

EIP

United States v. Arthrex - An Executive Dysfunction

The United States Supreme Court issued a ruling on *United States v. Arthrex* on Monday 21 June, addressing the constitutionality of the way in which the Patent Trial and Appeal Board (PTAB) is structured. This case was an appeal from the Court of Appeals for the Federal Circuit.

At the heart of the case was the question of whether the Administrative Patent Judges (APJs) that make up PTAB's trial boards are 'Principal' or 'Inferior' Officers of the Executive branch of the United States Government. Under the Appointments Clause of the United States Constitution, Principal Officers must be appointed by the President, which APJs are not.

The Federal Circuit held that APJs are Principal Officers and their appointments are therefore unconstitutional. To remedy this, the Federal Circuit proposed removing APJs' tenure protections, making them fireable at will.

The Supreme Court held that PTAB's Administrative Patent Judges are Principal Officers of the Executive, and that their appointment is therefore unconstitutional – however, the solution presented differed substantially from that of the Federal Circuit.

The Court explained that as decisions reached by PTAB's trial boards in *Inter Partes* Review (IPRs) are not appealable within the Executive branch – they must be appealed to the Federal Circuit – APJs are not subject to review by a superior Officer of the Executive. As such, APJs have the power to render final decisions on questions of patent validity; in the words of the court, their decisions are “the final word within the Executive branch.” This power, the court stated, was incompatible with them being considered Inferior Officers, and they must be considered Principal Officers. As Principal Officers not appointed by the President, the appointment of APJs – and therefore the current

structure of PTAB – is unconstitutional.

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To remedy this, the Supreme Court handed the United States Patent and Trademark Office (USPTO) Director the power to review decisions handed down by PTAB, providing the possibility of review that had heretofore been absent. This decision appears to fix the immediate problem but raises some interesting questions regarding the need for independent adjudication and the separation of powers. The Director of the USPTO is a political appointee and allowing the power of final review to rest with the holder of that office may open the door to politically- or financially-motivated decisions.

Detractors of this decision may, not unreasonably, argue that this decision follows *Oil States v. Greene's Energy* in blurring the separation of powers; they may further point out that in an area as specialized and technical as patent law, there is a need for technically correct adjudicatory decisions – a fact that calls for greater, not lesser, independence from the Executive branch. Proponents, or those of a cynical bent, may argue with equal justification that this decision represents a change in name only, and that practical and political considerations will starkly limit any actual use of this power.

The decision reflects this difference of opinions, being somewhat splintered.

- Chief Justice Roberts delivered the majority opinion, in which Justices Alito, Kavanaugh and Barret joined.
- Justice Gorsuch filed an opinion concurring with the majority as to the nature of APJs as principal officers, but dissenting as to the appropriate remedy, raising concerns about the separation of powers.
- Justice Thomas filed a dissenting opinion. Justices Breyer, Sotomayor and Kagan joined in this opinion regarding the nature of APJs as principal officers.
- Justice Breyer filed an opinion dissenting with the majority as to the nature of APJs as principal officers, but concurring in the appropriate remedy in view of the majority conclusion. Justices Sotomayor and Kagan joined in this opinion.

The full effects of this judgment will naturally take some time to be fully felt – as indicated, this new power is unlikely to be used with frequency or regularity, and it may indeed be years before this decision has any practical effect. However, this shift in Director's power places the search for a new Director under an even more intense spotlight than before, as both patentees and legal professionals alike wait to see whom President Biden will nominate to this (newly expanded) position.