The Supreme Court on Monday, June 21, by a 5-4 vote (with Justice Thomas joining the court’s three Democratic appointees in dissent), held in *United States v. Arthrex* that presidentially appointed principal officers must be allowed to review agency actions before they become final. The agency action at issue was taken by the US Patent Trial and Appeal Board (PTAB), which consists of administrative patent judges (APJs), a specific type of administrative law judge (ALJ) that is appointed by the Secretary of Commerce. Congress gave the PTAB the sole responsibility to make (35 U.S.C. § 318(a)), and to rehear (35 U.S.C. § 6(c)), decisions in inter partes reviews (IPRs) on whether to cancel patents. The Supreme Court held the scheme unconstitutional insofar as it denied the presidentially appointed Director of the United States Patent and Trademark Office (USPTO) any opportunity to review the PTAB’s decision. The court then addressed the appropriate constitutional remedy. Justices Gorsuch and Thomas argued that insofar as there was a constitutional violation (which Justice Thomas denied), the statute must be struck down rather than judicially rewritten. But a seven-justice majority (with the three Democratic appointees joining the Chief Justice’s opinion as to remedy despite dissenting as to the underlying constitutional violation) held that the appropriate remedy was to strike the prohibition on Director review and leave the rest of the statute in place. That resulted in a remand to the Director to exercise discretion as to whether to rehear the case.

The court’s limited remedy appears designed to avoid potential anarchy in the patent world, i.e., the voiding of thousands of IPRs affecting billions of dollars’ worth of patented inventions. The IPR scheme has been in place for eight years, during which time the PTAB has issued thousands of decisions determining the validity of patents collectively worth billions of dollars. Striking the entire statute would have thrown all of those decisions into question. The court did not directly address whether its decision has retroactive effect, but by providing the Director discretion to rehear decisions, it put him in control.

**What does *Arthrex* mean for other cases going forward?**

First, a constitutionally appointed Director of the USPTO must now exercise their discretion to decide whether to review de novo any PTAB final written decision. The USPTO is currently headed by “Acting Director” Andrew Hirshfeld, who received neither a presidential appointment nor Senate confirmation. It is unclear whether an acting director can fulfil the new review role and, if that is permissible, how he will do so. In any event, this substantial new responsibility given to the Director is likely to further politicize the job of USPTO Director. It will heighten the urgency and the political stakes for the President to appoint a Senate-confirmed Director, who will also, in light of the court’s latest Appointments Clause decision in *Collins v. Yellen*, be subject to presidential removal at will.

Second, the court did not specify whether its decision is retroactive. Under general principles, it will certainly apply to
all non-final cases. In other words, subject to waiver, in cases pending before the Federal Circuit or on remand from the Federal Circuit to the PTAB, a Director’s review decision, or a decision by the Director not to review, will be required before the decision can become final. Substantial litigation at the USPTO and the Federal Circuit is inevitable concerning: (i) whether the right to seek a Director’s review has been waived, (ii) limits on the Director’s discretion regarding reviews, and (iii) any implications for patents and applications subject to already-final rulings.

Finally, what do the latest in a series of Roberts Court decisions enforcing the Appointments Clause to strike down administrative structures established by Congress presage for other federal agencies? The Republican-appointee majority continues to reject the notion of apolitical administration in favor of political accountability, holding that ALJ decisions must be subject to override by political appointees (Arthrex) and that those political appointees must be removable by the President at will (Collins). Arthrex will not directly affect most agencies, since the arrangement engineered by the court’s constitutional remedy, whereby ALJs’ decisions are subject to appellate review by politically appointed officers, is already standard in other agencies. But it remains to be seen how far the majority will go with the principle articulated by the Chief Justice in Arthrex that “[o]nly an officer properly appointed to a principal office may issue a final decision binding the Executive Branch in the proceeding before us.” Does this mean, for example, that since only the Attorney General can take a final position on behalf of the Department of Justice, decisions of the Board of Immigration Appeals will be denied Chevron deference? The complex decision by overlapping majorities in the Arthrex case leaves many questions yet to be answered.

Please reach out to the authors if you have questions about your particular case.

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