

Clients & Friends Memo

The Federal Circuit's *Polaris* Decision Provides Insights Into The Constitutionality Of *Inter Partes* Reviews

February 14, 2020

Follow-Up to *Polaris Innovations Ltd. v. Kingston Technology Company, Inc.*

As previously reported [here](#), Judges Reyna, Hughes, and Wallach ordered additional briefing in *Polaris Innovations Ltd. v. Kingston Technology Company*—an *inter partes* review appeal—regarding the constitutionality of Administrative Patent Judges (“APJs”) that oversee patent validity challenges at the Patent Trial and Appeal Board (“PTAB”). The additional briefing was ordered to address the constitutional issues raised by the panel decision in *Arthrex Inc. v. Smith & Nephew Inc.*, which held that: (1) APJs were principal officers; (2) the statutory scheme governing the hiring and retention of APJs was unconstitutional under the Appointments Clause; and (3) this constitutional violation was remedied by severing the requirement from the patent statute that APJs can only be removed for cause.

Nevertheless, on January 31, 2020, the *Polaris* panel issued a short decision vacating the PTAB’s determination and remanding the case back to the PTAB in view of *Arthrex*. But evidencing a stark divide within the panel, Judge Hughes issued a separate concurring opinion, which Judge Wallach joined, raising several criticisms of the earlier and binding *Arthrex* panel decision. **First**, the concurrence argued that APJs are inferior officers, highlighting how they are extensively supervised by the Director of the USPTO. Specifically, the concurrence referenced the Director’s ability to remove APJs if they fall below the efficiency-of-service standard, to issue binding policy guidance, to authorize *inter partes* review and control which APJ hears *inter partes* review, and to control and influence the Precedential Opinion Panel. **Second**, the concurrence pointed out that the remedy of *Arthrex*—severing Title 5’s removal restrictions with respect to 35 U.S.C. § 3(c)—was potentially inconsistent with Congressional intent, and that Congress was better suited to fix any constitutional deficiencies. Overall, Judges Hughes and Wallach issued an impassioned concurrence in which they signaled their dissatisfaction with *Arthrex* and willingness to rehear that case *en banc*.

Petitions to rehear *Arthrex en banc*

All the *Arthrex* parties have petitioned the Federal Circuit to rehear the case *en banc*. Specifically, Appellant Arthrex agrees with the Court’s decision that APJs are principal officers but disagrees

with the severance remedy. Arthrex's argument mirrors Part II of Judges Hughes and Wallach's *Polaris* concurrence, as Arthrex argues that severance is inconsistent with Congressional intent, and that any constitutional fix must come from Congress itself. Appellees Smith & Nephew similarly seek *en banc* review, principally to request that APJs be deemed inferior officers. The United States, acting as an intervenor, has also requested *en banc* review to defend the constitutionality of the PTAB and to contest the sweeping relief mandated by the *Arthrex* panel.

Despite the hotly contested nature of these issues, it is unclear if the Federal Circuit will grant *en banc* review, as a majority of the 12 sitting Federal Circuit judges must agree to hear the case *en banc*. On the one hand, none of the three *Arthrex* panel judges, consisting of Judges Moore, Reyna, and Chen, dissented from the panel's holding. Further, in *Luoma v. GT Water Products, Inc.*, 19-2315 (Fed. Cir. 2020)—another PTAB appeal—Judges Moore, O'Malley, and Stoll cited *Arthrex* approvingly when remanding that case back to the PTAB. Thus, at least five sitting Federal Circuit judges appear to agree with *Arthrex*'s outcome and holding.

On the other hand, in *Bedgear, LLC v. Fedman Bros. Furniture Co.*, 789 F. App'x 1029 (Fed. Cir. 2019), Judges Dyk and Newman issued a concurring opinion expressing their disagreement with the remedy imposed by the *Arthrex* panel. In their view, the Federal Circuit need not vacate pending PTAB determinations, as APJs have always been inferior officers and, hence, the PTAB's determinations were constitutional notwithstanding any defect in the patent statute, which *Arthrex* remedied. Judge Newman also dissented in *Sanofi-Aventis Deutschland GMBH v. Mylan Pharms. Inc.*, 2019 WL 6130471, *11-*12 (Fed. Cir., Nov. 19, 2019) (Newman, J., dissenting), where the majority ruled that the patentee waived its constitutional challenge by not raising this issue in its briefing. Thus, four sitting Federal Circuit judges have expressed dissatisfaction with at least parts of *Arthrex*.

Possible Ramifications

There are several possibilities going forward influencing the fate of APJs and the PTAB. **First**, if *en banc* review is denied, the post-*Arthrex status quo* would remain, barring a further appeal to the Supreme Court. **Second**, the Federal Circuit could grant *en banc* review and affirm *Arthrex* in full—namely, rule that APJs are principal officers, and that severability applies. This would allow pending cases to be heard by reappointed APJs, consistent with the Federal Circuit's current practice of reversing and remanding PTAB appeals that raise *Arthrex* challenges. **Third**, the Federal Circuit could grant *en banc* review but side with Judges Dyk and Newman on the issue of remedy. Such an outcome would overcome the logistical hurdles created by *Arthrex* because it would not require the PTAB to rehear previously decided cases. **Fourth**, the Federal Circuit could grant *en banc* review but rule that APJs are inferior officers, consistent with the concurring opinion of Judges Hughes and Wallach in *Polaris*. Again, this outcome would overcome the logistical hurdles created by *Arthrex*, as the Federal Circuit will have adjudged the PTAB's structure to be constitutional, mooted any constitutional challenges to the PTAB's invalidity determinations. **Fifth**, and most drastically, the

Federal Circuit could hold that APJs are principal officers, and that severability is unconstitutional. This outcome would call into question past and present PTAB decisions and require Congress to remedy the PTAB's constitutional deficiency. Such an outcome would likely spur a further appeal to the Supreme Court, as well as follow-on lawsuits from aggrieved patent owners seeking reinstatement of patents invalidated by the PTAB.

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If you have any questions, please feel free to contact any of the following Cadwalader attorneys.

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