

# Uncertainty Remains—Fixing Unconstitutionality of IPR Decisions

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## Intellectual Property Alert

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By denying rehearing of a judicial panel's original decision in *Arthrex v. Smith & Nephew, et al.*, the Federal Circuit Court of Appeals as a whole has effectively confirmed that inter partes reviews (IPRs) have been unconstitutional. As we reported in our *Intellectual Property Alert* last [November](#), the earlier panel decision found that (a) a constitutionality problem infected all IPRs, (b) the problem was properly resolved by striking a portion of the patent statute, and (c) the problem entitles affected parties who properly request it to a rehearing of their IPRs. The extensive concurring and dissenting opinions reveal the extent and the strength of the disagreement within the court. Ultimately, the Supreme Court or Congress may need to step in to settle the issue.

The disagreement begins over whether there even is a constitutional problem. The Constitution requires that any "principal officer" be appointed by the President and confirmed by the Senate. IPRs are decided by administrative patent judges (APJs). According to the original panel decision by three Federal Circuit judges, the problem stems from the APJs' independence or lack of supervision, which was enough to qualify them as "principal officers" and make their appointment by the Secretary of Commerce, rather than the President, unconstitutional. In the decision denying rehearing of that earlier decision, 12 Federal Circuit judges weighed in. The dissenting judges (who favored rehearing) disagreed that APJs ever qualified as "principal officers."

According to the original decision, striking a provision of patent law that limited the Commerce Secretary's ability to fire APJs eliminated the constitutional problem by rendering the APJs merely "inferior officers" from then on. Dissenting judges, however, reasoned that rewriting the statute to eliminate long-standing termination protection was draconian and not consistent with congressional intent. They opined that a stay of the underlying IPR pending a legislative or Patent Office fix was the appropriate solution to the alleged problem. Nonetheless, the dissenting judges also opined that the panel decision eliminating the APJs' protections against removal was a judicial interpretation that has an inherently retroactive effect. The dissenting judges reasoned that because the interpretation applied retroactively, it eliminated the constitutional problem with all the previous APJ decisions and

obviated the need for any remedy. Accordingly, the judges also split on whether appellants raising this constitutional issue are entitled to any remedy.

In contrast, the supporting judges (who supported the original decision and believed that rehearing would not be prudent) opined that the approach adopted by the *Arthrex* panel minimized disruption and uncertainty. They opposed rehearing *en banc* (by the entire court) because it would have unraveled an effective cure and created additional disruption and uncertainty. Considering that the parties and the Department of Justice all sought rehearing of the panel decision, and they received extensive and divergent opinions from various judges, it seems likely that one or more of the parties will seek Supreme Court review. Although rehearing was denied, the concurring and dissenting opinions indicate that uncertainty remains.

The case is *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140 (Fed. Cir., Mar. 23, 2020).

McCarter & English lawyers are well-versed in the practice of post-grant proceedings for both patent owners and challengers, and can help you navigate the IPR process.