Arthrex and Appointments Clause update

Nick Matich, Senior Legal Advisor to the Under Secretary and Director
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Arthrex overview

• **Holding:** PTAB Administrative Patent Judges were unconstitutionally appointed.

• **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!

Nick Matich

Office of the Under Secretary and Director

Nicholas.matich@uspto.gov

571-270-3893

www.uspto.gov