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Arthrex Review & Update:

Current Status and legal Issues of Appointments Validity, Severability & Forfeiture

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Arthrex Update & Discussion

- Update & Background
  - Federal Circuit's 2019-20 *Arthrex* Decisions
  - Supreme Court Petitions & Certiorari Grant
- Legal Issues in *Arthrex* Itself
  - PTAB Appointments Validity
  - Severability of For-Cause Removal Protection
  - Forfeiture Question
- Questions about *Arthrex* Remands

Arthrex v. Smith & Nephew, 941 F.3d 1320 (Fed. Cir. 10/31/19)

- **Federal Circuit Panel**
  - Judges Moore, Reyna & Chen
- **Background**
  - In *inter partes* review, PTAB panel held challenged Arthrex patent claims unpatentable due to anticipation.
  - Arthrex did not challenge validity of appointments process for PTAB administrative patent judges (APJs) before PTAB.

Arthrex v. Smith & Nephew, 941 F.3d 1320 (Fed. Cir. 10/31/19)

- **3 Key Holdings** (opinion by J. Moore)
  1) Excusing Failure to Raise Question to PTAB
     - "[E]xceptional importance" of challenge to PTAB APJs' appointments under U.S. Constitution justified use of discretion to hear it.
     - Raising issue before PTAB would have been futile as it "was not capable of correcting the constitutional infirmity."

Arthrex v. Smith & Nephew, 941 F.3d 1320 (Fed. Cir. 10/31/19)

- **3 Key Holdings** (opinion by J. Moore)
  2) APJs = Unconstitutionally Appointed "Principal Officers" on Face of Statutory Scheme
     - Under Appointments Clause, principal officer must be appointed by President with Senate advice & consent. U.S. Const., art. II, §2, cl.2.
     - Director's lack of direct-review authority & APJs' for-cause removal protection were key factors.

Arthrex v. Smith & Nephew, 941 F.3d 1320 (Fed. Cir. 10/31/19)

- **3 Key Holdings** (opinion by J. Moore)
  3) Remedy for Constitutional Problem = Severing For-Cause Removal Protection
     - "Like the D.C. Circuit in *Intercollegiate* [*Broadcasting System, Inc. v. Copyright Royalty Board*, 684 F.3d 1332 (D.C. Cir. 2012)], we believe severing the restriction on removal of APJs renders them inferior …. Although the Director still does not have independent authority to review decisions rendered by APJs, his provision of policy and regulation to guide the outcomes …, coupled with the power of removal by the Secretary without cause provides significant constraint on issued decisions."

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