Published on *The National Law Review* https://natlawreview.com

Arthrex's Reply – Removing Tenure Doesn't Solve the Problem and Defies Congressional Intent

Article By:

Randy J. Pummill

Arthrex filed its reply brief on February 19th, submitting what will be the final word in the case until oral arguments are presented next week. In its reply, Arthrex seeks to shore up its own arguments while rebutting the arguments made by Smith & Nephew and the United States in their individual replies.

The consolidated *Arthrex* cases (docketed as 19-1434), ask the Court to determine whether administrative patent judges (APJs) are principal or inferior officers and, if they are principal officers, what remedy should be employed to bring their appointments into compliance with the Appointments Clause of the Constitution. Currently, APJs are appointed by the Secretary of Commerce, and are assigned to panels as designated by, and otherwise supervised by, the Director of the USPTO. The United States and Smith & Nephew have argued that APJs are inferior officers because they are supervised "at some level." Because APJs are supervised by the Director, they argued, APJs have always been inferior officers and so no remedy is needed. On the other hand, Arthrex has argued that the decisions of inferior offices must be reviewable by a superior. Under this view, the lack of reviewability of APJ decisions means that they are principal officers and their appointment by the Secretary is unconstitutional. Although Arthrex prevailed on the constitutional issue, it is dissatisfied with the Federal Circuit's remedy, which involved severing tenure protections from APJs and remanding the case for a new hearing. Arthrex urges the Court to leave the remedy to Congress.

Even Without Tenure Protection, APJs Are Principal Officers

Arthrex has taken the position that the decisions of inferior officers must be reviewable by a principal officer, one who was appointed by the President with the advice and consent of the Senate. Arthrex has argued that this arrangement ensures that political blowback for bad decisions falls on those responsible for them. Because the remedy created by the Federal Circuit does nothing to deal with the lack of reviewability of APJ decisions, Arthrex argues that removing tenure protections from APJs misses the mark.

The crux of Arthrex's position comes from a line found in the Court's decision in *Edmond*, regarding the Coast Guard Court of Criminal Appeals and its relationship to another Executive Branch entity: "What is significant is that the judges have no power to render a final decision on behalf of the United

States unless permitted to do so by other executive officers."[1] According to Arthrex, this shows that the key consideration in Appointments Clause challenges is whether an officer's decisions are reviewable by a superior before they take effect. Because APJ decisions are not reviewable by the Director, they must be principal officers.

To further shore up its position that APJs are principal officers, Arthrex rebuts some of the counter arguments made by the United States and Smith & Nephew in their reply briefs. For example, the United States argued that there are at least three statutes that designate a subordinate officer's decisions to be final without allowing for review of those decisions by a superior. But Arthrex points out that in previous cases, the United States has argued that these same statutes do not preclude review of the subordinates' decisions, even going so far as to say that such an interpretation "would raise serious questions under the Appointments Clause because an ALJ whose decisions could not be reviewed … would appear to be acting as a principal officer."[2]

In its principal brief, Arthrex summarized the history of positions in the patent office, and concluded that post-grant review powers have traditionally been held only by officers who were appointed by the President. Arthrex argued that the broad post-grant review powers held by APJs supports a finding that they are principal officers. As a counterexample, both the government and Smith & Nephew cited the historical use of arbitrators to determine patent interferences as an example of someone not appointed as a principal officer exercising post-grant powers. In response, Arthrex argues that arbitrators are not officers at all, and thus their historical existence does little to show that inferior officers can properly wield these powers.

Not What Congress Intended

Regarding the remedy, Arthrex reasserts that the remedy created by the Federal Circuit, severing the tenure protections of APJs, not only fails to cure the constitutional violation but also transgresses the intent of Congress. According to Arthrex, Congress would not have passed the AIA without tenure protections for APJs. The United States gave examples of agency heads who are removable at will yet still have unreviewable adjudicatory powers. But Arthrex says that this misses the point. "[T]he question is not whether tenure protections are constitutionally required. It is whether Congress would have enacted the statute without them."[3]

According to Arthrex, the remedy created by the Federal Circuit hasn't solved the problem, but has actually made it worse. Removing tenure protections subjects these judges responsible for the final decisions in billion-dollar cases to unseen political pressures. Arthrex argues that without tenure protections, APJs will be forced to make their decisions based on a desire to please their superiors and not lose their positions. Arthrex argues that this clearly could not have been Congress' intent in passing the AIA.

Leave it to Congress

So if the Court does find that APJs are principal officers and a remedy is needed, what should be done to fix the problem? Arthrex urges the Court both to order dismissal of its own IPR and to leave the final determination of the remedy to Congress. The United States suggested in its reply that the Court consider severing 35 U.S.C. § 6(c). This could leave enough ambiguity in the statute to allow the Director to order a rehearing in the case of a poor decision by the Board. However, Arthrex counters that when there is ambiguity regarding who has authority to review a decision, the one who made the decision is assumed to possess that power.[4] So, Arthrex argues, striking § 6(c) would leave review of the Board's decision where it already is, with the Board itself.

Arthrex argues that there are at least ten different remedies that could be adopted, and so the Court should leave the decision to Congress to avoid engaging in "judicial policymaking," Arthrex also argues that the remedy should be left to Congress because *inter partes review* has proven to be such a powerful tool for invalidating patents. Pointing to the amicus briefs of 39 Aggrieved Inventors, TiVo, Malone, and U.S. Inventor, Arthrex argues that the policy arguments surrounding IPRs "belong before Congress, not this Court."[5]

Next Steps

The oral argument for this case is scheduled for Monday, March 1, 2021.

[1] *Edmond v. United States*, 520 U.S. 651, 665 (1997).

[2] Secretary of Education Review of Administrative Law Judge Decisions, 15 Op. O.L.C. 8, 14 (1991) (internal quotes omitted.).

[3] Arthrex Reply at 15. (citing *Bowsher v. Synar*, 478 U.S. 714, 735 (1986) (severing removal restrictions impermissible if it would "lead to a statute that congress would probably have refused to adopt").

[4] Arthrex Reply at 17. (citing *Tokyo Kikai Seisakusho,* 529 F.3d 1352, 1360 (Fed. Cir. 2020)).

[5] Arthrex Reply at 19.

National Law Review, Volume XI, Number 56