Nos. 19-1452, 19-1458, and 19-1459

In the Supreme Court of the United States

SMITH & NEPHEW, INC., ET AL., PETITIONERS

v.

ARTHREX, INC., ET AL.

ON PETITIONS FOR WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MEMORANDUM FOR THE UNITED STATES

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Additional Captions Listed on Inside Cover

ARTHREX, INC., PETITIONER

v.

SMITH & NEPHEW, INC., ET AL.

POLARIS INNOVATIONS LIMITED, PETITIONER

v.

KINGSTON TECHNOLOGY COMPANY, INC., ET AL.

ADDITIONAL RELATED PROCEEDING

Supreme Court of the United States:

United States v. *Arthrex, Inc.*, No. 19-1434
(petition for writ of certiorari filed June 25, 2020)

In the Supreme Court of the United States

No. 19-1452

SMITH & NEPHEW, INC., ET AL., PETITIONERS

v.

ARTHREX, INC., ET AL.

No. 19-1458

ARTHREX, INC., PETITIONER

v.

SMITH & NEPHEW, INC., ET AL.

No. 19-1459

POLARIS INNOVATIONS LIMITED, PETITIONER

v.

KINGSTON TECHNOLOGY COMPANY, INC., ET AL.

ON PETITIONS FOR WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MEMORANDUM FOR THE UNITED STATES

Each of these three petitions for writs of certiorari seeks review of the Federal Circuit's judgment in *Arthrex, Inc.* v. *Smith & Nephew, Inc.*, 941 F.3d 1320 (2019), or *Polaris Innovations Ltd.* v. *Kingston Technology Co.*, 792 Fed. Appx. 820 (2020) (per curiam). The government previously filed a petition for a writ of certiorari asking this Court to review the same two judgments. Pet. 1-34, *United States* v. *Arthrex, Inc.*, No. 19-1434 (filed June 25, 2020). The three petitions subsequently filed by the private parties in these cases present questions that are the same as or closely related to those presented in the government's petition. If the government's petition is granted, the three petitions filed by the private parties should also be granted, the cases should be consolidated, and the Court should direct the parties to address a common set of questions as set forth below.

1. In *Arthrex*, the court of appeals held that administrative patent judges of the Patent Trial and Appeal Board (Board) of the United States Patent and Trademark Office (USPTO) are principal officers for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, and therefore must be appointed by the President with the advice and consent of the Senate. 19-1452 Pet. App. 6a-22a. The court therefore held that the statutorily prescribed method of appointing administrative patent judges—by the Secretary of Commerce acting alone—violates the Appointments Clause. *Ibid.*; see 35 U.S.C. 6(a). The court reached and resolved that issue despite the undisputed failure of the party that had appealed the Board's decision (Arthrex, Inc.) to present its Appointments Clause challenge during the Board proceedings. 19-1452 Pet. App. 4a-6a.

To cure the putative constitutional defect that it identified, the *Arthrex* court held that certain statutory restrictions on the removal of federal officials, 5 U.S.C. 7513(a), cannot validly be applied to administrative patent judges. 19-1452 Pet. App. 22a-29a. "Because the Board's decision in [*Arthrex*] was made by a panel of [administrative patent judges] that were not constitutionally appointed at the time the decision was rendered," the court vacated the Board's decision, remanded for "a new hearing" before the Board, and directed "that a new panel of [administrative patent judges] must be designated to hear the [proceeding] anew on remand." *Id.* at 29a, 32a-33a; see *id.* at 29a-33a.

The *Arthrex* court announced that its ruling and remedy would extend to all cases "where final written decisions were issued [by the Board] and where litigants present an Appointments Clause challenge on appeal," regardless of whether such a challenge had been asserted during the agency proceedings. 19-1452 Pet. App. 32a. Based on *Arthrex*, the Federal Circuit has since decided dozens of other appeals in which it has vacated Board decisions and remanded for new hearings. See 19-1434 Pet. 14, 27; 19-1434 Pet. App. 223a. In the vast majority of those cases, as in *Arthrex* itself, the party appealing the Board's decision had not raised an Appointments Clause challenge before the Board. See 19-1434 Pet. 27. In a handful of cases, however, including *Polaris*, an Appointments Clause challenge was preserved during the administrative proceedings. 19-1434 Pet. 12; 19-1459 Pet. App. 3a-4a; see *id.* at 5a-6a n.1 (Hughes, J., concurring).

The government has filed a petition for a writ of certiorari encompassing both *Arthrex* and *Polaris*. The government's petition seeks review of both the Federal

Circuit's Appointments Clause holding (which is implicated in both cases) and its decision to excuse the forfeiture of the Appointments Clause challenge in *Arthrex*. See 19-1434 Pet. 13-33; see also *id.* at 33-34. That petition is currently pending.

2. The present petitions were filed by Arthrex, Inc., the appellant and patent owner in *Arthrex* (No. 19-1458); Smith & Nephew, Inc., and ArthroCare Corp. (collectively Smith & Nephew), the appellees and parties that had requested institution of the underlying Board proceeding in *Arthrex* (No. 19-1452); and Polaris Innovations Limited, the appellant and patent owner in *Polaris* (No. 19-1459). Each of the private petitions seeks review of the judgment in either *Arthrex* or *Polaris*, and the questions they present are the same as or closely related to the questions raised in the government's petition.

Smith & Nephew's petition (at i) seeks review of the same Appointments Clause question as the government's first question presented: "Whether administrative patent judges are 'principal' or 'inferior' Officers of the United States within the meaning of the Appointments Clause." See 19-1452 Pet. 12-27; cf. 19-1434 Pet. I, 14-26. If the government's petition is granted, Smith & Nephew's petition should be granted as well.

Arthrex's and Polaris's petitions both seek review of the *Arthrex* court's severability holding—specifically, the court's determination that the appropriate means of curing the putative Appointments Clause defect was to invalidate the application to administrative patent judges of certain statutory restrictions on the removal of federal officials. 19-1458 Pet. i, 16-35; 19-1459 Pet. i, 15-30. The government's certiorari petition does not seek review of that determination. In the court of ap-

peals, the government argued that, if the court ultimately held that the statutory scheme as enacted by Congress violates the Appointments Clause, severance of the statutory removal restrictions would be one appropriate means (among others) of curing the constitutional defect. See 19-1452 Pet. App. 25a-27a. But if the Court grants review of the Appointments Clause question that the government and Smith & Nephew have raised, it would be appropriate to grant review of the severability issues presented in Arthrex's and Polaris's petitions as well.

If the Court affirms the Federal Circuit's conclusion that administrative patent judges are principal officers, the determination of what provisions or applications of the relevant statutes may be severed to cure the Appointments Clause violation will have substantial practical importance for the USPTO and the Board, and for many patent owners and other actors in numerous patent-reliant industries. In addition, Arthrex's and Polaris's arguments addressing what if any form of severance is sufficient to redress the asserted invalidity of the current statutory scheme are intertwined with the constitutional merits. 19-1458 Pet. 25-33; 19-1459 Pet. 26-29. If the Court rejects the Federal Circuit's Appointments Clause holding, it need not reach the severability issues. But if the Court upholds the *Arthrex* court's merits decision, it should consider and resolve the parties' current dispute concerning the proper means of curing the constitutional violation. Cf. *Seila Law LLC* v. *CFPB*, 140 S. Ct. 427,

427-428 (2019) (granting certiorari and directing parties also to address a question of severability).*

3. Because all of the petitions seek review of the same judgments and present the same or closely related issues, the Court should consolidate the cases and realign the parties for purposes of briefing and argument. In light of the varying formulations of the questions presented in the petitions, the Court should direct the parties to address a common set of questions that encompass all of the issues the parties have raised, namely:

> 1. Whether, for purposes of the Appointments Clause, U.S. Const. Art. II, § 2, Cl. 2, administrative patent judges of the U.S. Patent and Trademark Office are principal officers who must be appointed by the President with the Senate's advice and consent, or "inferior Officers" whose appointment Congress has permissibly vested in a department head.

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* Polaris's petition also seeks review of two additional judgments in separately docketed appeals (Nos. 2018-1768 and 2019-1202) in which it did not raise an Appointments Clause challenge before the Board and in which the Federal Circuit relied on *Arthrex* in vacating the Board's decisions and remanding for new hearings. 19-1459 Pet. 1-3; 19-1459 Pet. App. 1a-2a, 30a-31a. The government intends to file a petition for a writ of certiorari under Rule 12.4 encompassing those two cases and many others in which the Federal Circuit has relied on *Arthrex* in vacating Board decisions and remanding for new hearings, and recommending that that petition be held pending the Court's disposition of the government's petition in *Arthrex* and any further proceedings in this Court. The government agrees, however, that Polaris's petition should be granted as to all three cases it encompasses with respect to the severability question.

2. Whether, if administrative patent judges are principal officers, the court of appeals properly cured any Appointments Clause defect in the current statutory scheme prospectively by severing the application of 5 U.S.C. 7513(a) to those judges.

3. Whether the court of appeals in *Arthrex* erred by adjudicating an Appointments Clause challenge that had not been presented to the agency.

Although the Court need not address the second or third question if it reverses the Federal Circuit's holding on the first question, it should grant review on all three questions to ensure that it can decide them if necessary.

Respectfully submitted.

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JULY 2020