

DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW: OCTOBER 1, 2018 – SEPTEMBER 30, 2019

R. TREVOR CARTER*
LESLIE B. HAYDEN**
REID E. DODGE***

This Article addresses recent developments in intellectual property law. In particular, this Article provides an overview and discussion of seven pivotal intellectual property law cases argued and/or decided between October 1, 2018, and September 30, 2019. Five of these decisions come from the United States Supreme Court and the remaining two come from the United States Court of Appeals for the Federal Circuit (the “Federal Circuit”). The cases are:

- *Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc., et al.*;¹
- *Fourth Estate Public Benefit Corp. v. Wall Street.com, LLC, et al.*;²
- *Return Mail, Inc. v. United States Postal Service, et al.*;³
- *Iancu v. Brunetti*⁴
- *Peter v. NantKwest, Inc.*;⁵
- *General Electric Co. v. United Tech. Corp.*;⁶ and
- *Arthrex, Inc. v. Smith & Nephew, Inc. et al.*⁷

I. CONFIDENTIAL SALES AND THE ON-SALE BAR: *HELSINN HEALTHCARE S.A. V. TEVA PHARM. USA, INC. ET AL.*

In January 2019, the Supreme Court unanimously held that the sale of an invention to a third party who is contractually obligated to keep the details of the invention confidential may place the invention “on sale” within the meaning of 35 U.S.C. section 102(a), often referred to as the “on-sale bar,”⁸ of the America Invents Act (the “AIA”).⁹ While the Court acknowledged that section 102(a) of the AIA, which Congress enacted in 2011,¹⁰ was not identical to the relevant

* R. Trevor Carter is a partner with the law firm Faegre Drinker Biddle & Reath LLP in Indianapolis, Indiana.

** Leslie B. Hayden is IP Counsel for MACOM Technology Solutions Inc.

*** Reid E. Dodge is an associate in Faegre Drinker’s Indianapolis, Indiana office.

1. 139 S. Ct. 628 (2019).

2. 139 S. Ct. 881 (2019).

3. 139 S. Ct. 1853 (2019).

4. 139 S. Ct. 2294 (2019).

5. 140 S. Ct. 365 (2019).

6. 928 F.3d 1349 (Fed. Cir. 2019).

7. 941 F.3d 1320 (Fed. Cir. 2019).

8. *Helsinn*, 139 S. Ct. at 633.

9. *Id.* at 629.

10. *Id.* at 633.

provisions of the predecessor on-sale bar statute,¹¹ the Court determined that the changes Congress made to the on-sale bar with the AIA were “not enough of a change for the Court to conclude that Congress intended to alter the meaning of ‘on sale.’”¹²

A. Relevant AIA Statutory Amendment

Before the AIA, 35 U.S.C. § 102(b) was the genesis of the on-sale bar.¹³ Under section 102(b), no person could obtain a patent if the invention was “in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.”¹⁴ This requirement for obtaining a patent “reflect[ed] Congress’ ‘reluctance to allow an inventor to remove existing knowledge from public use’ by obtaining a patent covering that knowledge.”¹⁵

With the AIA, Congress retained the on-sale bar in section 102(a) but amended the surrounding statutory language. Specifically, section 102(a) now prevents a person from receiving a patent if the invention was “in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.”¹⁶ In short, and in relevant part, Congress added the catchall phrase “or otherwise available to the public” to the statute. For clarity, the chart below shows the relevant provisions of section 102 before and after the AIA with the key revision in italics:

35 U.S.C. § 102 (2006)	35 U.S.C. § 102 (2011)
CONDITIONS FOR PATENTABILITY; NOVELTY AND LOSS OF RIGHT TO PATENT. A person shall be entitled to a patent unless — . . . (b) the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, . . .	(a) NOVELTY; PRIOR ART. A person shall be entitled to a patent unless — (1) the claimed invention was . . . in public use, on sale, <i>or otherwise available to the public</i> before the effective filing date of the claimed invention; . . .

Whether and to what extent this modification impacts the on-sale bar is the focus of the Court’s *Helsinn* decision.

11. *Id.*

12. *Id.* at 630.

13. *Id.* at 633.

14. 35 U.S.C. § 102(b) (2006).

15. *Helsinn*, 139 S. Ct. at 632 (citing *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 64 (1998)).

16. 35 U.S.C. § 102(a)(1) (2011). Congress also retained the exception that a disclosure by the inventor “made 1 year or less before the effective filing date of the claimed invention” would not constitute an on-sale bar. *Compare* 35 U.S.C. § 102(b)(1) (2011), *with* 35 U.S.C. § 102(b) (2006).

B. Factual Background

Petitioner Helsinn Health S.A. (“Helsinn”) and Respondent Teva Pharmaceutical Industries, Ltd. and Teva Pharmaceuticals USA, Inc. (together, “Teva”) are competitors in the pharmaceutical industry.¹⁷ Based in Israel, Teva manufactures generic drugs.¹⁸ Based in Switzerland, Helsinn focuses its business on cancer care products.¹⁹ One of those products is Aloxi, a drug that treats chemotherapy-induced vomiting using the active ingredient palonosetron.²⁰

After an initial phase of clinical trials, Helsinn identified MGI Pharma, Inc. (“MGI”) as a partner to help it market Aloxi.²¹ This partnership was based on two agreements—(1) a license agreement; and (2) a supply and purchase agreement—that gave MGI the right to distribute, promote, market, and sell, among other things, a 0.25-miligram palonosetron dosage Aloxi product.²² As part of these agreements, MGI was obligated to keep confidential all proprietary information, including dosage information.²³ The parties publicly disclosed their partnership but did not disclose the specific dosages covered by their agreements.²⁴

More than one year later, Helsinn filed various patent applications, one of which covered a 0.25-miligram palonosetron dosage Aloxi product.²⁵ Helsinn ultimately obtained U.S. Patent No. 8,598,219 (the “’219 Patent”) based on this application,²⁶ which, by virtue of when it was filed, was subject to the AIA.²⁷

C. Procedural History

In 2011, Helsinn sued Teva for infringing the ’219 Patent.²⁸ In defense, Teva argued that the ’219 Patent was invalid under the on-sale bar based on Helsinn’s publicized partnership with MGI, which indisputably occurred more than one year prior to the effective filing date of the ’219 Patent.²⁹ Because the parties did not disclose the underlying details of the partnership (*e.g.*, palonosetron dosages) in their public announcement, the district court determined that such did not trigger the on-sale bar.³⁰ The Federal Circuit, which has exclusive jurisdiction

17. *Helsinn*, 139 S. Ct. at 629.

18. *Id.* at 631.

19. *Id.* at 630.

20. *Id.* at 631.

21. *Id.*

22. *Id.*

23. *Id.*

24. *Id.*

25. *Id.*

26. *Id.*

27. *Id.*

28. *Id.*

29. *Id.*

30. *Id.* at 632.

over patent appeals,³¹ disagreed and reversed.³²

D. Justice Thomas's Opinion of the Court

Justice Thomas delivered the opinion of the Court, affirming the Federal Circuit's decision.³³ The Court explained that "Congress enacted the AIA in 2011 against the backdrop of a substantial body of law interpreting § 102's on-sale bar."³⁴ This substantial body of law includes Supreme Court authority—which implicitly suggested "that a sale or offer of sale need not make an invention available to the public"³⁵—and Federal Circuit authority—which has "long held that 'secret sales' can invalidate a patent."³⁶ "In light of this settled pre-AIA precedent on the meaning of 'on sale,'" the Court presumed that "when Congress reenacted the same language in the AIA, it adopted the earlier judicial construction of that phrase."³⁷

Despite Helsinn's arguments to the contrary, the Court explained that the "addition of 'or otherwise available to the public'" to section 102(a) with the AIA is "simply not enough of a change . . . to conclude that Congress intended to alter the meaning of the reenacted term 'on sale.'"³⁸ As a result, the Court affirmed the judgment of the Federal Circuit finding that the on-sale bar applied to Helsinn's publicized agreements with MGI, even though the invention itself was kept confidential.³⁹

II. COPYRIGHT REGISTRATION IS A PREREQUISITE TO FILING SUIT:
FOURTH ESTATE PUB. BENEFIT CORP. V. WALL-STREET.COM, LLC

In March 2019, in a unanimous decision, the Supreme Court held that a plaintiff may not institute a suit for copyright infringement until the Copyright

31. *Id.* at 633 (citing 28 U.S.C. § 1295(a)).

32. *Id.* at 632.

33. *Id.*

34. *Id.*

35. *Id.* at 633 (citing *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 94 (1877) ("[A] single instance of sale or of use by the patentee may, under the circumstances, be fatal to the patent . . ."); *cf. Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249, 257 (1887) ("A single sale to another . . . would certainly have defeated his right to a patent . . ."); *Elizabeth v. Pavement Co.*, 97 U.S. 126, 136 (1878) ("It is not a public knowledge of his invention that precludes the inventor from obtaining a patent for it, but a public use or sale of it")).

36. *Id.* (citing *Special Devices, Inc. v. OEA, Inc.*, 270 F.3d 1353, 1357 (2001) (invalidating patent claims based on "sales for the purpose of the commercial stockpiling of an invention" that "took place in secret"); *Woodland Trust v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1370 (1998) ("Thus an inventor's own prior commercial use, albeit kept secret, may constitute a public use or sale under § 102(b), barring him from obtaining a patent").

37. *Id.* at 633-34.

38. *Id.* at 634.

39. *Id.*

Office issues a copyright registration.⁴⁰ This decision resolved a circuit split in which some circuits, including the Fifth and Ninth Circuits, allowed a copyright owner to initiate a copyright infringement suit before the Copyright Office had granted a registration, provided that the copyright owner had already submitted an application for a registration (the “application” approach),⁴¹ while other circuits, including the Tenth and Eleventh Circuits, required the copyright owner to wait until the Copyright Office issued a valid registration before instituting litigation (the “registration” approach).⁴²

A. Background

The *Fourth Estate* case originated in the District Court for the Southern District of Florida, where the District Court followed the registration approach and dismissed Fourth Estate’s complaint for copyright infringement against Wall-Street.com on a motion to dismiss because Fourth Estate’s application for a copyright registration was still pending.⁴³ Fourth Estate appealed to the Eleventh Circuit, which affirmed.⁴⁴ The Supreme Court then took the case on a petition for certiorari by Fourth Estate and affirmed the Eleventh Circuit’s application of the registration approach, holding that a valid copyright registration is a prerequisite to a copyright infringement suit.⁴⁵

B. Justice Ginsburg’s Opinion of the Court

Justice Ginsburg began the opinion of the Court with the statutory language at issue.⁴⁶ Under 17 U.S.C. section 411(a), “no civil action for infringement of the copyright in any United States work shall be instituted until . . . registration of the copyright claim has been made in accordance with this title.”⁴⁷ The Court framed the question presented as: “has ‘registration . . . been made in accordance with [Title 17]’ as soon as the claimant delivers the required application, copies of the work, and fee to the Copyright Office; or has ‘registration . . . been made’ only

40. *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881 (2019) (“*Fourth Estate II*”).

41. *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com*, 856 F.3d 1338, 1340 (11th Cir. 2017) (“*Fourth Estate I*”) (citing *Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, 606 F.3d 612, 618-19 (9th Cir. 2010); *Positive Black Talk Inc. v. Cash Money Records Inc.*, 394 F.3d 357, 365 (5th Cir. 2004), *abrogated in part by Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154 (2010); *Apple Barrel Prods., Inc. v. Beard*, 730 F.2d 384, 386-87 (5th Cir. 1984); *Melville B. Nimmer, et al.*, 2 *Nimmer on Copyright* § 7.16[B][3][b][v] (2016)).

42. *Id.* at 1339 (Eleventh Circuit decision applying registration approach); *see id.* at 1340 (“The Tenth Circuit follows the ‘registration’ approach”) (citing *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1197-1203 (10th Cir. 2005)).

43. *Fourth Estate II*, 139 S. Ct. at 887; *Fourth Estate I*, 856 F.3d at 1338-39.

44. *Fourth Estate I*, 856 F.3d at 1339.

45. *Fourth Estate II*, 139 S. Ct. at 892.

46. *Id.* at 886.

47. *Id.* (quoting 17 U.S.C. § 411(a)).

after the Copyright Office reviews and registers the copyright?”⁴⁸ The Court answered the question presented by holding that the latter is the proper interpretation, relying on the statutory text and context provided by other provisions of the Copyright Act.⁴⁹

In interpreting the statute, the Court first noted that the sentence requiring “until preregistration or registration of the copyright claim has been made” is immediately followed by a sentence that states an exception to the rule, namely that a copyright infringement suit can be brought after a “deposit, application, and fee . . . have been delivered to the Copyright Office in proper form and registration has been refused,” if the claimant serves notice on the Copyright Register.⁵⁰ If the first sentence were to be read as not requiring any action by the Copyright Office, then, the Court reasoned, the second section, which only kicks in when the Copyright Office has denied a registration, would be superfluous.⁵¹ The Court also cited the last sentence of section 411(a), which allows the Copyright Register to “become a party to the action with respect to the issue of registrability of the copyright claim,” pointing out that “[t]his allowance would be negated, and the court conducting an infringement suit would lack the benefit of the Register’s assessment, if an infringement suit could be filed and resolved before the Register acted on an application.”⁵²

The Court also cited other portions of the Copyright Act as supporting the registration approach to interpreting section 411(a).⁵³ First, section 410 states that “after examination,” the Register must make a determination of whether “the material deposited constitutes copyrightable subject matter” and “other legal and formal requirements . . . [are] met,” and if so, “the Register shall register the claim and issue to the applicant a certificate of registration.”⁵⁴ The Court reasoned that section 410 “confirms that [an] application is discrete from, and precedes, registration.”⁵⁵ Next, section 408(f) “allows the author of a work vulnerable to predistribution infringement to enforce her exclusive rights in court before obtaining registration or refusal thereof.”⁵⁶ Again, the Court reasoned that the preregistration option would be superfluous if an author could simply institute a copyright infringement suit by filing an application without waiting for the Copyright Office to act to grant or deny the registration, further supporting its interpretation of section 411(a).⁵⁷

48. *Id.*

49. *Id.* at 887-89.

50. *Id.* at 888-89 (quoting 17 U.S.C. § 411(a)).

51. *Id.* at 889.

52. *Id.* (citing 17 U.S.C. § 411(a)).

53. *Id.* at 889-90.

54. *Id.* (quoting 17 U.S.C. § 410(a)).

55. *Id.* at 889.

56. *Id.* (citing 17 U.S.C. § 408(f)).

57. *Id.* at 889-90 (citing *TRW Inc. v. Andrews*, 534 U.S. 19, 29 (2001) (rejecting an interpretation that “would in practical effect render [a provision] superfluous in all but the most unusual circumstances”)).

The Court was not persuaded by Fourth Estate's argument that "the Copyright Act uses 'the phrase "make registration" and its passive-voice counterpart "registration has been made" to describe submissions by the copyright owner, rather than Copyright Office responses to those submissions."⁵⁸ Given that other portions of the Copyright Act use the term "registration" to refer to actions taken by the Copyright Office, the Court pointed out that it is necessary to look at the context in which "registration" is used in section 411(a), and that the context points to "registration" in this section as an action by the Copyright Office.⁵⁹

The Court also cited the legislative history of section 411(a) as supporting its conclusion, noting that the changes to the Copyright Act made in 1976 "indicate Congress' agreement with [prior case law] that it is the Register's action that triggers a copyright owner's entitlement to sue," and that "in years following the 1976 revisions, Congress resisted efforts to eliminate § 411(a) and the registration requirement embedded in it."⁶⁰ Thus, "[t]ime and again, . . . Congress has maintained registration as prerequisite to suit, and rejected proposals that would have eliminated registration or tied it to the copyright claimant's application instead of the Register's action."⁶¹

Fourth Estate also argued "that, as 'registration is not a condition of copyright protection,' § 411(a) should not be read to bar a copyright claimant from enforcing that protection in court once she has submitted a proper application for registration."⁶² The Court countered this argument by noting that "the Copyright Act safeguards copyright owners, irrespective of registration, by vesting them with exclusive rights upon creation of their works and prohibiting infringement from that point forward" and that once a registration is granted by the Copyright Office, a copyright owner may eventually seek past damages and an injunction to prevent continued violation of her rights.⁶³ The Court also pointed to the preregistration option, section 408(f), which "provide[s] that owners of works especially susceptible to prepublication infringement should be allowed to institute suit before the Register has granted or refused registration," as an avenue for authors whose rights would be particularly harmed by waiting for a registration decision by the Copyright Office.⁶⁴

Fourth Estate further pointed to the possibility that a copyright owner could lose the right to bring a copyright claim because there is a three-year statute of limitations that could run before the Copyright Office issues a decision on a registration.⁶⁵ The Court dismissed this argument, citing an average time to registration at approximately seven months and pointing out that processing

58. *Id.* at 890.

59. *Id.*

60. *Id.* at 890-91.

61. *Id.* at 891.

62. *Id.* (quoting 17 U.S.C. § 408(a)).

63. *Id.* (citing 17 U.S.C. §§ 502; 17 U.S.C. § 503(b); 17 U.S.C. § 504).

64. *Id.* at 891-92.

65. *Id.* at 892.

delays would not be a basis for a court to rewrite the Congress's statutory text.⁶⁶

Having rejected Fourth Estate's arguments, the Supreme Court affirmed the judgement of the Eleventh Circuit and held: "'registration . . . has been made' within the meaning of 17 U.S.C. § 411(a) not when an application for registration is filed, but when the Register has registered a copyright after examining a properly filed application."⁶⁷

III. GOVERNMENT STANDING TO FILE FOR *INTER PARTES* REVIEW:
RETURN MAIL, INC. V. UNITED STATES POSTAL SERVICE, ET AL.

In *Return Mail, Inc. v. U.S. Postal Service*, the Supreme Court issued an opinion holding that a United States federal agency is not a "person" that can institute one of the three types of patent review proceedings (*inter partes* review, post-grant review and covered-business-method review) authorized by the America Invents Act.⁶⁸

A. Background

The AIA, which was enacted in 2011, provides three types of administrative proceedings for reviewing and seeking to invalidate claims of an issued patent, all three of which can be initiated by a "person."⁶⁹ First, a petitioner can seek to institute an *inter partes* review, during which one or more claims of a patent can be canceled on the grounds of lack of novelty or obviousness due to a prior art patent or printed publication.⁷⁰ A second option is the institution of a post-grant review, which must take place in the first nine months after a patent grants and can be based on any of the grounds for patent invalidity set out in 35 U.S.C. section 282(b)(2) or (3).⁷¹ The third administrative proceeding is a covered-business-method ("CBM") review, which "provides for changes to a patent that claims a method for performing data processing or other operations used in the practice or management of a financial product or service."⁷²

The issue of the U.S. government's ability to initiate review of a patent through one of the proceedings authorized under the AIA came before the Supreme Court on a petition for writ of certiorari by the U.S. Postal Service of an order by the Court of Appeals for the Federal Circuit.⁷³ After being sued by Return Mail for patent infringement in the Court of Federal Claims, the Postal Service had instituted a CBM review seeking to invalidate a patent that Return

66. *Id.*

67. *Id.*

68. *Return Mail, Inc. v. U.S. Postal Service*, 139 S. Ct. 1853, 1858 (2019).

69. 35 U.S.C. §§ 311(a) (2020), § 35 U.S.C. 321(a) (2020); America Invents Act, § 18(a)(1)(B) (2020), 125 Stat. 330 (2020).

70. 35 U.S.C. § 311(b).

71. 35 U.S.C. § 321(b).

72. *Return Mail*, 139 S. Ct. at 1860 (citing AIA §§ 18(a)(1), (d)(1), 125 Stat. 329, note following 35 U.S.C. § 321, p. 1442).

73. *Id.* at 1861.

Mail owned on a method for processing undeliverable mail.⁷⁴ The U.S. Patent Trial and Appeal Board canceled the patent claims, finding that the subject matter of the invention was ineligible for patent protection.⁷⁵ Return Mail appealed to the Federal Circuit, which held, among other things, that a U.S. government agency is a “person” that can petition for CBM review.⁷⁶

The Supreme Court overturned the Federal Circuit’s decision and in a majority opinion authored by Justice Sotomayor held that a federal agency is not a “person” that can petition the U.S. Patent Trial and Appeal Board to institute a patent review proceeding.⁷⁷ Justices Breyer, Ginsburg and Kagan dissented, arguing that federal agencies should be considered “persons” under the statute, based on context from the language of other portions of the Patent Act and the purposes for which the patent review proceedings were created.⁷⁸

B. Justice Sotomayor’s Opinion of the Court

The opinion of the Court that a federal agency cannot institute an AIA review proceeding was based primarily on the “longstanding interpretative presumption” that where, as in the AIA, a statute does not define a “person,” a reference to a “person” does not include a federal agency such as the Postal Service.⁷⁹ The Court noted that this presumption “reflects ‘common usage,’” and “is also an express directive from Congress” required by the Dictionary Act, which provides certain definitions that are to be applied in statutory interpretation “unless the context indicates otherwise.”⁸⁰ The Dictionary Act defines “person” as including “corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals,” but does not mention the Federal Government.⁸¹

In light of the presumption against considering the Federal Government as a “person” and the lack of “an express contrary definition” of “person” in the AIA, the Postal Service would need to show from the context of the AIA that the presumption should have been overcome by “show[ing] Congress intended to

74. *Id.*

75. *Id.*

76. *Id.*

77. *Id.* at 1867-68.

78. *Id.* at 1868 (“The language of other related patent provisions strongly suggests that, in the administrative review statutes at issue here, the term ‘person’ includes the Government.”); *id.* at 1870 (“The statutes’ purposes, as illuminated by the legislative history and longstanding executive interpretation, show even more clearly that Congress intended the term ‘person’ to include the Government in this context.”).

79. *Id.* at 1861-1862 (citing *Vt. Agency of Nat’l Res. v. U.S. ex rel.*, 529 U.S. 765, 780-781 (2000); *U.S. v. Mine Workers*, 330 U.S. 258, 275 (1947); *U.S. v. Cooper Corp.*, 312 U.S. 600, 603-605 (1941); *U.S. v. Fox*, 94 U.S. 315, 321 (1877)).

80. 1 U.S.C. § 1 (2012).

81. *Id.*; see also *Return Mail*, 139 S. Ct. at 1862 (citing *Mine Workers*, 330 U.S. at 275).

include the Government.”⁸² However, the Court rejected each of the Postal Service’s three contextual arguments.⁸³

First, the Postal Service argued that the AIA uses “person” in other statutory provisions in a way that includes the Federal Government, so the same interpretation should apply to the post-grant review proceedings.⁸⁴ The Court disagreed, pointing out that “where Congress uses the same word in a statute in multiple conflicting ways . . . the mere existence of some Government-inclusive references cannot make the ‘affirmative showing’ required to overcome the presumption.”⁸⁵

Second, the Postal Service pointed to the Federal Government’s “longstanding history with the patent system,” including its ability since 1883 to apply for and be granted patents and its ability since 1981 to “cite prior art to the agency or request an ex parte reexamination of an issued patent.”⁸⁶ The Court did not agree, noting first that it distinguished between the Federal Government’s ability to apply for its own patents and its ability to participate in the new AIA procedures, which had only been in place for eight years, to invalidate another party’s patents.⁸⁷ As to the Federal Government’s ability to participate in an ex parte reexamination, the Court distinguished the ex parte reexamination proceedings, in which a third party merely submits prior art to the Patent Office and then the proceedings take place entirely internally without input from the third party, from the AIA review proceedings, which are “adversarial, adjudicatory proceedings” in which the third party remains involved in the entire process, including “briefing, a hearing, discovery, and the presentation of evidence” and, if not successful, has a right to appeal.⁸⁸ The Court concluded that “there are good reasons Congress might have authorized the Government to initiate a hands-off ex parte reexamination but not become a party to a full-blown adversarial proceeding before the Patent Office and any subsequent appeal.”⁸⁹

Third, the Post Office argued that the Federal Government should be considered a “person” that can institute an AIA review proceeding to invalidate a patent because the Federal Government can be sued and bear liability for infringing others’ patents.⁹⁰ In other words, the Federal Government should have the same ability as other defendants in patent infringement suits to seek review by the Patent Office to invalidate the patents it is accused of infringing. The Court also rejected this argument, citing:

- (i) the Federal Government’s ability under 35 U.S.C. section 282 to

82. *Return Mail*, 139 S. Ct. at 1863.

83. *Id.* (citing *Cooper*, 312 U.S. at 605).

84. *Id.* at 1863.

85. *Id.* at 1865 (quoting *Stevens*, 529 U.S. at 781).

86. *Id.*

87. *Id.*

88. *Id.* at 1866.

89. *Id.*

90. *Id.*

- assert defenses to infringement in a lawsuit,
- (ii) the limitations on the relief that a patent holder can obtain in a suit against the Federal Government (e.g., no injunction, jury trial, or punitive damages), and
- (iii) the potential “awkward situation” that would arise if a patent holder is required to defend itself in an administrative proceeding against one federal agency that is overseen by another federal agency.⁹¹

Thus, the Court concluded that a Federal Agency is not a “person” that can institute an AIA patent review proceeding to seek to invalidate claims in an issued patent.⁹²

C. Justice Breyer’s Dissenting Opinion

Justice Breyer, joined by Justice Ginsburg and Justice Kagan, dissented.⁹³ They considered the text of other parts of the Patent Act, as well as the purpose of the AIA review provisions to conclude that “Congress meant for the word ‘person’ to include Government agencies.”⁹⁴

IV. IMMORAL AND SCANDALOUS TRADEMARKS: *LANCU V. BRUNETTI*

In June 2019, a divided Supreme Court held that the Lanham Act’s prohibition on the registration of “immoral or scandalous” trademarks violated the First Amendment.⁹⁵ While all of the justices agreed that the “immoral” portion of the provision was unconstitutional viewpoint discrimination, three justices wrote separately to explain why the “scandalous” portion of the provision did not suffer from the same defect.⁹⁶

A. Lanham Act Background

Registration of a trademark is not mandatory but it does come with certain benefits, including, for example, a presumption of validity and constructive notice to others of ownership.⁹⁷ To obtain registration, a trademark must undergo prosecution at the United States Patent & Trademark Office (the “PTO”).⁹⁸ The PTO has the authority to refuse registration for marks that fail to comply with certain requirements set forth in 15 U.S.C. section 1052.⁹⁹ For example, section

91. *Id.* at 1866-67.

92. *Id.* at 1867-68.

93. *Id.* at 1868.

94. *Id.* at 1872 (citing *Int’l Primate Prot. League v. Adm’rs of Tulane Ed. Fund*, 500 U.S. 72, 83 (1991)).

95. *Iancu v. Brunetti*, 139 S. Ct. 2294, 2297 (2019) (addressing 15 U.S.C. § 1052(a)).

96. *Id.* at 2303-18.

97. *Id.* at 2297.

98. *Id.* at 2298.

99. *Id.*

1052 bars registration of a mark that is likely to be confused with other marks (*e.g.*, Koca-Kola) and marks that are merely descriptive of the goods (*e.g.*, Colombian Coffee) on which it is used.¹⁰⁰ Subsection (a) of section 1052, the provision at issue in *Brunetti*, bars marks that:

Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section [3501(9) of title 19]) enters into force with respect to the United States.¹⁰¹

In 2017, the Court addressed the constitutionality of section 1052(a)'s bar on the registration of "disparag[ing]" marks in *Matal v. Tam*.¹⁰² In *Tam*, the Court found this prohibition constituted viewpoint discrimination and, therefore, violated the First Amendment.¹⁰³ In *Brunetti*, the Court faced a similar question with respect to section 1052(a)'s bar on the registration of "immoral[] or scandalous" marks.¹⁰⁴

B. Procedural History

The mark at issue was "FUCT."¹⁰⁵ Respondent Erik Brunetti, an artist and entrepreneur, wanted to use the mark as the brand name for a clothing line he founded.¹⁰⁶ With that goal in mind, Mr. Brunetti filed an application with the PTO to register the mark.¹⁰⁷

The PTO rejected Mr. Brunetti's application for registration pursuant to section 1052(a)'s bar on the registration of "immoral or scandalous" marks.¹⁰⁸ The Board reasoned that the mark was "highly offensive," "vulgar," and had "decidedly negative sexual connotations."¹⁰⁹ On appeal, the Federal Circuit reversed, finding the "immoral or scandalous" prohibition in section 1052(a) unconstitutional.¹¹⁰

100. *Id.* (referring to § 1502(d) and § 1052(e)).

101. 15 U.S.C. § 1502(a).

102. 137 S. Ct. 1744 (2017); *see also* R. Trevor Carter, Leslie B. Hayden & Reid E. Dodge, *Developments in Intellectual Property Law: October 1, 2016–September 30, 2017*, 51 IND. LAW REV. 1097, 1116–20 (2018) (addressing the *Tam* decision).

103. *Id.* at 1747.

104. *Brunetti*, 139 S. Ct. at 2297.

105. *Id.*

106. *Id.*

107. *Id.*

108. *Id.* at 2298.

109. *Id.*

110. *Id.*

C. Justice Kagan's Opinion of the Court

Justice Kagan delivered the opinion of the Court, affirming the Federal Circuit's decision.¹¹¹ The Court identified the "key question" in the case to be whether the "immoral or scandalous" prohibition in § 1052(a) is viewpoint-neutral (which is constitutional) or viewpoint-based (which is not).¹¹² The Court landed on the latter.¹¹³

To reach this conclusion, the Court looked to several dictionary definitions of "immoral" and "scandalous," which are reproduced in the chart below:¹¹⁴

"immoral"	"scandalous"
<p>"inconsistent with rectitude, purity, or good morals"; "wicked"; or "vicious." <i>Webster's New International Dictionary</i> 1246 (2d ed. 1949).</p> <p>"opposed to or violating morality"; or "morally evil." <i>Shorter Oxford English Dictionary</i> 961 (3d ed. 1947).</p>	<p>"giv[es] offense to the conscience or moral feelings"; "excite[s] reprobation"; or "call[s] out condemnation." <i>Webster's New International Dictionary</i> at 2229.</p> <p>"shocking to the sense of truth, decency, or propriety"; "disgraceful"; "offensive"; or "disreputable." <i>Funk & Wagnalls New Standard Dictionary</i> 2186 (1944).</p>

According to the Court, these dictionary definitions confirm that the "immoral or scandalous" prohibition distinguishes "between two opposed sets of ideas": (1) "those aligned with conventional moral standards" and "those inducing societal nods of approval"; and (2) "those hostile to" conventional moral standards and "those provoking offense and condemnation."¹¹⁵ This, the Court explained, is "facial viewpoint bias" that "results in viewpoint-discriminatory application."¹¹⁶

To further support its decision, the Court also compared examples of marks the PTO allowed and rejected based on the "immoral or scandalous" prohibition, as shown in the chart below:¹¹⁷

111. *Id.* at 2302.

112. *Id.* at 2299.

113. *Id.*

114. *Id.* at 2299-300.

115. *Id.* at 2300.

116. *Id.*

117. *Id.* at 2300-301.

Allowed Marks	Rejected Marks
<ul style="list-style-type: none"> • “D.A.R.E. TO RESIST DRUGS AND VIOLENCE” and “SAY NO TO DRUGS—REALITY IS THE BEST TRIP IN LIFE”; • “PRAISE THE LORD” for a game; and “JESUS DIED FOR YOU” on clothing; • “WAR ON TERROR MEMORIAL” 	<ul style="list-style-type: none"> • Because it is scandalous to “inappropriately glamoriz[e] drug abuse”: “YOU CAN’T SPELL HEALTHCARE WITHOUT THC” for pain-relief medication; and “MARIJUANA COLA” and “KO KANE” for beverages. • Because it “suggests that people should engage in an illegal activity [in connection with] worship” and because “Christians would be morally outraged by a statement that connects Jesus Christ with illegal drug use”: “BONG HITS 4 JESUS” • Because it reflects support for al-Qaeda: “BABY AL QAEDA” and “AL-QAEDA” on t-shirts

Calling these PTO decisions “understandable,” the Court nonetheless deemed them flawed for being based on a “law disfavoring ‘ideas that offend,’” which “discriminates based on viewpoint, in violation of the First Amendment.”¹¹⁸

The Court also rejected the government’s request to maintain the constitutionality of the statute by applying a narrow interpretation.¹¹⁹ Specifically, the government asked the Court to interpret the “immoral or scandalous” prohibition as “restrict[ing] the PTO to refusing marks that are ‘vulgar’—meaning ‘lewd,’ ‘sexually explicit or profane,’” as such an interpretation would “not turn on viewpoint” but on the “mode of expression.”¹²⁰ Whether or not such an interpretation would be constitutional, the Court declined to take this step.¹²¹ The Court explained that it may interpret a statute to “‘avoid serious constitutional doubts’ . . . only when ambiguity exists” in the statutory language.¹²² But, the Court “will not rewrite a law to conform it to constitutional requirements.”¹²³ Finding no ambiguity in the “immoral or scandalous” prohibition, the Court held that “it must be invalidated.”¹²⁴

118. *Id.* at 2301.

119. *Id.*

120. *Id.*

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.* at 2302.

D. Justice Alito's Concurrence

Justice Alito wrote separately to concur with the judgment and further solidify his view of the Court's limited role in interpreting statutes: "[W]e are not legislators and cannot substitute a new statute for the one now in force."¹²⁵

E. Three Partial Dissents

Justices Roberts, Breyer, and Sotomayor wrote separately to dissent-in-part from the majority opinion.¹²⁶ Each agreed with the majority that the "immoral" prohibition of section 1052(a) was unconstitutional viewpoint discrimination but, for different reasons, concluded that the "scandalous" prohibition of section 1052(a) was susceptible to a narrowing construction that preserved its constitutionality.¹²⁷ In essence, these justices reasoned that "scandalous" need "not be understood to reach marks that offend because of the ideas they convey" but can "be read more narrowly to bar only marks that offend because of their mode of expression—marks that are obscene, vulgar, or profane."¹²⁸

V. NO RECOVERY OF ATTORNEY FEES BY PATENT OFFICE FOR UNSUCCESSFUL
APPEALS BY PATENT APPLICANTS: *PETER V. NANTKWEST, INC.*

In *Peter v. NantKwest, Inc.*, the Supreme Court held in a unanimous decision that the U.S. Patent & Trademark Office ("Patent Office") cannot recover attorney fees from a patent applicant who unsuccessfully appeals a Patent Office decision.¹²⁹

35 U.S.C. section 145 authorizes a patent applicant to seek review of an adverse finding by the Patent Office, either (1) on an appeal to the Court of Appeals for the Federal Circuit or (2) in a civil action in the U.S. District Court for the Eastern District of Virginia.¹³⁰ If the applicant files suit in the District Court, he must pay "[a]ll the expenses of the proceedings."¹³¹ At issue in the *Peter* case was the question of whether "all expenses" includes the pro rata salaries of the Patent Office's attorneys and paralegals who work on the litigation.¹³²

In *NantKwest*, the Patent Office denied NantKwest's patent application directed to a method for treating cancer.¹³³ NantKwest then brought suit against the Director of the Patent Office in the Eastern District of Virginia and lost.¹³⁴

125. *Id.* at 2303.

126. *Id.* at 2303-18.

127. *Id.*

128. *Id.* at 2303.

129. *Peter v. NantKwest, Inc.*, 140 S. Ct. 365 (2019).

130. 35 U.S.C. 145 (2020).

131. *Id.*

132. *NantKwest*, 140 S. Ct. at 369.

133. *Id.* at 370.

134. *Id.*

The Patent Office filed a motion to recover its fees and costs, including the pro rata salaries of the Patent Office attorneys and paralegal who handled the case, which the District Court denied.¹³⁵ A Federal Circuit panel reversed the District Court's decision and then the en banc Federal Circuit reversed the panel's decision, holding that the plain text and statutory history of section 145 did not support a conclusion that "[a]ll the expenses" should include Patent Office legal staff's pro rata salaries.¹³⁶

Taking up the case, the Supreme Court held that Patent Office cannot recover its attorney fees in suits pursuant to section 145.¹³⁷ In reaching this decision, the Court relied on the "American Rule," which is the well-settled principle that "[e]ach litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise."¹³⁸

The Court first addressed the Patent Office's argument that the American Rule should not apply because the Rule only applies to situations in which fees are awarded to a prevailing party, and, in contrast, section 145 applies to shift all fees to one party regardless of the outcome.¹³⁹ The Court disagreed, noting that it had "never suggested that any statute is exempt from the presumption against fee shifting."¹⁴⁰ Next, the Court considered whether the language of the statute and the statutory history showed that Congress intended to depart from the American Rule, concluding that neither showed the requisite intent.¹⁴¹ Finding no basis to depart from the presumptive American Rule, the Court affirmed the judgment of the Federal Circuit that "all expenses" does not include Patent Office legal salaries.¹⁴²

VI. STANDING TO APPEAL PTAB DECISIONS:
GENERAL ELECTRIC CO. V. UNITED TECH. CORP.

In the keystone decision of *General Electric Co. v. United Tech. Corp.*,¹⁴³ the Federal Circuit found that an appellant from a post-grant proceeding did not have Article III standing to pursue an appeal that a competitor's patent was not unpatentable. This decision hinders parties' ability to test the validity of key competitor patents that impact their research, development, marketing, and sales efforts. The majority outlined the type of evidence that does and doesn't establish Article III standing in this competitive setting.¹⁴⁴

135. *Id.*

136. *Id.*

137. *Id.* at 374.

138. *Id.* at 370-71 (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252-253 (2010)).

139. *Id.* at 371.

140. *Id.*

141. *Id.* at 372-74.

142. *Id.* at 374.

143. 928 F.3d 1349 (2019).

144. *Id.* at 1353-55.

In a concurring opinion, Judge Hughes agreed with the judgment, but only because he was bound by precedent with which he disagreed. Judge Hughes set forth additional evidence that he believed should establish Article III standing. In short, Judge Hughes believes “that precedent has developed an overly rigid and narrow standard for Article III standing in the context of appeals from *inter partes* review proceedings.”¹⁴⁵

A. Background

General Electric Company (“GE”) filed IPR challenging certain claims of U.S. Patent No. 8,511,605 (“the ‘605 patent”) owned by its competitor United Technologies Corporation (“UTC”).¹⁴⁶ The ‘605 patent discloses and claims a gear driven gas turbine engine.¹⁴⁷ The PTAB issued a Final Written Decision finding certain claims of the ‘605 patent not unpatentable, and GE appealed that decision to the Federal Circuit.¹⁴⁸

B. Opinion of the Court

Before reaching the invalidity issues in the appeal, the Federal Circuit addressed GE’s standing to appeal, and specifically whether it established a sufficient injury in fact.¹⁴⁹ “To establish standing, an appellant must have suffered an injury in fact that has a nexus to the challenged conduct and that can be ameliorated by the court.”¹⁵⁰ “The injury in fact must be ‘concrete and particularized,’ not merely ‘conjectural or hypothetical.’”¹⁵¹ Notably, this standing to appeal requirement is not present for a petitioner to file a post-grant proceeding in the first place.¹⁵²

Bearing the burden of proof, GE “proffered three theories of harm to support standing: (1) competitive harm; (2) economic losses; and (3) estoppel under 35 U.S.C. section 315(e).”¹⁵³ In support of these theories, GE submitted two declarations from its Chief IP Counsel and General Counsel of Engineering for GE Aviation,¹⁵⁴ which provided the following evidence:

- “[T]he commercial aircraft engine business operates on a long life-

145. *Id.* at 1355.

146. *Id.* at 1351-52.

147. *Id.* at 1351.

148. *Id.* at 1352.

149. *Id.* at 1353.

150. *Id.*

151. *Id.* (citing *JTEKT Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217, 1220 (Fed. Cir. 2018) (emphasis omitted)).

152. *See, e.g.,* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2133-34 (2016) (“Parties that initiate the proceeding need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.”).

153. *General Electric Co.*, 928 F.3d at 1353.

154. *Id.*

cycle and that airplane engines are designed to meet certain specifications for certain aircraft. Because the design of aircraft engines can take eight years or more, GE develops new engines based on old designs.”¹⁵⁵

- “[I]n the 1970s, GE developed a geared turbofan engine with a variable area fan nozzle for NASA. GE asserted that the ’605 patent impedes its ability to use its 1970s geared-fan engine design as a basis for developing and marketing future geared turbofan engine designs with a variable area fan nozzle, thereby limiting the scope of GE’s engine designs and its ability to compete in a highly regulated industry.”¹⁵⁶
- “[D]esigning around the ’605 patent restricts GE’s design choices and forced GE to incur additional research and development expenses.”¹⁵⁷
- “Boeing requested information from GE and several of its competitors for engine designs for future Boeing aircrafts. . . . Boeing requested information regarding designs for both geared-fan engines and direct-drive engines.”¹⁵⁸
- “In response to Boeing’s request, GE researched a geared-fan engine design that ‘would potentially implicate [UTC’s] 605 Patent.’ [citing GE declaration].”¹⁵⁹
- “GE . . . ‘expended time and money researching and further developing’ [citing GE declaration] this technology for the potential business opportunity with Boeing. Ultimately, GE chose not to submit to Boeing a geared-fan engine design and instead submitted a design for a direct-drive engine of the type used in GE’s current engine designs.”¹⁶⁰
- To “maintain GE’s competitive position, it needs to be able to meet customer needs with a geared-fan engine design that may implicate the ’605 patent.”¹⁶¹

For GE’s competitive harm argument, the majority opinion found that “GE’s purported competitive injuries are too speculative to support constitutional standing.”¹⁶² More specifically, the majority pointed to what GE’s evidence failed to show:

- “GE lost bids to customers because it could offer only a direct-drive

155. *Id.* at 1352.

156. *Id.*

157. *Id.*

158. *Id.* at 1352-53.

159. *Id.* at 1353.

160. *Id.*

161. *Id.*

162. *Id.*

engine design.”¹⁶³

- “GE submitted a direct-drive engine design to Boeing *because* of the ’605 patent. [The GE declaration] contends only that GE expended some unspecified amount of time and money to consider engine designs that could *potentially* implicate the ’605 patent.”¹⁶⁴
- “Boeing may have asked for information regarding a possible geared-fan engine design, but there is no evidence that Boeing demanded or required an engine covered by claims 7–11 of the ’605 patent, and there is no indication that GE lost the Boeing bid.”¹⁶⁵
- “The evidence shows that GE submitted to Boeing a direct-drive engine design, but there is no indication as to why it opted not to submit a geared-fan engine design.”¹⁶⁶
- “There is also no evidence that GE lost business or lost opportunities because it could not deliver a geared-fan engine covered by the upheld claims or any evidence that prospective bids require geared-fan engine designs. GE asserts only speculative harm untethered to the ’605 patent.”¹⁶⁷

Another 2019 Federal Circuit decision that addressed the competitor standing doctrine, *AVX Corp. v. Presidio Components, Inc.*, drove the outcome of the majority’s decision and created a split in the panel.¹⁶⁸ The majority cited *AVX* for the proposition that an “appellant lacked Article III standing because it had ‘no present or nonspeculative interest in engaging in conduct even arguably covered by the patent claims at issue.’”¹⁶⁹ The majority explained that “competitor standing has been found when government action alters competitive conditions.”¹⁷⁰ According to the majority, the competitor standing doctrine requires that “government action must change the competitive landscape by, for example, creating new benefits to competitors. Put another way, the government action must alter the status quo of the field of competition.”¹⁷¹ Applying this test, the majority found that the PTAB’s finding of no unpatentability of certain claims “did not change the competitive landscape for commercial airplane engines.”¹⁷²

GE’s economic losses argument also failed to support standing according to the majority.¹⁷³ Once again, the majority pointed to what GE’s evidence failed to show:

163. *Id.*

164. *Id.* at 1353-54.

165. *Id.* at 1353.

166. *Id.* at 1353-54.

167. *Id.* at 1354.

168. *Id.* (citing *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357 (Fed. Cir. 2019)).

169. *Id.* (citing *AVX Corp.*, 923 F.3d at 1363).

170. *Id.* (citing *AVX Corp.*, 923 F.3d at 1364).

171. *Id.* (citing *AVX Corp.*, 923 F.3d at 1364).

172. *Id.*

173. *Id.*

- GE “fails to provide an accounting for the additional research and development costs expended to design around the ’605 patent.”¹⁷⁴
- GE “provides no evidence that GE actually designed a geared-fan engine or that these research and development costs are tied to a demand by Boeing for a geared-fan engine.”¹⁷⁵
- “The only evidence that GE actually designed a geared-fan engine is the engine that it designed in the 1970s. Any economic loss deriving from the 1970s engine is not an imminent injury.”¹⁷⁶
- “GE has provided no evidence that [research and development] expenses were caused by the ’605 patent.”¹⁷⁷
- “There is also no evidence that GE is in the process of designing an engine covered by claims 7–11 of the ’605 patent.”¹⁷⁸
- “Nor has GE demonstrated that it has definite plans to use the claimed features of the ’605 patent in the airplane engine market.”¹⁷⁹

And while noted late in the majority’s analysis, the lack of a lawsuit or even a threat of a lawsuit by UTC against GE for infringement of the ’605 patent was likely a key fact.¹⁸⁰

C. Judge Hughes’ Concurrence

Judge Hughes does not believe *AVX* is correct because it takes a “patent-specific approach to the doctrine of competitor standing that is out of step with Supreme Court precedent.”¹⁸¹ To Judge Hughes, “[t]he sole issue with respect to standing in this case is whether GE has shown that it has suffered an injury-in-fact.”¹⁸² Analyzing Federal Circuit and Supreme Court precedent, Judge Hughes identified a “reasonable likelihood of an imminent infringement suit” as a way to show injury-in-fact.¹⁸³ But, he stated that is not the only way to show standing.¹⁸⁴ More generally, Judge Hughes noted that the “Supreme Court has repeatedly found standing where government action subjects the plaintiff to increased competition because of the probable economic injury that accompanies it.”¹⁸⁵

Under this framework, Judge Hughes analyzed GE’s evidence in a different

174. *Id.*

175. *Id.*

176. *Id.*

177. *Id.*

178. *Id.*

179. *Id.*

180. *Id.* at 1354-55.

181. *Id.* at 1355.

182. *Id.* at 1356.

183. *Id.* at 1357.

184. *Id.*

185. *Id.*

manner compared to the majority, noting the following points:¹⁸⁶

- “The parties here are direct competitors in the commercial aircraft turbofan engine market.”¹⁸⁷
- “Due to the safety and regulatory requirements of the turbofan engine market, ‘designing, developing, testing, and certifying a new aircraft engine can take eight to ten years or longer.’” [citing GE declaration].¹⁸⁸
- “And ‘[t]here is enormous up-front investment required.’”¹⁸⁹
- “Accordingly, ‘new aircraft engine design work necessarily begins years before there is any commercial sale or offer for sale of the final engine.’”¹⁹⁰
- “[O]ne such air-framer specifically requested that GE research an engine design that would implicate UTC’s patent. But at least until that patent expires, GE cannot design and produce such an engine without risking infringement.”¹⁹¹

In sum, Judge Hughes found that “UTC’s patent effectively precludes GE from meeting its customer’s design needs without spending additional resources to design around the patent.”¹⁹² And this “costly competitive burden” constitutes a “concrete and particularized harm to GE.”¹⁹³

* * *

For parties wanting to challenge a patent that it currently does not infringe, this opinion and other recent Federal Circuit opinions provide guidance on the type of evidence that a party can marshal to prove Article III standing to appeal an adverse PTAB decision.¹⁹⁴ And the split of opinion at the Federal Circuit on what evidence provides Article III standing leaves ample room for new arguments and evidence on this issue.

186. *Id.*

187. *Id.* at 1355.

188. *Id.*

189. *Id.*

190. *Id.*

191. *Id.* at 1358.

192. *Id.*

193. *Id.* at 1358-59 (citing *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560, 112 S. Ct. 2130, 119 L.Ed.2d 351 (1992)).

194. See *e.g.* *Momenta Pharms., Inc. v. Bristol-Myers Squibb Co.*, 915 F.3d 764, 768 (Fed. Cir. 2019).

VII. THE PTAB AND THE APPOINTMENTS CLAUSE:

ARTHREX, INC. v. SMITH & NEPHEW, INC.

In 2019, the Federal Circuit issued groundbreaking decisions involving post-grant proceedings from the PTAB of the U.S. Patent and Trademark Office. The industry-stunning, post-grant decision from the Federal Circuit in 2019 was *Arthrex*,¹⁹⁵ wherein a Federal Circuit panel found that the post-grant process violated the Appointments Clause.¹⁹⁶ Arthrex turned the post-grant process upside down for the balance of 2019 and will continue to do so for several years as several parties have sought Federal Circuit *en banc* review and one or more parties (including the United States Solicitor General) will likely seek U.S. Supreme Court review.

*A. Opinion of the Court*¹⁹⁷

The Appointments Clause of Article II provides:

[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, whose Appointments are not herein otherwise provided for, and which shall be established by Law: 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.¹⁹⁸

The parties and government agreed that APJs are “Officers of the United States” and the Federal Circuit panel agreed.¹⁹⁹

That agreement boiled the primary issue on the Appointments Clause violation down to whether the APJs are principal or inferior officers, because principal officers must be appointed by the President and the APJs are not so appointed.²⁰⁰ “The Supreme Court explained that ‘[w]hether one is an “inferior” officer depends on whether he has a superior,’ and ‘inferior officers are officers whose work is directed and supervised at some level by others who were

195. 941 F.3d 1320 (2019).

196. *Id.* at 1325.

197. As an initial matter, the Federal Circuit reached its decision despite the issue not being raised below (*i.e.*, at the PTAB). *Id.* at 1325. For that reason, the appellees and the government (as an intervenor) argued that this issue was waived. Citing *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878-79 (1991), the Federal Circuit found “this case, like *Freytag*, is one of those exceptional cases that warrants consideration despite Arthrex’s failure to raise its Appointments Clause challenge before the Board. Like *Freytag*, this case implicates the important structural interests and separation of powers concerns protected by the Appointments Clause.” *Id.* at 1326.

198. U.S. CONST. art. II, § 2, cl. 2.

199. *Id.* at 1328.

200. *Id.*

appointed by Presidential nomination with the advice and consent of the Senate.”²⁰¹ The Federal Circuit noted that “*Edmond* emphasized three factors: (1) whether an appointed official has the power to review and reverse the officers’ decision; (2) the level of supervision and oversight an appointed official has over the officers; and (3) the appointed official’s power to remove the officers.”²⁰² Applying this test, it is important to note that the only two presidentially-appointed officers providing direction to the USPTO are the Secretary of Commerce and the Director of the United States Patent and Trademark Office.²⁰³

Applying this test, the Federal Circuit panel made findings on the three-prong test: For the first prong, the panel found “APJs have substantial power to issue final decisions on behalf of the United States without any review by a presidentially-appointed officer. . . . This supports a conclusion that APJs are principal officers.”²⁰⁴ The panel pointed to the following facts in support:

- “No presidentially-appointed officer has independent statutory authority to review a final written decision by the APJs before the decision issues on behalf of the United States.”²⁰⁵
- “The Director is the only member of the Board who is nominated by the President and confirmed by the Senate. The Director is however only one member of the Board and every *inter partes* review must be decided by at least three Board judges.”²⁰⁶
- “There is no provision or procedure providing the Director the power to single-handedly review, nullify or reverse a final written decision issued by a panel of APJs.”²⁰⁷
- “When the Director sits on a panel as a member of the Board, he is serving as a member of the Board, not supervising the Board.”²⁰⁸

While the Director did not have sufficient review powers under the first prong, the panel found, for the second prong, that the “Director’s supervisory powers weigh in favor of a conclusion that APJs are inferior officers.”²⁰⁹ The Federal Circuit panel noted the following facts in support:

- “The Director exercises a broad policy-direction and supervisory authority over the APJs. The Director is ‘responsible for providing policy direction and management supervision’ for the USPTO.”²¹⁰

201. *Id.* (citing *Edmond v. United States*, 520 U.S. 651, 662-63 (1997)).

202. *Id.* (citing *Edmond* at 664-65).

203. *Id.* at 1329 (citing *Edmond* at 664-65).

204. *Id.* at 1331.

205. *Id.* at 1329.

206. *Id.*

207. *Id.*

208. *Id.* at 1330.

209. *Id.* at 1332.

210. *Id.* at 1331 (citing 35 U.S.C. § 3(a)(2)(A)).

- “The Director has the authority to promulgate regulations governing the conduct of inter partes review.”²¹¹
- “He also has the power to issue policy directives and management supervision of the Office.”²¹²
- “He may provide instructions that include exemplary applications of patent laws to fact patterns, which the Board can refer to when presented with factually similar cases.”²¹³
- “Moreover, no decision of the Board can be designated or de-designated as precedential without the Director’s approval. And all precedential decisions of the Board are binding on future panels.”²¹⁴ “[T]he Director has administrative authority that can affect the procedure of individual cases. For example, the Director has the independent authority to decide whether to institute an inter partes review based on a filed petition and any corresponding preliminary response. 35 U.S.C. § 314(a). And the Director is authorized to designate the panel of judges who decides each inter partes review. See 35 U.S.C. § 6(c).”²¹⁵

For the third prong, removal power, the Federal Circuit panel found that “both the Secretary of Commerce and the Director lack unfettered removal authority.”²¹⁶ The only actual removal authority the Director or Secretary have over APJs is limited by Title 5.²¹⁷ The panel found key similarities with Title 5 restrictions and the facts in *Intercollegiate Broadcasting System, Inc. v. Copyright Royalty Board*.²¹⁸

The D.C. Circuit in *Intercollegiate* determined that given the CRJs’ nonremovability and the finality of their decisions, “the Librarian’s and Register’s supervision functions still fall short of the kind that would render [them] inferior officers.” 684 F.3d at 1339. Likewise, APJs issue decisions that are final on behalf of the Executive Branch and are not removable without cause. We conclude that the supervision and control over APJs by appointed Executive Branch officials in significant ways mirrors that of the CRJs in *Intercollegiate*.²¹⁹

Applying this three-pronged test and additional factors, the Federal Circuit found that “APJs are principal officers under Title 35 as currently constituted. As such, they must be appointed by the President and confirmed by the Senate;

211. *Id.* (citing 35 U.S.C. § 316).

212. *Id.* (citing 35 U.S.C. § 3(a)).

213. *Id.*

214. *Id.*

215. *Id.*

216. *Id.* at 1332.

217. *Id.*

218. 684 F.3d 1332 (D.C. Cir. 2012).

219. *Arthrex*, 941 F.3d at 1334.

because they are not, the current structure of the Board violates the Appointments Clause.”²²⁰

Once it found the Appointments Clause violation, the panel analyzed whether the statute could be modified.²²¹ Removing Title 5 removal protections for APJs was found to be an appropriate severance.²²² The panel noted that “[a]ll parties and the government agree that this would be an appropriate cure for an Appointments Clause infirmity. This as-applied severance is the narrowest possible modification to the scheme Congress created and cures the constitutional violation.”²²³ Further, the panel was “convinced that Congress would preserve the statutory scheme it created for reviewing patent grants and that it intended for APJs to be inferior officers.”²²⁴ And the Federal Circuit noted that the DC Circuit adopted a similar severance in *Intercollegiate* that had an analogous factual situation.²²⁵

* * *

Arthrex will continue to spawn further decisions in 2020 and beyond as the parties in *Arthrex* and cases involving the same Appointments Clause issue seek *en banc* Federal Circuit review and review by the U.S. Supreme Court. Further, many parties are seeking remand to a new panel of PTAB ALJs and raising questions such as whether *Arthrex* invalidates all PTAB post-grant decisions²²⁶ and whether *Arthrex* relief applies equally to petitioners and patent owners. Another solution to the *Arthrex* fallout is Congress stepping in with new legislation to address the issue. In the end, the post-grant process has achieved much of what Congress intended and the courts and Congress should want that progress to be maintained.

220. *Id.* at 1335.

221. *Id.* (“Severing the statute is appropriate if the remainder of the statute is ‘(1) constitutionally valid, (2) capable of functioning independently, and (3) consistent with Congress’ basic objectives in enacting the statute.’” (citing *U.S. v. Booker*, 543 U.S. 220, 258-59 (2005)).

222. *Id.* at 1336.

223. *Id.* at 1337.

224. *Id.* at 1338.

225. *Id.*

226. *See, e.g.,* *Polaris Innovations Ltd. v. Kingston Tech. Co. Inc.*, 792 F. App’x 819 (Fed. Cir. 2020).