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Appointment of PTAB Judges Unconstitutional per Federal Circuit

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On Halloween, the Federal Circuit held that the appointment of PTAB judges was unconstitutional, and struck down a provision of the Patent Act that made it difficult to remove PTAB judges. Their solution was limited to allowing pending actions which already had a hearing and a final decision, and in cases where there is still time to appeal. For those proceedings, there can be an appeal on this basis, with a new hearing and decision by a new panel. The new panel has the discretion to simply review the same record. This decision does not affect proceedings where the time for appeal has passed, or where there has not yet been a final decision.

The Court of Appeals for the Federal Circuit ("Federal Circuit") remanded a Final Written Decision of the Patent Trial and Appeal Board ("Board") holding certain claims of U.S. Patent No. 9,179,907 unpatentable as anticipated. Arthrex, the Patent Owner, appealed the decision on the grounds that appointment of the Board's Administrative Patent Law Judges ("APJs") by the Secretary of Commerce as set forth in Title 35 violates the Appointments Clause, U.S. Const., art II, §2, cl. 2. The Federal Circuit panel found that the appointment of APJs by the Security of Commerce was unconstitutional and cured the constitutional infirmity by severing a statutory restriction on the Director's ability to remove APJ's. The court also issued two per curium decisions holding that that the Appointments Clause challenge was waived if not presented in either the opening brief to the Federal Circuit or in a motion filed before opening briefs.

The constitutional challenge focused on whether the APJ's were principal officers who must be appointed by the President with advice and consent of the Senate or inferior officers that need not be appointed. The current patent statute provides for APJs to be appointed by the Secretary of Commerce in consultation with the PTO Director. The *Arthrex* panel was so appointed. The Federal Circuit analyzed three factors from *Edmond v. United States*, 520 U.S. 651, 662-63 (1997), in determining whether APJs were principal or inferior officers. The three factors included: (1) whether an appointed official has the power to review and reverse the officer's decision, (2) the level of supervision and oversight an appointed official has over the officers, and (3) the appointed official's power to remove the officers.

The Federal Circuit held that the factors weighed in favor of finding that APJs were principal officers; and because the Arthrex Panel was not appointed by the President and confirmed by the Senate, the current structure of the Board violates the Appointments Clause. The Federal Circuit recommended statutory changes that would render APJs as inferior officers that would not require appointment by the President and confirmation

by the Senate.

The Federal Circuit considered a remedial approach to address the constitutionality issue in order to refrain from invalidating more than is necessary. The Federal Circuit considered several options, but decided that the narrowest viable approach was to partially sever 35 U.S.C. § 3(c), the provision that applies Title 5 to officers and employees of the USPTO. The result is that the Secretary can now remove APJs without cause. By severing APJ removal protections, the APJs would be rendered inferior officers who can be appointed by "Heads of Departments" like the Commerce Secretary.

For *Arthrex*, the Federal Circuit remanded the case to the Board holding that a new panel of APJs be designated and a new hearing granted. The Federal Circuit saw no error in the new panel proceeding on the existing written record but leave to the Board's sound discretion whether it should allow additional briefings or reopen the record in any individual case. The USPTO has indicated it may seek *en banc* review or the Appellee (Smith & Nephew) may petition for certiorari in the Supreme Court

This decision gives Appellants another opportunity to have a new Board potentially review a Final Written Decision if challenges are made on appeal. The Federal Circuit opinion states that "the impact of this case [is] limited to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal." The decision does not address how appeals in which Appointments Clause challenges have not already been raised will be treated from a waiver standpoint. The Board does not have any statutory deadlines for deciding remands, and in our experience, a remand can take a couple of years to be decided and a new Final Written Decision issued. However, the particular procedures that the Board will apply to these cases is unknown at this point.

If you have a pending appeal, we recommend that you consult with appellate counsel to evaluate your options. The Federal Circuit panel's holding does not appear to affect the validity of any previously issued institution decisions, but the impact on pending proceedings remains to be seen.