



THINK FORWARD

Supreme Court Grants Cert. Petitions in Arthrex Dispute

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October 14, 2020

On October 13, 2020, the Supreme Court granted petitions for *certiorari* directed to the constitutionality of the statutory framework for Administrative Patent Judges (“APJs”) who preside on the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“USPTO”) under the Appointments Clause of the U.S. Constitution, Art. II, § 2, cl. 2. APJs of the PTAB have become increasingly important to the functioning of the patent system because these judges hear *inter partes* review proceedings, where patent validity challenges are adjudicated at the USPTO, among other matters.

The Supreme Court will now address whether the Court of Appeals for the Federal Circuit properly determined that the statute enabling placement of APJs at the PTAB, without appointment by the President or consent of the Senate, was unconstitutional as applied, and also whether the remedy the Federal Circuit has applied to make the appointment of APJs constitutional was appropriate, as originally held in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). In particular, the Supreme Court granted *certiorari* on two questions presented:

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.
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.

Original Panel Federal Circuit Decision

In *Arthrex*, a three-judge panel of the Federal Circuit ruled that APJs under the statutory scheme originally presented should be considered principal officers, and as such, appointment by the President and consent of the Senate was required. But this had not occurred. Instead of declaring the PTAB decision on appeal null and void as unconstitutional and calling into question other PTAB rulings, the Federal Circuit panel severed and nullified a portion of the applicable statute that prevented APJs from being removed at will by the Secretary of the Department of Commerce. With this alteration of the statute as applied to APJs, the panel determined the APJs could then be considered not as principal officers, but rather as inferior officers under the Appointments Clause. With this modification, the PTAB was found constitutional because inferior officers do not require appointment by the President and consent of the Senate. The panel then remanded the dispute back to the PTAB for consideration of the patentability issues involved in that *inter partes* review proceeding.

Federal Circuit *En Banc* Rehearing Denied

Earlier this year, the Federal Circuit denied appellant Arthrex's petition for rehearing *en banc*. An earlier alert summarizing this denial can be found [here](#). To summarize briefly, the Order indicated that a majority of the sitting Federal Circuit judges did not vote to rehear the appeal, but several strongly worded dissents, authored separately by Judge Dyk (joined by Judge Newman), Judge Hughes, and Judge Wallach, questioned the constitutional infirmity of the statutorily-prescribed APJ appointment process, as well as the original panel's remedy of making PTAB APJs at will employees.

Key Takeaways

The questions to be addressed by the Supreme Court should resolve the uncertainty faced by the over 200 APJs at the USPTO as to whether they are at will employees or whether they have the same protections as other civil servants who can only be removed for cause. Further, the Court's decision should resolve the open constitutional question in the dozens of other cases that the Federal Circuit has remanded back to the PTAB due to its holding of PTAB unconstitutionality in the original *Arthrex* decision. It is also likely that the Supreme Court granted *certiorari* to clarify its Appointments Clause jurisprudence as to the touchstones in determining whether a federal civil servant is a "principal" or an "inferior" officer as identified in this clause, particularly now that the Court will have new justices to consider the issue.

The Supreme Court granted *certiorari* on petitions filed by Arthrex, Inc. and adversary Smith & Nephew, Inc., as well as a separate petition filed by the United States Department of Justice. The Justice Department argued in its petition that there was no constitutional infirmity with the original statutory APJ appointment procedure and took no position on the remedy provided by the Federal Circuit. However, before the Federal Circuit, and following a request by the Court for briefing on the appropriate remedy if the Appointments Clause was determined to be violated, the Justice Department recommended the remedy that the Federal Circuit panel provided. Consequently, if the Supreme Court addresses the second question presented, alternatives to the Federal Circuit remedy will likely come from submissions by the parties and *amici curiae*.

Because of the importance of this case to *inter partes* review proceedings, as well as others before the USPTO, we will continue to monitor this area and provide updates as developments arise.