

Arthrex Stands (For Now)

Article By:

As we [previously covered](#), on October 31, 2019, the Federal Circuit held in *Arthrex, Inc. v. Smith & Nephew, Inc.*, [941 F.3d 1320](#), that PTAB judges (i.e., administrative patent judges, or APJs) were principal officers appointed in violation of the Constitution, and held that the proper remedy was to judicially eliminate their for-cause removal protections.

What followed was a ripple of [questions](#): when and how was the constitutional challenge waived in other cases? Was it retroactive? Did it extend to PTAB judges outside the PTAB trial context? Did it extend to the TTAB? A few of these, but not all, have been addressed by the Federal Circuit.

Underlying all this was a further question: was *Arthrex* correct in the first place? Subsequent opinions and commentary (including judges at oral argument) questioned the result, leading to speculation as to whether the court would overturn the panel opinion upon petition.

But indeed, the Federal Circuit did not. On March 23, 2020, the [Federal Circuit denied petitions](#) for rehearing en banc filed by appellant *Arthrex*, appellees Smith & Nephew and Arthrocare Corp., and intervenor United States.

The Federal Circuit's order denying the petitions for panel rehearing and for rehearing en banc was accompanied by 58 more pages of various concurrences and dissents. Throughout the opinions are found competing perspectives—especially on the nature and role of Congress's intent in passing the America Invents Act (AIA), as well as the impact of various fixes on the patent system, and the nature of judicial decision-making itself.

Judge Moore authored a concurrence in the denial of the en banc petition, joined by Judges O'Malley, Reyna, and Chen. Judge O'Malley separately authored a concurrence, joined by Judges Moore and Reyna.

On the other hand, four judges disagreed. Judge Dyk dissented from the en banc denial, joined by Judges Newman and Wallach in the entirety and Judge Hughes in part. Judge Hughes himself wrote a dissent, joined by Judge Wallach. Finally, Judge Wallach offered a dissenting opinion.

The Concurrences

Judge Moore: Appropriate Remedy with Minimal Impact

Judge Moore's concurrence agreed with the *Arthrex* panel's reasoning and remedy as consistent with Supreme Court precedent. First, she wrote, *Arthrex* was consistent with *Edmond v. United States*, [520 U.S. 651](#) (1997), as well as other circuits' applications of that case, as in *Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd.*, [684 F.3d 1332](#), 1342 (D.C. Cir. 2012), and *Jones Bros., Inc. v. Sec'y of Labor*, [898 F.3d 669](#), 679 (6th Cir. 2018). Second, she wrote, the panel's curative severance of APJ removal protections was one that would simultaneously cure the constitutional violation (rendering APJs inferior officers) yet "cause the least disruption while preserving the *inter partes* review scheme Congress intended."

Judge Moore's opinion balances two facets of Congress's intent as evidenced by the AIA structure: the "basic purpose" of the system (to offer a "second look" at patents) contrasts with "inten[t] that APJs have removal protections" (which the concurrence describes as "not Congress' central objective"). Thus, even though severance counters one aspect of Congress's intent, it preserves more of that intent than the alternative.

Judge Moore's concurrence further delved into the ramifications of *Arthrex*. In addition to being the "narrowest possible modification," she wrote, the impact on the overall system was minimal. "[S]ubsequent decisions . . . significantly limited the number of appeals that needed to be remanded" because of waiver; and the window for appeals from pre-*Arthrex* Board decisions closed. Indeed, "no more than 81 appeals including *Arthrex* itself can be vacated and remanded based on preserved Appointments Clause violations." In contrast, the Board "decides on average 810 cases each month (39 *inter partes* reviews and 781 *ex parte* appeals)." As a practical matter, Judge Moore emphasized, rehearing en banc "would have unraveled an effective cure and created additional disruption by increasing the potential number of cases that would require reconsideration on remand."

Judge Moore also commented on the alternatives proposed in the various dissents outlined below.

Judge O'Malley

Judge O'Malley agreed with Judge Moore's concurrence on the merits and remedy in *Arthrex* but wrote separately to address Judge Dyk's contention that the panel's severance decision *retroactively* rendered all prior APJ decisions constitutional, as detailed below.

The Dissents

Judge Dyk: *Arthrex* Remedy Goes Too Far

Judge Dyk's concurrence first took issue with the panel's remedy, which severed the application of Title 5 removal protections to APJs. Such severance, he wrote, was "draconian" and "rewr[ote] the statute contrary to Congressional intent." He emphasized that "[r]emoval protections for administrative judges have been an important and longstanding feature of Congressional legislation," including the AIA. Judge Dyk pointed to history—specifically that administrative law judges before the APA did not have removal protections at all. Complaints that such judges were "mere tools of the agency" and "subservient to the agency heads" led to the inclusion of removal protections in the APA in 1946. Evolution of administrative-law legislation leading up to the AIA continued this theme of for-cause protection.

Accordingly, Judge Dyk emphasized, “[e]limination of those protections cannot be squared with Congressional design.” Rather, “Congress almost certainly would prefer the opportunity to itself fix any Appointments Clause problem before imposing the panel’s drastic remedy.” Thus, the remedy could have been a “temporary stay” to allow Congress to legislatively fix the Appointments Clause defect. (Judge Moore commented that such a stay would make “little sense” and create “an unnecessary backlog of cases pending a congressional cure that is not guaranteed.”)

Second, Judge Dyk concluded that even if the Title 5 remedy were adopted, this would not require invalidation of preexisting Board decisions. This portion of his concurrence closely followed his reasoning in *Bedgear, LLC v. Fredman Bros. Furniture Co.*, No. 18-2082 (Fed. Cir. Nov. 7, 2019), [which we previously wrote about](#), in which he emphasized the difference between prospective fixes and retrospective fixes—and concluded that the severance of removal protections was necessarily retroactive. Judicial construction of a statute, as the dissent writes, is “necessarily retrospective as well as prospective,” as “courts are ‘explaining [their] understanding of what the statute has meant continuously since the date when it became law.’ ” So too with remedies. Thus, Judge Dyk concluded, APJs have *always* been removable at will, and have thus always been properly appointed, and past PTAB decisions should only be reviewed on the merits, not vacated for new hearings.

In response to this retroactivity argument, Judge Moore pointed out in a footnote that “[t]o forgo vacatur . . . would undermine any incentive a party may have to raise an Appointments Clause challenge.”

Judge O’Malley disagreed as well: to adopt Judge Dyk’s view, she wrote, would be to “confuse[] the *remedy* the panel deemed appropriate in this case with the constitutional *fix* it deemed necessary to allow APJs to render future decisions in proceedings under the AIA.” Continuing, she wrote that “judicial severance is not a ‘remedy’; it is a forward-looking judicial fix.” Judge O’Malley concluded: “Our decision that the statute can be rendered constitutional by severance does not remedy any past harm—it only avoids continuing harm in the future. It is only meaningful prospectively, once severance has occurred.”

Third, Judge Dyk questioned whether APJs are principal officers at all. Their role, he wrote, involves no “articulation of agency policy” (as highlighted as a significant factor in *Morrison v. Olson*, [487 U.S. 654](#) (1988)) but rather merely “determin[ing] the facts in individual patent challenges.” On the law, APJs must follow the Supreme Court and Federal Circuit. Reviewability by the Federal Circuit on the law should then be significant:

It appears to be the case that review of administrative judges’ decisions by an Article I court prevented [them in precedential causes] . . . from being “officers.” It is hard for me to see how identical review by an Article III court (which severely cabins the authority of PTAB judges) does not prevent PTAB judges from being principal officers.

Judge Hughes: APJs Are Inferior Officers

Judge Hughes, joined by Judge Wallach, contended that APJs are properly appointed inferior officers—and that, if not, the *Arthrex* panel’s remedy was suspect given Congress’s clear intent to give APJs employment protections.

Judge Hughes’s dissent—both in reasoning and language—largely tracked his concurrence in *Polaris Innovations Ltd. v. Kingston Technology Co.*, [No. 18-1831](#) (Fed. Cir. Jan. 31, 2020). In both, he took

to task the majority’s bright-line interpretation of *Edmond* as a test for principal officer status. The Court “has not required that a principal officer be able to single-handedly review and reverse the decisions of inferior officers, or remove them at will, to qualify as inferior.” Instead, he wrote, the Court has “engaged in a context-specific inquiry accounting for the unique systems of direction and supervision of inferior officers.”

Regarding the majority’s bright-line categorical approach: “[T]he Supreme Court would have announced such a simple test if it were proper.”

Edmond, Judge Hughes emphasized (as echoed later by Judge Wallach), makes clear that the Appointments Clause is meant to “preserve political accountability relative to important government assignments.” Accordingly, Judge Hughes wrote, several factors point to APJs’s inferior-officer status:

The Director’s power to direct and supervise the Board and individual APJs, along with the fact that APJs are already removable under the efficiency of the service standard, provides such political accountability. APJs are therefore inferior officers.

Further, Judge Hughes took issue with a view that at-will removal is the only effective form of control; rather, he wrote, the Director’s panel-designation power provides a “quintessential method of directing and controlling a subordinate.” Likewise, Judge Hughes disagreed that single-handed reviewability of decisions was required by Supreme Court precedent.

But even if APJs were principal officers, Judge Hughes wrote, the *Arthrex* remedy was inadequate. Noting that *Arthrex* “disposed of the [congressional intent] question in a few sentences” without a “fulsome severance analysis,” Judge Hughes wrote that the majority had undervalued “the backdrop of over thirty years of employment protections for APJs and their predecessors.” This, he wrote, neglected “the importance of removal protections for APJs, particularly in light of Congress’s desire for fairness and transparency in the patent system.” Severing removal protections “paradoxically imposes the looming prospect of removal without cause on the arbiters” of the transparency-minded reforms of the AIA.

Regarding a remedy, then, Judge Hughes would defer to Congress.

Judge Wallach: APJs Are Inferior Officers

Judge Wallach disagreed with *Arthrex* on the merits. Contending that the *Arthrex* opinion especially neglected the realities of panel selection and precedential determinations, Judge Wallach concluded that APJs are inferior officers. He emphasized that, under *Edmond*, the Appointments Clause is meant to “preserve political accountability,” and that the appointment, directing, supervision, and removal framework for APJs does that already.

Next Steps

The Federal Circuit declined the opportunity to revisit *Arthrex* itself, sidestepping both calls to strike down the AIA in its entirety (as in *Polaris*) or to find PTAB judges to be inferior officers (as in Judge Wallach’s dissent). Only two paths remain to change the *Arthrex* result: legislation or a decision by the Supreme Court.

Although the House Judiciary Committee held a hearing in the wake of *Arthrex* on the issue, no

current legislative solutions have been offered. Yet at that hearing, subcommittee members expressed concern that if APJs were not protected by for-cause removal provisions, the impartiality of the resulting adjudicatory system would be threatened—and questioned whether the *Arthrex* panel's purported fix was appropriate. The witnesses and subcommittee at that hearing suggested a few feasible fixes, such as establishing a review board of properly appointed officers with authority to review APJs decisions, or giving the Director such direct review power.

The Supreme Court may find the issue of interest. Although the impact of *Arthrex* itself is probably minimal from a pragmatic point, the Court might deem *Arthrex* to be a suitable vehicle to refine administrative law in a way that affects other agencies down the road. For instance, the Court may view review of *Arthrex* as an opportunity to clarify lower-court confusion on the inferior officer–principal officer line, or an opportunity to constrain the power of Article I courts.

For the moment, though, the *Arthrex* remedy stands: PTAB judges remain removable at will.

© 2025 Foley & Lardner LLP

National Law Review, Volume X, Number 86

Source URL: <https://natlawreview.com/article/arthrex-stands-now>