, 99 U.S. 508, 511 (1878); *see also United States v. Eaton*, 169 U.S. 331 (1898) (repeatedly referring to an inferior officer as a "subordinate officer").

Within this general structure, this Court has "not set forth an exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes." *Edmond*, 520 U.S. at 661. It has recognized that "'[i]nferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate." *Id.* at 663. This may include "administrative oversight . . . prescrib[ing] uniform rules of procedure . . . [and] power to reverse decisions." *Id.* at 664. In making its determination of officer status in *Edmond*, this Court "engaged in a context-specific inquiry accounting for the unique systems of direction and supervision of inferior officers in each case." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 953 F.3d 760, 782 (Fed. Cir. 2020) (per curiam) (Hughes, J., dissenting from the denial of rehearing en banc); *see also Al Bahlul v. United States*, 967 F.3d 858, 871 (D.C. Cir. 2020) ("Whether an officer is principal or inferior is a 'highly contextual' inquiry requiring a close examination of the specific statutory framework in question.").

However, the Federal Circuit in the present case held that APJs were principal officers based on three criteria: a principal officer's "power to review . . . level of supervision . . . [and] power to remove" in relation to APJs. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019). The court briefly mentioned "other factors which have favored the conclusion that an officer is an inferior officer" but dismissed these other factors as "completely absent." *Id.* at 1334. It then held that APJs were inferior officers on the supervision criteria and closer to principal officers on the review and removal criteria, and so found that APJs were principal officers. *Id.* The Federal Circuit panel's analysis misses two key points of this Court's ruling in *Edmond*. First, there are no exclusive criteria for determining whether an officer is inferior. *Edmond*, 520 U.S. at 661. While supervision, removal, and review powers may be factors in determining whether an officer is inferior, they are not a checklist. Second, the factors examined by the court should not be used as a binary of whether they weigh for inferior or principal officer status, but rather should be used to determine whether there is sufficient "relationship with some higher ranking officer" to render an officer inferior. *Id.* at 662.

This Court's precedent establishes that the determination of whether APJs are inferior or principal officers should be based on whether all factors together show that principal officers act in the role of superiors to APJs. APJs are appointed by the Secretary of Commerce and subject to the supervisory authority by the Director of the USPTO. 35 U.S.C. § 6. Additionally, the Secretary of Commerce has power over the removal of APJs, and the Director has authority to remove APJs from panels. *Id.* Principal officers also have the power to review the work of APJs. Viewed altogether,

these factors show that APJs have a significant employment relationship with principal officers, rendering APJs inferior officers.

B. Administrative Patent Judges are supervised by Senate-confirmed principal officers

1. *The Director of the USPTO directs the work of APJs*

The Supreme Court has made the main criteria for distinguishing between inferior and principal officers clear: "[w]hether one is an 'inferior' officer depends on whether he has a superior." *Edmond v. United States*, 520 U.S. 651, 662 (1997). APJs are supervised by the Director of the USPTO, as acknowledged by the court of appeals. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1332 (2019). The Director of the USPTO is "appointed by the President, by and with the advice and consent of the Senate[,]" 35 U.S.C. § 3(a)(1), and is therefore a principal officer for the purposes of the Appointments Clause. "The Director [of the USPTO] shall be responsible for providing policy direction and management supervision for the Office[.]" 35 U.S.C. § 3(a)(2)(A). In *Morrison*, the Supreme Court held that an officer was inferior in part because her grant of power did "not include any authority to formulate policy for the Government." *Morrison v. Olson*, 487 U.S. 654, 671 (1988). Similarly, APJs have "no such role" in the "articulation of agency policy." *Arthrex, Inc.*, 953 F.3d at 781 (Dyk, J., dissenting from the denial of rehearing en banc). The Director's supervisory authority in determining agency policy direction, an area where APJs have no authority, weighs in favor of the determination that APJs are inferior officers.

In *Edmond*, which lays out the standard for determining whether an inferior officer has a superior, the inferior officers were overseen by the "Judge Advocate General . . . and the Court of Appeals for the Armed Forces." *Edmond*, 520 U.S. at 664. The Judge Advocate General in particular was responsible for "prescrib[ing] uniform rules of procedure" and "formulat[ing] policies and procedure in regard to review." *Id.* This is very similar to the powers of the Director in relation to APJs.

The Director's supervisory power over APJs goes deeper than general direction and management. First, "the Director has the authority to promulgate regulations governing the conduct of *inter partes* review." *Arthrex, Inc.*, 941 F.3d at 1331 (citing 35 U.S.C. § 316). This means that the Director can set and change the rules for decision-making and determine the priorities of APJs for this key part of their work. The Director is also responsible for determining whether to institute *inter partes* review at all. 35 U.S.C. § 314(b). Although the Director does not have full discretion for instituting *inter partes* review because the statutory scheme requires a threshold showing before review can be initiated, "the Director . . . has discretion to not institute review even when the threshold showing is met." *BioDelivery Scis. Int'l, Inc. v. Aquestive Therapeutics, Inc.*, 935 F.3d 1362, 1365 (Fed. Cir. 2019). Further, the Director has statutory authority over which APJs sit on the PTAB's three-member panels, 35 U.S.C. § 6(c), which may be delegated to the Chief Judge of the PTAB. This allows the Director to have significant control over the day-to-day work and caseload of each APJ.

Once decisions are made by a PTAB panel, "[n]o decision . . . may be designated as precedential . . .

without the Director's approval." U.S. Patent Trial & Appeal Bd., Standard Operating Procedure 2 at 11, https://www.uspto.gov/sites/default/files/documents /SOP2%20R10%20FINAL.pdf. The Director may also convene and sit on a Precedential Opinion Panel (POP) which may establish "binding agency authority concerning major policy or procedural issues[,]" *id.* at 3, or establish "norms on recurring issues" and provide guidance on "issues of first impression . . . rules and practices . . . [and] recurring issues[.]" *Id.* at 9. Finally, the Director has authority over "rate of pay" of APJs. 35 U.S.C. § 3(b)(6). Taken together, all of these factors demonstrate that APJs have a superior officer—the Director, a principal officer.

The court of appeals correctly "conclude[d] that the Director's supervisory powers weigh in favor of a conclusion that APJs are inferior officers." *Arthrex, Inc.*, 941 F.3d at 1332. However, they failed to properly accord this conclusion the weight it was due. According to *Edmond*, the major deciding factor in deciding whether an officer is inferior is the presence of a superior. In this case, the superior is evident.

2. *Principal officers exercise removal authority over APJs*

In part, the court of appeals' skepticism regarding total supervision was based on the lack of "unfettered removal authority" that principal officers have over APJs. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1332 (Fed. Cir. 2019). But this does not fully capture the role of removal in this situation. APJs can be removed "for such cause as will promote the efficiency of the service." 5 U.S.C. § 7513(a). This has historically been interpreted to encompass "an admittedly general standard . . . in order to give myriad different federal employees performing widely

disparate tasks a common standard of job protection." *Arnett v. Kennedy*, 416 U.S. 134, 159 (1974). It has also been described as a "flexible statutory standard[.]" *Cornelius v. Nutt*, 472 U.S. 648, 668 (1985) (Marshall, J., dissenting).

Title 5 allows for typical reasons for removing an employee, including "misconduct-based actions" and "performance-based actions." *Harris v. Sec. & Exch. Comm'n*, 972 F.3d 1307, 1315 n.3 (Fed. Cir. 2020); *see Drew v. U.S. Dep't of the Navy*, 672 F.2d 197 (D.C. Cir. 1982). The Federal Circuit has also allowed removal under for reasons as varied as "refusal to accept reassignment[,]" *Cobert v. Miller*, 800 F.3d 1340, 1351 (Fed. Cir. 2015); *see Frey v. Dep't of Lab.*, 359 F.3d 1355 (Fed. Cir. 2004), and a Marine Corps civilian employee's "adulterous affair with the spouse of a Marine[,]" *Brown v. Dep't of the Navy*, 229 F.3d 1356, 1363 (Fed. Cir. 2000). Circuit courts have acknowledged that "[t]he particular disciplinary action necessary to promote the efficiency of the service is generally a matter within the agency's discretion." *Boylan v. U.S. Postal Serv.*, 704 F.2d 573, 575 (11th Cir. 1983); *see also Adkins v. Hampton*, 586 F.2d 1070, 1072 (5th Cir. 1978) ("In cases involving the termination of federal employment, the scope of judicial review is limited . . . . It is solely within the discretion of the administrative agency to determine whether the person's discharge will promote the efficiency of the service[.]" (internal quotations omitted)). Given this, the Title 5 removal standards to which APJs are subject is not intended to be particularly demanding or infringe on the authority of the Secretary of Commerce or the Director, but rather to provide a floor for job protection.

The Federal Circuit has in fact considered similar removal protections in the past, when it held that

special masters for National Childhood Vaccine Act claims were inferior officers. *Masias v. Sec'y of Health & Hum. Servs.*, 634 F.3d 1283 (Fed. Cir. 2011). In *defense* of this conclusion, the court cited the removal structure for special masters, explaining that "[t]he Court of Federal Claims judges" could "remove special masters . . . for incompetency, misconduct, or neglect of duty or for physical or mental disability or for other good cause shown." *Id.* at 1294 (internal quotations omitted). The Federal Circuit used this removal structure, similar to the cause requirement for APJs, to determine that special masters were inferior officers.

In deciding that for-cause removal for APJs weighed in favor of APJs as principal officers, the Federal Circuit looked to this Court's holding in *Edmond* that "[t]he power to remove officers . . . is a powerful tool for control." *Edmond v. United States*, 520 U.S. 651, 664 (1997); *see Myers v. United States*, 272 U.S. 52 (1926). But while in *Edmond* the principal officer could remove a judge "from his judicial assignment without cause," *Edmond*, 520 U.S. at 664, this unfettered removal is not necessary for a finding that an officer is inferior. This principle could be seen in the earlier case *Morrison*, where an independent counsel with a "good cause" removal provision was found to be an inferior officer. *Morrison v. Olson*, 487 U.S. 654 (1988). The independent counsel was also "free from executive supervision to a greater extent." *Id.* at 696. But based on the "limited duties" and jurisdiction of the independent counsel, the Court held her to be an inferior officer. *Id.* at 672–73.

The *Morrison* decision followed from this Court's holding in *Perkins* that "when [C]ongress, by law, vests the appointment of inferior officers in the heads of departments, it may limit and restrict the power of removal as it deems best for the public interest."

United States v. Perkins, 116 U.S. 483, 485 (1886). This Court recently reaffirmed this in *Seila Law LLC*, explaining "that Congress could provide tenure protections to certain *inferior* officers" but not to a unilateral principal officer. *Seila L. LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183, 2192 (2020). The removal limitation in that case was a for-cause protection placed by Congress. It follows that, in the situation of APJs, the cause limitations on removal do not prevent a finding that APJs are inferior officers.

This Court has recognized that separate layers of removal limitations may impermissibly infringe on the power of the Executive. *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 483 (2010). The President may not "be restricted in his ability to remove a principal officer, who is in turn restricted in his ability to remove an inferior officer[.]" *Id.* at 484. But that is not at issue here. The Secretary of Commerce, who has appointment and removal power over APJs, is appointed by the President as a member of the Cabinet and may be removed at the President's discretion. *Myers v. United States*, 272 U.S. at 134. So, the potential threat to accountability discussed in *Free Enterprise Fund*, 561 U.S. at 483, is not an obstacle here.

Finally, it is important to note that the Director has authority over whether APJs can work as members of the PTAB and may prevent APJs from exercising authority on behalf of the United States regardless of specific causes. Because the Director decides which APJs can sit on the PTAB's panels, 35 U.S.C. § 6, the Director may choose to never assign an APJ to a case. This would essentially prevent that APJ from carrying out any duties as an inferior officer. Further, although the statute itself does not grant the Director explicit power to de-designate an APJ from a case, the power is

implied in the Director's designation power. It is an established "principle that the power of removal [is] incident to the power of appointment." *Myers v. United States*, 272 U.S. 52, 153 (1926). This means that, "when a statute is silent on removal," the removal power is "presumptively incident to the power of appointment." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1332 (Fed. Cir. 2019). Designation onto a panel under Title 35 is similar in many respects to appointment, as it is done by the principal officer and determines whether the APJ may exercise the power of the United States. Because the statute is silent as to the issue of de-designation, it can be presumed that the same power lies with the Director. While this is not the same as removing an APJ from office, it serves a similar function.

There is no double layer of removal protection issue here either, as "[t]he Director may be removed from office by the President," 35 U.S.C. § 3(a)(4), without any for-cause removal requirement. The removal abilities of the Secretary of Commerce and the Director over APJs show that the significant supervisory relationship between APJs and principal officers extends from hiring to termination, establishing APJs as inferior officers.

C. Principal officers have sufficient review authority over the work of Administrative Patent Judges

1. *The work of APJs can be reviewed by Senate-confirmed principal officers at several stages*

In *Edmond*, the Court considered review of the work of officers by a principal officer as a factor in its analysis of whether those officers were inferior, albeit secondarily to supervision of work. *Edmond v. United States*, 520 U.S. 651, 664–65 (1997). Evaluating the

work of APJs on this dimension, it is evident that there is significant opportunity for review by principal officers, rendering APJs inferior officers.

The work of APJs has substantial opportunity for review by both the Director of the USPTO and by the Federal Circuit. First, the Director can convene a POP to "rehear any case it determines warrants the Panel's attention." U.S. Patent Trial & Appeal Bd., Standard Operating Procedure 2 at 4, https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf. The Director appoints the POP and sits by default as one of its members. *Id.* In addition to determining whether to designate a case as precedential, the POP is an important tool for review, as it can rehear cases. Within the POP, the Director not only holds the power to convene the Panel for review of a decision, but also may "determine whether to order sua sponte rehearing, in his or her sole discretion and without regard to the procedures set forth herein." *Id.* at 5. Because this specific power of review is vested in the Director, a principal officer, the work of APJs is always potentially subject to review by a principal officer at that officer's discretion.

The Director also has significant review power in appeals of PTAB decisions, should they decide not to convene a POP to rehear the case. The Director designates the panel that decides whether to hear appeals of PTAB decisions, 35 U.S.C. § 6, and the Director may designate themselves as a member of that panel. In addition to review authority in internal appeals, "[t]he Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board[.]" 35 U.S.C. § 143. The Federal Circuit may review any decisions appealed by "a party dissatisfied" with the APJ's decision. 35 U.S.C. § 319. Further, "the Director can intervene in a party's

appeal and ask [the Federal Circuit] to vacate the decision[.]" *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019). Although at this point in the process the Director no longer has the power to vacate the decision of APJs, the Federal Circuit does have this power. The Federal Circuit is comprised of principal officers, *see* U.S. Const. art. II, § 2, cl. 2, and so their ability to review and vacate decisions of APJs appealed by parties provides an extra layer of review.

The court of appeals compares APJs to Copyright Royalty Judges (CRJs), whom the D.C. Circuit found to be principal officers in *Intercollegiate*. *Arthrex, Inc.*, 941 F.3d at 1334 (citing *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332 (D.C. Cir. 2012)). This is in part due to what the D.C. Circuit in *Intercollegiate* found to be limited review of CRJs by the Librarian, a principal officer: "[t]he Librarian . . . is entrusted with approving the CRJ's procedural regulations . . . issuing ethical rules for the CRJs . . . [and] overseeing various logistical aspects of their duties." *Intercollegiate*, 684 F.3d at 1338. The Librarian's major review of work was through a Register appointed by the Librarian, who could review "issues of law" in a CRJ's work. *Id.* at 1339. But the Director's review of APJs extends beyond logistics, procedures, and corrections on issues of law. The Director may direct cases for rehearing, set precedent, and intervene in appeals. It is evident from these processes that principal officers, validly nominated and confirmed through the Appointments Clause, have significant review over the work of APJs.

2. *Precedent suggests not every decision of an inferior officer must be reviewed by a principal officer to satisfy the Appointments Clause*

The lower court contends that, because "[t]here is no provision or procedure providing the Director the power to single-handedly review, nullify or reverse a final written decision issued by a panel of APJs[,]" APJs are principal officers. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019). But this reading is in tension with repeated precedent from this Court.

Most recently, in *Lucia*, the Court held that Administrative Law Judges (ALJs) in the Securities and Exchange Commission (SEC) were inferior officers. The Court noted that, if no party appealed and the SEC chose not to review a decision, "the ALJ's decision itself 'becomes final' and is 'deemed the action of the Commission.'" *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2054 (2018) (citing 17 C.F.R. § 201.360(d)(2); 15 U.S.C. § 78d-1(c)). This is very similar to the review process for APJs—the Director can convene a Precedential Opinion Panel to review any PTAB decision and can sit as a member on that Panel. This Panel, as described *supra* Section I.C.1, has the power to reverse prior decisions.

Further, the review power of the Director is quite similar to that of the Judge Advocate General in *Edmond*, in that it is supplemented by potential review by a court of appeals. The Court of Appeals for the Armed Forces reviews decisions of inferior officers where the sentence extends to death, the Judge Advocate General requests review, or a party appeals. *Edmond v. United States*, 520 U.S. 651, 665 (1997). The Court of Appeals for the Armed Forces had a "narrower" scope for review, but "this limitation . . .

[did] not . . . render the judges of the Court of Criminal Appeals principal officers." *Id.* This structure tracks very closely with the relationship between APJs, the Director, and the Court of Appeals for the Federal Circuit described *supra* Section I.C.1. Allowing the court of appeals to only review decisions appealed by a party is similar to the federal court review scheme in *Edmond*—and yet the judges of the Court of Criminal Appeals in *Edmond* were ultimately held to be inferior officers.

Other Supreme Court holdings support this precedent. In *Freytag*, the Court held that special trial judges (STJs) for the U.S. Tax Court were inferior officers for the purposes of the Appointments Clause. *Freytag v. Comm'r*, 501 U.S. 868 (1991). Similar to APJs, STJs have the ability to hear arguments and "make the decision of the court" in proceedings under their authorizing statute. 26 U.S.C. § 7443A. Further, these "decisions of the Tax Court are appealable only to the regional United States courts of appeals." *Freytag*, 501 U.S. at 891. They were not subject to review by "the Executive and Legislative branches." *Id.* So, the review available in *Freytag* was less than the review at issue in this case. And yet, the Court still found that STJs were inferior officers who could "render the decisions" in certain proceedings, despite the limited review. *Id.* at 882.

The Federal Circuit has similarly upheld limited review for special masters under the National Childhood Vaccine Injury Act. Special masters were authorized to "issue decisions with respect to . . . compensation . . . for a vaccine-related injury or death[.]" *Masias v. Sec'y of Health & Hum. Servs.*, 634 F.3d 1283, 1295 (Fed. Cir. 2011). The plaintiff in *Masias* argued that, "because the Court of Federal Claims does not review all special masters' decisions de

novo, special masters are given the power to render final decisions on behalf of the United States without requiring the permission of other Executive officers" and were therefore principal officers. *Masias*, 634 F.3d at 1293. But the court looked to *Edmond* and rejected that argument, explaining that "limitation upon review" did not turn special masters into principal officers. *Id.* at 1294.

Ultimately, the purpose of the Appointments Clause shows that absolute review of a party's every action is not necessary for a party to be an inferior officer. "[B]y specifying only a limited number of actors who can appoint inferior officers without Senate confirmation, the Appointments Clause maintains clear lines of accountability—encouraging good appointments and giving the public someone to blame for bad ones." *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2056 (2018) (Thomas, J., concurring) (citing The Federalist No. 76, at 455 (Alexander Hamilton) (C. Rossiter ed., 1961)). "Without a clear and effective chain of command, the public cannot 'determine on whom the blame or the punishment of a pernicious measure, or series of pernicious measures ought really to fall.'" *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 498 (2010) (quoting The Federalist No. 70, at 476 (Alexander Hamilton) (J. Cooke ed., 1961)).

Indeed, scholars have recognized that one virtue of the contextual analysis required by *Edmond* is "enhance[d] accountability in the appointments process[,]" Andrew Croner, Morrison, Edmond, *and the Power of Appointments*, 77 Geo. Wash. L. Rev. 1002, 1012 (2009), as determining whether an officer has a superior establishes accountability. "The current structure for appointing, directing and supervising, and removing APJs allows such political accountability." *Polaris Innovations Ltd. v. Kingston*

Tech. Co., Inc., 792 F. App'x 820, 821 (Fed. Cir. 2020) (per curiam) (Hughes, J., concurring). Although the Director may not be able to review every single action of every APJ, this is not required. APJs work can be reviewed and vacated by the Director or the Federal Circuit, and the Director establishes binding precedent for APJs, rendering APJs inferior officers.

D. The statutory scheme for Administrative Patent Judges reveals Congress's intent to make them inferior officers

Congressional intent supports the conclusion that APJs are inferior officers. In *Freytag*, when deciding whether STJs were inferior officers, the Court looked in part to "the clear intent of Congress[.]" *Freytag v. Comm'r*, 501 U.S. 868, 888 (1991). A few years later, this Court looked to the fact that "Congress repeatedly and consistently distinguished between [a principal office] . . . and a position or duty to which one could be 'assigned' or 'detailed' by a superior officer" to hold that particular military judges were inferior. *Weiss v. United States*, 510 U.S. 163, 172 (1994). "Congress' intent on the question matters . . . because the Appointments Clause is properly understood to grant Congress a degree of leeway as to whether particular Government workers are officers[.]" *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2062 (2018) (Breyer, J., concurring). In this instance, it is clear that Congress intended for APJs to be inferior officers.

The Appointments Clause allows Congress to vest appointment power for inferior officers in the heads of departments in the Executive Branch. U.S. Const. art. II, § 2, cl. 2. In the statutory scheme for APJs, Congress provided that "administrative patent judges shall be . . . appointed by the Secretary, in consultation with the Director." 35 U.S.C. § 6. The Appointments Clause makes clear that only the President has the

power to appoint principal officers. U.S. Const. art. II, § 2, cl. 2. Because Congress vested the power to appoint APJs in a head of department rather than the President, it is evident that Congress intended to make APJs inferior officers.

Congressional intent is also evident through the history of legislative amendments to Title 35. Prior to 1975, when Title 35 underwent significant amendment, the role of APJs was fulfilled by "examiners-in-chief" who were to number "not more than fifteen" and would be "appointed by the President, by and with the advice and consent of the Senate." Pub. L. No. 85-933, 72 *Stat.* 1793, 1793 (1958). This is particularly revealing of Congressional intent—a deliberate choice was made to move from a limited number of officers appointed in a manner consistent with principal officers to a large number of officers with delegated appointment power. Today "[t]here are more than 200 APJs[.]" *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1329 (Fed. Cir. 2019).

The power these APJs wield is different than that exercised by examiners-in-chief, and so a direct comparison of these authorities is difficult. But since these changes, Congress has also added other review oversight by the Director, most notably allowing the Director to designate panels of APJs to hear appeals. Pub. L. No. 110-313, 122 *Stat.* 3014 (2008). Congress's amendments to the statutes governing APJs demonstrate their intent to make APJs inferior, rather than principal, officers. For the purposes of the Appointments Clause, which vests power in Congress to delegate the appointment of inferior officers, Congress's clear desire for APJs to be inferior officers is significant.

APJs have superiors who are principal officers that exercise authority over their work, have the ability to

review their work, and can remove APJs. Congress has also made their intent for APJs to be inferior officers clear. Using this Court's method for determining whether officers are inferior by looking to the overall nature of the relationship between the officer and other principal officers, *see Edmond v. United States*, 520 U.S. 651, 661–62 (1997), it is evident that APJs are inferior officers for the purposes of the Appointments Clause.

II. THE SEVERANCE OF REMOVAL PROTECTIONS AS APPLIED TO ADMINISTRATIVE PATENT JUDGES PROPERLY CURES ANY CONSTITUTIONAL DEFECT IN THEIR APPOINTMENT

By recognizing that Administrative Patent Judges (APJs) are in fact inferior officers under the Appointments Clause, as demonstrated *supra* Part I, thus affirming the validity of the Patent Trial and Appeals Board (PTAB) holding, this Court will obviate the need for any further analysis regarding a remedy. However, if the Court should find instead that APJs are principal officers, then it should leave in place the panel's determination of the appropriate cure for the Constitutional violation and apply that cure retroactively.

The severance adopted by the court of appeals properly cures any constitutional defect in the appointment of APJs under Title 35. This Court has adopted narrow as-applied severances to address a variety of constitutional infirmities. *See, e.g.*, *United States v. Nat'l Treasury Emps. Union*, 513 U.S. 454, 477–78 (1995) (invalidating a statute only as it applied to the parties before the Court); *United States v. Grace*, 461 U.S. 171, 183 (1983) (invalidating a statute only as

it applied to a particular location). Here, the court of appeals partially severed 35 U.S.C. § 3(c) so as to invalidate Title 5 removal restrictions as they apply to APJs (hereinafter, the "as-applied severance"). *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1338 (Fed. Cir. 2019). This severance is the narrowest available remedy that fully cures the constitutional defect while retaining the statute's intended function and minimally disrupting the operations of the USPTO.

A. The as-applied severance removes any doubt that Administrative Patent Judges are inferior officers

As Part I lays out *supra*, APJs are subject to sufficient supervision and review by superior officers so as to render them "inferior officers" under the Appointments Clause. Should this Court hold otherwise, however, the as-applied severance endorsed by the court of appeals clearly solidifies the status of APJs as inferior officers.

The removal power to which an officer of the United States is subjected forms one key consideration in determining that officer's principal or inferior status. *See Edmond v. United States*, 520 U.S. 651, 664 (1997) (citing *Bowsher v. Synar*, 478 U.S. 714, 727 (1986); *Myers v. United States*, 272 U.S. 52 (1926)). While removal power is not ultimately determinative of an officer's status, the fact that an officer may be removed subject purely to a principal officer's authority counsels in favor of that officer being considered "inferior." *See id.* at 665–66 (finding a superior officer's power to remove a judge of the Coast Guard Court of Criminal Appeals without cause a "significant" factor in making those judges inferior officers); *see also Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010) (emphasizing at-will removal

power as a form of control over inferior officers); *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1338–40 (D.C. Cir. 2012) (considering removability as one of three main factors in assessing the inferior or principal status of Copyright Royalty Judges).

The as-applied severance employed by the court of appeals subjects APJs to the unfettered removal authority of the Director or Secretary, both properly appointed superior officers under the Appointments Clause. Without the protections afforded by 5 U.S.C. § 7513(a), APJs would be employed at-will and could be removed at the discretion of their superiors. APJs would also still be subject to the policy direction and management supervision of the Director, *see supra* Section I.B.1, and the significant review authority of the Director and of the Federal Circuit, *see supra* Section I.C; this, in conjunction with the effect of the newly-severed removal protections, resolves any uncertainty as to the inferior-officer status of APJs. As the panel below noted, "All parties . . . agree that [the as-applied severance] would be an appropriate cure for an Appointments Clause infirmity." *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1337 (Fed. Cir. 2019).

This approach harmonizes with the approach this Court applied in a closely analogous previous case. In *Free Enterprise Fund*, this Court similarly addressed a constitutionally infirm statute by severing a restriction on removal power, rather than invalidate an entire structure as unconstitutional. *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 508–10 (2010). While the primary issue considered in *Free Enterprise* pertained to the separation of powers doctrine, this Court also found that subjecting the officers in question to the removal power of their

superiors rendered them "inferior" under the Appointments Clause. *Id.* at 492, 510. Notably, although the for-cause removal restriction at issue in *Free Enterprise* was "only one of a number of statutory provisions that, working together, produce[d] a constitutional violation," the Court found that its severance was sufficient to cure the rest of the law as a whole. *Id.* at 508–09. The same logic applies to the severance of the application of Title 5 protections here: removing the restriction on removal power alone cures any Appointments Clause defect in the statute overall.

The Federal Circuit panel's approach below also aligns with the approach adopted by the D.C. Circuit. The D.C. Circuit employed an analogous severance to cure an Appointments Clause defect regarding copyright royalty judges in *Intercollegiate*. *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd*, 684 F.3d 1332 (D.C. Cir. 2012). Seeking to "minimize[] any collateral damage" to the overall review structure of the Copyright Royalty Board, the D.C. Circuit panel severed removal restrictions that applied to the copyright royalty judges. *Id.* at 1340–41. As the panel explained, "the threat of removal" makes it so that the judges' "decisions will be constrained to a significant degree by a principal officer." *Id.* at 1341. This constraint renders the judges "validly appointed inferior officers." *Id.* As the nature of the removal restriction at issue here parallels that previously applied to the copyright royalty judges in *Intercollegiate*, so too does the curative impact of its severance.

These precedents demonstrate that the as-applied severance is sufficient and appropriate to ensure the inferior status of APJs.

B. The as-applied severance is properly drawn to minimize adverse impacts on the functioning of the Patent Trial and Appeals Board

Especially when contrasted with other potentially curative approaches, the as-applied severance addresses any constitutional infirmity in a narrow manner that is consistent with congressional intent.

1. *The as-applied severance preserves Congress's intended function of the* inter partes *review system*

By allowing the continued operation of the *inter partes* review system, the as-applied severance retains the intended function of the statutes governing the USPTO and the PTAB. In evaluating severability, this Court considers "whether the statute will function in a manner consistent with the intent of Congress" after the severance. *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 685 (1987) (emphasis omitted); *see also United States v. Booker*, 543 U.S. 220, 258–59 (2005) ("Severing the statute is appropriate if the remainder of the statute is . . . consistent with Congress' basic objectives in enacting the statute."). Severance is permissible to salvage the statute "[u]nless it is evident that the Legislature would not have enacted those provisions which are within its power" that remain after the severance—"if what is left is fully operative as a law," the severance may be adopted. *Buckley v. Valeo*, 424 U.S. 1, 108–09 (1976) (citing *Champlin Refining Co. v. Corporation Comm'n of Oklahoma*, 286 U.S. 210, 234 (1932)).

Here, the panel rightly prioritized the preservation of Congress' central intent: to establish a system for the USPTO to review issued patents in case of disputes. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941

F.3d 1320, 1337–38 (Fed. Cir. 2019). This Court has recognized that the "basic purposes" of the *inter partes* review process are "to reexamine an earlier agency decision," "help resolve concrete patent-related disputes among parties," and "protect the public's 'paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.'" *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945)). The severance of the application of Title 5 removal protections to APJs in no way interferes with any of these core purposes. Instead, the as-applied severance allows this system to continue to function as intended, making it an appropriate means of addressing any constitutional infirmity in the statute.

2. *The as-applied severance is the narrowest viable remedy available*

Alternative severance schemes or other potential remedies would do more to disrupt the important functions that APJs perform, counseling the rejection of those alternatives. When looking to address a potentially unconstitutional legislative act, the Court "should refrain from invalidating more of the statute than is necessary." *Regan v. Time, Inc.*, 468 U.S. 641, 652 (1984). Rather, the Court responds by "severing any problematic portions while leaving the remainder intact." *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 508 (2010) (citing *Ayotte v. Planned Parenthood of Northern New Eng.*, 546 U.S. 320, 328–29 (2006)) (internal quotations omitted).

Following this mandate, the panel rightfully adopted the narrowest viable approach available to it. Other approaches considered do far more damage either to the federal civil service, the functioning of the USPTO, or both. For example, giving Title 5's

"efficiency of the service" standard a significantly broader reading to allow for at-will removal would affect the employment protections afforded not just to APJs, but to almost all federal employees, to whom Title 5 also applies. *See* 5 U.S.C. § 7513(a). Similarly, severing the "Officers and" provision from section 3(c) of Title 35 would unnecessarily diminish non-removal protections for APJs, and also diminish removal protections for non-APJ officers at the USPTO.

Attempting to cure the perceived constitutional infirmity by instead subjecting the APJs to greater review power, rather than removal power, would fundamentally and unnecessarily reshape the structure of the *inter partes* review process. This Court may not rewrite the law in attempting to cure a statute. *See Ayotte*, 546 U.S. at 329; *R.R. Ret. Bd. v. Alton R.R. Co.*, 295 U.S. 330, 362 (1935). Severing the "three-member" clause of Title 35, section 6 of the U.S. Code would in effect rewrite the law governing *inter partes* review by permitting a single PTAB member to unilaterally overrule the decision of a three-member panel. Such a departure from the existing process would reduce overall procedural protections for patent-seekers and also greatly reduce the amount of technical expertise made available at any given review hearing. This radical change overcorrects for any constitutional defect presented here.

An even more radical solution—declining to sever any part of the statute and instead invalidating the entire scheme—obviously disrupts the entire function (and indeed, existence) of APJs and *inter partes* review, an outcome this Court should endeavor to avoid. *See Free Enter. Fund*, 561 U.S. at 508 ("[T]he normal rule is that partial, rather than facial, invalidation is the required course." (quoting *Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491, 504 (1985)) (internal quotations

omitted)). This approach does not "limit the solution to the problem" of the purported Appointments Clause violation here, nor do the other approaches available to this Court, whereas the as-applied severance is appropriately proportionate as a cure. *See id.* (quoting *Ayotte*, 546 U.S. at 328–29).

A narrow and non-disruptive solution is particularly appropriate given the important role that the PTAB serves in facilitating American innovation. Through their participation in *inter partes* review, the APJs assist the USPTO in fulfilling its constitutional mandate "[t]o promote the Progress of Science and useful Arts, by 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. Indeed, the current *inter partes* review system was a keystone feature of congressional efforts to "promote innovation" by "improving patent quality and providing a more efficient system for challenging patents that should not have issued." H.R. Rep. No. 112-98, at 39–40 (2011). The as-applied severance, as the narrowest available remedy, preserves and protects the operation of this critical system.

C. The as-applied severance is a retroactive remedy that does not necessitate vacatur and remand of the instant case, nor of those similarly situated

Because its judicial construction of 35 U.S.C. § 3(c) should be read retroactively, the panel erred in vacating and remanding for a new hearing. Although the panel correctly applied precedent and weighed congressional intent to arrive at the as-applied severance, it incorrectly determined that this approach necessitated rehearing by new panels of the PTAB for all patent review cases that properly raised an Appointments Clause claim on review. *See Arthrex,*

Inc. v. Smith & Nephew, Inc., 941 F.3d 1320, 1338–39 (Fed. Cir. 2019). In keeping with past precedent, this Court should instead give retroactive effect to the severance and order that past opinions in cases with properly preserved claims of Appointments Clause violations be reviewed on the merits only, not slated for rehearing.

1. *The severance retroactively renders all prior APJ appointments constitutional, eliminating the need for rehearing in most cases*

Because the as-applied severance results from a judicial finding of constitutional law, it retroactively renders the previous decisions of the PTAB valid. When this Court makes a constitutional interpretation, such interpretations are generally applied on a retroactive basis. "'[B]oth the common law and our own decisions' have 'recognized a general rule of retrospective effect for the constitutional decisions of this Court.'" *Harper v. Virginia Dept. of Taxation*, 509 U.S. 86, 94 (1993) (quoting *Robinson v. Neil*, 409 U.S. 505, 507 (1973)). As Justice Thomas explained further:

> When this Court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule.

Id. at 97 (citing *James B. Beam Distilling Co. v. Georgia*, 501 U.S. 529 (1991)). Indeed, the requirement of retroactive application makes intuitive sense—giving a new ruling only prospective effect would foreclose the consideration of remedial issues entirely. *See id.* at 98. This precept of retroactivity is a "fundamental rule" grounded as far back as the early

days of the republic. *Id.* at 94 (citing *Kuhn v. Fairmont Coal Co.*, 215 U.S. 349, 372 (1910) (Holmes, J., dissenting)). For example, in *Marbury v. Madison*, the Court applied its invalidation of a congressional act retroactively, meaning it could not grant Marbury the relief he sought despite the validity of his claim under the law at the time he brought suit. 1 Cranch 137 (1803). The same principle holds today in the instant matter.

The requirement of retroactivity applies broadly with only limited exceptions. In *Reynoldsville Casket Co. v. Hyde*, the Court reviewed four scenarios in which a newly announced rule of law might not be given retroactive effect: (1) the constitutional violation is otherwise cured by alternate means; (2) there is a separate, independent legal basis that prevents retroactive application; (3) the law of qualified immunity applies; or (4) there is a principle of law, such as the finality of closed cases, that limits the principle of retroactivity itself. 514 U.S. 749, 758–59 (1995). None of these exceptions apply here. Without additional congressional action, the as-applied severance directly and solely cures any constitutional infirmity found in the appointment of the APJs, and there is no independent law nor attempt to apply the severance to closed cases that prevents its retroactive application. The severance retroactively renders APJs properly appointed and requires no additional remedy to address any constitutional issues identified. As a result, the decisions issued by those APJs are also rendered valid, avoiding the need for rehearing of prior cases.

2. *This Court's precedents do not require vacatur and remand*

The panel erred in holding that *Lucia* mandates that the instant case be vacated and remanded. The

remedy in *Lucia*—a new hearing before a different administrative law judge—was only appropriate in that case because, based on the rule established in *Ryder*, the claimant raised his Appointments Clause challenge before the contested judge. *Lucia v. S.E.C.*, 138 S. Ct. 2044, 2055 (2018) (citing *Ryder v. United States*, 515 U.S. 177, 182–83 (1995)). *Ryder* requires that one must make a "*timely* challenge to the constitutional validity of the appointment of an officer who adjudicates his case" in order to obtain "whatever relief may be appropriate if a violation indeed occurred." 515 U.S. at 182–83 (emphasis added). The Court in *Ryder* explained that the petitioner's challenge was timely only because he raised the challenge to the valid appointment of certain judges "before those very judges and prior to their action on his case." *Id.* at 182. The petitioner in *Lucia* similarly contested the validity of a judge's appointment while before that judge. 138 S. Ct., at 2055. Presented with the challenges to their appointments before they rendered judgment, the judges in *Ryder* and *Lucia* were far more likely to have been affected in their decision-making, since the claimants' hostility to their appointments was directly before them.

Here, while the respondent's Appointments Clause claim may be considered "timely" for the purposes of justiciability on the merits, it cannot be considered timely under the standard announced in *Ryder* and applied in *Lucia*. Because the Appointments Clause claim was not raised before the APJs who were later challenged, the panel was not required to order that this case be vacated and remanded following the application of the severance.

Further, the policy goals named in *Lucia* on which the panel relied do not supersede the principle of retroactivity. While the courts may desire to reward

the assertion of Appointments Clause claims with a favorable remedy, ultimately that aim does not permit the circuit panel to "create what amounts to an ad hoc exemption from retroactivity." *See Reynoldsville Casket Co. v. Hyde*, 514 U.S. 749, 758 (1995). Here, the severance itself preserves the central purposes of the Appointments Clause by guarding against the encroachment of one branch's powers on those of another and against the diffusion of the appointment power. *See Freytag v. Comm'r*, 501 U.S. 868, 878 (1991). No further remedy in the form of a rehearing is necessary to accomplish these goals. However, retroactivity may only be preserved by applying the severance back and construing the PTAB's prior decisions as issued by validly appointed officers.

A more apt analogue for the proper remedy here can be found in the remedial analysis the Court performed in *Free Enterprise Fund. Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477 (2010). Once the Court determined that the officers in question were in fact subject to at-will removal power under the Constitution, it found that "petitioners are not entitled to broad injunctive relief" from the body they challenged. *Id.* at 513. Instead, the Court granted petitioners only declaratory relief regarding their right to be subject solely to the authority of properly-appointed officers—in other words, no rehearing or other relief was necessary, since the constitutional invalidation of the relevant removal restrictions rendered the officers inferior and properly appointed. *Id.* This is identical to the effect of the as-applied severance here, and likewise the Court is not bound to vacate and remand the instant matter for rehearing.

3. *Merit review properly balances concerns about past decisions against institutional stability*

Rather than burden the *inter partes* review system with the automatic rehearing of dozens of cases, this Court should instead exercise its discretion in crafting an appropriate remedy and require only review on the merits. The nature of any Appointments Clause violation found here would not be expected to materially affect the outcomes of most cases reached by the panel's order to remand for rehearing. There is little basis on which to suspect that the existence or non-existence of Title 5 protections would have affected the APJs' decision-making. As such, it is neither necessary nor appropriate to invalidate the APJs' decisions. *See Collins v. Mnuchin*, 938 F.3d 553, 593–94 (5th Cir. 2019) (en banc) (finding no support for the theories that an officer's actions should be invalidated because a superior officer may want to replace that officer with a different selection, or because "an independent officer would act differently than if that officer were removable at will").

Invalidating scores of past decisions would also run counter to the aims of the *inter partes* review system itself. In creating the AIA, congressional leaders repeatedly named efficiency and finality as central goals of the reformed patent review system, given the USPTO's limited resources and existing backlog of cases. *See, e.g.*, 157 Cong. Rec. S1041 (2011) (statement of Sen. Kyl); 157 Cong. Rec. S131, S948 (2011) (statements of Sen. Leahy); *see also* H.R. Rep No. 112-98, at 40 (2011) ("The legislation is designed to establish a more efficient and streamlined patent system that will . . . limit unnecessary and counterproductive litigation costs."). The court of appeals' order to require rehearing of cases without

any reason to question the merit of those decisions runs counter to these core aims. Review on the merits of those cases in which there *is* cause to believe the APJs' decision-making was affected would certainly still be appropriate, but this Court should not order rehearing as a matter of course. Any constitutional defect in the appointment of the APJs is adequately addressed by the as-applied severance alone.

CONCLUSION

For these reasons, the Court should reverse the court of appeals' ruling on the merits and hold that APJs are inferior officers whose appointments meet the requirements of the Appointments Clause. If the Court instead upholds the court of appeals' ruling on the merits, then it should apply that ruling retroactively, retain the as-applied severance adopted by the court of appeals, and consequently uphold the decision of the Patent Trial and Appeals Board.

Respectfully submitted,

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APPENDIX

35 U.S.C. § 3 provides in relevant part:

> **(b) Officers and Employees of the Office**
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> * * *
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> **(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.

35 U.S.C. § 6 provides:

> **(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 U.S.C. § 7513 provides in relevant part:

> **(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.