

Supreme Court Adds New Wrinkle to Patent Inter Partes Review Proceedings, But Actual Impact Remains Unclear

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A recent Supreme Court decision could add a new dimension to the patentability review process before the Patent Trial and Appeal Board.

On June 21, 2021, the U.S. Supreme Court decided *United States v. Arthrex, Inc.*, which reviewed the constitutionality of Administrative Patent Judges (APJs) to issue binding decisions in patent inter partes review proceedings on behalf of the Executive Branch. In a 5-4 split decision authored by Chief Justice Roberts, the Supreme Court held that the current role of APJs within the Patent Trial and Appeal Board (PTAB) violates the Constitution's Appointments Clause. In a separate split vote, the Court also held that decisions made by APJs in inter partes review proceedings must be reviewable by the Director of the United States Patent and Trademark Office, adding a potential new wrinkle to the patentability review process.

Inter partes review is a trial proceeding conducted at the PTAB to review the validity of one or more claims in an issued United States patent. In *Arthrex*, a panel of three APJs conducted the inter partes review proceeding and found *Arthrex's* patent invalid. In subsequent appeals, *Arthrex* argued that the current structure of the PTAB and appointment procedures of APJs violated the Appointments Clause. *Arthrex* reasoned that APJs, enjoying tenure protections and having the authority to make binding decisions on behalf of the Executive Branch, were acting as "principal officers" without being appointed by the President with the advice and consent of the Senate. The Secretary of Commerce, rather than the President, appoints APJs, yet no superior officer within the USPTO, including the Director, holds any tangible power to review and overturn decisions by APJs. Both the Federal Circuit and the Supreme Court agreed that the appointment procedures of APJs violated the Appointments Clause, holding that the power wielded by APJs conflicts with how the APJs are appointed.

The Federal Circuit remedied the apparent incompatibility by invalidating the tenure protections afforded to APJs. Without tenure protections, APJs could theoretically be fired at will, which has historically been one factor courts have used to classify federal officers as "inferior officers" that do not require presidential appointment. The Supreme Court vacated that decision, holding instead that findings made by APJs must be subject to review by the Director of the USPTO, who is appointed by the President and tasked by Congress with supervising the USPTO and APJs. With the Director's oversight, APJs would properly function as "inferior officers" and their appointment would not violate the Appointments Clause.

The Supreme Court's decision ultimately leaves unanswered questions of how Director review will change approaches to challenging or defending patentability in the inter partes review process. It remains to be seen how the Director review process will work and how often the Director will exercise his supervisory authority to reach a patentability decision that contradicts the APJs—if at all. Other than a limited number of cases remanded from the Federal Circuit to the PTAB following the Federal Circuit's *Arthrex* decision, the Supreme Court's holding does not impact past matters decided by APJs. But the limited cases that were remanded from the Federal Circuit will now be eligible for independent review and potential modification by the Director.

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Miller Canfield will continue to monitor patentability decisions issued by the PTAB and any related developments in the field, but those challenging or defending a patent's validity before the USPTO should be aware that the decision issued by the APJs is not necessarily the end of the review process before a formal appeal to the Federal Circuit. Please contact the authors or your Miller Canfield attorney to further discuss this issue.