

Alert | Patent Litigation



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In *United States v. Arthrex*, Supreme Court Holds Administrative Patent Judges’ Decisions Must Be Reviewed by the Director of the U.S. Patent and Trademark Office

On June 21, 2021, the United States Supreme Court **held** that U.S. Patent Office Administrative Patent Judges (APJs) are not “inferior” officers in the context of *inter partes* reviews (IPR) in violation of the Constitution. *United States v. Arthrex* 594 U.S. ____ slip op. at 18-19 (2021). However, instead of holding the entire IPR scheme unconstitutional, the Supreme Court held that the Constitutional defect is easily remedied: “Decisions by APJs must be subject to review by the Director” of the United States Patent and Trademark Office (the Director). *Id.* at 20.

Background

Smith & Nephew, Inc., sought IPR of Arthrex, Inc.’s patent relating to a knotless suture securing assembly used in medical surgery. *Id.* at 5. Three APJs of the U.S. Patent Trial and Appeal Board (PTAB) concluded Arthrex’s patent was invalid. *Id.* at 5. On appeal to the Federal Circuit, Arthrex argued that the appointment of the APJs violated the Appointments Clause of the United States Constitution. Specifically, Arthrex argued the APJs were “principal officers” but had not been appointed by the President with the advice and consent of the Senate in violation of the Appointments Clause. *Id.* at 6. The Federal Circuit agreed with Arthrex’s argument and concluded that the APJs were principal officers because neither the

Secretary of Commerce nor the Director had the authority to remove them at will or to review their decisions. *Id.* at 6. To remedy the Constitutional violation, the Federal Circuit invalidated the tenure protections for APJs, vacated the underlying PTAB decision, and remanded the case for a decision by a panel of APJs “who would no longer enjoy protection against removal.” *Id.* at 6. Both *Arthrex* and *Smith & Nephew*, as well as the United States Government, petitioned for Supreme Court review.

The Supreme Court vacated the Federal Circuit’s judgment and remanded the case for further proceeding. *Id.* at 23. The Supreme Court concluded that APJs act as “principal officers” under the U.S. Constitution in IPR proceedings because they have unreviewable authority. *Id.* at 18-19. The Supreme Court concluded that 35 U.S.C. § 6(c) was constitutionally unenforceable “to the extent that its requirements prevent the Director from reviewing final decision rendered by APJs.” *Id.* at 21. The Supreme Court further ruled that decisions by APJs must be subject to review by the Director. *Id.* at 20-22. The Supreme Court noted, however, that “the Director need not review every decision of the PTAB ... [but will] have the discretion to review decisions rendered by APJs.” *Id.* at 23.

Justice Thomas, in a dissent joined, as to parts Parts I and II, by Justices Breyer, Sotomayor, and Kagan, argued that the Appointment Clause challenge failed. *Id.* at 12 (Thomas, J., dissenting). Justice Thomas argued that as a matter of precedent the APJs are inferior officers and, thus, he “would simply leave intact the patent scheme Congress has created.” *Id.* at 3-12. Justice Thomas argued that the APJs are inferior officers, based on the previous guidelines of the Supreme Court, because (1) they are lower in rank to at least two different officers, and (2) their work must be directed and supervised by others appointed by the President with the advice and consent of the Senate. *Id.* at 5-6.

Justice Gorsuch separately dissented with respect to the Supreme Court’s remedy. *Id.* at 4 (Gorsuch, J., dissenting). Justice Gorsuch argued that the entire statutory scheme that Congress created for the IPR system (where “Congress has authorized executive officers to cancel patents” and where “[t]hrough others, it has made their exercise of that power unreviewable within the Executive Branch”) is unconstitutional because it violates the Constitution’s separation of powers. *Id.* at 5. Justice Gorsuch noted that he would have left it to Congress to re-create its preferred system in a manner consistent with the Supreme Court’s decision, whereby the Director must have the discretion to rehear final decisions of APJs. See *id.* at 5-9.

The Impact of the Supreme Court’s Ruling

The impact of the Supreme Court’s ruling is uncertain. President Biden has yet to nominate a new Director, but whoever ultimately takes over as Director will likely have to issue new rules in view of *Arthrex*. Those rules will need to address, for instance, how requests for rehearing are handled by the Director. In the interim, those involved with recent unsatisfactory IPR or post-grant review decisions may be able to seek rehearing requests directly from the Director. This may provide a “second set of eyes” on, for instance, Final Written Decisions. It is also unclear whether the Board’s Precedential Opinion Panel will continue in view of *Arthrex*. Additionally, those who have properly preserved an *Arthrex* defense in their Federal Circuit appeals may potentially be able to seek a remand from the Federal Circuit.

Authors

This GT Alert was prepared by:

- [Scott J. Bornstein](#) | +1 212.801.2172 | bornsteins@gtlaw.com
- [Heath J. Briggs](#) | +1 303.685.7418 | briggsh@gtlaw.com
- [Barry J. Schindler](#) | +1 973.360.7944 | schindlerb@gtlaw.com
- [Andrew R. Sommer](#) | +1 703.749.1370 | [sommera@gtlaw.com](mailto:sommer@gtlaw.com)
- [Leif Olson](#) | +1 303.572.7401 | olsonl@gtlaw.com

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