FORECASTING THE IMPACT OF THE FEDERAL CIRCUIT'S ARTHREX DECISION ON PTAB LITIGANTS

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In *Arthrex, Inc. v. Smith & Nephew, Inc.,* No. 2018-2140, the Federal Circuit found that the appointment of Administrative Patent Judges ("APJs") by the Patent Trial and Appeal Board violated the Appointments Clause of the U.S. Constitution because the Patent Act, as currently constructed, makes the APJs "principal officers" who must be appointed by the President with the advice and consent of the Senate. However, the Court found that the "narrowest viable approach" to remedying the constitutional violation was to simply sever and invalidate the portion of the Patent Act that restricts removal of the APJs. The Court also found that the Appointments Clause challenge was properly and timely raised for the first time on appeal because the Federal Circuit was the first body that was capable of providing the appellant with the relief sought – a determination that the APJs are not constitutionally appointed. The Board decision was vacated and remanded to the PTAB to be decided by a different panel of judges.

While at first glance the Federal Circuit's holding appears to have wide reaching implications, in reality, the impact is likely quite minimal. The Court consciously attempted to minimize the impact by remedying the constitutional violation in the narrowest way possible. The decision, as specifically noted by the Court, is limited to cases in which APJs appointed under the old, fully-intact statute issued a final written decision and where litigants present an Appointments Clause challenge on appeal. Parties who have already filed an appeal are deemed to have waived the constitutional challenge. The scope of decisions affected by the decision is therefore likely small. Because the Federal Circuit severed and invalidated the portions of the Patent Act at issue, the constitutional failure has been cured for cases going forward.

Further, it is not clear that all parties that have an adverse final decision by an unconstitutionally appointed panel would want to raise the constitutional issue and seek to have their decisions vacated and remanded, as opposed to contesting the merits on appeal in the Federal Circuit. If a party who lost at the Board believes they have a good case, they would likely be better off appealing to the Federal Circuit immediately, especially on issues like obviousness when the standard of review is de novo. The Federal Circuit said that on remand, the new panel may proceed on the existing written record. But they also left to the Board's discretion the decision on whether it should allow additional briefing or reopen the record in any individual case. Asking for a remand may lead to a reopening of the record and additional briefing, which will drag the entire process out longer and increase expenses for the client.

Additionally, a remand because of a constitutional malady provides the PTAB with no further guidance, unlike a traditional Federal Circuit remand for reasons such as failure to consider evidence or erroneous claim interpretation. In *Arthrex*, the Federal Circuit remanded while providing no opinion on the actual patentability decision of the Board. While it is not clear if the first panel's decision bears any relevance to the second panel's decision, the Federal Circuit has said that the board need not consider new arguments on remand*. Therefore, with no Federal Circuit guidance and no new arguments before it, there is no reason to believe that a new panel will come to a different conclusion than the original panel. Again, appealing the violation of the Appointments Clause may only lead to an increase in cost and an increase in time before a final resolution on the merits.

There are two likely scenarios in which parties will seek to use this decision to ask for a remand to the PTAB for a new panel. The first is if a party who loses at the PTAB believes for some reason that they can convince a different panel to side with them. But, as discussed above, this seems unlikely given the lack of any Federal Circuit guidance over the original disposition of the dispute. Second, a party may want to use the remand to buy more time or to gain some leverage in settlement negotiations. The Board has established a goal to issue decisions on remanded cases within six months of the Board's receipt of the Federal Circuit's mandate. Six months without a final decision can certainly buy a party significant settlement leverage depending on the circumstances of the litigation. However, it is also possible that the new panel will simply review the already established record and reach the same disposition as the original panel rather quickly. Therefore, any time advantage a party wishes to gain may be negated by the fact that the new panel does not have to consider new facts or circumstances, and can theoretically make their second decisions quickly. As such, a party will likely gain no significant advantage by requesting a remand based on the Appointments Clause.

While only time will tell whether the *Arthrex* decision will have significant consequences, for the reasons stated above, it is likely it will have minimal impact. The decision itself applies only to a relatively small number of cases. And there does not appear to be any significant advantage gained by using the case to force a remand.

* *Del Inc. v. Acceleron, LLC,* 884 F.3d 1364 (Fed. Cir. 2018)