

The Supreme Court Preserves the PTAB and Provides for Greater Oversight Over PTAB Judges

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On Monday, in *United States v. Arthrex, Inc.*, the Supreme Court delivered a split opinion whereby it preserved the Patent Trial and Appeal Board (PTAB) with certain modifications to its structure. The Court's decision consisted of three parts. In parts I and II of the Roberts opinion (joined by Justices Alito, Gorsuch, Kavanaugh, and Barrett), the Court held that the "unreviewable" authority of Administrative Patent Judges (APJs) to issue decisions on behalf of the Executive Branch in *inter partes* review violates the Appointments Clause of the Constitution. This is because APJs are currently appointed as "inferior" officers rather than "principal" officers. Additionally, in part III of Roberts' opinion (joined by Justices Alito, Kavanaugh, and Barrett), the Court preserved the PTAB by holding that this Constitutional violation can be overcome by subjecting APJ decisions to review by the PTAB Director because the Director is a principal officer that is nominated by the President and affirmed by the Senate.

Under the Constitution, Executive Power is vested in the President, who has the responsibility to ensure that the laws are faithfully executed. Art. II, § 1, cl. 1; § 3. The Appointments Clause provides that the President may be assisted in carrying out that responsibility by officers that are nominated by the President and confirmed by the Senate, or by officers whose work is directed and supervised by an officer that has been nominated by the President and confirmed by the Senate. Art. II, § 2, cl.2. The question that this case sought to resolve is whether the authority of the PTAB to issue decisions on behalf of the Executive Branch is consistent with these constitutional provisions.

The patent system is administered by the U.S. Patent and Trademark Office (USPTO), an executive agency within the Department of Commerce that is responsible for the granting and issuing of patents in the name of the United States. The Secretary of Commerce appoints all members of the PTAB, including 200-plus APJs, except for the Director, who is nominated by the President and affirmed by the Senate. Within the USPTO sits the PTAB, which is an executive adjudicatory body established by the Leahy-Smith America Invents Act of 2011. Its role is to host adjudicatory proceedings such as *inter partes* review whereby a panel of APJs reconsider whether an existing patent satisfies the novelty and nonobviousness requirements for inventions.

On appeal to the Federal Circuit, Arthrex argued that the structure of the PTAB violates the Appointments Clause of the Constitution because while APJs are elected as if they were "inferior" officers, they actually act as "principal" officers due to their unreviewable executive power. Therefore, Arthrex argued that APJs need to be elected as if they were principal officers, appointed by the President with the advice and consent of the Senate. The Federal

Circuit agreed that this structure presents a Constitutional violation and remedied the issue by invalidating APJs’ tenure protections, making them removable at will by the Secretary. Here, the Supreme Court agreed with the Federal Circuit that APJs yield unreviewable executive power outside the scope allowable to an “inferior” officer. However, it came to a different remedy.

In parts I and II of its decision, the Court held that the unreviewable authority wielded by APJs during *inter partes* review is incompatible with their appointment by the Secretary of Commerce to an inferior office. It cited to its decision in *Edmond v. United States*, where it explained that an inferior officer must be “directed and supervised at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” Because APJs are elected as inferior officers while holding unreviewable authority, PTAB decisions are consequently insulated from any Executive review. This is problematic because the President must be able to oversee the PTAB personally as well as attribute the PTAB’s failings to those that he or she can personally oversee. Even though the Director is the one who decides whether to initiate an *inter partes* review, which particular APJs get assigned to a case, and whether an APJ is removed from his or her judicial assignment, the Court still held that the Director does not hold adequate control over APJs such that their actions are within the scope of an inferior officer. Consequently, the Court held that APJ decisions must be subject to review by a principal officer.

In Part III of its decision, the Court preserved the PTAB by not tearing down the entire structure of the *inter partes* review. Rather, the Court held that this Constitutional violation can be overcome by subjecting APJ decisions to review by the Director. 35 U.S.C. § 6(c) provides that *inter partes* review must be heard by a panel of at least three members of the PTAB. In this case, the Court held that section 6(c) cannot be enforced to prevent the Director from reviewing final decisions. The Director must have the ability to review final PTAB decisions and upon review, must have the ability to issue decisions him or herself or on behalf of the board. The Court held that this would fix the Constitutional violation because then APJs would be acting within the scope of their inferior office.

To conclude the case, the Court vacated the decision and remanded for the acting Director to decide whether to hear the petition. Additionally, the Court found that Arthrex was not entitled to a new hearing.

Ryan D. Bradley, a summer associate in Winston’s Chicago office, assisted with this briefing.

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