Supreme Court in United States v. Arthrex Salvages Administrative Patent Judge Statute, Declares PTO Director Can Review Final Written APJ Panel Decisions

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The Constitution's Article II "Appointments Clause" requires the President, with the advice and consent of the Senate, to appoint "officers" of the United States. In *United States v. Arthrex, Inc.*, the Supreme Court reviewed Arthrex's challenge to the constitutionality of how Administrative Patent Judges (APJs) are currently appointed to the Patent Trial and Appeal Board (PTAB). After an APJ panel ruled against Arthrex in a PTAB proceeding, Arthrex argued that the decision was invalid because it was issued by APJs who are appointed by the Secretary of Commerce, rather than being Presidentially-appointed and Senate-confirmed. The Supreme Court rejected Arthrex's claim this week, resolving any Constitutional conflict under the Appointments Clause by reading the PTAB statute (the America Invents Act or AIA) to authorize the PTO Director's review of final written APJ decisions.

A Federal Circuit panel had held that the AIA statutory scheme for appointing APJs violated the Appointments Clause, because its provisions effectively made APJs Article II "principal officers" instead of "inferior officers." The panel ruled that the proper remedy was to remove the APJs' government employment protections under Title 5 of the U.S. Code (thereby allowing their reclassification as inferior officers) and to remand the decision for a new hearing at the PTAB.

The Supreme Court vacated the Federal Circuit in a fractured set of multi-part opinions. In Sections I and II of the majority opinion, Chief Justice Roberts (joined by Justices Alito, Gorsuch, Kavanaugh, and Barrett) held that the current practice of allowing APJs to issue final written decisions *without review* violates the Appointments Clause. In Section III of the majority opinion, the Chief Justice (joined by Justices Alito, Kavanaugh, and Barrett, and by Justices Breyer, Sotomayor, and Kagan in the judgment) concluded that the PTO Director has the authority to review decisions of PTAB panels. Justices Gorsuch and Breyer issued opinions concurring in part and dissenting in part. Justice Thomas issued a dissent.

Although reaching a nominally similar result as the Federal Circuit — remand back to the agency — the Supreme Court took a very different approach. It held that a portion of the patent statute (35 U.S.C. § 6(c)) is unenforceable as applied to the PTO Director, insofar as it prevents the Director from reviewing the decisions of the PTAB on his own. The Supreme Court therefore remanded to the Acting PTO Director for him to decide the petition filed by Smith & Nephew. In fashioning this remedy, the Supreme Court rejected the approach taken by the Federal Circuit, instead finding a basis in the current patent statute for the PTO Director to engage in a review of PTAB decisions. The Supreme Court rejected Arthrex's request for a new panel of APJs, noting that, "[b]ecause the source of the constitutional violation is the restraint on the review authority of the Director, rather than the appointment of APJs by the Secretary, Arthrex is not entitled to a hearing before a new panel of APJs."

Take Away

In essence, the Supreme Court salvaged APJ appointments by blue-penciling in a right of review by the Director of the PTO. This could have far-ranging consequences for all parties before the PTAB. Where before there was no express right for a dissatisfied petitioner to seek review of panel decisions by the Director, the Supreme Court has now given practitioners license to request such plenary review from the Director. The form and process of this new right and how aggressively the Director will employ this review right, however, remains to be seen.

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