

Introduction

Post-grant proceedings before the [Patent Trial and Appeal Board \(“PTAB”\)](#) are here to stay—at least under the current statutory and regulatory framework.

On June 21, 2021, the U.S. Supreme Court held that administrative patent judges (“APJs”) appointed to the PTAB, an adjudicative arm of the U.S. Patent & Trademark Office (“USPTO”), were unconstitutionally appointed in violation of the Appointments Clause of the U.S. Constitution. See Art. II, Sec. 2, Cl. 2. Notwithstanding the unconstitutionality, the Supreme Court provided a bailout for the PTAB: the Director of the USPTO, who is nominated by the President and confirmed by the Senate, has the authority to review final decisions rendered by the PTAB and, upon review of said decisions, may issue decisions affirming, reversing, vacating, or remanding the PTAB’s decision.

Importantly, however, this review will be discretionary, dashing the hopes of some that the Supreme Court might eliminate or at least diminish the importance of post-grant proceedings before the PTAB.

Background and Procedural History

[Arthrex, Inc. \(“Arthrex”\) filed a patent infringement suit against Smith & Nephew, Inc. and Arthrocare Corp.](#) (“Smith and Nephew”). In response, Smith and Nephew filed a petition for *inter partes* review (“IPR”) of the asserted patent with the PTAB, where a panel of three APJs held that Arthrex’s [patent](#) had been anticipated by a prior patent, thereby rendering the patent-at-issue invalid.

Arthrex appealed to the Federal Circuit and argued, for the first time, that the APJs were “principal officers” of the Executive Branch, rather than “inferior officers.” Arthrex urged the Federal Circuit to find that the President was required to nominate the APJs, with advice and consent of the Senate, and therefore, their appointment by the Secretary of Commerce was unconstitutional.

The Federal Circuit agreed with Arthrex that the APJs were principal officers, and neither the Secretary of Commerce, nor the Director of the USPTO, had the authority to review their decisions or to remove them at will. Thus, the Federal Circuit concluded that the APJs were unconstitutionally appointed. Interestingly, as a remedy, the Federal Circuit revoked the tenure protections of APJs, exposing them to removal by will.

Arthrex and Smith and Nephew, further accompanied by the U.S. Government, then petitioned the U.S. Supreme Court for review.

The Supreme Court – On the Constitutionality of Appointment

The question presented to the Supreme Court was “whether the nature of [the APJs’] responsibilities is consistent with their method of appointment.” In a 5-4 opinion, Chief

Justice Roberts, joined by Justices Alito, Gorsuch, Kavanaugh, and Barrett, answered “no” to the question presented, thereby holding that the APJs were unconstitutionally appointed. The Supreme Court rooted its reasoning under the following rationales:

- i. the PTAB’s decisions were insulated from any executive review, and the President could neither oversee the PTAB himself or “attribute the [PTAB’s] failings to those whom he *can* oversee.”
- ii. the USPTO Director’s authority was limited to ministerial duties, such as issuing and publishing a certificate canceling or confirming patent claims, as directed by the APJs’ final decision, *not* the Director’s discretion.
- iii. APJs occupy a permanent office with the USPTO, unless removed by the Secretary of Commerce *for cause*, rather than *at will*.
- iv. since the institution of patent review with George Washington’s cabinet, the history of adjudication within the patent system “has followed the traditional rule that a principal officer, if not the President himself,” makes the final decision on how to exercise executive power.

To avoid boiling the ocean of precedent, the majority remarked that it was not “set[ting] forth an exclusive criterion for distinguishing between principal and inferior officers for Appointment Clauses purposes.” Instead, the decision was limited to the “context of adjudication,” where the APJs enjoyed “significant authority” to “adjudicate[] the public rights of private parties, while also insulating their decisions from review and their offices from removal.”

The Supreme Court – On the Proper Remedy

Rather than dismantle the statutory structure of post-grant proceedings, or revoke the tenure of the APJs, the Supreme Court elected a steady remedy: to enable the acting Director of the USPTO to have discretionary review of the PTAB’s findings and conclusions in post-grant proceedings. Specifically, the Supreme Court stated the following:

We conclude that a tailored approach is the appropriate one: Section 6(c) cannot constitutionally be enforced to the extent that its requirements prevent the Director from reviewing final decisions rendered by APJs. Because Congress has vested the Director with the “power and duties” of the PTO..., the Director has the authority to provide for a means of reviewing PTAB decisions.... The Director accordingly may review final PTAB decisions and, upon review, may issue decisions himself on behalf of the Board. Section 6(c) otherwise remains operative as to the other members of the PTAB.

The Supreme Court was quick to note, however, that the “Director need not review



every decision of the PTAB.” Rather, “[w]hat matters is that the Director have the discretion to review decisions rendered by the APJs,” so that “the President remains responsible for the exercise of executive power[.]”

Awaiting Further Guidance from Congress and USPTO

As it stands, the Supreme Court’s decision could be much ado about nothing, unless and until Congress or the USPTO acts upon the guidance in *Arthrex*. While congressional action would have been the preferred remedy to some, including Justice Gorsuch, the reality is that post-grant proceedings will likely proceed as they have been since the America Invents Act (AIA) became law. For now, patent practitioners, inventors, and other stakeholders await comment or guidance from the USPTO concerning the framework for the new layer of discretionary review by the acting Director.