



## Intellectual Property ADVISORY ■

**JUNE 23, 2021**

### PTAB Overhaul Coming? SCOTUS Speaks in *Arthrex*

by [Chris Douglas](#), [Lauren Burrow](#), and [Maddy Byrd](#)

In the latest of many challenges to the constitutionality of the Patent Trial and Appeal Board (PTAB), the Supreme Court issued a decision in [United States v. Arthrex](#) allowing the PTAB to continue its mission of evaluating patents previously issued by the U.S. Patent and Trademark Office (USPTO) with new oversight from the USPTO director. Going forward, this decision means that the USPTO director will have the ability to review final PTAB decisions and, upon review, issue decisions on behalf of the PTAB.

The key takeaway is that the 100+ cases that are stayed before the PTAB, and countless more that may be remanded, will proceed through director review and, ultimately, the appeals process. The decision also provides current PTAB litigants with another level of review should they be dissatisfied with the outcome of their PTAB proceedings. In both cases, however, an expected short-term backlog before the director will likely serve to delay what are supposed to be quick alternatives to patent litigation.

#### Supreme Court Decision

A patent that has been issued by the USPTO is presumed valid until proven otherwise. Before 2012, the main mechanism to challenge the validity of an issued U.S. patent was to contest it in federal district court. With the America Invents Act (AIA), however, Congress created a new instrument to invalidate patents—inter partes review (IPR). Though there are many differences between IPR proceedings and district court patent litigation, the relevant distinction here is that the fate of the patent in an IPR proceeding is decided by a panel of three members from the PTAB.

The PTAB is primarily made up of administrative patent judges (APJs). Unlike judges in federal district courts, APJs are officers of the executive branch. They are appointed by the Secretary of Commerce, who in turn is appointed by the President. APJs are generally overseen by the USPTO director (who is also appointed by the President), but they cannot be removed without cause. Importantly, after the PTAB has issued a final written decision, it is the PTAB, and not the director or the Secretary, that has the sole authority to grant rehearing.

#### ***The Federal Circuit appeal***

At the heart of *Arthrex* is whether these APJs have constitutional authority to issue final written decisions, which are not reviewable by a superior officer within the executive branch. On appeal at the Federal Circuit, this issue boiled down to whether APJs are principal officers or inferior officers. A principal officer is one who plays a critical enough

This advisory is published by Alston & Bird LLP to provide a summary of significant developments to our clients and friends. It is intended to be informational and does not constitute legal advice regarding any specific situation. This material may also be considered attorney advertising under court rules of certain jurisdictions.

role in the executive branch such that they must be appointed according to the Appointments Clause of the U.S. Constitution. Principal officers, therefore, must be appointed by the President with the advice and consent of the Senate. Inferior officers, on the other hand, do not need to be appointed by the President.

The Federal Circuit held that IPR decisions by the PTAB were unconstitutional because APJs are principal officers and had been unconstitutionally appointed. The remedy set forth by the Federal Circuit was to invalidate the APJs' tenure protections, which allowed for APJs to be removable at will by the Secretary of Commerce. According to the Federal Circuit, this fix would allow IPRs to proceed constitutionally.

### ***The Court's opinion***

The Supreme Court approached the issue differently. Although not explicitly enumerated, the Supreme Court answered three questions in its opinion: (1) is it constitutional for the PTAB to issue final written decisions in the way it has been; (2) why or why not; and (3) if not, what happens now? The Court agreed with the Federal Circuit on question (1)—the answer is no, the PTAB does not have constitutional authority to issue final written decisions in the way it has been.

It is with questions (2) and (3) that the Supreme Court diverges from the Federal Circuit. The Supreme Court held that because APJs are appointed according to the procedures of an inferior office (and not via the Appointments Clause procedure), APJs do not have the authority to issue a decision that is unreviewable by a superior officer within the executive branch. However, "Congress unambiguously specified that '[o]nly the Patent and Trial Appeal Board may grant rehearings.'" According to the Court, the solution to this constitutional violation is to sever the portion of the statute that gives the PTAB the sole authority to grant rehearing and to specifically place such authority with the USPTO director.

Ultimately, the Court's decision protects the constitutionality of IPR proceedings, but adds an additional layer of review. The Court remanded to the USPTO director to consider whether to reevaluate the finding of unpatentability made by the PTAB.

Of note, there were several concurrences and dissents. Justice Gorsuch concurred with the Court's opinion that APJs are unconstitutionally appointed but dissented from the Court's invocation of the severability doctrine and proposed remedy, arguing that the Court has overstepped its authority into the legislative realm. Justice Thomas, joined by Justice Breyer, Justice Sotomayor, and Justice Kagan in part, dissented with the Court's opinion, determining that APJs are already functioning as inferior officers, so no remedy is required. Finally, Justice Breyer, joined by Justice Sotomayor and Justice Kagan, dissented from the Court's new test (and agreed with Justice Thomas's discussion on the merits in his dissent) but concurred with the Court's remedial holding based on the results of the Court's new test. This fractured opinion provides openings for further legislative consideration.

### **What Happens Now?**

The *Arthrex* decision does not provide much guidance on the form of the new procedures other than stating that the director "may review final PTAB decisions and, upon review, may issue decisions himself on behalf of the Board." The *Arthrex* decision likens this review to the model implemented by the Trademark Trial and Appeal Board in the Trademark Modernization Act of 2020. While the USPTO is still determining what such review in both adjudicative bodies would look like, without engaging in overspeculation, we would expect the director to implement a system similar to the Precedential Opinion Panel, albeit without the panel itself. Regardless of the mechanics involved in implementing review, we expect changes to PTAB operations and further anticipate that there will be several considerations in approaching rehearing requests under the anticipated procedures.

An initial consideration is that the *Arthrex* decision is limited to "final PTAB decisions," so any resulting rule changes should not affect procedures for requesting rehearing for institution decisions. We expect the success rate for

rehearing requests at institution to remain steady. In contrast, because the panel issuing the final written decision will no longer be reviewing itself for error, we expect that the historically low success rate for rehearing requests after the final written decision to increase. With such an increase, parties may come to see rehearing requests not as a last-ditch effort but rather as a viable attempt at overturning unfavorable decisions, similarly causing an increase in rehearing request filings.

More importantly, director-driven review will give requesting parties another bite at the apple. While rehearing requests have been an option for parties after the final written decision, due to the low success rate and barring clear error, the most viable option to date has been to appeal the PTAB decision to the Federal Circuit. Under the anticipated rehearing procedures, parties will have the opportunity to have the final written decision reviewed by the director, but all decisions would remain appealable to the Federal Circuit. On the other hand, the likely increase in granted rehearing requests may similarly increase the number of appeals from the PTAB to the Federal Circuit because the additional review procedure may generate additional material for appeal.

In addition to increasing the Federal Circuit caseload, new review procedures may also create yet another backlog at the USPTO. The PTAB already has a heavy caseload, and creating an extra layer of review procedures will only add to it. Similarly, the director has many other duties beyond participation in the PTAB, and the Supreme Court's new requirements will only add to those duties. These additions will ultimately create a backlog in all director-driven procedures, at least until a new system is developed. So, while the new review procedures will be an interesting, if not positive, change, we expect that any proceedings under review will be stalled for many months.

Should Congress choose to intervene, however, these changes will be a moot point. As alluded to by Justice Gorsuch, Congress can and may enact legislation to change the outcome of the *Arthrex* decision. Taking it further, Justice Thomas's dissent practically challenges Congress to intervene, proclaiming that the Court's opinion amounts to holding that Congress violated the Constitution by creating the APJ position. Ultimately, unless or until Congress gets involved, the Supreme Court's decision in *Arthrex* will require the PTAB to overhaul its review procedures, resulting in significant changes to how parties approach not only rehearing requests but also IPR proceedings as a whole.

You can subscribe to future *Intellectual Property* advisories and other Alston & Bird publications by completing our [publications subscription form](#).

If you have any questions or wish to discuss further, please contact any of the following members of Alston & Bird's Intellectual Property Group:

Hidetada James Abe 213.576.1060 james.abe@alston.com	Jason P. Cooper 404.881.4831 jason.cooper@alston.com	Christopher B. Kelly 404.881.4416 christopher.kelly@alston.com	Bruce J. Rose 704.444.1036 bruce.rose@alston.com
Shri Abhyankar 404.881.7687 shri.abhyankar@alston.com	Pamela Holland Councilill 404.881.4498 pamela.councilill@alston.com	Ryan W. Koppelman 650.838.2009 ryan.koppelman@alston.com	Holly Hawkins Saporito 404.881.4402 holly.saporito@alston.com
Wesley C. Achey 404.881.4930 wes.achey@alston.com	Brady Cox 214.922.3443 brady.cox@alston.com	Robert L. Lee 404.881.7635 bob.lee@alston.com	Bryan Skelton, Ph.D. 919.862.2241 bryan.skelton@alston.com
Dane A. Baltich 404.881.4381 dane.baltich@alston.com	Thomas W. Davison 202.239.3933 tom.davison@alston.com	Joe Liebeschuetz, Ph.D. 650.838.2038 joe.liebeschuetz@alston.com	M. Scott Stevens 704.444.1025 scott.stevens@alston.com
Ross R. Barton 704.444.1287 ross.barton@alston.com	Christopher Douglas 704.444.1119 christopher.douglas@alston.com	Christopher P. Lightner 404.881.7882 chris.lightner@alston.com	Theodore Stevenson III 214.922.3507 ted.stevenson@alston.com
Kirk T. Bradley 704.444.1030 kirk.bradley@alston.com	Brian C. Ellsworth 704.444.1265 brian.ellsworth@alston.com	Christopher L. McArdle 212.210.9542 chris.mcardle@alston.com	Helen Su 650.838.2032 86.10.85927588 helen.su@alston.com
Keith E. Broyles 404.881.7558 keith.broyles@alston.com	David S. Frist 404.881.7874 david.frist@alston.com	Neal J. McLaughlin 212.210.9436 neal.mclaughlin@alston.com	Adam D. Swain 202.239.3622 adam.swain@alston.com
Lauren E. Burrow 704.444.1318 lauren.burrow@alston.com	Christopher Gegg 704.444.1024 chris.egg@alston.com	Yuri Mikulka 213.576.1026 yuri.mikulka@alston.com	Ardeshir Tabibi 650.838.2025 ardeshir.tabibi@alston.com
Madeline E. Byrd 212.210.1287 maddy.byrd@alston.com	Guy R. Gosnell 704.444.1029 guy.gosnell@alston.com	Michael J. Newton 214.922.3423 mike.newton@alston.com	Paul Tanck 212.210.9438 paul.tanck@alston.com
Natalie C. Clayton 212.210.9573 natalie.clayton@alston.com	John D. Haynes 404.881.7737 john.haynes@alston.com	Scott J. Pivnick 202.239.3634 scott.pivnick@alston.com	
Michael S. Connor 704.444.1022 mike.connor@alston.com	Matthew W. Howell 404.881.7349 matthew.howell@alston.com	S. Benjamin Pleune 704.444.1098 ben.pleune@alston.com	

## ALSTON & BIRD

WWW.ALSTON.COM

© ALSTON & BIRD LLP 2021

ATLANTA: One Atlantic Center ■ 1201 West Peachtree Street ■ Atlanta, Georgia, USA, 30309-3424 ■ 404.881.7000 ■ Fax: 404.881.7777  
 BEIJING: Hanwei Plaza West Wing ■ Suite 21B2 ■ No. 7 Guanghua Road ■ Chaoyang District ■ Beijing, 100004 CN ■ +86.10.85927500  
 BRUSSELS: Level 20 Bastion Tower ■ Place du Champ de Mars ■ B-1050 Brussels, BE ■ +32 2 550 3700 ■ Fax: +32 2 550 3719  
 CHARLOTTE: One South at The Plaza ■ 101 South Tryon Street ■ Suite 4000 ■ Charlotte, North Carolina, USA, 28280-4000 ■ 704.444.1000 ■ Fax: 704.444.1111  
 DALLAS: Chase Tower ■ 2200 Ross Avenue ■ Suite 2300 ■ Dallas, Texas, USA, 75201 ■ 214.922.3400 ■ Fax: 214.922.3899  
 FORT WORTH: 3700 Hulen Street ■ Building 3 ■ Suite 150 ■ Fort Worth, Texas, USA, 76107 ■ 214.922.3400 ■ Fax: 214.922.3899  
 LONDON: 5th Floor ■ Octagon Point, St. Paul's ■ 5 Cheapside ■ London, EC2V 6AA, UK ■ +44.0.20.3823.2225  
 LOS ANGELES: 333 South Hope Street ■ 16th Floor ■ Los Angeles, California, USA, 90071-3004 ■ 213.576.1000 ■ Fax: 213.576.1100  
 NEW YORK: 90 Park Avenue ■ 15th Floor ■ New York, New York, USA, 10016-1387 ■ 212.210.9400 ■ Fax: 212.210.9444  
 RALEIGH: 555 Fayetteville Street ■ Suite 600 ■ Raleigh, North Carolina, USA, 27601-3034 ■ 919.862.2200 ■ Fax: 919.862.2260  
 SAN FRANCISCO: 560 Mission Street ■ Suite 2100 ■ San Francisco, California, USA, 94105-0912 ■ 415.243.1000 ■ Fax: 415.243.1001  
 SILICON VALLEY: 1950 University Avenue ■ Suite 430 ■ East Palo Alto, California, USA 94303 ■ 50.838.2000 ■ Fax: 650.838.2001  
 WASHINGTON, DC: The Atlantic Building ■ 950 F Street, NW ■ Washington, DC, USA, 20004-1404 ■ 202.239.3300 ■ Fax: 202.239.3333