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FEATURE

What Does Arthrex Mean for the Trademark Trial and Appeal Board?

Michelle M. Tourtillott and Richard B. Biagi

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In October 2019, the U.S. Court of Appeals for the Federal Circuit held in *Arthrex, Inc. v. Smith & Nephew, Inc.*, that the appointment of administrative patent judges (APJs) violates the appointments clause of the U.S. Constitution.[1] The appointments clause enables the president to nominate and, with consent of the Senate, appoint all officers of the United States.[2] It also grants Congress the authority to establish laws—laws which may include the appointment of inferior officers as it deems proper, either in the president alone, in the courts of law, or in the heads of departments.[3]

The appointments clause divides officers into two subclasses: (1) those appointed by the president and confirmed by the Senate, referred to as principal officers; and (2) inferior officers. In *Arthrex*, the Federal Circuit explored three factors to distinguish these two classes: "(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."[4] Central to the distinction is the extent of the direction or control in the relationship between the appointed official and the other officers.[5]

The Federal Circuit reasoned that APJs are principal officers, rather than inferior officers, because the U.S. Patent and Trademark Office (USPTO) director lacked sufficient authority to review and reverse the decisions of APJs. To remedy the constitutional defect with the appointment of APJs, the Federal Circuit severed the part of the governing framework that precluded the secretary of

commerce and director of the USPTO from removing APJs at will and without cause. The Federal Circuit explained that severing the APJ removal restrictions was "the narrowest viable approach to remedying the violation of the Appointments Clause."[6]

Like APJs, administrative trademark judges (ATJs) are appointed not by the president, but by the secretary of commerce, in consultation with the director of the USPTO.[7] Also in the USPTO hierarchy above both sets of administrative judges is a deputy director and a commissioner—for the Patent Trial and Appeal Board (PTAB), that is the commissioner of patents, and for the Trademark Trial and Appeal Board (TTAB), it is the commissioner of trademarks.

The differences between the director's supervisory control over APJs and ATJs as prescribed by the respective statutes is an important distinction to consider in determining whether ATJs could also be considered principal officers. Under 35 U.S.C. § 318(b), the director must issue and publish a certificate canceling any claim of a patent that is determined to be unpatentable by the APJs, unless there is an appeal to the Federal Circuit.

According to 35 U.S.C. § 316(c), the PTAB must sit as a three-judge panel, and the director cannot grant rehearings. Thus, even if the director sits on the three-judge panel, by law, the director can be outvoted by the rest of the panel and does not have the power to review or supervise the work of the other APJs.[8] In contrast, under 15 U.S.C. § 1068, the director has broad statutory authority to refuse to register a mark, cancel a registration, modify an application or registration, restrict or rectify registration of a mark, or register a mark for persons so entitled. Furthermore, 15 U.S.C. § 1068 does not place a limit on the number of ATJs that may sit on a panel like the statutory authority for the PTAB, nor does it specify that the TTAB must be the entity to grant a rehearing. Thus, it is possible for the director to sit on a single-member panel or even independently preside over a rehearing, though the current regulations state that oral arguments "will be heard by at least three [ATJs] or other statutory members of the [TTAB]."[9] Therefore, the appointment of ATJs may be less susceptible to challenge than that of APJs.

Nevertheless, at least one party has already relied on *Arthrex* to challenge a TTAB decision as being rendered by judges who were appointed in violation of the appointments clause.[10] This pro se party's appeal to the Federal Circuit was recently dismissed on procedural grounds, but not before the Department of Justice and USPTO submitted a joint brief highlighting the different statutory schemes and different forms of supervisory control that the director has over ATJs to refute the constitutional challenge of the appointment of ATJs.[11]

On March 1, 2021, the U.S. Supreme Court heard oral arguments in *Arthrex*, and the specific question regarding the status of ATJs was not addressed. Justice Thomas did, however, ask whether Congress could fix the constitutional violation of the appointment of APJs, to which counsel for Arthrex replied that the TTAB did just that.[12] In its June 21, 2021, decision, the U.S. Supreme Court held that APJs have been acting as principal officers and therefore should have been nominated by the president and confirmed by the Senate.[13] To remedy the unconstitutional appointment of APJs, the U.S. Supreme Court made APJ decisions reviewable by the director of the USPTO.[14] In making this determination, the Court followed the "almost-universal model" of adjudication that "aligns the PTAB with the *other* adjudicative body in the PTO, the Trademark Trial and Appeal Board."[15]

As part of the COVID-19 relief package, the Trademark Modernization Act (TMA) was enacted on December 27, 2020, with a possible solution to the open question of the constitutionality of the appointment of ATJs. Presumably taking into consideration the challenge to the status of APJs in *Arthrex*, the TMA amended sections 18, 20, and 24 of the Lanham Act to expressly grant the director authority to reconsider and modify or set aside a decision of the TTAB and clarify that the director has the ability to reconsider a decision of the TTAB and modify or set aside a TTAB decision.[16] Furthermore, the TMA grants the director the ability to mandate response times for certain office actions by ATJs, which bolsters the director's oversight and supervision of the ATJs. Such additions clarifying the director's power to review and reverse ATJ decisions and supervise the ATJs supports the position that ATJs are inferior officers.

By modeling the PTAB after the TTAB and championing the amendments adopted in the TMA, the U.S. Supreme Court in *Arthrex* arguably rendered the constitutionality question of ATJ appointments moot.[17]

Despite the U.S. Supreme Court's tone in *Arthrex*, the appellants in *Piano Factory Group, Inc. v. Schiedmayer Celesta GmbH* continued to challenge the constitutional appointment of ATJs.[18] During oral arguments presented on August 4, 2021, the appellants argued that the absence of explicit statutory authority in the Lanham Act permitting the director to rehear TTAB panel decisions renders ATJ appointments unconstitutional.[19] The Federal Circuit panel was seemingly unconvinced by the appellants' arguments that *Arthrex* had left any open question as to the constitutional appointment of ATJs. This court's opinion will be one to watch as it will likely address the constitutionality of ATJ appointments directly.

Endnotes

1. 941 F.3d 1320 (Fed. Cir. 2019).

2. U.S. Const. art. II, § 2, cl. 2.

3. *Id.*

4. *Arthrex*, 941 F.3d at 1328–29 (citing Edmond v. United States, 520 U.S. 651, 661–63 (1997)).

5. *Id.* (citing *Edmond*, 520 U.S. at 663).

6. *Id.* at 1337.

7. *See* 15 U.S.C. § 1067(b).

8. *See id.* § 1067.

9. 37 C.F.R. §§ 2.129(a), 2.142(e)(1).

10. Soler-Somohano v. Coca-Cola Co., No. 2020-1245 (Fed. Cir. Jan. 17, 2020). Coca-Cola filed an application for COCA-COLA ENERGY (Serial No. 88/385,628) for energy drinks and soft drinks. Alberto Soler-Somohano opposed the application pro se, citing his own application for COKI (Serial No. 87/575,740) for drinking water. Coca-Cola moved to dismiss the application and Soler-Somohano failed to respond, so the TTAB dismissed the opposition with prejudice. Soler-Somohano appealed the decision to the Federal Circuit, claiming that the TTAB proceedings were unconstitutional under *Arthrex*. Where a party questions the constitutionality of a federal law and the U.S. is not a party, the court must give the attorney general the opportunity to intervene, which it did. The Federal Circuit dismissed the appeal on procedural grounds. Soler-Somohano responded by filing a petition for writ of certiorari with the U.S. Supreme Court, which was denied on May 21, 2021.

11. Brief for the United States at 7–19, *Soler-Somohano*, No. 2020-1245 (Fed. Cir. 2020), ECF No. 38.

12. Transcript of Oral Argument at 55, United States v. Arthrex, Inc., No. 19-1434 (U.S. Mar. 1, 2021).

13. United States v. Arthrex, Inc., 141 S. Ct. 1970, slip op. at 18–19 (2021).

14. *Id.*, slip op. at 20.

15. *Id.*, slip op. at 19–21 (citing Trademark Modernization Act of 2020 § 228, 134 Stat. 2209).

16. Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. Q, tit. II, subtit. B, §§ 221–228, 134 Stat. 1182 (2020).

> (1) Section 18 of the Trademark Act of 1946 (15 U.S.C. 1068) is amended by inserting after "established in the proceedings" the following: ". The authority of the Director under this section includes the authority to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board".
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> (2) Section 20 of the Trademark Act of 1946 (15 U.S.C. 1070) is amended by inserting at the end the following: "The Director may reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board under this section.".
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> (3) Section 24 of the Trademark Act of 1946 (15 U.S.C. 1092) is amended by inserting after "shall be canceled by the Director" the following: ", unless the Director reconsiders the decision of the Board, and modifies or sets aside, such decision".

Id. § 228(a).

17. *Arthrex*, 141 S. Ct. 1970, slip op. at 19–21.

18. *See* Piano Factory Grp., Inc. v. Schiedmayer Celesta GmbH, No. 2020-1196 (Fed. Cir. 2020).

19. Oral Argument at 00:50–11:05, *Piano Factory*, No. 2020-1196 (Aug. 4, 2021), https://www.courtlistener.com/audio/77410/piano-factory-group-inc-v-schiedmayer-celesta-gmbh.

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Authors

Michelle M. Tourtillott

Michelle M. Tourtillott is an associate at Neal & McDevitt LLC, where she focuses her practice on trademark prosecution and enforcement and a variety of intellectual property–related transactional matters.

Richard B. Biagi

Richard B. Biagi is a member of Neal & McDevitt LLC, where his practice includes counseling clients in the areas of selection, adoption, use, and protection and enforcement of trademarks.