

United States v. Arthrex, Inc., No. 19-1434 (U.S.)

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In October 2020, the Supreme Court agreed to review the Federal Circuit's holding in *Arthrex Inc. v. Smith & Nephew Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), that the scheme for appointing the Patent Trial and Appeal Board's administrative patent judges is unconstitutional under the Appointments Clause.

The Constitution's Appointments Clause provides that principal "Officers of the United States" must be appointed by the president with the advice and consent of the U.S. Senate. "Inferior officers," however, may be appointed by the president alone, by heads of departments, or by the courts. In *Arthrex*, a panel of the Federal Circuit unanimously held that APJs are principal officers and hence that Congress acted impermissibly in vesting their appointment in the Secretary of Commerce. To remedy the constitutional violation, the panel severed and invalidated APJs' tenure protections, making them removable at will. This severance, the panel held, rendered the APJs inferior officers who may validly be appointed by the Secretary of Commerce. The full Federal Circuit denied rehearing en banc, with four judges dissenting, and all parties to the case—Arthrex, Smith & Nephew and the United States—petitioned for certiorari.

On Oct. 13, the Supreme Court agreed to take the case. The three petitions for certiorari collectively presented three issues for the Supreme Court's review: (1) whether APJs are principal or inferior officers; (2) whether, if APJs are principal officers, the Federal Circuit properly cured the Appointments Clause violation by severing and invalidating APJs' tenure protections; and (3) whether the Federal Circuit erred in considering Arthrex's Appointments Clause challenge given that the argument was not raised to the Board. The Supreme Court limited its grant of certiorari to the first two questions.

The parties are currently in the midst of briefing. As of the time this publication goes to press, the United

The Supreme Court granted certiorari on two questions: (1) whether APJs are principal or inferior officers and (2) whether, if APJs are principal officers, the Federal Circuit properly cured the Appointments Clause violation by severing and invalidating APJs' tenure protections.

States and Smith & Nephew have filed opening briefs on question (1), arguing that APJs are inferior officers and thus that the Federal Circuit erred in finding a constitutional violation. Arthrex has filed an opening brief on questions (1) and (2), arguing that APJs are principal officers and that the Federal Circuit's severance remedy was impermissible. Arthrex's position is that only Congress can fix the constitutional violation. The United States and Smith & Nephew are expected to file responsive briefs arguing that, if the Court agrees with the Federal Circuit that APJs were improperly appointed, the Court should affirm the Federal Circuit's remedy of severing and invalidating APJs' tenure protections.

The Court will hold oral argument on March 1, 2021, and a decision is expected by the end of the Supreme Court term in June.

RELATED DEVELOPMENTS

- *Preservation and Forfeiture: Who Is Entitled to Relief?* Federal Circuit panels have consistently ruled that parties preserve Appointments Clause arguments if and only if they raise them in their opening appeal brief. Thus, a party need not have raised the constitutional challenge before the Board in order to raise it on appeal. See, e.g., *Arthrex*, 941 F.3d at 1326–27. But Appointments Clause arguments not included in opening briefs are deemed forfeited—even if the appellant’s opening brief was filed before *Arthrex* was decided. See, e.g., *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. 2019). The Federal Circuit has likewise held that petitioners who have received an unfavorable Board decision cannot obtain relief under *Arthrex*, on the reasoning that, by affirmatively invoking the Board’s jurisdiction, petitioners have forfeited any challenge to the tribunal’s constitutionality. Having chosen to litigate before the Board, the court has reasoned, petitioners should not be able to then attack the legitimacy of that body if it renders an unfavorable decision. See *Ciena Corp v. Oyster Optics, LLC*, 958 F.3d 1157, 1162 (Fed. Cir. 2020). Finally, the Court has held that the *Arthrex* panel’s remedy took effect the day *Arthrex* was decided, meaning that final written decisions issued after that date are not subject to an Appointments Clause challenge. See *Caterpillar Paving Prods. v. Wirtgen Am., Inc.*, 957 F.3d 1342, 1342–43 (Fed. Cir. 2020).
- *Scope: To What Proceedings Does Arthrex Apply?* The Federal Circuit has since extended *Arthrex*’s holding to apply to all proceedings heard by APJs, including *inter partes* reexaminations, see *VirnetX Inc. v. Cisco Sys., Inc.*, 2020 WL 2511116, at *1 (Fed. Cir. Jan. 24, 2020), and *ex parte* appeals, see *In re Boloro Global Ltd.*, 963 F.3d 1380, 1381 (Fed. Cir. 2020) (concluding that, if APJs are principal officers for purposes of IPRs, they are “principal officers for purposes of all governmental functions of their office”).