

**UNITED STATES
PATENT AND TRADEMARK OFFICE**



***Arthrex* and Appointments Clause update**

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Arthrex overview

- Holding: PTAB Administrative Patent Judges were unconstitutionally appointed.
 - *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019)
- Impact on Patent System: Some cases may be remanded for rehearing by a new PTAB panel.
 - Number of affected cases depends on additional CAFC decisions.
- USPTO Actions:
 - *En banc petition*, intervening in affected litigation

Appointments Clause background

- Who decides important questions for the government?
 - “Officers of the United States” (i.e. anyone who wields “significant authority” under federal law)
 - *Buckley v. Valeo*, 424 U.S. 1 (1976) (per curiam)
- Who appoints Officers of the United States?
 - Principal Officers – Must be appointed by the President with the Advice and Consent of the Senate (“PAS”)
 - Inferior Officers – Congress may “vest the Appointment in ... the Heads of Departments,” e.g. cabinet secretaries.
 - U.S. Const. art. II, § 2, cl. 2.

Appointments Clause background (cont.)

- What is the difference between a principal and inferior officer?
 - SCOTUS has “not set forth an exclusive criterion for distinguishing between principal and inferior officers.”
 - But, whether an officer “is an ‘inferior’ officer depends on whether he has a superior,” i.e. whether the officer is “directed and supervised at some level by” a PAS official.
 - *Edmond v. United States*, 520 U.S. 651 (1997)

Arthrex reasoning

- USPTO Director does not “exercise[] sufficient direction and supervision over APJs to render them inferior officers.”
 - “[L]ack of any presidentially-appointed officer who can review, vacate, or correct decisions by the APJs combined with the limited removal power lead us to conclude that these are principal officers.”
- PTAB APJs are appointed by the Secretary of Commerce, not PAS.
- Therefore, APJs are unconstitutionally appointed.

Arthrex remedy

- Civil Service “removal protections cannot be constitutionally applied to APJs, so we sever that application of the statute.”
- A “new panel of APJs must be designated and a new hearing granted.”

Subsequent developments

- USPTO:
 - *En banc* petition argues:
 - Director has adequate control over the Board.
 - Relief is not justified for parties who did not present the issue to the Board.
 - Intervening in other cases where *Arthrex* is raised

Subsequent developments (cont.)

- CAFC:
 - The court continues to define the universe of affected cases and follow on issues, e.g. forfeiture, in subsequent orders and opinions.
 - *En banc* briefing is complete. A decision could come at anytime.



Thank you!

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