United States v. Arthrex, 141 S. Ct. 1970 (2021)

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Arthrex appealed a final written decision from an *inter partes* review (IPR) where the U.S. Patent Trial and Appeal Board (PTAB) found all challenged claims of its patent anticipated. On appeal, Arthrex argued that the appointment of administrative patent judges (APJs) to the PTAB violates the Appointments Clause of the U.S. Constitution and therefore that the final decision should be vacated.

APJs are appointed by the Secretary of Commerce. The Constitution's Appointments Clause permits "inferior officers" to be appointed by "Heads of Departments" like the Secretary of Commerce, but it requires "principal officers" to be appointed by the President with the advice and consent of the Senate. Arthrex argued that APJs are principal officers and so cannot validly be appointed by the Secretary of Commerce.

The U.S. Court of Appeals for the Federal Circuit agreed with Arthrex that APJs' appointments were unconstitutional and purported to remedy the constitutional violation by severing and invalidating the portion of the Patent Act that prevents the Secretary of Commerce from removing APJs from service without cause. This remedy, the Federal Circuit concluded, changed the status of APJs to inferior officers and therefore rendered their appointments constitutional. All parties petitioned for certiorari.

On review, the U.S. Supreme Court affirmed the Federal Circuit on the merits of the constitutional issue but held that a different remedy was appropriate. The Court held 5-4 that APJs' ability to render final decisions on patentability on behalf of the Executive Branch is "incompatible with their status as inferior officers." Chief Justice Roberts, joined by Justices Alito, Gorsuch, Kavanaugh, and Barrett, concluded that APJs' final-word power "conflicts with the design of the Appointments Clause to 'preserve political accountability'" because it prevents the U.S. Patent and Trademark Office (PTO) Director from owning sole responsibility for IPR decisions. The Court stressed that it was not setting forth any "exclusive criterion for distinguishing between principal and inferior officers for Appointments Clause purposes," but it suggested that, at least in most circumstances, inferior officers may not issue "final decision[s] binding the Executive Branch."

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As to remedy, Chief Justice Roberts, joined by Justices Alito, Breyer, Sotomayor, Kagan, Kavanaugh, and Barrett, held that "[d]ecisions by APJs must be subject to review by the Director." Giving the Director such review power, the Court explained, renders APJs inferior officers that can be validly appointed by the Secretary of Commerce. Accordingly, the Court partially invalidated 35 U.S.C. § 6(c), which provides that "[o]nly the Patent Trial and Appeal Board may grant rehearings," and severed it from the remainder of the statute. Following the Court's decision, the Director "may review final PTAB decisions and, upon review, may issue decisions himself on behalf of the Board." This, the Court explained, would "provide[] an adequate opportunity for review by a principal officer."

Justice Gorsuch concurred in part and dissented in part. He agreed that APJs' method of appointment was unconstitutional, but he disagreed with the majority's remedy. In Justice Gorsuch's view, determination of the appropriate remedy was "a policy choice" better suited for Congress. Justice Gorsuch would have simply "identif[ied] the constitutional violation, explain[ed] [the Court's] reasoning, and 'set[] aside' the PTAB's decision in this case."

Justice Breyer, joined by Justices Sotomayor and Kagan, concurred in the judgment in part and dissented in part. They would have held that APJs' appointments were valid because APJs are subject to sufficient direction and supervision by the Secretary of Commerce and the PTO Director to render them inferior officers. But they agreed that, assuming there was a constitutional violation, the remedial approach set forth in Chief Justice Roberts's opinion was correct.

Finally, Justice Thomas—joined in part by Justices Breyer, Sotomayor, and Kagan—dissented. Justice Thomas would have held that APJs are inferior officers because they are "lower in rank to" and subject to the supervision of the PTO Director and the Secretary of Commerce. Justice Thomas catalogued several such means of supervision—for example, the Director's ability to prescribe procedural rules, to set APJs' pay, to designate or de-designate particular opinions as precedential, and to affect the composition of panels. Justice Thomas disagreed with the majority's suggestion that inferior-officer decisions must be directly reviewable by a principal officer.

RELATED CASE

- *See also In re ESIP Series 2, LLC*, 2021 WL 4796543 (Fed. Cir. Oct. 14, 2021) (denying petition for mandamus from PTAB's refusal to consider petition for Director review filed after appeals of *inter partes* review had already concluded and certificate of cancellation had issued).

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