PTAB:
Constitutionality/Precedent/Rules

Hon. Peter Chen
Hon. Teresa Rea
Agenda

I. *Arthrex v. Smith & Nephew*

II. Constitutionality – Fifth Amendment

III. Precedential Decisions

IV. Motions to Amend

V. July 2019 Trial Practice Guide Update

Statutory Background

• 35 U.S.C. 6(a)
  – The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board.
  – The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director.
I. Arthrex

Appointments Clause

• [The President] … shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States … ; but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments. Art. II, § 2, cl. 2.
I. *Arthrex*

Previous Appointments Clause Issues

• 2008 amendment revising Section 6 to provide Secretary of Commerce with authority to appoint PTAB judges rather than the PTO Director. Public Law 110–313, 110th Congress.

• Responsive to the suggestion of Prof. Duffy article and others that PTO Director does not qualify as a “Head of Department” under the Appointments Clause.
I. *Arthrex*

**Previous Appointments Clause Case**

- Factors for distinguishing inferior officer from principal officer:
  1) review and reversal of decisions;
  2) supervision and oversight; and
  3) removal of officers.

I. *Arthrex* Decision

- PTAB judges are “officers” under *Buckley v. Valeo*, 424 U.S. 1 (1976), rather than mere employees because they exercise significant authority pursuant to the laws of the United States.
- However, PTAB judges were found not to be “inferior officers” after considering the *Edmond* factors.
I. *Arthrex* Decision

• The Court found Director supervision for PTAB judges was adequate for them to qualify as “inferior officers.”

• However, Director supervision outweighed by inadequate review of PTAB final decisions, and APA limitations on APJ removal.

• In light of the factors considered, the Court held that PTAB APJs are “principal officers.”

• Failure to raise the Appointments Clause issue before the Board did not waive the issue on appeal.
I. *Arthrex* Fallout

• *Polaris Innovations Limited v. Kingston Technology Co. Inc.*, oral argument, Nov. 4, 2019. (appellant argues *Arthrex* severing remedy is inadequate because PTAB continues to make final decisions for Executive Branch without adequate review).

• *Bedgear LLC v. Fredman Bros. Furniture Co., Inc.*, No. 18-2082 (Fed. Cir. Nov. 7, 2019) (per curiam order applying *Arthrex* to vacate and remand; concurring opinion suggests *Arthrex* should have been retroactive and states that no new hearing is needed on remand).
I. Arthrex Outstanding Issues

• Deadline for seeking en banc rehearing: December 15
• Is the test for distinguishing a principal officer from an inferior officer a bright line test, or a “mosaic” as-a-whole test?
• What kind of supervision is required for an “inferior officer”?
• Must PTAB decisions be “reviewed” or can they just be “reviewable”? 
I. **Arthrex** Outstanding Issues

- If APJs are “inferior officers,” can the Director fairly or unfairly “stack” panels?
- How are pending proceedings impacted?
- Does *Arthrex* affect cases that have a Final Written Decision?
- Should cases be dismissed or remanded?
- If a case is remanded, does it go back to the original panel, or must a new panel re-decide the case?
I. **Arthrex Outstanding Issues**

• At what stage of a PTAB proceeding should an Appointments Clause issue be raised:
  1. Pre-institution?
  2. Instituted but before oral hearing?
  3. After oral hearing but before final decision?
  4. After final decision but before notice of appeal?

• Will the next step be en banc review or petition for certiorari?
II. Constitutionality – Fifth Amendment

• Are AIA proceedings involving pre-AIA patents, unconstitutional takings?

• *Celgene Corp. v. Peter*, 931 F.3d 1342, 1362 (Fed. Cir. 2019)

• Government response to Celgene request for rehearing was filed on November 19.
III. Precedential Decisions

• For decisions to be designated as Precedential, prior practice required majority vote of all voting APJs on proposed precedent; led to very few designations.

• Revisions in 2018 to PTAB SOP-2 permit the Board (through a 5-member Executive Judges Committee) to designate previously issued decisions as precedential.

• Post SOP-2: There have been nearly 20 AIA decisions designated precedential in 2019; that exceeds the number so designated from AIA inception in 2012 through 2018.
III. Precedential Decisions

• POP (Precedential Opinion Panel) was created by SOP-2 to issue precedential opinions on rehearing requests for major issues. POP has issued two precedential decisions (Proppant and GoPro); one other (Hulu) still pending.

• A request can be made by anyone for a decision to be evaluated by the POP.
IV. Motions to Amend (MTA)

- MTA 1-year pilot program became effective in March 2019.
- Pilot program provides for non-binding preliminary guidance by the APJs on patent owner’s proposed amended claims; patent owner may file a revised MTA in response to Preliminary Guidance (PG), or in response to petitioner’s opposition to MTA; no extensions to normal IPR timeline.
- As of Dec. 4, there had been over 30 MTAs filed under the pilot program, nearly all of which sought PG. About a dozen PGs have been issued, almost all resulting in patent owners filing revised MTAs, and the first FDs ruling on pilot MTAs will issue in Q1 2020.
- First PG was issued by PTAB in Mylan v. Sanofi, IPR2018-01680, Paper 65 (Oct. 16, 2019); PTAB cited to “Petitioner (or the record”) in its PG.
IV. Motions to Amend

- Proposed amended claims are subject to 101 and 112 analysis.
- Proposed rulemaking announced by the PTO in October includes a new rule giving PTAB discretion to override parties’ failure of proof “when supported by the record ... in the interests of justice.” Cf. Mylan v. Sanofi. Comments are due by Dec. 23.
- Federal Register April 22, 2019, 84 FR 16654, reminded patent owners that a parallel proceeding is also available which allows patent owners to amend claims in a reissue or reexamination proceeding.
  – Even after receipt of a Final Written Decision
V. July 2019 Trial Practice Guide (TPG) Update

• TPG was originally published in August 2012; “intended to apprise the public of standard practices” and “encourage consistency of procedures among panels of the Board.”

• First update: August 2018.

• Second update July 2019: includes additional commentary on discretionary denial of multiple petitions under the precedential *General Plastic* decision.
V. July 2019 Trial Practice Guide (TPG) Update

• July update also cites to the precedential NHK decision; more recent decisions have denied institution where district court trial precedes PTAB final decision by as little as 3 months (Next Caller, Inc. v. TrustID, Inc., IPR2019-00961 (Oct. 16, 2019)).

• Consolidated TPG issued November 2019
  – https://www.uspto.gov/TrialPracticeGuideConsolidated
Thank you