Patent Stakeholders Weigh in on High Court Decision to Hear *Arthrex*

By Eileen McDermott
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"Although the PTAB has wrought much damage to the patent system, only the most zealous are foolish enough to think Congress will allow the tribunal to fail, which makes whatever the Supreme Court might rule little more than an advisory opinion and wholly inappropriate for a formerly relevant and august body." – Gene Quinn

The United States Supreme Court has granted *certiorari* in three cases involving Arthrex, Inc. focusing on the question of whether the administrative patent judges (APJs) of the Patent Trial and Appeal Board (PTAB) were constitutionally appointed. The Court has consolidated the cases and limited the questions to question one and two in the United States government's memorandum of July 22 in both *Smith & Nephew, Inc., et. al. v. Arthrex, Inc. et. al.* and *Arthrex, Inc. v. Smith & Nephew, Inc., et. al.*

The questions are:

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; and
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.

As outlined here, there were four petitions filed with the Supreme Court relating to the October 2019 Federal Circuit decision in *Arthrex, Inc. v. Smith & Nephew, Inc*. Case No. 19-1204 was denied cert on October 5.

The 2019 Federal Circuit decision ruled that the current statutory scheme for appointing APJs to the PTAB violates the Appointments Clause of the U.S. Constitution as it makes APJs principal officers. APJs have always been appointed by the Secretary of Commerce, but principal officers must be appointed by the U.S. President under the Constitution, Article II, § 2, cl. 2. To remedy this, the CAFC reasoned that the narrowest remedy would be to sever the restriction on removal of APJs from the statute, which would render them inferior officers. The Court followed the approach set forth by the Supreme Court in *Free Enterprise Fund v. Public Company Accounting Oversight Board* (2010) and followed by the U.S. Court of Appeals for the D.C. Circuit in *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board* (2012), and ultimately ruled that the PTAB's determination that Arthrex's claims were unpatentable as anticipated must be vacated and remanded to a new panel of APJs.

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The U.S. government's petition for writ of certiorari was filed in June 2020 and seeks review of both *Arthrex* and *Polaris Innovations Ltd. v. Kingston Technology Co., Inc.*

Here are some initial reactions from stakeholders on SCOTUS' decision to grant cert:

William Meunier (far left) and Michael Renaud, Mintz Levin

If the Supreme Court determines that PTAB judges were already constitutionally appointed or that the Federal Circuit has already cured any past constitutional defects, then the impact going forward could be relatively narrow, probably impacting only the 100-plus PTAB decisions that the Federal Circuit has remanded to the PTAB because they were both decided by unconstitutionally appointed judges (in other words, those decided prior to the Federal Circuit's *Arthrex* decision "cured" the Appointments Clause defect) and timely appealed under the Appointments Clause defect.

But if the Supreme Court decides that the PTAB judges were unconstitutionally appointed and the Federal Circuit's *Arthrex* decision did **not** already cure this defect, then the impact could be more widespread. Such a ruling would mean that all PTAB decisions to date were unconstitutional and could open up a floodgate of additional challenges to past, pending, and future PTAB rulings.

William H. Milliken, Sterne, Kessler, Goldstein & Fox

Arthrex will likely be of interest to a broad swath of practitioners and scholars of administrative law—not just the patent law community—because it presents the Supreme Court with an opportunity to clarify the notoriously murky line between a "principal" officer and an "inferior" one. As the Court observed in *Edmond v. United States*, the case law does "not set forth an exclusive criterion" for distinguishing between the two. The Court has stated that "'inferior officers' are officers whose work is directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate," and has provided three factors that courts should consider in making that decision: (i) whether the officer's decisions are subject to review and reversal by a higher executive-branch official; (ii) the level of supervision to which the officer is subject; and (iii) whether the officer is removable at will. However, these factors are not necessarily exhaustive,

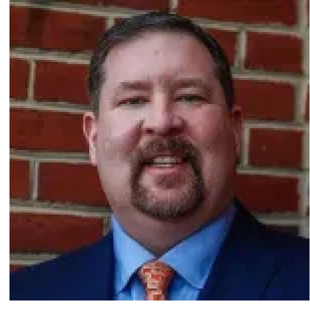
and their relative weight in the analysis is not always clear. A decision in *Arthrex* could provide practitioners and the lower courts with significant guidance in this area.

Gregory Morris, Honigman

The high impact outcome would be a finding by the Supreme Court that the Federal Circuit's fix of the law dealing with how PTAB judges can be removed from power is not valid. We simply do not know what would happen next or if action would be required by Congress to right it.

Bradley Olson, Barnes & Thornburg, LLP

Today's Supreme Court Order granting *certiorari* in *U.S. v. Arthrex* shows that "the time for kicking the can down the road [has now come] to a close." Trying to read judicial tea leaves is often waste of time, but if Judge Amy Coney Barrett is elevated to the Supreme Court, and takes part in the *Arthrex* opinion, some suggestion as to how she may decide in *Arthrex* may be gleaned from two seminal patent opinions issued in 1999 that were joined by Justice Scalia when Judge Barrett was clerking for him. Those two patent cases were *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank,* 527 U.S. 627, 119 S.Ct. 2199 (1999) (*inter alia*, Congressional intent to abrogate states' immunity from patent infringement claims was unmistakably clear in statutory language) and *Dickinson v. Zurko*, 527 U.S. 150, 119 S.Ct. 1816 (1999) (APA standards governing judicial review of findings of fact made by federal administrative agencies applies when the Federal Circuit reviews findings of fact by the PTO). While then-clerk Barrett's actual contributions to those opinions is unknown, those two opinions are consistent in a conservative and doctrinal approach to their ultimate holdings. It would not be surprising if the opinion in the upcoming *U.S. v. Arthrex* opinion gets support from then-Justice Barrett for yet another reversal of the Federal Circuit and results in a seismic shift in PTAB jurisprudence.



Gene Quinn, IPWatchdog Founder and CEO

The Supreme Court accepting *Arthrex* is so typically SCOTUS. Rather than take a case on patent eligibility to fix the disgraceful mess that the Court caused and has allowed to perpetuate, the Court accepts a case that will ultimately matter to no one. A legislative fix to the so-called *Arthrex* problem was being discussed in Congress at the end of 2019

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and presumably became sidetracked by both the coronavirus pandemic and the reality that the USPTO proceeded as if nothing actually transpired. Although the PTAB has wrought much damage to the patent system, only the most zealous are foolish enough to think Congress will allow the tribunal to fail, which makes whatever the Supreme Court might rule little more than an advisory opinion and wholly inappropriate for a formerly relevant and august body.

Robert Stoll, Faegre Drinker Biddle & Reath LLP

In practice, the PTAB judges don't act independently. I point out that the 101 guidelines from January of 2019 expressly apply to the PTAB judges. And certain decisions are deemed precedential by the Director and must be followed. Also, the Director has had the ability to expand the PTAB panel even before the AIA. Sounds more like "inferior judges" to me. I also point out that the USPTO is simply withdrawing the grant of an improvidently granted patent that it issued. It should be recognized that arguments about a non-Constitutional taking would also apply to the examiners who handle ex parte reexams and who have been doing their jobs for decades!

As to taking away the PTAB judges' employment protections, I just think that is wrong. PTAB judges took the jobs recognizing they had the protections and taking those protections away can have significant unintended consequences.

Jonathan Stroud, Unified Patents

If James Carville were reporting on patent law reporting at the Supreme Court, he'd say, "It's Administrative Law, stupid." The now-decade-old uptick in certiorari grants have almost exclusively been tied to questions related to administrative law, a major concern for the modern Court. Justice Gorsuch and Kavanaugh in particular—for different reasons and from distinct judicial philosophies—care deeply about how the agencies interact with the Executive, Legislative, and Judicial branches. This reflects that. With the number of amicus and cases likely affected and the Constitutional question, the grant is no surprise. And Nominee Judge Amy Coney Barrett seems equally likely to share their concern. How they fashion a remedy, or don't, or rule here, I don't think any of us have much insight into.

Excerpt from Statement of US Inventor

Inventors have raised concerns about the qualifications and biases of the 260 APJs, many of whom were selected while the former head of patents for Google was leading the USPTO

during the Obama administration. The Chief APJ at the time quipped that it was their job to be a “death squad” for patents…. US Inventor has filed an amicus brief in the case arguing that Congress must correct their mistake in the 2011 America Invents Act to require that APJs be appointed by the President and confirmed by the Senate like all other judges. In the alternative, they suggest that the Supreme Court could declare decisions rendered by APJs to be advisory, leaving the final decision to be made by a properly confirmed judge. Josh Malone, volunteer at US Inventor says, “The USPTO has been reconfigured to protect large corporations from the threat of inventors with better ideas – there is no justification for denying inventors the right to a hearing before a qualified and impartial judge”.

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