2018-2140

United States Court of Appeals
for the Federal Circuit

Arthrex, Inc.,
Appellant

v.

Smith & Nephew, Inc and ArthroCare Corp.,
Appellees

United States,
Intervenor.

Appeal from the U.S. Patent & Trademark Office,
Patent Trial and Appeal Board, *Inter Partes* Review No. 2017-00275

ARTHREX INC.'S SUPPLEMENTAL BRIEF

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October 29, 2019

CERTIFICATE OF INTEREST

Counsel for Appellant certifies the following:

1. The full name of every party represented by me is:

   Arthrex, Inc.

2. The names of the real party in interest represented by me is:

   Arthrex, Inc.

3. There are no parent corporations and any publicly held companies that own 10 percent of the stock of the parties represented by me.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this Court (and who have not or will not enter an appearance in this case) are:

   Anthony P. Cho, David J. Gaskey, David L. Atallah, Jessica Zilberberg, and Timothy J. Murphy
   Carlson, Gaskey & Olds, P.C.

5. The title and number of any case known to me to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

   None.

Dated: October 29, 2019

/s/ Anthony P. Cho
Anthony P. Cho

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I. INTRODUCTION

If the Court concludes that there is an Appointments Clause violation but cures the constitutional infirmity by severing a portion of the Patent Act, the path forward is clear under *Lucia v. SEC*, 138 S. Ct. 2044 (2018). *Lucia* unequivocally prescribes the following remedy for a timely challenge to an adjudication "tainted with an appointments violation": a new hearing before a new properly appointed judge. *Id*. at 2055.

The Supreme Court recognized that this remedy is appropriate to incentivize parties to raise Appointments Clause challenges. "[O]ur Appointments Clause remedies are designed not only to advance [constitutional structure] purposes directly, but also to create '[ ]incentive[s] to raise Appointments Clause challenges.'" *Id*. at 2055 n. 5; *see also Ryder v. United States*, 115 S. Ct. 2031, 2035 (1995). The Appointments Clause is not trivial. The Supreme Court characterized it as:

> a bulwark against one branch aggrandizing its power at the expense of another branch, but it is more: it "preserves another aspect of the Constitution's structural integrity by preventing the diffusion of the appointment power."

Ryder, 115 S. Ct. at 2035 (quoting *Freytag v. Commissioner*, 111 S. Ct. 2631, 2638 (1991)).

Lucia determined that courts "best accomplish that goal by providing a successful litigant with ***a hearing before a new judge***." (emphasis added). *Lucia*,

138 S. Ct. at 2055 n. 5. Accordingly, this Court should vacate and remand this case for a new hearing before a new PTAB panel consistent with *Lucia's* holding.

II. ARGUMENT

A. *Lucia* Requires a New Hearing Before a New Panel When an Appointments Clause Violation is Found

Lucia held that a new hearing was the appropriate remedy on virtually indistinguishable facts. In that case, the Securities and Exchange Commission ("SEC") instituted an administrative proceeding against Raymond Lucia and his investment company. *Lucia*, 138 S. Ct. at 2049. On review, Lucia raised an Appointments Clause challenge, arguing that the administrative law judge who presided over his hearing was not constitutionally appointed. *Id*. at 2050.

The Supreme Court held that the Appointments Clause violation required a new hearing before a new officer. It explained: "'[O]ne who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case' is entitled to relief." *Id.* at 2055 (quoting *Ryder*, 115 S. Ct. at 2035). As explained in *Ryder*, "[a]ny other rule would create a disincentive to raise Appointments Clause challenges with respect to questionable judicial appointments." *Ryder*, 115 S. Ct. at 2033. Accordingly, "the 'appropriate' remedy for an adjudication tainted with an appointments violation is a new 'hearing before a properly appointed' official." *Lucia*, 138 S. Ct. at 2055.

The *Lucia* Court "add[ed] . . . one thing more": a new official to decide the matter. *Id*. As it explained, "That official cannot be Judge Elliot, even if he has by now received (or receives sometime in the future) a constitutional appointment." *Id.* "To cure the constitutional error, another ALJ (or the Commission itself) must hold the new hearing to which Lucia is entitled." *Id.* The Court explained the compelling rationales supporting that requirement. "Judge Elliot has already both heard Lucia's case and issued an initial decision on the merits. He cannot be expected to consider the matter as though he had not adjudicated it before." *Id.* A new hearing before a new officer was thus necessary because "the old judge would have no reason to think he did anything wrong on the merits—and so could be expected to reach all the same judgments." *Id.* at 2055 n.5. Moreover, the Court added that its "Appointments Clause remedies are designed… to create '[ ]incentive[s] to raise Appointments Clause challenges.' " *Id.* (quoting *Ryder*, 115 S. Ct. at 2035). "We best accomplish that goal by providing a successful litigant with a hearing before a new judge." *Id.*

This case is no different. Just as in *Lucia*, Arthrex has raised a meritorious Appointments Clause challenge to the officers that adjudicated its case. And just as in *Lucia*, remanding the case for a hearing before the same judges would be a hollow remedy. Having already heard the case once, these same judges would have little reason to do anything but reiterate their previous decision. *Lucia*, 138 S. Ct. at 2055,

see also n. 5. Moreover, granting Arthrex a meaningful remedy on remand provides an appropriate incentive for Appointments Clause challenges.

Accordingly, should the Court conclude that there was an Appointments Clause violation and fix the constitutional infirmity by severing a portion of the Patent Act, *Lucia* prescribes the remedy to be a new hearing before a different panel of correctly appointed PTAB judges.[1]

B. Arthrex's Appointments Clause Challenge Is Timely Within the Meaning of *Lucia*

The Government may argue that this case is distinguishable from *Lucia* because Arthrex did not make its Appointments Clause challenge before the Board itself. To be sure, *Lucia* held only that "'one who makes a ***timely*** challenge to the constitutional validity of the appointment of an officer who adjudicates his case' is entitled to relief." *Lucia*, 138 S. Ct. at 2055 (quoting *Ryder*, 115 S. Ct. at 2035) (emphasis added). But Arthrex's challenge ***was*** timely—and certainly no less timely than the challenge in *Lucia*.

[1]Justice Breyer noted in dissent that, in some cases, the improperly appointed official may be the only official, such that no substitute would be available to hear the case on remand. *Lucia*, 138 S. Ct. at 2064 (Breyer, J., dissenting). However, here, many other PTAB judges are available to hear this case on remand, if they become properly appointed. That was the case in *Lucia*, as even Justice Breyer recognized. *Id*. at 2055 n. 5.

Arthrex raised its Appointments Clause challenge at the first stage where it could obtain relief. It would have been futile for Arthrex to raise the challenge before the PTAB because the PTAB lacked authority to grant any relief. "An administrative agency may not invalidate the statute from which it derives its existence and that it is charged with implementing." *Jones Bros., Inc. v. Sec'y of Labor*, 898 F.3d 669, 673 (6th Cir. 2018) (citing *Mathews v. Diaz*, 426 U.S. 67, 76 (1976); *Weinberger v. Salfi*, 422 U.S. 749, 765 (1975); *Johnson v. Robison*, 415 U.S. 361, 368 (1974); *PUC v. United States*, 355 U.S. 534, 539-40 (1958)). The PTAB itself has declined to examine this issue in other cases. *See Samsung Elecs. Am., Inc. v. Uniloc*, 2017 LLC, No. IPR2018-01653, 2019 WL 343814, at *2 (P.T.A.B. Jan. 25, 2019) (declining to consider constitutional challenge to appointments because "administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments" and "[t]his is especially true when, as here, the constitutional claim asks the agency to act contrary to its statutory charter") (internal citations and quotation marks omitted); *see also Intel Corp. v VLSI Tech. LLC*, No. IPR2018-01107, 2019 PAT. APP. LEXIS 4893, at *26-27 (P.T.A.B. Feb. 12, 2019); *Unified Patents Inc. v. MOAEC Techs., LLC*, No. IPR2018-01758, 2019 WL 1752807, at *9 (P.T.A.B. Apr. 17, 2019).

Courts do not fault "a petitioner for failing to a raise a facial constitutional challenge in front of an administrative body that could not entertain it." *Jones Bros.*, 898 F.3d at 674 (citing *McCarthy v. Madigan*, 503 U.S. 140, 147-48, (1992)); *see also Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 130 S. Ct. 3138, 3151 (2010) (permitting Appointments Clause challenge in district court where no such challenge was raised before the SEC in part because constitutional challenges were outside the Commission's competence and expertise).

That is the case here. PTAB judges have the power of principal officers, yet the statutory scheme provides for appointment of those same PTAB judges as if they were inferior officers. Neither the PTAB judges nor the Patent Office has authority to remedy that defect by holding any provisions of their enabling statute unconstitutional. Arthrex thus lacked the ability to obtain any relief on this claim before the PTAB. That fact distinguishes this case from *DBC*, where the petitioner ***could*** obtain relief before the agency. *See In re DBC*, 545 F.3d 1373, 1379 (Fed. Cir. 2008) ("If DBC had timely raised this issue before the Board, the Board could have evaluated and corrected the alleged constitutional infirmity by providing DBC with a panel of administrative patent judges appointed by the Secretary.").

Arthrex is situated no differently from the petitioner in *Lucia*. Lucia did not raise his Appointments Clause challenge before the administrative law judge who

presided over his case. Instead, he raised the challenge for the first time on review of the ALJ's decision before the Commission. *See Lucia*, 138 S. Ct. at 2055. That was the first stage at which Lucia could have obtained any relief on his claim because the Commission (as opposed to the ALJ) could have elected to preside over Lucia's hearing itself. *Id*.; *see also* n.6. The Supreme Court did not deem Lucia's challenge untimely merely because Lucia had not made a futile argument before the ALJ.

Likewise here, Arthrex raised its challenge at the first stage at which it could obtain relief. Unlike in *Lucia*, there was no intermediate administrative appeal from the Board's decision—indeed, the fact that Board decisions are appealable directly to this Court is one of the defects that gives rise to the Appointments Clause problem. And in any event, there is no remedy that the Board or anyone else at the PTO could provide. The only way to remedy the problem is either to provide for presidential nomination and Senate confirmation of Board members or else to hold some provision of the statute unconstitutional so Board members are no longer exercising principal officer authority. The agency lacks the ability to do either of those things.

Arthrex's Appointments Clause challenge was raised in this very first appeal from the faulty PTAB decision—exactly the same procedural posture as in *Lucia*. Accordingly, Arthrex is entitled to the remedy prescribed in *Lucia*.

Even if Arthrex's challenge were untimely, all parties agree that the Court has discretion to excuse the untimeliness and hear the Appointments Clause issue. *See Freytag*, 111 S. Ct. at 2635 (challenge made first at the Supreme Court); s*ee also* Arthrex's Opening Br. at 60; S&N Br. at 70-71; Gov't. Br. at 22-23. This case presents an even graver concern than the ones addressed in *Freytag* and *Lucia*. In both *Freytag* and *Lucia*, the Court determined that the administrative judges in question were improperly appointed inferior officers, as compared to mere employees. *Freytag*, 111 S. Ct. at 2640; *Lucia*, 138 S. Ct. at 2051. Here, the PTAB judges are principal officers, who must be appointed by the President and confirmed by the Senate. Hence, this case implicates even greater concerns about the aggrandizing of power of one branch over another and the diffusion of appointment power. Congress has relinquished its input into the appointment of principal officers in contravention of the Constitution. For this reason alone, the Court should exercise its discretion to decide this issue and grant Arthrex the remedy to which it is entitled under *Lucia*.

Furthermore, in contrast to *In re DBC*, there has been no remedial action undertaken by the Government that cures the Appointments Clause violation. *In re DBC*, 545 F.3d at 1380. That violation is still ongoing through no fault of Arthrex.

If Arthrex had raised its challenge sooner, there is no indication that Congress would have acted sooner to address this issue.

Exercise of this Court's discretion to reach the issue is also appropriate under the key questions this Court identified in *Golden Bridge Technologies, Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1322-23 (Fed. Cir. 2008). First, there has been a significant change in law. *Lucia* changed the remedy for Appointments Clause violations by precluding review by the same judges who could "rubber stamp" their prior decision on remand. *Lucia*, 138 S. Ct. at 2055 (characterizing the new remedy as "add[ing]… one thing more"). This remedy makes all the difference in the world to a successful litigant because there is no threat of a "rubber stamp" of the prior proceeding.

Second, the interests of justice warrant deciding these issues. *Golden Bridge*, 527 F.3d at 1323. Given the Supreme Court's clear objective to incentivize parties to raise Appointments Clause challenges, the importance of such challenges, and this case's posture as the first case (of multiple cases) to fully submit this particular challenge, this Court should decide the issue in the interests of justice. *See Ryder*, 115 S. Ct. at 2035; *Lucia*, 138 S. Ct. at 2055, n. 5.

C. *Lucia* Requires a New Oral Argument Before a New Panel

To the extent this Court's order called for briefing on the nature of the proceedings that should occur on remand, Arthrex submits that any proceedings should include, at a minimum, the opportunity for a new oral argument before a new panel. Any lesser remedy would defy the Court's instructions in *Lucia*.

Lucia by its terms requires "a new '***hearing*** before a properly appointed' official." *Lucia*, 138 S. Ct. at 2055 (quoting *Ryder*, 115 S. Ct. at 2039) (emphasis added). That language necessarily contemplates a new oral argument before new judges, not merely a cursory ratification of the existing record by a different judge. Consistent with *Lucia*'s mandate, the D.C. Circuit has ordered new hearings before new judges in *Lucia* and other cases. *See Lucia v. SEC*, 736 Fed. App'x. 2 (D.C. Cir. Aug. 15, 2018); *Harding Advisory LLC v. SEC*, 2018 U.S. App. LEXIS 26703 (D.C. Cir. Sept. 19, 2018); *Riad v. SEC*, 2018 U.S. App. LEXIS 26710 (D.C. Cir. Sept. 19, 2018); *Timbervest, LLC v. SEC*, 2018 U.S. App. LEXIS 32721 (D.C. Cir. Nov. 19, 2018). The SEC itself took the Supreme Court's directive very seriously, vacating its prior ratification order and reassigning the cases to new judges, who were ordered to "not give weight to or otherwise presume the correctness of any prior opinions, orders, or rulings issued in the matter." *In re Pending Administrative Proceedings*,

Exchange Act Release No. 83907, at 2 (Aug. 22, 2018) (available at https://www.sec.gov/litigation/opinions/2018/33-10536.pdf).

The Government and S&N may argue for an alternative remedy, such as the limited form of relief provided by the D.C. Circuit's decision in *Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 796 F.3d 111 (D.C. Cir. 2015). There, a case was remanded to the Copyright Royalty Board after the D.C. Circuit determined that the Board's members had been appointed in violation of the Appointments Clause. *Id*. at 116. On remand, a new, properly appointed Board performed a *de novo* review of the written record but without granting a new hearing. Although the D.C. Circuit accepted that approach, *id*. at 124-127, it did so before the Supreme Court's decision in *Lucia*. *Lucia* now mandates a new hearing before a different panel as an incentive for raising an Appointments Clause challenge. *Lucia* rather than *Intercollegiate* is the governing decision here.

Intercollegiate is also distinguishable on its facts. The court affirmed the approach taken on remand there because the Copyright Royalty Board's authorizing statutes explicitly allowed it to conduct the case on the written record and forgo a live hearing under some circumstances, which the Court found were reasonably present in that case. *Id*. at 126. In other words, a decision on the written record was entirely permissible within the statutory scheme of *Intercollegiate*.

By contrast, the AIA does not permit trial without an oral hearing. Indeed, the AIA prescribes that parties are entitled to an oral hearing as part of the IPR proceeding. 35 U.S.C. § 316(a)(10). A remand proceeding must satisfy this statutory requirement and cure the prejudice to Arthrex—the inability to be heard by a properly appointed PTAB panel as required by § 316(a)(10). The only way to cure this prejudice is for a new, properly appointed PTAB panel to conduct a new oral hearing on remand. *Lucia*, 138 S. Ct. at 2055.

On remand, the PTAB must give the case "fresh consideration by a properly constituted panel." *Khanh Phuong Nguyen v. United States*, 123 S. Ct. 2130, 2139 (2003). The new panel must issue a "detached and considered judgment… in the normal course of agency adjudication." *Doolin Sec. Sav. Bank v. Office of Thrift Supervision*, 139 F.3d 203, 213 (D.C. Cir. 1998). In so doing, the PTAB must not "blindly affirm the earlier decision without due consideration." *Advanced Disposal Servs. E. v. NLRB*, 820 F.3d 592, 602-03 (3d Cir. 2016). Those principles fit squarely within the concerns about fairness that led *Lucia* to conclude that a new official is required to hear the case on remand. *Lucia*, 138 S. Ct. at 2055. This Court should thus order a remand to a new PTAB panel for a new oral argument.

D. The *De Facto* Officer Doctrine Does Not Apply

Arthrex cannot be denied a new hearing on the basis of the *de facto* officer doctrine. That approach is squarely foreclosed by *Ryder* and *Lucia*.

The *de facto* officer doctrine "confers validity upon acts performed under the color of official title even though it is later discovered that the legality of the actor's appointment or election to office is deficient." *Ryder*, 115 S. Ct. at 2034. *Ryder* considered and declined to apply the *de facto* officer doctrine in the Appointments Clause context, explaining that "one who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case is entitled to a decision on the merits of the question and whatever relief may be appropriate if a violation indeed occurred." *Id*. at 2035. That is the precise language the Supreme Court quoted when granting a new hearing in *Lucia*. 138 S. Ct. at 2055 ("'[O]ne who makes a timely challenge to the constitutional validity of the appointment of an officer who adjudicates his case' is entitled to relief.") (quoting *Ryder*, 115 S. Ct. at 2035. Thus, so long as Arthrex's challenge is "timely" within the meaning of *Lucia*—and for the reasons above, it is—*Lucia* and *Ryder* squarely prohibit this Court from relying on the *de facto* officer doctrine to deny relief.

One of the principal cases on which *Ryder* relies, moreover, confirms that Arthrex's challenge was timely. *Ryder* cited *Glidden Co. v. Zdanok*, 82 S. Ct. 1459

(1962), a case in which the petitioners challenged the authority of certain judges but failed to raise that question before the challenged judges themselves. *Glidden*, 82 S. Ct. at 1464-66. The Solicitor General seized upon that circumstance, suggesting the petitioners should be precluded by the "so-called *de facto* doctrine" from questioning the validity of the designations for the first time on appeal. *Id.* at 1464-65. The Supreme Court rejected this argument, explaining that "[t]he alleged defect of authority here relates to basic constitutional protections designed in part for the benefit of litigants… We hold that it is similarly open to these petitioners to challenge the constitutional authority of the judges below." *Id.* at 1465-66; *see also Ryder*, 115 S. Ct. at 2035 ("[H]is claim is based on the Appointments Clause of Article II of the Constitution—a claim that there has been a 'trespass upon the executive power of appointment' rather than a misapplication of a statute providing for the assignment of already appointed judges to serve in other districts." (citation omitted)); *Free Enter.,.,* 130 S. Ct. at 3151 (permitting Appointments Clause challenge in district court where no such challenge was raised before the SEC in part because constitutional challenges were outside the Commission's competence and expertise).

Moreover, *Ryder* expressed an additional concern about applying the *de facto* officer doctrine to deny any relief to a party. *Ryder*, 115 S. Ct. at 2036 n. 3. That

would be precisely the case here—if the *de facto* officer doctrine were invoked to "remedy" the Appointments Clause violation, Arthrex would be denied the remedy of a new hearing before properly appointed officials that is clearly set forth in *Lucia*. For that reason too, the *de facto* officer doctrine does not apply. *See, e.g., Fed. Election Comm'n v. NRA Political Victory Fund*, 6 F.3d 821, 828 (D.C. Cir. 1993) (addressing Appointments Clause challenge after noting that "appellants raise the constitutional challenge as a defense to an enforcement action, and we are aware of no theory that would permit us to declare the Commission's structure unconstitutional without providing relief to the appellants in this case").[2]

Other courts have recognized the narrow scope of the *de facto* officer doctrine after *Ryder*. In *SW General Inc. v. NLRB*, 796 F.3d 67 (D. C. Cir. 2015), the D.C. Circuit explained that "[i]n its most recent cases… the Supreme Court has limited

[2]In one recent case involving a separation of powers challenge to the Federal Housing Finance Agency, the Fifth Circuit held that a mere declaration severing removal restrictions from the statute was a sufficient remedy. *See Collins v. Mnuchin*, 938 F.3d 553, 591-96 (5th Cir. 2019), *pet. for cert. filed*, No. 19-422 (Sept. 25, 2019). But the court expressly distinguished that case from challenges to "individuals who were not properly appointed under the Constitution." *Id.* at 593. That is this case: Even if the Court severs the removal restrictions as a way to make patent judges inferior rather than principal officers, the fact remains that this case involves a constitutional challenge to the ***appointment*** of those officers, not merely restrictions on their removal. The officers were not validly appointed and thus lacked authority to take the actions they took. As the Fifth Circuit recognized, merely severing provisions from the statute is not a sufficient remedy for that type of violation.

the [*de facto* officer] doctrine, declining to apply it when reviewing Appointments Clause challenges and important statutory defects to an adjudicator's authority." *Id.* at 81 (citing *Ryder*, 115 S. Ct. at 2034, and *Nguyen*, 123 S. Ct. at 2132). The court declined to apply the *de facto* officer doctrine to an Appointments Clause challenge because the issue was not a "merely technical defect of statutory authority" but rather "a violation of a statutory provision that embodies weighty congressional policy concerning the proper organization of the federal courts." *Nguyen*, 123 S. Ct. at 2137-38 (internal citations and quotation marks omitted); *see also United States v. Jones*, 74 M.J. 95, 97 (C.A.A.F. 2015) (finding the *de facto* officer doctrine inapplicable to appointment required to be made by the President with Senate advice and consent, and holding that the error was of "constitutional dimensions—certainly 'fundamental' by any reckoning"). Given the constitutional nature of the challenge here, the *de facto* officer doctrine does not apply.

For the foregoing reasons, this Court should grant Arthrex the relief of a new hearing before a different panel of constitutionally appointed PTAB judges pursuant to *Lucia*.

E. Arthrex Is Entitled to a New Hearing Regardless of What Approach the Court Adopts to Remedy the Appointments Clause Violation

The Court expanded the scope of supplemental briefing to address (1) the implications of the Court's proposal to remedy the Appointments Clause violation by severing the words "[o]fficers and" from 35 U.S.C. § 3(c); and (2) the Government's alternative proposal to "hold that 35 U.S.C. § 3(c)'s provision that USPTO officers and employees are subject to Title 5 cannot constitutionally be applied to Board members with respect to that Title's removal restrictions, ***and thus must be severed*** to that extent." [Dkt. 52 at 2 (quoting Gov't. Br. at 35) (emphasis added by the Court)].

Whatever remedy the Court adopts would not alter Arthrex's entitlement to, at the very least, a new hearing under *Lucia*.[3] To the extent the Court decides to sever the removal restrictions, one remedy suggested by the Court at argument is to strike the words "[o]fficers and" from 35 U.S.C. § 3 (c). The Government apparently

[3] The statute cannot simply be ***construed*** to avoid the constitutional issue. Section 3(c) clearly states that "[o]fficers and employees of the [USPTO] shall be subject to the provisions of title 5," 35 U.S.C. § 3(c), and Title 5 makes those officers removable "only ***for such cause*** as will promote the efficiency of the service," 5 U.S.C. § 7513(a) (emphasis added). Whatever else that means, it is clearly a "for cause" standard, not an "at will" one. The Court cannot avoid a constitutional issue by rewriting the statute. *See Free Enter.*, 130 S. Ct. at 3158, 3184-85 (holding that removal provisions "mean what they say" despite the constitutional avoidance canon and that a removal standard of "inefficiency, neglect of duty, or malfeasance" is a "for-cause" limitation on removal).

fears that striking those words could have collateral consequences by rendering other provisions of Title 5 inapplicable too. In its brief, the Government urges the Court to "hold that 35 U.S.C. § 3 (c)'s provision that USPTO officers and employees are subject to Title 5 cannot constitutionally be applied to Board members with respect to that Title's removal restrictions, and thus must be severed to that extent." Govt. Br. at 35.

Even if the Court adopts the Government's proposed approach, that would in no way diminish Arthrex's entitlement to a new hearing under *Lucia*. The Government's approach still means that the statutory provision is unconstitutional with respect to the PTAB judges. Whichever remedy the Court adopts, therefore, one key fact remains: Until this Court orders that remedy—and thus at the time the Board heard Arthrex's case—the PTAB members exercised principal officer authority they were not properly appointed to exercise. That Appointments Clause violation requires a new hearing under *Lucia*. *See Intercollegiate Broad. Sys. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1342 (D.C. Cir. 2012) (ordering vacatur and remand following severance of for-cause provisions because "the Board's structure was unconstitutional at the time it issued its determination"). Moreover, even if the Court adopts the Government's approach, the PTAB itself could not have granted that relief, so Arthrex raised the issue before the first forum capable of providing a

remedy. *See Hettinga v. United States*, 560 F.3d 498, 506 (D.C. Cir. 2009) (exhaustion not required because "[t]he Secretary lacks the power either to declare provisions of the [statute] unconstitutional, or to exempt the [plaintiffs] from the requirements… imposed by the [statute]").

Finally, the Supreme Court has made clear that courts may not sever removal restrictions to remedy a constitutional violation if "striking the removal provisions would lead to a statute that Congress would probably have refused to adopt." *Bowsher v. Synar*, 106 S. Ct. 3181, 3192 (1986). One of Congress's major goals in enacting this statute was to establish an adjudicative framework in which patent judges would act as independent and impartial adjudicators.[4] Arthrex believes that a regime in which patent judges could be removed at will over mere policy disagreements would undermine that goal.

[4]*See, e.g.*, H.R. Rep. No. 112-98, at 46 (2011) (statute sought to "convert[ ] inter partes reexamination from an examinational to an adjudicative proceeding"); 157 Cong. Rec. S1360, S1375 (Mar. 8, 2011) (Sen. Kyl) ("One important structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding . . . ."); *id.* at S1380 (statute designed to "move us toward a patent system that is objective, transparent, clear, and fair to all parties"); *see also Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378 (2018).

III. CONCLUSION

For the forgoing reasons, Arthrex request the Final Written Decision of the Board be vacated and the matter remanded below for a new hearing before a different panel pursuant to *Lucia*. In the alternative, if no remand and rehearing is granted, Arthrex prays for a decision from this Court on the other merits of its appeal.

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Dated: October 29, 2019

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CERTIFICATE OF COMPLIANCE WITH RULE 32(a)

I, Anthony P. Cho, counsel for Appellant, certify that the foregoing Brief complies with the type-volume limitation set forth in Fed. R. App. P. 27(d)(2).

Specifically, this Brief does not exceed 20 double-spaced pages (excluding the parts of the motion exempted by Fed. Cir. R. 27(d)). [Dkt. 65].

I further certify that the foregoing brief complies with the typeface requirements set forth in Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) as required by Fed. R. App. P. 27(d)(1)(E). Specifically, this brief has been prepared using a proportionally spaced typeface using Microsoft Word 2013, in 14-point Times New Roman font.

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CERTIFICATE OF SERVICE

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