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UPDATE: Arthrex Could Lead to Director Review of Institution Decisions

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In June 2021, the Supreme Court issued its decision in *U.S. v. Arthrex, Inc.*, Nos. 19-1434, 19-1452, 19-1458 (June 21, 2021) (slip opinion). Authored by Chief Justice Roberts, the Court ruled that the statutory scheme appointing Patent Trial and Appeal Board (PTAB or Board) administrative patent judges (APJs) to adjudicate IPRs violates the appointments clause of the U.S. Constitution. Specifically, the Court concluded that because APJ decisions in IPR proceedings are not reviewable by a presidentially appointed and Senate-confirmed officer, such determinations are not compatible with the powers of inferior officers.

The Court, in what it viewed as the narrowest possible remedy to cure the constitutional defect, declared that all IPR final decisions made by APJs must be subject to review by the Patent and Trademark Office (PTO) director, who is nominated by the president and confirmed by the Senate.

Subsequently, the PTO set up an interim procedure[1] for parties to challenge a PTAB ruling, providing the ability to seek either director review or rehearing before the three-judge PTAB panel that originally heard the case. **Note:** Parties may still choose to appeal directly to the Federal Circuit instead.

As relevant here, the PTO later decided that it would not accept requests for director review of institution decisions. This policy is now also being questioned in *Arthrex's* wake.

Does This Decision Apply to Only PTAB Final Decisions?

Recently, Palo Alto Networks, Inc. (Palo Alto) petitioned the Federal Circuit, challenging the PTAB's refusal to consider its requests for rehearing before the director of institution denials for an IPR petition and post grant review petition.[2] The PTAB declined to even hold a hearing over Palo Alto's petitions and then automatically declined an appeal to PTO Director Kathi Vidal based on the PTO's stated policy not to accept requests for director review of institution decisions.

Palo Alto's petition for a writ of mandamus to the Federal Circuit argues that "[t]he agency's stated policy leaves no avenue for the Director to even consider reviewing an institution decision, thereby impermissibly insulating those decisions from Presidential control and allowing APJs to wield the same type of "unreviewable executive power" found unlawful in *Arthrex*." *In re Palo Alto Nets., Inc.*, No. 22-145, Dkt. 2-1 (Pet.) at 15 (Fed. Cir. Apr. 19, 2022). Palo Alto sought an order compelling the PTO to accept Palo Alto's requests for rehearing, "allowing the Director to exercise discretion in deciding whether the rehearing is warranted." *Id.* at 17-18.

Both Centripetal and the PTO responded. Centripetal answered with procedural arguments, arguing that Palo Alto "forfeited its right to challenge the Board's decision under the Appointments Clause challenge because it affirmatively sought a ruling from the PTAB[.]" *Id.*, Dkt. 16-1 at 2. Centripetal further argued that Palo Alto does not meet any of the requirements for mandamus relief. *Id.* at 2-7.

The PTO's response more directly addressed Palo Alto's arguments on the request for director review. The agency argued that "[t]he decision whether to institute inter partes or post-grant review is not an adjudication of patent rights, does not alter the legal status of any patent, and does not bind the parties in any other subsequent or ongoing administrative or judicial proceeding." *Id.*, Dkt. 15-1, at 2. Further, "Congress has assigned the authority to institute inter partes and post-grant review to the Director herself. No issue of political accountability is implicated when the Director delegates that authority to the Board." *Id.*

Palo Alto argued in reply that, contrary to Centripetal's procedural arguments, Palo Alto did not waive its objections to a policy that did not exist when it filed its petitions, it was not required to file a petition for rehearing by the Board, and there was no alternative appellate remedy. *Id.*, Dkt. 21 at 3. Palo Alto also argued that "[c]ategorically foreclosing a citizen from petitioning a senior officer to take action within her authority raises independent constitutional concerns under the First Amendment's Petition Clause." *Id.* at 9.

Palo Alto's petition is fully briefed and awaits a decision.

Contrary Indications From the New Director?

PTO Director Vidal recently made statements that indicate a different direction, even though the agency staked out its position in its response to Palo Alto's petition. Director Vidal stated: "If there's something we can do right now, I want to do it right now." Further, the PTO has indicated that guidance on discretionary denials at the PTAB will be released soon, clarifying how different factors are applied when patent judges use their discretion to turn away cases.

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[1] *See* https://www.uspto.gov/patents/patent-trial-and-appeal-board/interim-process-director-review.

[2] IPR2021-01151 regarding U.S. Patent No. 10,659,572 (and PGR2021-00108 regarding U.S. Patent No. 10,931,797. Both patents are owned by Centripetal Networks (Centripetal).

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