

# In *Arthrex*, Supreme Court To Review Constitutionality of Patent Board's Structure

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In October 2020, the U.S. Supreme Court agreed to hear a case that could affect the viability of the Patent Trial and Appeal Board (PTAB) as well as countless PTAB patentability decisions — past, present and future.

Nearly a decade ago, the America Invents Act (AIA) established the PTAB, one of a number of groundbreaking measures intended to reform the U.S. patent system and associated litigation. In 2019, after the PTAB had ruled in hundreds of patent proceedings, the U.S. Court of Appeals for the Federal Circuit held in *Arthrex Inc. v. Smith & Nephew, Inc.* that the PTAB's administrative patent judges (APJs) were principal officers whose appointment without Senate approval violates the Appointments Clause of the U.S. Constitution. The Appointments Clause requires principal officers to be appointed by the U.S. president with the advice and consent of the Senate, but APJs are appointed by the secretary of commerce. The court remedied the violation by severing the portion of the Patent Act that restricted the removal of APJs, making them inferior officers whose appointments do not require the Senate's advice and consent.

The impact of the Federal Circuit decision in *Arthrex* was swift and significant. The Federal Circuit promptly vacated more than 100 PTAB decisions in which the parties included an Appointment Clause challenge on appeal and remanded those decisions back to the PTAB for proceedings before newly designated APJ panels. Earlier this year, the chief administrative patent judge for the PTAB issued an order stating that more, similar orders from the Federal Circuit are to be expected and that all cases remanded by the Federal Circuit under *Arthrex* were to be suspended and held in administrative abeyance “until the Supreme Court acts on a petition for *certiorari* or the time for filing such petitions expires.” That suspension remains in place until a decision is rendered.

The U.S. Supreme Court granted *certiorari* on October 13, 2020, on two issues: (1) whether APJs, as established by the statute, are principal officers who must be appointed by the president and confirmed by the Senate, or inferior officers whose appointment has been properly vested in a department head; and (2) whether, if APJs are principal officers, the Federal Circuit properly cured the constitutional violation by severing the removal protections provided to APJs. *Amicus* briefs have been filed on both sides of these issues, supporting a spectrum of positions, including urging reversal on the ground that Congress intended APJs to be inferior officers under the Appointments Clause, thereby mooting the question of remedy. Others argue that, if APJs are not inferior officers, severability principles can be applied to address the constitutional violation in alternative and less intrusive ways.

Uncertainty looms as patent litigators await the Supreme Court's decision in *Arthrex*. The Federal Circuit limited the immediate impact of *Arthrex* “to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal.” But because the cases remanded to the PTAB have been held in abeyance, litigants that appealed those decisions to the Federal Circuit are left without answers. Further, when determining whether to challenge a patent in the PTAB in the first place, the *Arthrex* decision has become a new factor to consider. Petitioners must contemplate whether investing time, money and effort in the PTAB process is worthwhile; after all, the outcome may ultimately be upended if the Supreme Court agrees with the Federal Circuit that the appointment of APJs is unconstitutional, but orders a more sweeping remedy.

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*Arthrex* is notable in part because the potential outcome is not binary. The Supreme Court may affirm the decision of the Federal Circuit, which would likely have a narrow impact, only affecting pending appeals and cases held in abeyance. Those cases would then be heard by a newly appointed panel of APJs. Likewise, if the Supreme Court finds no constitutional violation, litigants would return to the status quo before *Arthrex*, and the validity of cases decided by APJ panels would not be in question.

However, if the Supreme Court determines that the Federal Circuit's remedy was insufficient, the impact may be extensive — “chaos,” in the words of one *amicus*. PTAB decisions rendered

after the Federal Circuit's decision may be infirm, and even decisions predating *Arthrex* could be called into question. For those who thought the constitutionality of proceedings before the PTAB had been resolved in the 2018 Supreme Court case *Oil States Energy Services LLC v. Greene's Energy Group LLC* — where the Court held that the *inter partes* review process did not violate either Article III or the Seventh Amendment of the U.S. Constitution — it now appears to have been just the beginning. And however *Arthrex* is resolved, some litigants are searching for vehicles to raise still more constitutional questions around the PTAB, including Due Process and Takings Clause arguments.