

SUPREME COURT OF THE UNITED STATES

United States v. Arthrex, Inc.

United States v. Arthrex, Inc., 594 U.S. ____ (2021) · No. 19-1434, 19-1452, 19-1458 · Decided June 21, 2021

SUMMARY

In *United States v. Arthrex, Inc.* (2021), the Supreme Court held that Administrative Patent Judges (APJs) on the Patent Trial and Appeal Board (PTAB) are inferior officers whose power to issue final, unreviewable decisions on patent validity during inter partes review violates the Appointments Clause. The Court ruled that the APJs' authority is incompatible with their appointment by the Secretary of Commerce because no principal officer (such as the PTO Director) can directly review or countermand their decisions, breaking the required chain of accountability from the President. To remedy the violation, the Court severed the statutory restriction in 35 U.S.C. §6(c) that prevented the Director from reviewing PTAB decisions, thereby allowing the Director to review and overturn final PTAB rulings on behalf of the Board. The case was remanded to the Acting Director for reconsideration, reaffirming that inferior officers exercising executive power must be subject to direction and supervision by a principal officer.

CASE DETAILS

COURT	Supreme Court of the United States
WRITING FOR THE COURT	John G. Roberts; Clarence Thomas; Stephen G. Breyer; Samuel A. Alito; Sonia Sotomayor; Elena Kagan; Neil M. Gorsuch; Brett M. Kavanaugh; Amy Coney Barrett
JURISDICTION	Federal
DECIDED	June 21, 2021
DOCKET	19-1434, 19-1452, 19-1458
DISPOSITION	vacated
PROCEDURAL POSTURE	Certiorari to the United States Court of Appeals for the Federal Circuit
STANDARD OF REVIEW	Constitutional review
PRECEDENTIAL VALUE	Published
PARTIES	United States v. Arthrex, Inc., Smith & Nephew, Inc., et al.

TOPICS

- constitutional law
- patent law
- separation of powers
- administrative law

PRACTICE AREAS

Intellectual Property

Constitutional Law

QUESTIONS PRESENTED

1. Whether the authority of Administrative Patent Judges to issue final decisions on behalf of the Executive Branch in inter partes review proceedings is consistent with the Appointments Clause of the Constitution.
2. If not, what is the appropriate remedy to cure the constitutional defect?

HOLDINGS

1. The unreviewable authority wielded by APJs during inter partes review is incompatible with their appointment by the Secretary of Commerce to an inferior office. Only an officer properly appointed to a principal office may issue a final decision binding the Executive Branch in such proceedings.
2. Section 6(c) of the Patent Act cannot constitutionally be enforced to the extent that it prevents the Director from reviewing final decisions rendered by APJs. The Director may review final PTAB decisions and issue decisions himself on behalf of the Board. The case is remanded to the Acting Director to decide whether to rehear the petition.

KEY QUOTATIONS

“The question in these cases is whether the authority of Administrative Patent Judges (APJs) to issue decisions on behalf of the Executive Branch is consistent with the Appointments Clause of the Constitution.”
(at 1 (syllabus))

“What was ‘significant’ to the outcome there—review by a superior executive officer—is absent here: APJs have the ‘power to render a final decision on behalf of the United States’ without any such review by their nominal superior or any other principal officer in the Executive Branch.” (at 10)

“We hold that the unreviewable authority wielded by APJs during inter partes review is incompatible with their appointment by the Secretary to an inferior office.” (at 19)

“Section 6(c) cannot constitutionally be enforced to the extent that its requirements prevent the Director from reviewing final decisions rendered by APJs. The Director accordingly may review final PTAB decisions and, upon review, may issue decisions himself on behalf of the Board.” (at 21-22)

FACTUAL BACKGROUND

Arthrex, Inc. secured a patent on a surgical device for reattaching soft tissue to bone. Smith & Nephew, Inc. and ArthroCare Corp. filed a petition for inter partes review (IPR) challenging the validity of the patent. The Patent Trial and Appeal Board (PTAB), composed of three Administrative Patent Judges (APJs) appointed by the Secretary of Commerce, conducted the IPR and concluded that the patent was invalid. Arthrex appealed to the Federal Circuit, arguing that the APJs were principal officers who must be appointed by the President with the advice and consent of the Senate.

PROCEDURAL HISTORY

The Federal Circuit held that APJs are principal officers and invalidated their tenure protections, making them removable at will. The Supreme Court granted certiorari to review the constitutionality of the PTAB structure and the appropriate remedy.

DISPOSITION

vacated

REMAND INSTRUCTIONS

Remanded for further proceedings consistent with this opinion, specifically for the Acting Director to decide whether to rehear the petition filed by Smith & Nephew.

CASES CITED

- Edmond v. United States, 520 U.S. 651 (1997)
- Free Enterprise Fund v. Public Company Accounting Oversight Bd., 561 U.S. 477 (2010)
- Seila Law LLC v. Consumer Financial Protection Bureau, Seila Law LLC v. Consumer Financial Protection Bureau, 591 U.S. ____ (2020)
- Buckley v. Valeo, 424 U.S. 1 (1976)
- Lucia v. SEC, 585 U.S. ____ (2018)
- Oil States Energy Services, LLC v. Greene's Energy Group, LLC, 584 U.S. ____ (2018)
- Thryv, Inc. v. Click-To-Call Technologies, LP, 590 U.S. ____ (2020)
- Marbury v. Madison, 1 Cranch 137 (1803)
- Freytag v. Commissioner, 501 U.S. 868 (1991)
- Barnard v. Ashley, 18 How. 43 (1856)

CITED IN

- United States v. Arthrex, Inc., United States v. Arthrex, Inc., 141 S. Ct. 1970 (2021)
- United States v. Arthrex, Inc., United States v. Arthrex, Inc., 141 S. Ct. 1970 (2021)
- United States v. Arthrex, Inc., United States v. Arthrex, Inc., 594 U.S. 1 (2021)