

Supreme Court preserves inter partes review in *United States v. Arthrex, Inc.*

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The Supreme Court yesterday found the administrative patent judges of the Patent Trial and Appeal Board to be unconstitutionally appointed but fashioned a tailored remedy by making their determinations reviewable by the Director of the Patent and Trademark Office. The decision in the closely watched case keeps the *inter partes* review process largely intact, although it remains to be seen how the Director will use the new review power.

Parties seeking to administratively challenge the validity of a patent may file an *inter partes* review (IPR) before the Patent Trial and Appeal Board (PTAB), an executive tribunal within the Patent and Trademark Office (PTO). For each such proceeding, the Director of the PTO designates three-member panels primarily composed of administrative patent judges (APJs).

Smith & Nephew petitioned for IPR of a patent owned by Arthrex, Inc. The three-judge PTAB panel invalidated Arthrex's patent and Arthrex appealed to the Court of Appeals for the Federal Circuit, arguing that APJs are "principal officers and therefore that their appointment by the Secretary of Commerce was unconstitutional." The Federal Circuit agreed, concluding that the APJs' decisions could not be reviewed. To remedy this Appointments Clause violation, the Federal Circuit stripped the APJs of their tenure, reasoning that at-will removal would turn the APJs into inferior officers. The court then vacated the prior decision and remanded before a new PTAB panel. As Chief Justice Roberts remarked, "[t]his satisfied no one."

By a 5-4 vote, the Supreme Court agreed with the Federal Circuit that the APJs were unconstitutionally appointed. Chief Justice Roberts, writing for the majority, concluded that "the unreviewable authority wielded by APJs during inter partes review is incompatible with their appointment by the Secretary to an inferior office." However, by a 7-2 vote, the Supreme Court disagreed with the Federal Circuit on remedy and fashioned its own. Adopting a "tailored approach," the Supreme Court held that the Director must be able to review final PTAB decisions and issue decisions on behalf of the PTAB. According to the Chief Justice, this "review by the Director better reflects the structure of supervision within the PTO and the nature of APJ's duties" than granting the Secretary the power to remove APJs at will. The majority did not require that the Director review every decision of the PTAB or rehear any of the PTAB's prior decisions, including the *Arthrex* decision under appeal. It simply gave the Director the discretion to review each case.

The Supreme Court's decision thus leaves IPRs and the PTAB largely intact. However, the manner in which the PTO and future Directors will implement the new review power remains to be seen.

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