Bloomberg Law

Patent Judge Appointments: Potential Outcomes From the Supreme Court

March 4, 2021, 4:00 AM

Following oral arguments, Sterne Kessler's William H. Milliken takes a look at implications of possible outcomes of a Supreme Court decision in *Arthrex,* a case testing the constitutionality of appointments to the Patent Trial and Appeal Board. The decision could potentially have minimal impact or could mean the entire post-grant review system established by the America Invents Act is unconstitutional, he says.

The U.S. Supreme Court heard oral argument in *United States v. Arthrex*, concerning the constitutionality of the appointments of the administrative patent judges (APJs) of the U.S. Patent and Trademark Office (PTO) Patent Trial and Appeal Board (PTAB). Depending on how the court rules, the impact of *Arthrex* could range from relatively insignificant to momentous.

In 2019, the U.S. Court of Appeals for the Federal Circuit held that APJs are "principal officers," meaning that under the Constitution's Appointments Clause they must be appointed by the president with the advice and consent of the Senate. Because APJs are instead appointed by the secretary of Commerce, the Federal Circuit held their appointments unconstitutional.

To fix the constitutional problem, the court severed and invalidated APJs' tenure protections, which, the court held, rendered them inferior officers that may properly be appointed by the Commerce secretary.

The Supreme Court granted certiorari to consider both the merits of the constitutional question and the propriety of the Federal Circuit's remedy.

'Relatively Insignificant' Outcomes

On the "relatively insignificant" end of the spectrum, if the court either (i) reverses the Federal Circuit on the merits and holds there was no constitutional problem to begin with or (ii) affirms the Federal Circuit in all respects, the consequences will likely be minimal.

In both cases, the inter partes review (IPR) regime will continue largely as it always has. The cases that have already been vacated and remanded based on *Arthrex* (of which there are around 100) will have to be dealt with, but that should be relatively painless. In situation (i), the PTAB's

earlier decision can simply be reinstated. In situation (ii), the PTAB can provide the parties a new hearing and issue a new decision.

More Consequential Outcomes

If the court affirms the Federal Circuit on the merits and imposes a different severability remedy—call this situation (iii)—the potential consequences are more unpredictable and will likely vary depending on the nature of that remedy.

For example, if the court severs and invalidates the provision of the statute specifying that only the PTAB can grant rehearings—thereby giving the director of the PTO the unilateral power to rehear individual cases by himself—then perhaps the losing party in still-pending IPRs will be given the opportunity to ask the PTAB for rehearing.

It is worth nothing that the number of cases affected by *Arthrex* will likely be much larger if the Supreme Court comes up with a new remedy—situation (iii)—than it would be if the court simply affirms the Federal Circuit's remedy—situation (ii). Under the Federal Circuit's remedy, all PTAB decisions issued post-*Arthrex*—that is, after Oct. 31, 2019—were valid because the *Arthrex* decision prospectively fixed the constitutional problem by making all APJs removable at will. But, if the Supreme Court rejects that remedy and imposes a new one of its own, then post-*Arthrex* decisions may be invalid too, meaning those cases may need to be reheard according to the remedy that the Supreme Court determines to impose.

There will also be issues of waiver and forfeiture to address: will all parties who received an adverse decision in any IPR be able to take advantage of the new remedy? Or just those who have already preserved Appointments Clause arguments?

Fourth Potential Impact: Tossing the Ball to Congress

Finally, impacts on the "momentous" end of the spectrum may be seen if the Supreme Court agrees with Arthrex that there is a constitutional violation and that the violation is not judicially fixable at all. This would effectively mean that the entire post-grant review system established by the America Invents Act is unconstitutional.

This fourth potential outcome would place the ball in Congress's court. Congress could redesign the system in some way—for example, it could make all PTAB decisions directly reviewable by the director or directly reviewable by an "appellate panel" of APJs who are presidentially appointed and Senate-confirmed.

Or, Congress could decide (either affirmatively or simply through inaction) to scrap the system entirely and let validity challenges go back to being adjudicating in federal court.

If this is the route the Supreme Court goes, it could take some steps to lessen the immediate impact of the decision. For example, the court could theoretically apply its ruling only prospectively. Or, the court could stay the ruling for a period of time to allow Congress a chance

to act. In 1982, when the court found a constitutional defect in the system for adjudicating bankruptcy disputes in the *Northern Pipeline* case, it did both of those things. But the court in recent years has seemed more reluctant to make purely prospective pronouncements like this, so it remains to be seen if the court would view this as a palatable option.

In all events, it is safe to say that the patent-litigation landscape could see significant changes if *Arthrex* persuades the court to accept its position in full.

This column does not necessarily reflect the opinion of The Bureau of National Affairs, Inc. or its owners.

Author Information

William H. Milliken is a director in Sterne Kessler's Trial & Appellate Practice Group. His practice focuses on patent litigation in the U.S. district courts and the U.S. Court of Appeals for the Federal Circuit, with a particular emphasis on cases arising under the Hatch-Waxman Act.
