



Arthrex: More Unanswered Questions

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November 17, 2021

The US Supreme Court decision in *US v Arthrex* (2021) may have been the tip of the iceberg when it comes to challenges to proceedings before the Patent Trial and Appeal Board (PTAB).

In *Arthrex*, the Supreme Court preserved the post-grant review procedures instituted in the America Invents Act (AIA) of 2011, and granted the director (a principal officer appointed by the US President with the advice and consent of the Senate) with the full authority to review final written decisions issued by the PTAB.

The US Court of Appeals for the Federal Circuit issued a decision that follows on the heels of *Arthrex* in October 2021.

‘No inherent bias’

In *Mobility Workx v Unified Patents, et al* (2021), the Federal Circuit rejected Mobility’s arguments that PTAB proceedings are inherently biased because administrative patent judges (APJs) have a financial interest in instituting trials to generate fees, and because they get better performance reviews and bonuses if they institute more proceedings.

A split panel rejected Mobility’s arguments because the government appropriates funds for the US Patent and Trademark Office (USPTO) and controls the office’s budget.

The majority also noted that performance bonuses that were based on “decisional units” (the number of decisions authored by an APJ) were not based on the outcome of the proceeding, and did not show a bias towards the institution of *inter partes* review and post grant proceedings. The majority did acknowledge a post-*Arthrex* appointments clause challenge and remanded the case to the PTAB to allow Mobility the opportunity to seek director review of the final written decision.

The majority decision largely dismissed concerns of bias. While critics of the PTAB may disagree, there are two sides to that dispute. Mobility argued that because APJ performance is graded in part on the number of yearly decisional units attributed to each APJ, panels are more likely to institute trial for each petition.

The reasoning is simple—if decisional units are granted for each institution and for each final written decision, APJs will be motivated to institute because of the additional unit that can be gained during the final outcome of the proceeding.

That may be true, but it seems that less effort would be involved in denying institution and moving to another case rather than serially instituting trial, which arguably places a higher burden on an APJ.

Many have argued that the PTAB’s use of the factors defined in *NHK Spring v Intri-Plex Techs* (2018) and *Apple v Fintiv* (2020) to deny institution has denied petitioners their right to a second merits review of issued patents under the AIA. But if APJs are motivated by decisional units to institute, it seems less likely that petitions would be denied institution on *Fintiv* grounds.

Judge Newman's dissent

Circuit Judge Pauline Newman wrote a lengthy dissent in which she acknowledged the concern of prejudging bias since the same panel that makes the institution decision also conducts the trial and makes the final determination regarding patentability.

She also raised an issue that is likely to highlight future post-*Arthrex* challenges to PTAB procedure. Specifically, Newman focused on the fact that, as written, PTAB rules mandate that the authority of whether to institute trial in a PTAB proceeding rests with the director, and that decision is nonappealable.

The fact that the institution decision has been delegated to the board, which is composed of panels of APJs, raises the same spectre that the Supreme Court addressed in *Arthrex*—the idea that a principal officer that has been properly appointed under the Appointments Clause (eg, the director) must review final PTAB decisions.

The fact that institution decisions are final and non-appealable is clear from the statute, but it's the decision of the director that's non-appealable, not the decision of a panel of APJs to whom that director has delegated authority. This will likely set the stage for further challenges to institution procedures.

Whether the issues raised in *Mobility* result in a director review of a first panel's institution decision, followed by a merits review by a second panel to avoid perceived prejudging bias (as advocated by *Mobility*), remains to be seen. Such a "two panel process" could, however, affect efficiency since two sets of APJs would need to become familiar with the challenged patents and the prior art cited in petitions.

But it is likely that we've not seen the end of the impact of *Arthrex* on how PTAB conducts post grant challenges and the way in which the authority that has been delegated to the director by Congress can be divested to USPTO employees.

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