No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,

Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,

Appellees,

UNITED STATES,

Intervenor.

Appeal from the United States Patent and Trademark Office
Patent Trial and Appeal Board in No. IPR2017-00275

SUPPLEMENTAL BRIEF FOR THE UNITED STATES

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INTRODUCTION

This Court has directed the parties to address several questions related to the appropriate remedy for any Appointments Clause violation in the statutes governing the administrative patent judges (APJs) of the Patent Trial and Appeal Board (PTAB or Board). First, the Court has invited further explanation regarding one of the remedies the government proposed in its brief. *See* Order, Oct. 23, 2019, at 1-2. Next, the Court has granted the parties permission to address a possible revision to 35 U.S.C. § 3(c) identified by the Court at argument. *See id.* at 1. Finally, the Court has directed the parties to address whether this case should "be vacated and remanded for a new hearing before the Board pursuant to *Lucia v. SEC*, 138 S. Ct. 2044 (2018)," if the Court concludes that the relevant statutes may be cured of any constitutional infirmity. Order, Oct. 15, 2019, at 2.

As detailed in the government's principal brief, the USPTO Director's means of controlling the Board's members and work product are many and robust, at every stage of administrative proceedings. *See* Gov't Br. 36-42. But if the Court nonetheless holds that APJs' appointments as inferior officers are inconsistent with the degree of control Senate-confirmed officers may currently exercise over them, that constitutional defect could be cured by eliminating the existing statutory strictures on removing APJs from federal service. The Court could achieve this result by partially invalidating the statutes relating to such removal or announcing an interpretation of those statutes that obviates the constitutional problem, but it should avoid any remedy

that does more than render APJs removable at will. Whatever the remedy, the Court need not vacate the Board's decision here and remand for a new merits proceeding. Arthrex failed to timely raise its Appointments Clause challenge, and it is therefore not entitled to vacatur and remand of the Board's decision under *Lucia*, which by its terms provides relief only for "a timely challenge." *See* 138 S. Ct. at 2055. If the Court nonetheless orders a remand, it should make clear the remand's limited scope.

DISCUSSION

I. If The Court Concludes That The Statutes Governing The PTAB Are Unconstitutional, It Can Invalidate Any Restrictions On Removing APJs From Federal Service.

The power of Senate-confirmed officers to remove an inferior officer "is a powerful tool for control." *Edmond v. United States*, 520 U.S. 651, 664 (1997). With respect to Executive Branch adjudicators, the Supreme Court has specified that the constitutionally relevant authority turns on superior officers' ability to remove a judge "from his judicial assignment," not from federal service entirely. *Id.* The USPTO Director has entirely unfettered authority to decline to select an APJ to serve on Board panels, thus effecting a removal from "judicial assignment." *See* Gov't Br. 32-33. This authority in itself gives a Senate-confirmed officer all the necessary removal power over an inferior officer.

If, however, the Court concludes that the Constitution requires a Senate-confirmed officer to have unconstrained authority to remove APJs from federal service *entirely*, there are several ways the Court could eliminate APJs' modest removal

protections without disturbing the remainder of the PTAB statutory scheme. As the Supreme Court has explained, "when confronting a constitutional flaw in a statute," courts should "try to limit the solution to the problem." *Ayotte v. Planned Parenthood of N. New England*, 546 U.S. 320, 328 (2006). The Court "prefer[s] … to enjoin only the unconstitutional applications of a statute while leaving other applications in force, or to sever its problematic portions while leaving the remainder intact." *Id.* at 328-29 (citation omitted). Although courts may not "rewrit[e]" statutes, they can and do "devise a judicial remedy that does not entail quintessentially legislative work" where courts have already clearly "articulated the background constitutional rules at issue" and the court can "easily … articulate the remedy." *Id.* If necessary, the Court has several options to eliminate APJs' removal protections in a targeted fashion that minimizes any collateral effects on Congress's handiwork.

A. This Court Can Partially Invalidate, Or Adopt Alternate Constructions Of, Statutory Provisions To Permit At-Will Removal Of APJs.

1. The government currently interprets the relevant provisions of Titles 5 and 35 to give APJs some protection from at-will removal from federal service. *See* Gov't Br. 2-3, 34.[1] If the Court concludes that such protections unconstitutionally insulate

[1] In its brief, the United States identified the relevant removal restriction as the basic "efficiency of the service" standard found in 5 U.S.C. § 7513. *See* Gov't Br. 34. That is true of the vast majority of APJs, including those who issued the decision in this case. However, upon further review, the government has determined that the USPTO has designated seven APJ positions for inclusion in the Senior Executive

APJs from the control of Senate-confirmed officers, it may hold that these provisions "cannot constitutionally be applied to Board members with respect to that Title's removal restrictions, and thus must be severed to that extent." Gov't Br. 35; *see also* Order, Oct. 23, 2019, at 1-2 (directing explanations of this proposal).

When some applications of a statute would be unconstitutional, courts routinely confine relief to the statute's unconstitutional applications while leaving its constitutional applications undisturbed. For example, in *United States v. Grace*, 461 U.S. 171 (1983), the Supreme Court declared unconstitutional some applications of a statute providing that "[i]t shall be unlawful to parade, stand, or move in processions or assemblages in the Supreme Court Building or grounds, or to display therein any flag, banner, or device designed or adapted to bring into public notice any party, organization, or movement." *Id.* at 173 n.1 (quoting 40 U.S.C. § 13k (now codified with minor alteration at 40 U.S.C. § 6135)). The Court noted that this "statute cannot

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Service (SES). *See SES Positions That Were Career Reserved During CY 2017*, 83 Fed. Reg. 29,312, 29-324 (June 22, 2018) (noting SES classification of the Chief APJ, Deputy Chief APJ, and five Vice Chief APJs). These seven APJs would thus be governed by the SES-specific provisions that permit removal from the SES "for less than fully successful executive performance," or removal from the civil service for "misconduct, neglect of duty, malfeasance, or failure to accept a directed reassignment or to accompany a position in a transfer of function." 5 U.S.C. §§ 3592(a)(2), 4314(b)(3), (4), 7542, 7543. This latter standard has been construed to permit removal under an even wider set of circumstances than Section 7513 allows. *See Shenwick v. Department of State*, 92 M.S.P.R. 289, 295 (M.S.P.B. 2002) (discussing legislative intent that "members of the Senior Executive Service be subject to fewer protections than non-SES members in order to add management flexibility to the top echelons of the federal government"). If the Court concluded that all APJs must be removable at will, the remedies the government has proposed would apply equally to these SES officials.

be construed to exclude the sidewalks" and that "Congress' extension of § 13k's prohibitions to the sidewalks" around the Supreme Court must be considered "a reasoned choice." *Grace*, 461 U.S. at 180 n.9. The Court held "that under the First Amendment the section is unconstitutional as applied to those sidewalks," while leaving the statute in effect with regard to its remaining applications. *Id.* at 183-84. The Court has engaged in such partial invalidation—sometimes involving an "implied severability" analysis, *United States v. National Treasury Emps. Union*, 513 U.S. 454, 488 (1995) (O'Connor, J., concurring in part and dissenting in part)—to cure a variety of constitutional infirmities.[2]

The language of the statute in *Grace* did not provide any textual basis for distinguishing between sidewalks and the remainder of the Court's grounds, but the Court did not find it necessary to identify specific words within the statute to excise in order to confine relief to the statute's invalid applications. Nor did the Court consider its partial invalidation tantamount to an impermissible rewriting of the statute. *Cf.*

[2] *See, e.g.*, *Treasury Emps.*, 513 U.S. at 487-88 (O'Connor, J., concurring in part and dissenting in part) (collecting examples in which the Court "declared a statute invalid as to a particular application without striking the entire provision that appears to encompass it" in First and Fourth Amendment cases); *Ayotte*, 546 U.S. at 331 (remanding for consideration of narrower injunction rather than total invalidation of abortion-related statute); *see also United States v. Raines*, 362 U.S. 17, 21 (1960) (addressing contention that a statute was outside Congress's Fifteenth Amendment authority, and concluding that "one to whom application of a statute is constitutional will not be heard to attack the statute on the ground that impliedly it might also be taken as applying to other persons or other situations in which its application might be unconstitutional").

Treasury Emps., 513 U.S. at 479 n.26 (noting that in *Grace*, the Court "had no difficulty striking down the statute only as it applied to the public sidewalks," but declining to "rewrite" a different statute that involved "inconsistent [congressional] signals as to where the new line or lines should be drawn"). Thus, where there is a clear and easily identifiable set of circumstances in which a statute may not constitutionally be applied, courts need not expunge specific words in a statute to craft a judicial remedy.

Here, if the Court concluded that APJs must be removable at will, it would be a "relatively simple matter" to invalidate the application of any removal protections as applied to APJs. *Treasury Emps.*, 513 U.S. at 479 n.26. Jurisprudence regarding the Appointments Clause and separation-of-powers issues has "previously distinguished," *Ayotte*, 546 U.S. at 329-30, between at-will removal and other removal regimes. *See, e.g.*, *Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 561 U.S. 477, 510 (2010); *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 684 F.3d 1332, 1340-41 (D.C. Cir. 2012). This Court would not need to "mak[e] distinctions in a murky constitutional context," nor is this a situation "where line-drawing is inherently complex." *Ayotte*, 546 U.S. at 330. Invalidating the application of removal protections to APJs, even without striking specific statutory language, would therefore not be the type of "serious invasion of the legislative domain" courts avoid. *Id.*

This remedy is appropriate because it is apparent that "the legislature [would] have preferred what is left of its statute" after eliminating APJs' removal protections "to no statute at all." *Ayotte*, 546 at 330; *see Buckley v. Valeo*, 424 U.S. 1, 108 (1976)

(per curiam) ("Unless it is evident that the legislature would not have enacted those provisions which are within its power, independently of that which is not, the invalid part may be dropped if what is left is fully operative as a law.") (quotation marks omitted). The creation of the PTAB and the many functions Congress assigned to it were part of a significant patent-law reform "designed to establish a more efficient and streamlined patent system." H.R. Rep. No. 112-98, at 40, 2011 U.S.C.C.A.N. 67, 69 (2011). And in similar circumstances, even where Congress has specified a removal standard, courts have severed and invalidated such legislative choices. *See, e.g.*, *Intercollegiate Broad.*, 684 F.3d at 1340-41. The lack of a removal provision specific to APJs means the Court cannot structure partial invalidation in precisely the same way as these courts—but the very absence of such a provision indicates that Congress did not consider such protections a critical feature of the PTAB.

2. There is another means by which the Court could effectuate the government's proposal to effectively sever the removal restrictions that the government currently understands APJs to enjoy while leaving the remainder of the statute intact. The Patent Act establishes a number of specific USPTO offices. *See* 35 U.S.C. §§ 3(a), (b) (establishing the Director, Deputy Director, and Commissioners for Patents and for Trademarks), 6(a) (establishing APJs). Of these, only the Deputy Director and the APJs do not have specific removal provisions attached to their offices. *Compare* 35 U.S.C. § 3(a)(4) (President may remove Director), *and* (b)(2)(C)

(providing conditions for removal of Commissioners by the Secretary of Commerce), *with id.* § 3(b)(1), 6(a) (establishing offices without removal regime).[3]

Where Congress has provided specific removal regimes for some offices, but remained silent with respect to others, the statute could be fairly interpreted to leave occupants of the latter subject to at-will removal. The Supreme Court has held that an agency head's authority to remove a subordinate is plenary absent statutory language to the contrary because "the power of removal of executive officers [is] incident to the power of appointment." *Myers v. United States*, 272 U.S. 52, 119 (1926). Although 35 U.S.C. § 3(c) generally incorporates the many civil-service provisions of Title 5, the statute's omission of particular rules regarding APJ removal could be understood as preserving the "traditional default rule" of at-will removability. *Free Enter.*, 561 U.S. at 509. On this view of the Patent Act, Congress would have left undisturbed the presumption that the Secretary has at-will removal power over any officer he appoints in the absence of an office-specific provision to the contrary—*i.e.*, APJs and the Deputy Director. This interpretation would be consistent with the rule that, absent a "clear intention otherwise, a specific statute," like that governing APJs in particular, "will not be controlled or nullified by a general one." *Hernandez v.*

[3] The statute also contemplates the existence of administrative trademark judges. *See* 35 U.S.C. § 3(b)(6). Congress established, and has periodically altered features of, that office by amending the Trademark Act of 1946. *See* 15 U.S.C. § 1067(b); *see, e.g.*, Pub. L. No. 110-313, § 4716 (Aug. 12, 2008) (amending the Trademark Act of 1946). Any removal restrictions that apply to these judges are beyond the scope of this litigation.

Department of Air Force, 498 F.3d 1328, 1332 (Fed. Cir. 2007) (quotation marks omitted). Although not "the most natural interpretation" of the statute—and thus not the one adopted by the agency to date—it would be "a fairly possible one" if necessary to avoid any constitutional defect the Court might otherwise perceive. *National Fed'n of Indep. Bus. v. Sebelius*, 567 U.S. 519, 563 (2012).

B. Striking The Words "Officers And" From 35 U.S.C. § 3(c) Would Be Either Ineffective Or Overbroad.

At argument, the Court asked whether the removal protections in 5 U.S.C. § 7513 could be made inapplicable to APJs by simply striking the words "Officers and" from 35 U.S.C. § 3(c). That provision would then read: "[E]mployees of the Office shall be subject to the provisions of title 5, relating to Federal employees." This remedy, however, is neither necessary nor appropriate.

First, as discussed above, it is unnecessary to excise particular words from the statute in order to eliminate the statute's unconstitutional applications. *See supra* I.A. Although some statutes lend themselves to this form of remedy, where the relevant provisions are not amenable to such "blue-pencilling," *Free Enter.*, 561 U.S. at 509, courts may still craft appropriate relief by invalidating the statute's unconstitutional applications while leaving the statute otherwise undisturbed.

Next, it is unclear that this remedy would be effective. Title 5 itself defines the "employees" to whom Section 7513 applies, and that definition includes most APJs. *See* 5 U.S.C. § 7511(a)(1)(C) (making the subchapter applicable to "an individual in the

excepted service"); 5 C.F.R. § 213.3102(d); *see also* 5 U.S.C. §§ 2104, 2105 (providing default definition of "employee" for purposes of Title 5). Thus, Section 7513 and much of Title 5 appear to apply to APJs of their own force, independently of 35 U.S.C. § 3(c)'s specification regarding the "continued applicability" of Title 5's employment provisions to USPTO's officers and employees. To the extent that the Court crafts a remedy that *only* severs and strikes down particular words within § 3(c), it is unclear whether Title 5's removal and other provisions would continue to apply to the agency's officers by virtue of Title 5's independent definitions. The better course would be to fashion relief specifying that APJ removal protections, wherever found in the U.S. Code, cannot constitutionally apply to APJs. *See supra* I.A.

Assuming *arguendo* that Section 3(c)'s specification regarding the "[c]ontinued applicability of Title 5" were necessary to extend the employee provisions of that title to USPTO officers and employees, the Court's hypothesized remedy would be overbroad. On this assumption, eliminating "officers" from Section 3(c) could place APJs outside the scope of Title 5's many employment-related provisions, not just that title's removal provisions. Such provisions govern, *e.g.*, retirement benefits and health insurance. *See* 5 U.S.C. chs. 83, 84, 89. Such consequences would sweep far beyond those authorized by other courts. *Cf., e.g.*, *Intercollegiate Broad.*, 684 F.3d at 1340-41 (invalidating part of 17 U.S.C. § 802(i)). This remedy would appear, moreover, to extend to USPTO officers other than APJs, even absent a determination that such officials could not constitutionally enjoy some form of removal restriction given their

particular duties and other means of principal-officer control. Thus, this remedy would run afoul of the Supreme Court's directive that courts "should refrain from invalidating more of the statute than is necessary." *Alaska Airlines, Inc. v. Brock*, 480 U.S. 678, 684 (1987).

II. This Court Should Tailor Any Relief To Account For Arthrex's Failure To Raise A Timely Appointments Clause Challenge.

A. No Remand Is Required Given That Arthrex First Raised Its Challenge To APJs' Appointment On Appeal.

If the Court concludes that any Appointments Clause violation can be cured judicially, the Board's decision should not be vacated and remanded for a new merits proceeding. That result follows from the Supreme Court's treatment of past Appointments Clause violations and traditional equitable principles.

1. In *Lucia v. SEC*, 138 S. Ct. 2044 (2018), the Supreme Court held that the Administrative Law Judges (ALJs) of the Securities and Exchange Commission (Commission) were "inferior officers" rather than employees, and thus had not been constitutionally appointed. *Id.* at 2054. In addressing the appropriate remedy, the Supreme Court explained "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.'" *Id.* at 2055 (quoting *Ryder v. United States*, 515 U.S. 177, 182-83 (1995)) (emphasis added). The Court specifically noted that *Lucia* had "made just such a timely challenge" by "contest[ing] the validity of [the ALJ's] appointment before the Commission." *Id.*; *see also id.* at 2050 (recounting how before the Commission, "Lucia

argued that the administrative proceeding was invalid because [the ALJ] had not been constitutionally appointed").

The relief provided in *Lucia* was thus explicitly premised on the petitioner having raised a "timely challenge" before the agency. 138 S. Ct. at 2055. In addressing the remedy to which Lucia was entitled, the Supreme Court relied on its earlier opinion in *Ryder*, in which the Court underscored the importance of preserving Appointments Clause challenges before the officer in question. The Court concluded that Ryder was entitled to relief on his Appointments Clause claim because he—unlike other litigants—"raised his objection to the judges' titles before those very judges and prior to their action on his case." *Ryder*, 515 U.S. at 181-83. "Any other rule," the Court explained, "would create a disincentive to raise Appointments Clause challenges with respect to questionable judicial appointments." *Id.* at 183. But even where a court opts to reach the merits of a forfeited challenge, there is no corresponding need to create an incentive to *belatedly* raise Appointments Clause challenges or to encourage deliberate gamesmanship in such challenges' timing. *See In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008) (discussing the possibility that a litigant could strategically permit a lower tribunal to "pursue a certain course, and later—if the outcome is unfavorable—claim[] that the course followed was reversible error").

The Supreme Court's emphasis on the timely presentation of Appointments Clause challenges before the agency in *Ryder* and *Lucia* accords with the Court's longstanding and more general refusal to afford relief to those who do not timely

challenge the validity of agency adjudicators. In *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33 (1952), a litigant argued for the first time in court that the agency's hearing examiner had not been properly appointed under the Administrative Procedure Act. The district court invalidated the agency's order based on the improper appointment, but the Supreme Court reversed. *Id.* at 35-37. The Court emphasized the "general rule that courts should not topple over administrative decisions unless the administrative body not only has erred but has erred against objection made at the time appropriate under its practice." *Id.* at 37. Thus, even with respect to an agency order that would be a "nullity" "if the [agency] had overruled an appropriate objection," the Court has refused to vacate and remand. *Id.* at 38.[4]

Consistent with these principles, this Court should decline to vacate the Board's decision here and remand. It is uncontested that Arthrex did not raise its challenge to the APJs' appointment before the agency. *See* Reply Br. 28. And this Court has held that such challenges are untimely if not raised before the Board. *See*

[4] *Freytag v. Commissioner*, 501 U.S. 868 (1991), is not to the contrary. The Supreme Court there excused the petitioner's forfeiture and addressed the merits of his Appointments Clause challenge. *See id.* at 878-80. But because the Court concluded the appointments there were constitutional, *id.* at 890-92, the question of an appropriate remedy for a forfeited Appointments Clause claim did not arise. And in *Nguyen v. United States*, 539 U.S. 69 (2003), the Court's decision to remedy a belated challenge to a non-Article III judge sitting on a Ninth Circuit panel was rooted in the "fundamental" "question of judicial authority" raised by the subversion there of "Congress' decision to preserve the Article III character of the courts of appeals." *See id.* at 73, 79-80; *see also id.* at 76 n.9 (making clear the Court's decision did not rest on the Appointments Clause).

DBC, 545 F.3d at 1378-80. The Supreme Court has never before granted retrospective relief for an Appointments Clause challenge a litigant has raised belatedly, and this Court should deny Arthrex's request to do so here. Far from creating an appropriate incentive to raise timely Appointments Clause challenges, such relief would create an opportunity for litigants to "sandbag[]" the agency, the Court, and the opposing parties. *Id.* at 1380.

Although not regularly exercised, courts may have discretion to afford a litigant who has forfeited an Appointments Clause challenge vacatur and remand. *See Jones Brothers, Inc. v. Secretary of Labor*, 898 F.3d 669, 679 (6th Cir. 2018). But in *Jones Brothers*, the challenger at least "chose to identify the issue" before the agency, although it also decided "not to press it." *Id.* at 677. Arthrex, in contrast, did not raise this issue until its opening brief in this Court. And even if the Court *may* grant relief despite forfeiture, it is certainly not obliged to do so. Arthrex has not even attempted to distinguish itself from the hundreds of parties aggrieved by Board decisions who could still file an opening brief in this Court on appeal. *Cf. Ryder*, 515 U.S. at 185 (noting the lack of "grave disruption or inequity involved in awarding retrospective relief to this petitioner," where "the defective appointments of the civilian judges affect only between 7 to 10 cases pending on direct review"). In such circumstances, the Court should decline to afford Arthrex relief.

2. The Supreme Court's emphasis on timely challenges in shaping remedies for defective appointments is consistent with the equitable nature of the remedial

endeavor. A court order requiring an agency to undertake a new proceeding of any kind is indisputably a form of injunctive relief, and thus is subject to well-established equitable principles. *See generally Ford Motor Co. v. NLRB*, 305 U.S. 364, 373 (1939) ("[W]hile the court [reviewing an agency decision] must act within the bounds of the statute and without intruding upon the administrative province, it may adjust its relief to the exigencies of the case in accordance with the equitable principles governing judicial action."). Separation-of-power claims—such as those concerning the unconstitutional insulation of a removal restriction—are subject to general equitable rules. *See, e.g.*, *John Doe Co. v. CFPB*, 849 F.3d 1129, 1133 (D.C. Cir. 2017) (recognizing "traditional constraints on separation-of-powers remedies" and noting "vacatur of past actions is not routine").

Where litigants delay in making their objections, they are less entitled to equitable remedies. *See, e.g.*, *Cornetta v. United States*, 851 F.2d 1372, 1375 (Fed. Cir. 1988) (noting the maxim that "equity aids the vigilant not those who slumber on their rights"). And where a party could have intentionally delayed for strategic reasons, a court may decline to grant equitable relief. *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1361 (Fed. Cir. 2001) (noting the principle that one "who seeks equity must do equity"); *see also DBC*, 545 F.3d at 1380 (noting the concern that litigants could "sandbag[]" by delaying raising Appointments Clause challenges).

Here, by waiting for a final written decision of the Board before invoking the Appointments Clause, Arthrex put itself in position to see if it would prevail, and to

avail itself of the statute's estoppel provisions if the Board's decision were favorable. *See* 35 U.S.C. § 315(e). And Arthrex itself has previously invoked the PTAB's authority and received the benefit of favorable APJ decisions cancelling others' patent claims. *See, e.g.*, *Arthrex, Inc. v. KFX Medical, LLC*, Case No. IPR2016-01698, Paper 28 (P.T.A.B. Feb. 26, 2018). These considerations make this a particularly unsuitable case in which to exercise equitable power to vacate the Board's decision and remand.

B. There Is No Basis For A Broad Remand.

1. Even if the Court decides to grant Arthrex retrospective relief notwithstanding its forfeiture, this Court at minimum should apply the above principles to limit the scope of any remand. As discussed above, Arthrex's equitable entitlement to relief is minimal. Moreover, the appropriate remedy may be circumscribed where a court invalidates a removal restriction protecting an otherwise properly appointed officer. *See Collins v. Mnuchin*, 938 F.3d 553, 593-94 (5th Cir. 2019) (en banc), *petition for cert. filed* No. 19-422 (U.S. Sept. 25, 2019); *see also id.* at 596 (Duncan, J., concurring) (drawing distinction between "an unconstitutionally *insulated* officer" and "an unconstitutionally *appointed* officer"). Such a decision here would not render APJs' appointment by the Secretary of Commerce invalid or require a new appointment, as was necessary in *Lucia*. Instead, it would at most require that APJs—who would remain properly appointed as inferior officers—revisit their prior decisions while operating under increased "direct[ion] and supervis[ion]" by Senate-confirmed officers. *Edmond*, 520 U.S. at 661-63. Absent a timely challenge and the

type of fundamental appointment defect at issue in *Lucia*, the extraordinary remedy the Court ordered there—an entirely new hearing before a different officer after a proper appointment—would be inappropriate. *See Lucia*, 138 S. Ct. at 2055; *see also id.* at 2055 n.5 (stating that such a remedy was not "required for every Appointments Clause violation").

Rather, this Court should make clear that a new proceeding before a different Board panel is not required. A remand would involve "properly appointed official[s]," acting under whatever revised statutory regime the Court orders, "conduct[ing] an independent evaluation of the merits" de novo, such that they are "free to reach completely different conclusions in their new final determination." *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, 796 F.3d 111, 117, 120-21 (D.C. Cir. 2015). But any Board panel, including the original, could make that de novo determination. And, as the D.C. Circuit has held, that review can occur on the existing written record. *See id.* at 119; *see also id.* at 116 (noting concerns with fairness, efficiency, and cost if it allowed "additional submissions, discovery, and evidentiary hearings"). Thus, if the Court here concludes that APJs are insufficiently controlled in some respect under the current understanding of the relevant statutes, the Court should specify that on remand, any panel of APJs operating under the reformed statute may conduct a de novo review of the existing written record and issue a new

final decision.[5]

Importantly, any holding of this Court with respect to the constitutionality of APJs' appointments would have no bearing on the validity of prior agency decisions to institute inter partes review. The statute specifically provides that the authority to authorize institution, as distinct from the authority to conduct an instituted proceeding, belongs to the Director. *See* 35 U.S.C. § 314(a), (d). The Director, a President-appointed and Senate-confirmed officer, unquestionably exercises authority pursuant to a proper appointment. *See* 35 U.S.C. § 3(a)(1), (4). The Director has chosen to delegate his institution authority to the Board. *See* 37 C.F.R. § 42.4(a). But APJs have all been appointed as inferior officers—and thus in a manner that allows them to exercise significant authority—and the Director remains accountable for the institution decisions made pursuant to his delegation, which he may revoke through appropriate procedures at any time. *See Edmond*, 520 U.S. at 662-63 (noting that inferior officers may exercise "significant authority pursuant to the laws of the United States," and that the Appointments Clause was "designed to preserve political

[5] The Copyright Royalty Board's process on remand accounted for the possibility that the circumstances of an individual proceeding might dictate a more comprehensive process on remand. *See Intercollegiate Broad.*, 796 F.3d at 116-17 (permitting parties to object to a "paper proceeding" and "identify … *specific* examples where it believes the outcome of the original proceeding turned on elements, such as witness demeanor, that are not readily determined from a review of the written record"). Such a feature on any remand here would amply account for any case-specific objections to review on the existing record, while respecting all parties' interest in minimizing delay and expense.

accountability") (quotation marks omitted). Indeed, the Director could have delegated his authority to many other agency officials. *See* 35 U.S.C. § 3(b)(3)(B) (Director may "define the title, authority, and duties of [the USPTO's] officers and employees and delegate to them such of the powers vested in the Office as the Director may determine."). Thus, the challenge here is irrelevant to decisions issued under the Director's sole, delegated authority.

2. If this Court excuses Arthrex's forfeiture and both addresses the constitutional question and grants vacatur and remand, it should make clear that the same result should not obtain in subsequent cases involving forfeited Appointments Clause challenges. The Supreme Court in *Freytag* explained that courts have discretion to consider "Appointments Clause objections to judicial officers ... whether or not they were ruled upon below." 501 U.S. at 878-79. But the Court highlighted that cases warranting an exercise of this discretion are "rare." *Id.* at 879. And it opined that "the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers" can overcome the "disruption to sound appellate process entailed by entertaining objections not raised below." *Id.* (quotation marks omitted).

Were this Court to identify any Appointments Clause problem in the statutes governing APJs, the judiciary's interest in "maintaining the constitutional plan" would be satisfied. There would be no similar need in future cases to excuse forfeiture. At that point, the usual rules of forfeiture should preclude relief for any other litigant with the same unpreserved Appointments Clause challenge. Thus, even if the Court

reaches the merits and grants Arthrex's request for a remand, it should specify that there is no such basis for granting relief to similarly situated challengers in the future.

CONCLUSION

For the foregoing reasons, if the Court concludes there is an Appointments Clause defect in APJ-related statutes, it should craft a remedy that renders APJs removable at will and decline to vacate and remand the Board's decision here.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the Court's supplemental briefing order because it does not exceed 20 double-spaced pages. *See* Federal Circuit Rule 27(d). This brief also complies with Federal Rule of Appellate Procedure 32(a)(5)-(6) because it was prepared using Microsoft Word 2016 in Garamond 14-point font, a proportionally spaced typeface.

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CERTIFICATE OF SERVICE

I hereby certify that on October 29, 2019, I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. Participants in the case are registered CM/ECF users, and service will be accomplished by the appellate CM/ECF system.

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