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# WERE CURRENT PATENT JUDGES UNCONSTITUTIONALLY APPOINTED?

The US Supreme Court hears relatively few patent-related cases in any given term. However, on March 1st, the court heard oral arguments in an important case challenging the very structure and authority of the U.S. Patent and Trademark Office's administrative review board. In *Arthrex Inc. v. Smith & Nephew Inc.* the Court will decide whether the administrative patent judges (APJs) of the Patent Office's Patent Trial and Appeal Board (PTAB) were unconstitutionally appointed, and if so, the remedy for such appointments. At stake are over 3,000 decisions rendered by the PTAB since its establishment in 2012. Approximately 100 of these decisions are precedential and binding on APJs, meaning that the Supreme Court's decision has potential to bring about a metaphorical tectonic shift in the jurisprudential landscape created by the PTAB.

Patent challenges in the US are filed either in a Federal District Court during an infringement litigation or by way of an administrative law proceeding at the US Patent Office. The America Invents Act of 2012 established the PTAB to replace the Board of Patent Appeals and Interferences (BPAI). There is no standing requirement on who may bring actions in the PTAB and no infringement litigation is required. There have been a history of constitutional challenges to the PTAB, including the manner in which their APJs are appointed and the degree of their authority. The case now before the Supreme Court arose from a patent dispute involving a medical device.

In *Arthrex*, the patent holder Arthrex, Inc. is challenging the validity of the appointment of the judges sitting on the PTAB panel who had ruled against it in an *inter partes* review (IPR) proceeding. Arthrex asserts that the PTAB judges are unconstitutional because they are subject to insufficient oversight and no member of the Executive branch has the authority to overturn PTAB decisions. This case stems from the 2019 Federal Circuit decision in *Arthrex Inc. v. Smith & Nephew Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), where the circuit court concluded that PTAB judges are principal officers because there is no Presidentially-appointed officer who can review, vacate, or correct PTAB decisions, in addition to there being limited power to remove members of the PTAB. This designation as principal, rather than inferior, officer is more than semantic – principal officers must be appointed by the President and confirmed by the Senate, which would mean that the current structure of the PTAB violates the Appointments Clause of the US Constitution.

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The Federal Circuit outlined some potential remedies to this issue which are currently under debate at the Supreme Court. One such remedy considered, at the Government's suggestion, is partially severing the provisions of 35 U.S.C. § 3(c), which currently limit the USPTO Director's power over the removal of APJs. The Federal Circuit concluded that, in lieu of any bright-line rule defining principal vs. inferior officer classification, the Director's limited removal power over APJs currently tips the scale toward an APJ being classified as a principal officer. To this end, the court suggested that limiting the scope of 35 U.S.C § 3(c) to exclude APJs, thereby restoring the Director's authority to remove APJs, would be the narrowest viable approach to remedying the violation of the Appointments Clause. Additionally, the decision suggested further PTAB oversight from the Executive branch.

The Supreme Court Oral Arguments of March 1, 2021 seem to indicate that the Supreme Court is seeking to remedy the appointments issue without completely dismantling the PTAB. Arthrex argued that the Court should step back and allow Congress to address the situation if necessary, because Congress may intend for PTAB members to remain principal officers and therefore be Presidentially-appointed and Senate-confirmed. Another question raised was whether the existence of administrative review by a superior officer could be considered a bright-line qualifier for determining whether an officer would be deemed inferior. These Arguments heavily rely on the precedential decision in *Edmond v. United States*, a 1997 Supreme Court case that decided the status of Coast Guard Court of Criminal Appeals members under the Appointments Clause and determined them to be inferior officers validly appointed by the Secretary of Transportation.

While the Supreme Court mulls over its options, the Federal Circuit decision in *Arthrex* has potential to cause significant disruptions in post-grant proceedings at the PTAB. More than 100 cases before the Federal Circuit have been remanded to the PTAB as a result of the Federal Circuit decision, and those cases are being held in abeyance until the Supreme Court offers a solution. Should Congress be unsatisfied with any remedies from the courts, then more drastic changes to the statute and potentially PTAB appointments could follow. In that scenario, we would expect significant delays in reconstituting the PTAB unless the Supreme Court decision spurs immediate action by Congress. Lastly, any disruptions to and from prior PTAB decisions should remain fairly isolated within the PTAB, as even precedential PTAB decisions are not binding on the US Court of Appeals for the Federal Circuit, which makes its own legal conclusions *de novo*.