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REVIEW OF POST-*ARTHREX* HANDLING OF PENDING FEDERAL CIRCUIT APPEALS WITH APPOINTMENT CLAUSE CHALLENGES

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I. INTRODUCTION

In *Arthrex, Inc. v. Smith & Nephew, Inc.*, Arthrex challenged the appointment of administrative patent judges who preside over *inter partes* review and other post grant proceedings before the Patent Trial & Appeal Board.[1] Arthrex, as well as other dissatisfied patent owners who made similar challenges, claimed that adverse decisions were constitutionally improper and should be vacated, or at least remanded for further proceedings, because the appointment of the administrative law judges who oversaw the proceeding were constitutionally improper. The Supreme Court made clear what should be done in the lead case, *U.S. v. Arthrex*, but similar challenges remained pending in over a hundred others. This Article examines how the Federal Circuit, the USPTO, and the parties dealt with the *Arthrex* decision, and provides some perspectives on how *Arthrex* has influenced PTAB trials.

II. BACKGROUND

The Leahy-Smith America Invents Act of 2011 (AIA) set forth a new administrative litigation regime for challenging the patentability of an existing patent.[2] The AIA provides a means for parties to file petitions that challenge the patentability of existing patents through proceedings like *inter partes* review (IPR) and post-grant review (PGR). Congress also created the Patent and Trial Appeal Board (PTAB), organized within the USPTO, to oversee and administer proceedings under the AIA.[3]

Most PTAB proceedings are handled by three-member panels of administrative patent judges (APJs), who are USPTO employees. APJs generally preside over the proceedings, consider and rule on motions, conduct an oral hearing, and prepare the PTAB's final written decisions concerning the patentability challenges presented in the petitions. Final written decisions for the trials are final and binding on the parties, but may be appealed to the United States Court of Appeals for the Federal Circuit.[4]

The key issue raised in *United States v. Arthrex, Inc.*, 141 S.Ct. 1970, 1979-80 (2021), was how these APJs are hired and supervised. Congress provided that APJs would be appointed as inferior officers by the Secretary of Commerce as a head of a department.[5] Inferior officers are positions that need not be made by the President, nor confirmed by the Senate, unlike principal officers such as the USPTO Director. But neither the Secretary of

1. Arthrex, Inc. v. Smith & Nephew, Inc., 941 F.3d 1320 (Fed. Cir. 2019).
2. 35 U.S.C. §§ 6, §311(a).
3. *About PTAB*, USPTO, https://www.uspto.gov/patents/ptab/about-ptab [https://perma.cc/4VG6-C9EJ] (last visited September 9, 2021).
4. United States v. Arthrex, Inc., 141 S.Ct. 1970, 1977 (2021).
5. *Id.* at 1980.

Commerce nor the USPTO Director had the power to review the APJs' final written decisions or remove them at will.[6]

These limitations created a problem. Under the Constitution, an inferior officer must either be removable at will by a head of a department, or have a principal officer who reviews their decisions.[7] But because APJs' final written decisions were not subject to USPTO Director review, and because APJs could not be removed at will, they were, effectively, acting as principal officers without ever having been appointed or approved as such, and without principal officer management and oversight.

This brings us to the Federal Circuit's October 31, 2019, *Arthrex* decision. By late 2019, APJs had presided over thousands of trials, issuing hundreds of final written decisions. But in *Arthrex*, a patent owner appealed the PTAB's final written decision invalidating its patent to the Federal Circuit, and complained, in part, that APJs' appointments violated the Appointments Clause of the United States Constitution.[8] The Federal Circuit agreed that the AIA "as currently constructed makes the APJs principal officers."[9] To cure this problem, the Federal Circuit severed the part of Title 35 (the Patent Act) that limited APJ removal, making them removable at will and, ostensibly, inferior officers.[10] Seeing the problem as resolved, the Federal Circuit decided to remand the case to the PTAB to be assigned to a new panel of APJs.[11] All parties to the appeal, including the government, filed petitions for panel and *en banc* rehearing of the decision, all of which the Federal Circuit denied. The parties and the government then took their cases to the Supreme Court, which granted the petitions for certiorari.

On June 21, 2021, the Supreme Court vacated the Federal Circuit decision. The Court agreed with the Federal Circuit that APJs were acting as principal officers in IPR and other PTAB proceedings due to their unreviewable authority to decide patentability.[12] But while the Supreme Court agreed there was a constitutional problem, it disagreed with the Federal Circuit on how to fix it. The Supreme Court determined that the proper remedy for the constitutional deficiency is for APJ decisions to be reviewable by the Director of the United States Patent and Trademark Office. While the director is not required to review every decision by an APJ, the Court determined that the director must have the discretion to review any and all decisions to satisfy the Appointments Clause.[13] The Court remanded to the director to determine whether discretionary review was appropriate.

6. *Id.*
7. *Id.* at 1974-80.
8. Arthrex, Inc. v. Smith & Nephew, Inc., 941 F.3d 1320 (Fed. Cir. 2019).
9. *Id.* at 1325.
10. *Id.*
11. *Id.* at 1340.
12. *Arthrex, Inc.*, 141 S. Ct., at 1977 (2021).
13. *Id.* at 1988. Note, however, that Drew Hirshfeld is only acting director of the USPTO. There is not currently a director that has been confirmed by the Senate. *Drew Hirshfeld*, U.S. DEP. COMM.,

The year-and-a-half gap between the original Federal Circuit decision and the Supreme Court opinion left over 100 appeals from the PTAB to the Federal Circuit without a clear path forward. Like the patent owner in *Arthrex*, many patent owners asserted their own challenges to the APJs' appointments. This Article discusses how the Federal Circuit, the USPTO, and the parties have handled the fallout from the *Arthrex* decision, and how *Arthrex* will impact practice before the PTAB in the years to come.

III. THE POST-*ARTHREX* CASES

The Supreme Court and appellate decisions in *U.S. v. Arthrex* impacted over 100 pending appeals from the PTAB from late 2019 through mid-2021. This Article first discusses how the Federal Circuit handled those post-*Arthrex* cases after the Supreme Court decision, with a focus on how the parties in those cases wished to proceed. This Article then provides some perspectives on *Arthrex* and how it will shape PTAB practice in the future.

A. The Federal Circuit Asked Parties How They Want to Proceed

Rather than pronounce a new procedure after the Supreme Court vacated its ruling, the Federal Circuit polled the parties about how they wished their appeals to proceed under the new regime. Two days after the Supreme Court released its decision in *Arthrex*, the Federal Circuit released an order in cases that were potentially affected by the *Arthrex* decision that stated:

> (1) Within 14 days from the date of this order, the parties that raised an Appointments Clause challenge shall file a brief, not to exceed 10 pages double-spaced, explaining how they believe their cases should proceed in light of Arthrex. Responses from the other parties, including the United States Patent and Trademark Office, subject to the same length restrictions, are due within 14 days thereafter.
>
> (2) All deadlines and proceedings are stayed.[14]

This order, in effect, allowed the appellants and appellees that had pending appeals with live *Arthrex* challenges the opportunity to "explain[] how they believe their cases should proceed" and gave other parties, including the USPTO, a chance to respond.[15]

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https://www.commerce.gov/about/leadership/drew-hirshfeld (last visited September 13, 2021) [https://perma.cc/A4EV-RR4R]; Dani Kass, *Patent Commissioner Takes Over As Temporary USPTO Head*, LAW360 (Jan. 20, 2021 12:47 PM EST), https://www.law360.com/articles/1346777/patent-commissioner-takes-over-as-temporary-uspto-head [https://perma.cc/A2SS-9JSF].

14. *See, e.g.*, Order, *Arthrex* at 1, Uniloc 2017 LLC v. Google LLC, No. 19-2137 (Fed. Cir. June 23, 2021), ECF No. 60.

15. *Id.*

B. Most Patent Owners Dropped Their Constitutional Challenges

In their briefs responding to the Federal Circuit's order, the majority of patent owner appellants dropped their Appointments Clause challenges and asked the Federal Circuit to move on to the merits. Even then, however, there was a spectrum of strategical responses. Most appellants explicitly waived their *Arthrex* challenge.[16] But other appellants simply said nothing about whether or not they were waiving their *Arthrex* challenge.[17] Still others stated that they were withdrawing the *Arthrex* challenge, but were not explicitly waiving it.[18]

As always, there were outliers. One appellant asked the Federal Circuit to reverse on the merits, but simultaneously suggested that if the Federal Circuit affirmed the merits, then the Federal Circuit should remand to the director for further review.[19] In *Teva Pharmaceuticals v. Eli Lilly*, the USPTO responded to appellant Teva that a limited remand would be proper but that Teva and other appellants should not be able to use the Appointments Clause as a backup—that the case should be remanded immediately or not at all.[20]

Other appellants within the merits group apparently felt they were too deep into their case, and stated that since the appeal was advanced, it would be best for the Federal Circuit to decide the appeal instead of remanding for director review.[21]

C. Some Patent Owners Opted for Remand to the USPTO

However, a minority of appellants saw the *Arthrex* decision as vindicating their challenges and asked the Federal Circuit to remand to the director. But also within this group, there were interesting wrinkles in how different appellants wanted the remand to proceed. About half of the appellants requesting remand also challenged the acting director Drew Hirshfeld's authority to perform reviews of the final decisions made by the administrative law judge as a director or acting director of the USPTO.[22] The

16. *See e.g.*, Appellant Uniloc 2017 LLC's Statement in Response to the Court's June 23, 2021 Order Regarding *Arthrex* at 1, Uniloc 2017 LLC v. Google LLC, No. 19-2137 (Fed. Cir. Jul. 7, 2021), ECF No. 61.

17. *See e.g.*, Brief of Appellant Qualcomm Incorporated in Response to the Court's June 23, 2021 Order at 2-3, Qualcomm Inc. v. Apple Inc., No. 20-1558 (Fed. Cir. Jul. 7, 2021) ECF No. 57.

18. *See e.g.*, Brief Regarding Withdrawal of Appointments Clause Challenge of Appellant Magseis FF LLC at 2, Magseis FF LLC v. Seabed Geosolutions (US) Inc., No. 20-1346 (Fed Cir. July 7, 2021), ECF No. 65.

19. *See* Appellant's Supplemental Brief at 9, Teva Pharms. v. Eli Lilly & Co., No. 20-1747 (Fed. Cir. Jul. 7, 2021), ECF No. 73.

20. *See* Intervenor's Response in Connection with the Court's Omnibus *Arthrex* Briefing Order at 3-4, Teva Pharms. v. Eli Lilly & Co., No. 20-1747 (Fed. Cir. Jul. 21, 2021), ECF No. 75.

21. *See* Appellant the Chemours Company FC, LLC's Brief Regarding *Arthrex* Decision at 1, Chemours Co. FC, LLC v. Daikin Indus., Ltd., No. 20-1289 (Fed. Cir. Jul. 2, 2021), ECF No. 66.

22. *See e.g.*, Appellant's Response to Post-*Anthrex* Briefing Order at 3, Corephotonics, Ltd. v. Apple Inc., No. 20-1424 (Fed. Cir. Jul. 7, 2021), ECF No. 64.

appellants in these cases argued that acting director Hirshfeld was neither Presidentially-appointed nor Senate-confirmed, and therefore not a properly appointed principal officer with the ability to issue a final binding decision.[23] Instead, these appellants argued that Hirshfeld is simply acting as director until the current administration appoints a more permanent director, who would still need to be confirmed by the Senate.[24] According to some appellants, acting director Hirshfeld—like pre-*Arthrex* APJs—was not properly appointed and therefore would be considered an inferior officer who would be unable to review the decisions of the APJs in the way the Constitution required.[25] The appellants in these cases, however, still wanted a remand to argue this point to the USPTO (and presumably to the Federal Circuit if and when the USPTO disagreed with them).[26]

Alternatively, most of the other appellants who requested remand seemed content with remand under the "interim Director review process" provided on the USPTO's website.[27] Some appellants explicitly requested that Hirshfeld follow the Administrative Procedure Act when using his discretion for the review.[28] These appellants wanted to ensure that the director's decisions on whether to rehear an AIA decision, which they argued is a formal adjudication under the Administrative Procedure Act, satisfied the standards under the Administrative Procedure Act, including sufficient explanation to ensure that the decisions are not arbitrary and capricious.[29]

The appellants who wanted a remand had some outliers as well. A small group simply wanted the Federal Circuit to vacate on the merits under *Arthrex*.[30] The appellants in these cases argued that since the acting director was not confirmed by the Senate, the only proper remedy available was to vacate the final written decision rather than remand for potential rehearing by an inferior officer. To date, however, the Federal Circuit has declined all such requests.

23. *Id.*

24. Kass, *supra* note 13.

25. *See e.g.*, Brief for Appellant Cupp Computing AS, at 2-4, CUPP Computing AS v. Trend Micro Inc. at 3, No. 20-2059 (Fed. Cir. Jul. 7, 2021), ECF No. 45.

26. Rovi's Brief in Response to Court's June 23 Order Concerning *United States V. Arthrex*, at 3, Rovi Guides, Inc. v. Hirshfeld, No. 20-2288 (Fed. Cir. Jul. 2, 2021), ECF No. 40.

27. *See e.g.*, Appellant True Spec Golf LLC's Brief in Light of the Supreme Court's *Arthrex* Decision at 4, True Spec Golf LLC v. Club Champion LLC, No. 21-1612 (Fed. Cir. Jul. 7, 2021), ECF No. 15.

28. *See* Brief of Appellant Cellspin Soft, Inc. Regarding how This Case Should Proceed in Light of *Anthrex* at 4-5, Cellspin Soft, Inc. v. Canon U.S.A., Inc., No. 20-1947 (Fed. Cir. Jul. 7, 2021), ECF No. 70.

29. *Id.*

30. *See e.g.*, Brief for Appellant Cupp Computing AS, at 4, CUPP Computing AS v. Trend Micro Inc., No. 20-2059 (Fed. Cir. Jul. 7, 2021), ECF No. 45.

D. Responses from Petitioners and the USPTO Were Mixed

As mentioned above, under the Federal Circuit's Order, after the appellants submitted what relief they wanted in these cases, appellees and other parties had 14 days to respond.[31]

How appellees and the USPTO responded depended, in large part, on what the appellant patent owner requested the Federal Circuit to do. In cases when the *Arthrex* challenger wanted to move on the merits, appellees and the USPTO largely agreed and said they considered the *Arthrex* challenge waived as a result.[32] Additionally, in some cases where appellants wanted to move on the merits, and appellees did not respond, the USPTO filed a reply saying that the appellant waived the *Arthrex* challenge by agreeing to move on the merits, and therefore the decision did not affect the USPTO.[33] However, in some other cases where the appellant wanted to move on the merits and the appellee did not respond, the USPTO declined to intervene.[34] In still other cases where the appellee did not respond, the Federal Circuit lifted the stay and oral arguments were scheduled.[35]

Responses were more varied when the *Arthrex* challenger asked for remand to the USPTO. In most cases, the appellees and USPTO agreed that limited remand was appropriate.[36] In at least some of these instances where appellant asked for a remand, the appellee opposed any appellant request to vacate the final written decision, while stating that the remand should be congruent with the limited remand that was authorized by the Supreme Court in *Arthrex*.[37] The appellees in these cases argued that in *Arthrex*, the Supreme Court held that Arthrex was not entitled to a hearing before a new panel of APJs, and the Supreme Court rejected Arthrex's argument that it was entitled to a dismissal. Accordingly, these appellees stated that it defied logic for appellants to suggest that they could receive a remedy that is greater than the one the Supreme Court gave Arthrex, or to receive a remedy that the Supreme Court explicitly rejected in *Arthrex*.[38]

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31. *See e.g.*, Order, Chemours Co. FC, LLC v. Daikin Indus., Ltd. No. 20-1289 (Fed. Cir. June 23, 2021), ECF No. 65.

32. *See e.g.*, Apple Inc's Response to the Court's Order Regarding Appointments Clause Challenges, at 1, Omni MedSci, Inc. v. Apple Inc., No. 21-1229 (Fed. Cir. Jul. 20. 2021), ECF No. 48. *See* discussion *infra* Part III.e.

33. *See e.g.*, Intervenor's Response in Connection with the Court's Omnibus *Arthrex* Briefing Order, at 1, Quest Diagnostics Inv. V. Lab'y Co., No. 21-1115 (Fed. Cir. Jul. 21, 2021), ECF No. 31. *See* discussion *infra* Part III.e.

34. *See e.g.*, IPA Techs. Inc. v. Google LLC, No. 21-1438 (Fed. Cir.).

35. *See e.g.*, Order, Uniloc 2017 LLC v. Google LLC., No. 19-2277 (Fed. Cir. Jul. 12, 2021), ECF No. 62.

36. *See e.g.*, Intervenor's Response in Connection with the Court's Omnibus *Arthrex* Briefing Order, at 1, Cellspin Soft, Inc. v. Canon U.S.A., Inc., No. 20-1247 (Fed. Cir. Jul. 21, 2021), ECF No. 71; Brief for Appellees Regarding How This Appeal Should Proceed in View of *Arthrex* at 2-3, Cellspin Soft, Inc. v. Canon U.S.A., Inc., No. 20-1947 (Fed. Cir. Jul. 21, 2021), ECF No. 72.

37. *See e.g.*, Response of Appellee Trend Micro Inc. Pursuant to Court's June 23, 2021 Order, at 4, CUPP Computing AS v. Trend Micro Inc., No. 20-2059 (Jul. 21, 2021), ECF No. 47.

38. *Id.* at 3.

Some appellees, however, did not agree to remand. These appellees argued that the appellant waived the challenge in *Arthrex* because the appellant did not raise the issue before the Board, either in an appellate motion or by other similar means. Because the appellants did not raise the *Arthrex* challenge previously, the appellees considered it waived.[39]

In cases where the appellant questioned acting director Hirshfeld's appointment status, the USPTO demurred.[40] Interestingly, one appellee noted that the USPTO is already a party to the appeal and suggested that the USPTO could simply brief its position about the remand, thereby sparing the Federal Circuit and the parties of what looked to be an avoidable remand cycle. Still other Appellees did not explicitly take a position on the appellant's request for a remand.[41]

E. Federal Circuit Largely Sided with Appellants' Wishes

The Federal Circuit largely took one of two paths in responding to the parties' briefs. The first path was relatively straightforward because the parties agreed to proceed to the merits without pressing the constitutional challenges further. In the majority of those cases, the Federal Circuit issued orders lifting a stay and moving forward with the proceedings.[42]

The second path was less straightforward because the parties had conflicting positions about whether and how remand should proceed. In some cases where appellants sought remand, the appellees insisted that the *Arthrex* challenge was waived because the appellant did not raise the challenge early enough before the Board, in an appellate motion, or other similar means.[43] In these "waiver" cases, the Federal Circuit remanded for the "limited purpose of allowing appellant the opportunity to request Director rehearing of the final written decision," but warned that the "[a]ppellant must file the requests for rehearing within 30 days from the date of this order." The Federal Circuit retained appellate jurisdiction and instructed, "[a]ppellant shall inform this court within 14 days of any decision denying rehearing." Id. As for the USPTO, the orders stated that "[w]ithin 14 days of a decision granting rehearing, intervener shall inform the court of that decision and make any request to remand the case(s) in full or continue

39. *See e.g.*, Brief for Appellees in Response to the Court's June 23, 2021 Order at 2, VirnetX Inc. v. Mangrove Partners Master Fund, No. 20-2271 (Fed. Cir. Jul. 21, 2021), ECF No. 49. Whether the Federal Circuit actually considered the Arthrex challenged waived is discussed *infra* at II.E

40. *See e.g.*, Interveners Response in Connection with the Court's Omnibus *Arthrex* Briefing Order at 3, Rovi Guides, Inc. v. Hirshfeld, No. 20-2206 (Fed. Cir. Jul. 21, 2021), ECF No. 50.

41. *See, e.g.*, Cross-Appellant's Brief in Response to the Court's June 23, 2021 Order, UUSI, LLC v. Samsung Elecs. Co., No. 21-1060 (Fed. Cir. Jul. 21, 2021), ECF No. 35.

42. *See, e.g.*, Order, Intuitive Surgical Operations, Inc. v. Auris Health, Inc., No. 21-1473 (Fed. Cir. Aug. 13, 2021), ECF No. 25.

43. *See, e.g.*, Appellee's Brief Re: *Arthrex* at 4, MobilePay LLC v. Unified Patents, No. 20-2102 (Fed. Cir. Jul. 20, 2021), ECF No. 49.

the stay of proceedings. The intervener's request shall include a statement of consent or opposition."[44] The vast majority of the cases where appellant asked for a remand, and the appellee disagreed, resulted in a similar if not identical order.[45]

In short, the Federal Circuit largely did what appellants wanted it to do. When the appellant wanted a remand, in most cases the Federal Circuit agreed, regardless of what the appellee said. When the appellant wanted to move on the merits, the Federal Circuit lifted a stay and proceeded without explicitly addressing whether the *Arthrex* challenge was waived. The Federal Circuit could have also ordered this way on remand, if for no other reason than consistency. Either way, cases where the Federal Circuit ordered a limited remand are interesting because but for the Supreme Court's decision in *Arthrex*, these appellants likely would have never requested it.

IV. THE LONG-TERM IMPACT OF *ARTHREX*

Generally, the *Arthrex* decision may not cause too much upheaval beyond a hundred or so appeals. Once there is a Presidentially-appointed and Senate-confirmed director, that director will clearly be able to review APJs' final written decisions by exercising his or her discretion. There is currently no requirement that the director rehear any cases, so the interim director review will likely remain discretionary for the foreseeable future.

Whether it makes sense to seek director review or rehearing remains to be seen. Currently—*Arthrex* aside—rehearing requests typically fail at the PTAB. For reference, the PTAB grants rehearing under 15% of the time.[46] It seems unlikely that these rates will change because of *Arthrex*, even though now these requests will be aimed at the director. The USPTO has stated in a post *Arthrex* Q&A that requests for director review will be evaluated by an advisory committee established by the director; however, the membership and size of this committee have not yet been specified. The advisory committee may look to, for example, material issues of fact or law that the Board misapprehended or overlooked; novel issues of law or policy; issues on which Board panel decisions are split; issues of particular importance to the Office or patent community; or inconsistencies with Office procedures, guidance, or decisions. Additionally, an internal management team will also review final written decisions using the same criteria as used by the advisory committee to determine whether the director should review

44. *See, e.g.*, Order, SIPCO, LLC v. Emerson Elec. Co., No. 21-1039 (Fed. Cir. Aug. 2, 2021), ECF No. 34.

45. *See, e.g., id.*

46. Scott McBride & Alex Vogler, *Supreme Court Decision Drives the PTAB's Future*, IPWatchdog, (June 23, 2021), https://www.ipwatchdog.com/2021/06/23/arthrex-aftermath-landmark-supreme-court-decision-drives-ptabs-future/id=134930/ [https://perma.cc/AG62-ER9N].

a decision *sua sponte*.[47] It is still too early, however, to evaluate how often the advisory committee or the internal management team will grant reviews. What's more, the director will likely rehear only final written decisions, as opposed to institution decisions or decisions on matters like motions to amend or motions for additional discovery. So even though petitioners and respondents now have a procedure to have final written decisions reviewed by the director, that does not mean such a review will be likely.

Another potential hurdle is that petitioners and patent owners in PTAB proceedings may continue to challenge acting director Hirshfeld's status since he was neither appointed by the President nor confirmed by the Senate. The frequency and results of these challenges remain to be seen.

V. CONCLUSION

While *Arthrex* disrupted the progress of over 100 PTAB appeals, most of the post-*Arthrex* cases are now resolved. Once there is a Presidentially-appointed and Senate-confirmed director, there should be no *Arthrex*-related challenges and the director can use his or her discretion to review decisions made by PTAB APJs. However, such cases may not be reheard with a frequency that petitioners and respondents would like, and in all events, dissatisfied parties will likely find themselves right back where they started before the first *Arthrex* challenge: Presenting their complaints on appeal to the Federal Circuit.

47. *Arthrex Q&As*, USPTO, https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas (last visited September 28, 2021) [https://perma.cc/BL56-9J8B].