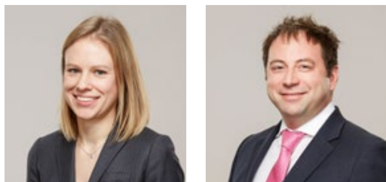
Update on *Arthrex*



The US Supreme Court will decide if Patent Trial and Appeal Board judges are constitutional. By **Emily Gabranski** and **Tim McAnulty**.

We recently discussed the Federal Circuit's decision in *Arthrex, Inc. v Smith & Nephew, Inc.*,[1] and the constitutional question concerning the appointment of the administrative patent judges (APJs) who hear all Patent Trial and Appeal Board (PTAB) trials.[2] The original panel decided *Arthrex* in November 2019 and found the judges to be improperly appointed, struck a portion of the America Invents Act (AIA) statutory framework to correct the issue, and remanded the case to the PTAB for rehearing (with a now properly appointed panel of APJs).[3] During the appeal, the US Patent and Trademark Office (USPTO) intervened in support of the propriety of the APJs both before the remedy prescribed in *Arthex* and afterward.[4] All parties sought *en banc* review.[5] And in March 2020, the Federal Circuit denied those requests.[6]

Arthrex created a flurry of activity. The panel's remedy[7] was automatic, applied to all future PTAB decisions, and was considered to provide competent authority to the APJs to render final written decisions. The panel's remedy was structured to correct a defect in the AIA statutory scheme and effectively change APJs from 'principle officers,' who must be appointed by the President with advice and consent of the Senate, to 'inferior officers', who can be appointed by a department head.[8] Thus, any PTAB decision that came after the original panel's decision (and remedy) would be constitutional and proper.[9] Because constitutional challenges can be forfeited, PTAB decisions that issued before *Arthrex*, where neither party raised the propriety of the APJs on appeal, i.e., did not raise an Appointments Clause challenge, were generally unaffected.[10]

This left a discrete set of cases – PTAB decisions where the constitutional question was raised (or could be raised) on appeal. And these cases generally fit into three categories:

1. cases that raised the issue in opening briefing on appeal or before briefing began;
2. cases that raised the issue soon after *Arthrex* was decided; and
3. cases that never raised the issue during briefing.

The Federal Circuit generally vacated and remanded appeals when a party (typically the patent owner) raised an Appointments Clause challenge in an opening brief or by motion before any briefs were filed.[11] However, the Court often denied *Arthrex* relief (vacate and remand for new hearing) if a party did not raise an appointments challenge in its principle briefing. These decisions generally followed the Court's procedural rule holding arguments that a party does not raise in its principle brief to be waived.[12]

Shortly after *Arthrex*, another Federal Circuit panel limited the availability of Appointments Clause challenges to just patent owners, finding the challenge to be forfeited by petitioners who afforded themselves to the forum and only took issue with the propriety of it after receiving an adverse decision.[13] While that decision was originally designated non-precedential, the USPTO petitioned the Federal Circuit to redesignate it as precedential, which the Court did.[14]

Thus, while the Federal Circuit limited the applicability of *Arthrex* through various decisions, a substantial number of cases were nonetheless affected. For each of these cases, the Federal Circuit vacated the PTAB's original decision and remanded the case for a new hearing and decision (by a properly appointed panel of APJs). To date the PTAB has not acted on any *Arthrex*-remanded case. And in May 2020, it issued a General Order holding each *Arthrex*-remanded cases in abeyance until the Supreme Court weighed in on the issue.[15] All parties in *Arthrex* filed petitions for *certiorari*, and on 13 October 2020, the Supreme Court granted *certiorari* for all three petitions, consolidated them, and specified the questions it would review.

The US government filed its petition first. It asked the Supreme Court to consider whether APJs are principle or

inferior officers and whether Arthrex forfeited its Appointments Clause challenge because the issue was not raised before the PTAB,[16] such that the Federal Circuit erred in reaching the Appointments Clause challenge on appeal.[17] Smith & Nephew filed its petition second. Like the government, it asked the Supreme Court to decide if APJs are principle or inferior officers but did not raise the question about forfeiture.[18] Arthrex filed its petition third. It agreed with the Federal Circuit's determination that APJs are principle officers but asked the Supreme Court to consider whether the Federal Circuit's remedy (striking the statutory provision of the AIA limiting the ability of the Director to remove AJPs) was consistent with Congressional intent, the AIA, and if it was sufficient to make the APJs inferior officers.[19]

The Supreme Court granted the three petitions, consolidated them, and limited the issues on appeal to two specific questions:

1. Whether, for purposes of the Appointments Clause, US Const. Art. II, §2, Cl. 2, administrative patent judges of the US Patent and Trademark Office are principle 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 principle 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.

The government raised these two questions in a memorandum submitted in response to Arthrex and Smith & Nephew filing separate petitions for *certiorari*.[20] The government included a third question relating to whether the Federal Circuit properly reached the Appointments Clause issue in *Arthrex* when neither party raised it before the USPTO (i.e., its forfeiture question).[21] But the Supreme Court did not grant review of that question.

There have been other petitions for *certiorari* in addition to *Arthrex*, including several petitions by the USPTO.[22] On 9

Notes and references

1. 941 F.3d 1320 (Fed. Cir. 2019).
2. For a detailed review of *Arthrex* and its progeny, *see* Emily Gabranski and Tim McAnulty, *US Update: Patents and debating their place in the US constitution*, June [2020] *CIPA* 19.
3. *Arthrex*, 941 F.3d at 1338.
4. *See id.*
5. 953 F.3d 760 (Fed. Cir. 2020).
6. *Id.*
7. The panel's remedy was striking a provision from the AIA that limited the ability to remove APJs. *Arthrex*, 941 F.3d at 1338. With that correction, the APJs were considered properly appointed. *Id.*
8. The panel's remedy struck 5 U.S.C. § 7513(a), which states that an APJ could only be removed 'for such cause as will promote the efficiency of the service', which requires a nexus between the misconduct of the work of the agency. The statute also provides procedural requirements, including 30 days' advanced written notice of removal, an opportunity to respond to that notice, and representation by an attorney. The panel found these limits on removal to be inconsistent with a status of 'inferior officers'. *See Arthrex*, 941 F.3d at 1338.
9. *Id.*
10. *See id.* at 1340.
11. *See, e.g.*, *Bedgear v Fredman Bros. Furniture*, 783 Fed. Appx. 1029 (Fed. Cir. Nov. 7, 2019) (vacated and remanded *sua sponte* after oral argument because patent owner raised the appointments clause challenge in its opening brief); *see also, e.g., Concert Pharm., Inc. v Incyte Corp.*, No. 19-2011, ECF No. 39 (Fed. Cir. Jan. 24, 2020) (vacated and remanded on motion raising an appointments clause challenge before filing opening brief).
12. *Customedia Techs. v Dish Network*, 941 F.3d 1174 (Fed. Cir. Nov. 1, 2019) (denying a motion to vacate and remand in view of *Arthrex* when no appointments clause challenge was raised in principle brief).
13. *Ciena Corp. v Oyster Optics, LLC*, 814 Fed.Appx. 602 (Fed. Cir. 2019) (non-precedential).
14. *Ciena Corp. v Oyster Optics, LLC*, 958 F.3d 1157 (Fed. Cir. 2020).
15. *See* General Order in Cases Remanded Under *Arthrex, Inc. v Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) (P.T.A.B., 1 May 2020) (holding over 100 cases in abeyance).
16. The Patent Office raised this issue before the Federal Circuit, but the panel found that Appointments Clause objections 'could be considered on appeal even if not raised' before the PTAB. *Arthrex*, 941 F.3d at 1326 (citing Supreme Court precedent).
17. Cert. Pet. No. 19-1434 (29 June 2020) (US Government Petition).
18. Cert. Pet. No. 19-1452 (29 June 2020) (Smith & Nephew Petition).
19. Cert. Pet. No. 19-1458 (30 June 2020) (Arthrex Petition).
20. *See* Memorandum for the United States, Pet. Nos. 19-1452, 1458, 1459 (22 July 2020).
21. *See id.*
22. *See, e.g.,* Cert. Pet. Nos. 20-271, 20-273, 20-414, 20-92.
23. Cert. Pet. No. 19-1475 (8 July 2020).
24. *See* Cert. Pet. No. 20-314 (10 Sept. 2020).
25. Cert. Pet. No. 19-1459 (30 June 2020).
26. Polaris's petition was distributed for Conference of 29 September 2020, and again distributed for Conference of 9 October 2020.
27. It is also worth noting that the US government's memorandum also addressed Polaris's petition
28. *See* Memorandum for the United States, Pet. Nos. 19-1452, 1458, 1459 (22 July 2020).
29. *See id.*
30. *See* Supreme Court Docket No. 19-1434 available at: *https://www.supremecourt.gov/docket/docketfiles/html/public/19-1434.html*
31. *See id.*
32. *See* US Patent and Trademark Office PTAB statistics, available at *www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf* (almost 1400 IPR petitions were filed between 1 September 2019 and 30 September 2020, with no apparent indication of a drop-off in filings).

November 2020, the Supreme Court denied Duke University's petition, which argued that the Federal Circuit's remedy in *Arthrex* was insufficient, and APJs are still improperly appointed.[23] Duke University's procedural posture is somewhat different from the parties in *Arthrex* because Duke did not raise an Appointments Clause challenge in its opening brief before the Federal Circuit. This denial follows the Supreme Court's denial of petitions from similarly situated parties. In a slight twist, the Supreme Court requested a responsive brief to RPM International's petition.[24] RPM successfully challenged a patent before the PTAB, but that decision was vacated and remanded in view of *Arthrex* on appeal before the Federal Circuit. While a responsive brief sometimes indicates the Supreme Court will grant *certiorari*, it is not a guarantee.

And there is another pending petition regarding the same general questions being addressed in the petitions from *Arthrex*. Around the same time the *Arthrex* petitions were filed, Polaris filed a separate petition stemming from its own appeal. Similar to Arthrex, Polaris asked the Supreme Court to consider whether the Federal Circuit's remedy was available in view of Congressional intent and whether that remedy was enough to make the APJs inferior officers.[25] Polaris's petition was not consolidated with the petitions from *Arthrex* and remains pending.[26] For now, it is unclear how the Supreme Court will handle this petition. Though, the questions Polaris raised do overlap with the questions raised by Arthrex, and the government discussed the Polaris petition in its memorandum.[27] One difference to note between *Polaris* and *Arthrex* is that the Appointments Clause challenge was raised before the PTAB in *Polaris* when it was not in *Arthrex*.[28] While the government did raise this specific question in its memorandum,[29] the Supreme Court did not grant review of it.

The case is captioned *United States v Arthrex*, and the briefing schedule is staggered between the co-petitioners. Primary briefing is complete with oral argument scheduled for 1 March 2021.[30] As with most Supreme Court cases, amicus briefs in support of the various positions were also filed and included individuals, intellectual property organisations, industry groups, and a few corporations.[31] While the questions presented are specific to patent law and the appointment of administrative patent judges, the questions have the potential to go beyond just the propriety of the AIA and the PTAB.

Stay tuned as we continue to follow *Arthrex* and yet another challenge to the PTAB and its overall statutory scheme. For now, general practice before the PTAB will likely continue under the status quo of the Federal Circuit's remedy – PTAB decisions before *Arthrex* with an Appointments Clause challenge forfeited or waived considered proper, PTAB decisions after *Arthrex* considered proper, and cases remanded to the USPTO in view of *Arthrex* held in abeyance. And while there may be uncertainty as to how the Supreme Court will resolve the Appointments Clause questions, and strategic considerations for petitioners and patent owners alike, there seems to be no slowdown in filings at the PTAB.[32]

Timothy P. McAnulty (Washington, DC) is a partner and **Emily Gabranski** (Boston) an associate at Finnegan.
See *www.finnegan.com*