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Patent Law Is Just The Beginning For High Court In Arthrex

By **Dani Kass**

Law360 (October 13, 2020, 10:56 PM EDT) -- Attorneys will be watching the Arthrex case taken up by the U.S. Supreme Court on Tuesday as a chance for the justices to clear up a lingering question about the Constitution's appointments clause, but just how far the court will go — up to the extreme of invalidating the Patent Trial and Appeal Board — remains an open question.

The justices seem set to use U.S. v. Arthrex to clarify the difference between principal and inferior officers under the U.S. Constitution's appointments clause, something that will apply to the U.S. Patent and Trademark Office and other agencies trying to pick apart the difference.

Exactly what the Supreme Court will do if it decides administrative patent judges were wrongly appointed will impact hundreds of patent cases and show how a newly realigned court will view law governing executive branch agencies. The justices' solution could range from severing part of the Patent Act, which is what the Federal Circuit did, to calling for the America Invents Act to be rewritten.

"There are so many different potential outcomes, and we just have a lot of uncertainty at the Supreme Court," said Armond Wilson LLP founding partner Michelle Armond. "We don't even know what the composition of the Supreme Court is going to be. In the short term, we might have a new justice, and we don't know how she's going to rule. There's a lot of moving parts right now. It's hard to predict, but it will be exciting no matter what."

Not Just Patents

The Supreme Court has agreed to decide whether PTAB judges are principal officers who need to be appointed by the president and confirmed by the U.S. Senate, or inferior officers who can be appointed by a department head.

The Federal Circuit, citing the Supreme Court's Edmond v. U.S. ruling from 1997, said last year that administrative patent judges were acting as principal officers because they weren't sufficiently supervised by the USPTO's director. To remedy that deficiency, the circuit court removed tenure protections from APJs, which it said made them inferior officers.

If the justices agree the judges were improperly appointed, they'll be reviewing whether severing the part of the AIA that made APJs hard to fire is enough to turn them from principal officers into inferior ones, and whether Congress would have let that provision be severed.

While there are more than 200 APJs awaiting their future with the decision, and more than 100 affected patent cases in limbo, that doesn't mean this is a patent-specific issue.

"These big questions, like what is an inferior officer and what kinds of decisions are they able to make and how is Congress able to empower them, I think we need to remember that the Supreme Court likely views those through a much broader lens than just the Patent and Trademark Office," said Finnegan Henderson Farabow Garrett & Dunner LLP partner Erika Harmon Arner.

Principal and inferior officers exist throughout the government, with court cases over the last few decades including examples from the Coast Guard Court of Criminal Appeals, the U.S. Securities and Exchange Commission and the Copyright Royalty Board.

The line between the two types of officers has been "notoriously difficult to draw," said Sterne Kessler Goldstein & Fox PLLC associate William H. Milliken, meaning administrative law practitioners and scholars will be tuning in for clarity.

While the Supreme Court addressed inferior officers in its Lucia v. SEC ruling in 2018, it didn't actually contrast them with principal officers. But the court did indicate this is an area of law it's interested in right now, said University of California, Berkeley School of Law professor Tejas N. Narechania.

Armond said Arthrex could be a test for whether conservative justices, who tend to favor courts over agencies, will clamp down on administrative law and push disputes from agency tribunals into Article III courts.

"That would be a much more extreme result," she said. "I'm not sure we'd see that now, but it could be the first step moving the court in that direction."

But that will partly depend on who ends up writing the decision, said Haynes and Boone LLP partner Eugene Goryunov. In the end, it could be framed as a case looking at the interplay of constitutional requirements and administrative agencies, or one focusing directly on the constitutional issues.

Future of Patent Challenges

If things go according to plan for Arthrex Inc., then the AIA and the future of the PTAB will be punted to Congress.

The company has said that APJs' tenure protections aren't severable from the AIA, so the entire law needs to head back to Congress. It argues Congress wouldn't have passed the AIA if a judge could be fired by the whim of a politically appointed director.

"That would really be the nuclear option, ending the PTAB as we know it," Armond said. "I don't think [the justices will] go that far."

If the Supreme Court upholds the Federal Circuit's severance method, then the final written decisions that were vacated and remanded under Arthrex would be reheard before a new panel of now-properly-appointed judges, and after a period of backlogged rehearings, things would go back to normal.

But other options could work their way before the justices as well.

"I think [the Supreme Court] really opened the door there for a lot of thought leaders to express themselves in the upcoming briefing," said Brinks Gilson & Lione shareholder Brad Lane.

For example, inventor organization U.S. Inventor suggested Tuesday that APJs should go through the principal officer confirmation process, or otherwise only issue advisory opinions that then have to be reviewed by a confirmed judge.

But attorneys are torn about how this waiting period until the Supreme Court makes its decision will affect patent litigation in the interim.

Goryunov, of Haynes and Boone, said any company facing infringement litigation that was already considering filing a patent challenge will likely still do so. That way, if the PTAB holds up under the high court's scrutiny, they won't risk missing the one-year statutory deadline to file a challenge, he said.

"[The Supreme Court] is not going to say we uphold the practice and all of you get a freebie," he said of the deadline.

Finnegan's Arner said companies may be more hesitant to head to the PTAB and adjust their strategy. She noted there was a drop-off in filings when the constitutionality of AIA reviews was presented to the high court in Oil States Energy Services v. Greene's Energy Group.

But how likely is there to be sweeping change after Arthrex? Milliken said there's a difference between Arthrex and cases like Oil States that shows the constitutional challenge may stand a chance.

"While [constitutional] challenges have been raised by a lot of litigants, there has never been a court decision actually agreeing with one of these challenges before Arthrex," the Sterne Kessler attorney said. "I think that is the most salient difference — there are at least a few respected judges who agree that this challenge has some legs. That makes it seem more serious than some of the earlier ones."

--Editing by Aaron Pelc.

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