Monday March 1: US v. Arthrex — Was the PTAB Unconstitutionally Appointed

February 28, 2021Dennis Crouch

by Dennis Crouch

United States v. Arthrex, Inc. (Supreme Court 2021)

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.

On **Monday, March 1, 2021**, the Supreme Court will hear oral arguments in this important case focusing on administrative power of the USPTO Patent Trial & Appeal Board. PTAB judges have cancelled thousands of issued patents — that judicial role (with little direct control guidance from the USPTO Director) suggests that the PTAB judges are "Officers of the United States" that must be appointed by the President. Although PTAB decisions are not directly reviewable by the USPTO Director, the director has substantial authority in controlling panel selection, rules of practice, and job performance. All those suggest that perhaps the judges are "inferior Officers" that may be appointed by a Head of Department – such as the Secretary of Commerce. If the Principal Officer theory prevails, the potential result is that a substantial number of PTAB Decisions will be rendered void.

The Federal Circuit decision in the case was a bit quirky, to be mild. The appellate court agreed with the patentee that the judges were Principal Officers that should have been appointed by the

President. However, the court also purported to "save" the appointments by eliminating some of the statutory rights provided to the Judges under the APA via judicial fiat. That **severing**, according to the court, was sufficient to reduce the judges once again to Inferior officers.

None of the parties were satisfied with this result, and each petitioned for *writ of certiorari*. The Supreme Court granted the writ (as to the two questions above) and consolidated the cases.

I contacted my Mizzou Colleague and Constitutional Law Scholar Prof. Tommy Bennett for his take on the case. Bennett agrees that the parties have presented differing theories of authority and power. If you focus only on **decisional authority**, then Arthrex has a case that these are Officers requiring presidential appointment. However, the **staffing and organizational authority** lies with the PTO Director who can "appoint, assign, and *re*-assign any APJ for any reason [and] set the rules and procedures by which PTAB proceedings are conducted." Prof. Bennett explained to me: "Which of these two views of authority prevails will, I think, determine how the case turns out."

I also contacted Mark Perry for some commentary. Perry is arguing on behalf of the patent challenger Smith & Nephew and provided the following statement.

The PTO Director is charged by statute with providing policy direction and management supervision to the Office, including the Board. APJs can't start work without his approval, they have to follow his procedural and substantive guidance while working, and he has a variety of means to review their work. Moreover, only the Director confirms or cancels patent claims at the conclusion of IPR proceedings, and thus he bears political accountability for final decisions. APJs are inferior Officers under the Appointments Clause, just as their predecessors have been since the Patent Office was created in 1836.

I'll note here that the 1952 Patent Act required that the PTAB Judges (formerly Chief Examiners) be "appointed by the President, by and

with the advice and consent of the Senate." 35 U.S.C. 3 (1952). This does not mean that it was required, but suggests a close case. The requirement of presidential appointment ended in 1975 when the duty of appointments was pushed-down to the Secretary of Commerce. Appointments were later pushed-down further to the USPTO Director until Prof. John Duffy suggested that approach was unconstitutional.

March 1 Oral arguments are set to be divided as follows:

- 15 minutes for US Gov't Intervenor
- 15 minutes for the patent challenger Smith & Nephew
- 30 minutes for the patentee Arthrex

Deputy Solicitor General Malcolm Stewart will represent the U.S. at oral arguments. Stewart has been part of the case from the beginning. Although his bosses have changed, I don't believe that the Gov't position has substantively wavered. Mark Perry of Gibson Dunn will argue on behalf of Smith & Nephew; and Jeff Lamkin of MoloLamkin for the patentee.