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US Federal Circuit Court of Appeals Holds Appointment of Administrative Patent Judges Unconstitutional

The Court's decision potentially subjects PTAB final written decisions on appeal to vacatur and remand.

Key Points:

- Patent Act's restrictions on removal no longer apply to Patent Trial and Appeal Board's (PTAB) APJs
- Final written decisions currently on appeal might be vacated and remanded for review by a new PTAB panel
- The decision should not affect pending institution decisions and ongoing PTAB trials

On October 31, 2019, the Federal Circuit issued *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140, holding the Secretary of Commerce's existing practice of appointing Administrative Patent Judges (APJs), as set forth in Title 35, unconstitutional for failure to comply with the Appointments Clause of the Constitution. In analyzing the constitutionality of the statute, the Federal Circuit evaluated whether APJs are "Officers of the United States," and if so, whether they are inferior or principal officers. Principal officers require presidential appointment and confirmation by the Senate, whereas inferior officers may be appointed by heads of departments.

The Federal Circuit determined that the APJs were principal officers and, therefore, that their appointment by the Secretary of Commerce is unconstitutional. In reaching this conclusion, the Court considered a number of factors, including: (1) whether an appointed official has the power to review and reverse the APJ's final written decisions; and (2) the appointed official's power to remove the APJs. The Federal Circuit noted that there is no procedure for any presidentially appointed officer, including the Director of the US Patent and Trademark Office, to review or reverse APJ panels' final written decisions. Further, the Court emphasized that APJs can only be removed from service for "such cause as will promote the efficiency of the service," meaning for "misconduct [that] is likely to have an adverse impact on the agency's performance of its functions." 35 U.S.C. § 3(c); 5 U.S.C. § 7513. These two factors led the Federal Circuit to conclude that the Director did not have sufficient oversight authority over APJs, such that APJs could be considered inferior officers.

To remedy the constitutional defect, the Federal Circuit took the "narrowest viable approach" and severed the portion of 35 U.S.C. § 3(c) that restricts removal of APJs. The court thereby converted APJs to inferior

as opposed to principal officers, rendering their appointment by the Secretary of Commerce constitutional.

Because the final written decision was issued while there was an Appointments Clause violation, the Federal Circuit vacated and remanded the matter to the PTAB, to be heard on the existing administrative record by a different panel of properly appointed APJs.

How Will the Decision Affect Pending Appeals and Ongoing PTAB Trials?

Current PTAB final written decisions are subject to vacatur and remand

If you have a pending appeal before the Federal Circuit from a PTAB final written decision, a timely challenge that the decision must be vacated and remanded under *Arthrex* may be viable. This is because the PTAB's decision was issued while there was an Appointments Clause violation. However, the *Arthrex* decision does not clarify at which point during an appeal you must raise the issue for it to be timely. Further, even if the Federal Circuit vacates and remands a final written decision, the newly constituted panel of APJs may choose to review the matter based on the existing record without allowing for new evidence or argument.

Ongoing PTAB trials and institution decisions should not be affected

The Federal Circuit remedied the constitutional defect by severing the removal portion of the statute. As a result, all currently appointed APJs are now inferior officers and should be able to issue constitutionally compliant final written decisions. The *Arthrex* decision expressly does not apply to decisions to institute a PTAB proceeding, which are made under the Director's statutory authority.

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