

## PTO Director May Review Final Decisions From IPRs

*United States v. Arthrex, Inc., No. 19-1434, 2021 WL 2519433 (U.S. June 21, 2021)*

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On appeal from the Patent Trial and Appeal Board (“the PTAB”) and the Federal Circuit (“the CAFC”), the Supreme Court (“the Court”) held that unreviewable Administrative Patent Judge (“APJ”) rulings are inconsistent with the Appointments Clause of the Constitution and, thus, rendered unenforceable any statutory restrictions preventing the Director of the Patent and Trademark Office (“the Director”) from reviewing APJ *inter partes* review (“IPR”) final written decisions (“FWDs”).

In 2015, Arthrex, Inc. (“Arthrex”) was granted U.S. Patent No. 9,179,907 (“the ’907 Patent”). Arthrex alleged Smith & Nephew, Inc. and ArthroCareCorp (collectively “Smith”) infringed the ’907 Patent. Smith filed an IPR petition and the ’907 Patent was ultimately found to be anticipated. Arthrex appealed to the CAFC arguing that APJs were “principal” officers under the Appointments Clause of the Constitution and that their appointment by the Secretary of Commerce (“Secretary”) without the confirmation of the Senate was unconstitutional. Under the Appointments Clause, the President may nominate “principal” officers to assist in executive responsibilities if the officer is confirmed by the Senate as well as other “inferior” officers, who need not be confirmed by the Senate, if a nominated and confirmed officer directs and supervises the work. The CAFC agreed that APJs were principal officers because they could not be removed at will, and their decisions were unreviewable. To fix this issue, the CAFC invalidated tenure protections for APJs and remanded. Each party’s en banc rehearing request was denied. The parties then petitioned the Court, which granted certiorari to decide whether the PTAB’s structure is consistent with the Appointments Clause and, if not, what the appropriate remedy should be.

The Court relied on *Edmond*, wherein the Court stated “[w]hether one is an ‘inferior’ officer depends on whether he has a superior” other than the President. Inferior officers must be “directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” In *Edmond*, Coast Guard Court of Criminal Appeals judges were found to have no power to render a decision unless permitted to do so by other Executive officers. Applying *Edmond*, the Court found APJs lacked superior executive officer review. The Court noted, although the Director had some oversight, neither the Director nor any other superior executive officer could review APJs’ final decisions. Although Smith and the Government identified ways the Director could affect the APJ decision-making process—e.g., deciding whether to initiate an IPR, designating APJs for a particular case, picking APJs predisposed to the Director’s views—the Court found these abilities to be part of the problem, not the solution: IPR parties would have neither an “impartial decision” nor a decision in which a political officer must take responsibility for. As such, the Court found APJs’ powers to be in conflict with the Appointments Clause. Despite this constitutional violation, the Court rejected Arthrex’s request that the whole IPR regime be found unconstitutional and disbanded. The Court held that the Director may review final PTAB decisions and reissue decisions on behalf of the PTAB.

In response to this decision, the PTO implemented an interim procedure where the Director may review FWDs either *sua sponte* or in response to a rehearing request. If a party requests the Director’s review, and the request is denied, the party may not then request the APJ panel to rehear the decision. If, however, a rehearing is granted by the original APJ panel, the party may likewise request Director review of the rehearing decision. A request for a rehearing by the Director must be filed within thirty days of the FWD or a rehearing decision by the APJ panel. A Director rehearing request resets the time to file an appeal to the CAFC. The current “Acting Director” was not appointed by the President nor confirmed by the Senate. Litigation surrounding whether any such challenges satisfy the Appointment’s Clause or whether any FWD issued prior to such appointment will likely be remanded and stayed pending the appointment and availability of a properly appointed Director’s review. Stay Tuned!