# Resolution of *Arthrex* Decision and DOC New Rules

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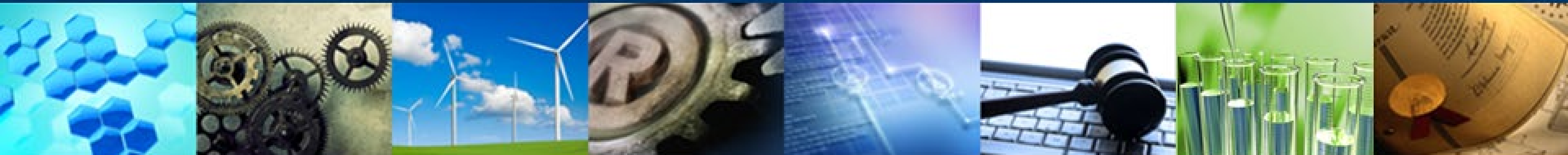

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# Resolution of *Arthrex* Decision and DOC New Rules

- Review of *United States v. Arthrex Inc.* (2021) Decison
- Review of Outcome from *Arthrex* Decision
- New Rules Governing Director Review of Patent Trail and Appeal Board Decisions

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# Patent at Issue in *Arthrex*

- US Patent 9,179,907

  A device for attaching soft tissue to bone without requiring the surgeon to tie suture knots to secure the suture or tissue

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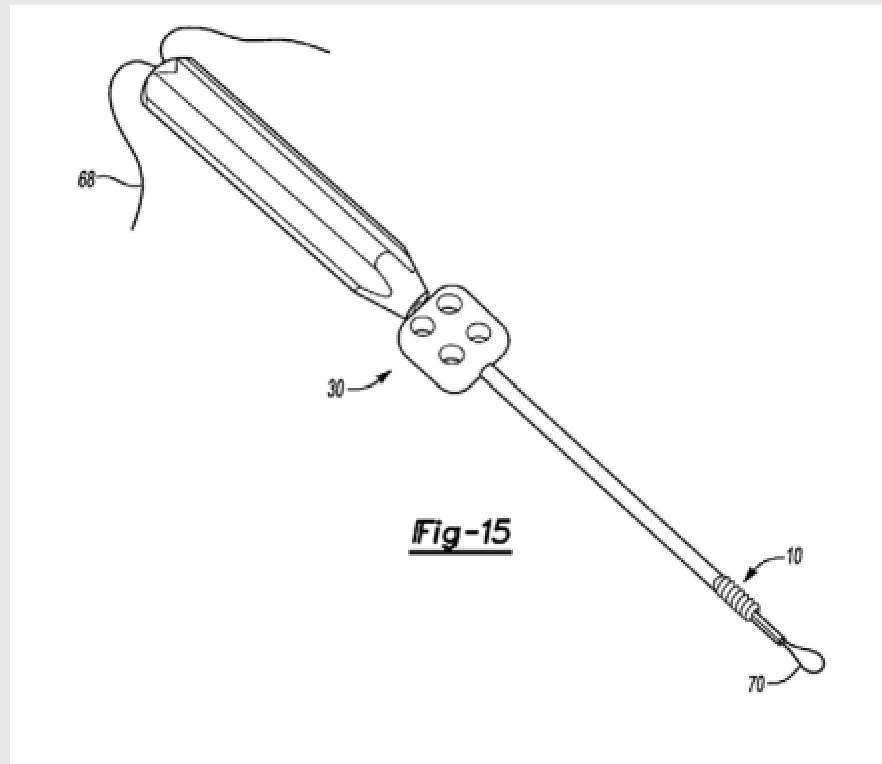
# Patent at Issue in *Arthrex*

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# Claims at Issue in *Arthrex*

1. A suture securing assembly, comprising:

an inserter including a distal end, a proximal end, and a longitudinal axis between the distal end and the proximal end;

a first member including an eyelet oriented to thread suture across the longitudinal axis, the first member being situated near the distal end of the inserter, the first member being configured to be placed in bone; and

a second member situated near the distal end of the inserter, the second member being moveable by a portion of the inserter relative to the first member in a distal direction toward the eyelet into a suture securing position where the second member locks suture in place.

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# Procedural History at USPTO

- S&N in 2015 petitioned the Trail and Appeals Board for inter partes review of Patent 9,179,907 owned by Arthrex Inc.
- Arguments largely centered on the “eyelet” limitations
- PTAB found that the claims of the ‘907 were anticipated by US 2002/0013608 and WO 02/21999 A2

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# Procedural History at Federal Circuit

- Arthrex appealed decision by PTAB to Federal Circuit
  - Ground 1, claims are not anticipated
  - Ground 2, PTAB lacks constitutional authority to grant final decision
- Fed Circuit agreed that PTAB was not constitutionally structured and remanded to PTAB for rehearing

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# First Decision at Federal Circuit

- The Federal Circuit found that the PTAB construction was not constitutional because there was no accountability for the administrative patent judges (APJ) for their decisions because they could not be fired based on their decisions.
- The Federal Circuit argued that this lack of accountability to a principal officer appointed with the advice and consent of the senate violated the Appointments clause of the constitution (Art. II, § 2, cl. 2.)
- The Federal Circuit did not make any ruling related to the anticipation of the claims in Patent '907
- The Federal Circuit remanded to the PTAB with the order that the PTAB judges could be fired for bad decisions (contrary to 5 U.S.C. § 7513(a) which allows firing only for cause of efficiency of the service)

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# United States v. Arthrex Inc.

- The United States government appealed the decision of the Federal Circuit
- The US government was allowed to take up the appeal because the ruling of the Federal Circuit affected the operation of the Commerce Department
- The US government argued that the AIA structure for the PTAB was constitutional because there was oversight by the Director of the USPTO
- Arthrex argued that the PTAB structure was unconstitutional because the APJ were improperly appointed principal officers

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# Principal v Inferior Officers

- Constitutional text
  - "[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 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.
  - Art. II, § 1, cl.1 vesting all executive powers ultimately with the President is also pertinent

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# Battling Opinions

- (1) Majority Opinion: Roberts, Alito, Kavanaugh, & Barret
- (2) Concurrence in part: Gorsuch
- (3) Dissent (in part?): Breyer, Sotomayor, Kagan
- (4) Dissent: Thomas

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# Opinions Charted

| | Roberts 4 | Gorsuch 1 | Breyer 3 | Thomas 1 |
|---|---|---|---|---|
| I Background | Yes | Yes | Yes | Kind of |
| II Constitutionality | No | No | Yes | Yes |
| III Remedy | Yes | No | Yes, if we have to | N/A |

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# Majority Decision: Rationale

- This "diffusion of power carries with it a diffusion of accountability." *Free Enterprise Fund* , 561 U.S., at 497, 130 S.Ct. 3138. The restrictions on review relieve the Director of responsibility for the final decisions rendered by APJs purportedly under his charge.
- The Government insists that the Director, by handpicking (and, if necessary, re-picking) Board members, can indirectly influence the course of inter partes review. That is not the solution. It is the problem.
- Even if the Director succeeds in procuring his preferred outcome, such machinations blur the lines of accountability demanded by the Appointments Clause. The parties are left with neither an impartial decision by a panel of experts nor a transparent decision for which a politically accountable officer must take responsibility. And the public can only wonder "on whom the blame or the punishment of a pernicious measure, or series of pernicious measures ought really to fall." The Federalist No. 70, at 476 (A. Hamilton).

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# Majority Opinion: Remedy

- In sum, we hold that 35 U.S.C. § 6(c) is unenforceable as applied to the Director insofar as it prevents the Director from reviewing the decisions of the PTAB on his own. The Director may engage in such review and reach his own decision. When reviewing such a decision by the Director, a court must decide the case "conformably to the constitution, disregarding the law" placing restrictions on his review authority in violation of Article II. *Marbury v. Madison* , 1 Cranch 137, 178, 2 L.Ed. 60 (1803).

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# Gorsuch Dissent in part

- I don't question that we might proceed this way in some cases. Faced with an application of a statute that violates the Constitution, a court might look to the text of the law in question to determine what Congress has said should happen in that event. Sometimes Congress includes "fallback" provisions of just this sort, and sometimes those provisions tell us to disregard this or that provision if its statutory scheme is later found to offend the Constitution. [] The problem here is that Congress has said nothing of the sort.
- Nor does the Court pause to consider whether venturing further down this remedial path today risks undermining the very separation of powers its merits decision purports to vindicate. While the Court's merits analysis ensures that executive power properly resides in the Executive Branch, its severability analysis seemingly confers legislative power to the Judiciary—endowing us with the authority to make a raw policy choice between competing lawful options.

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# Breyer Dissent

- [T]he Court should interpret the Appointments Clause as granting Congress a degree of leeway to establish and empower federal offices. Neither that Clause nor anything else in the Constitution describes the degree of control that a superior officer must exercise over the decisions of an inferior officer. To the contrary, the Constitution says only that "Congress may by Law vest the Appointment of such inferior Officers, as they think proper, ... in the Heads of Departments." Art. II, § 2, cl. 2.
- I do not agree with the Court's basic constitutional determination. For purposes of determining a remedy, however, I recognize that a majority of the Court has reached a contrary conclusion. On this score, I believe that any remedy should be tailored to the constitutional violation. Under the Court's new test, the current statutory scheme is defective only because the APJ's decisions are not reviewable by the Director alone. The Court's remedy addresses that specific problem, and for that reason I agree with its remedial holding.

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# Thomas Dissent

- The Board did not misinterpret its statutory authority or try to prevent direct review by the Director. Nor did the Director wrongfully decline to rehear the Board's decision. Moreover, Arthrex has not argued that it sought review by the Director. So to the extent "the source of the constitutional violation is the restraint on the review authority of the Director," *ibid.* , his review was not constrained. Without any constitutional violation in this suit to correct, one wonders how the Court has the power to issue a remedy.
  See *Carney* v. *Adams* , 592 U.S. ——, ——, 141 S.Ct. 493, 498, 208 L.Ed.2d 305 (2020) (Article III prevents "the federal courts from issuing advisory opinions").
- Perhaps the majority thinks Arthrex should receive some kind of bounty for raising an Appointments Clause challenge and *almost* identifying a constitutional violation. But the Constitution allows us to award judgments, not participation trophies.

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# Second Decision At Federal Circuit

- Arthrex petitioned the Director of the USPTO for review of the PTAB decision
- There was no current director or deputy director of the USPTO
- The Commissioner of Patents denied the petition
- Arthrex argued that this was unconstitutional because the commissioner of patents is not a principal officer
- Federal Circuit found that the Commissioner of Patents can temporarily perform duties of the director of the USPTO
- Federal Circuit also reviewed the decision of the PTAP related to anticipation and found no error

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# Department of Commerce October 2024 Rules Governing Director Review of Patent Trial and Appeal Board Decisions

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# Rules Published October 1, 2024 (Effective October 31, 2024)

- Director of USPTO can review PTAB decisions based on petition or Sua Sponte Director Review
- Director review is possible for
  - Any decision on institution
  - Final Decision
  - Decision granting rehearing of a decision on institution or final decision
  - Other decision concluding an AIA proceeding

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# Decision on institution

- Institution of interferences in patent applications
- Institution of inter partes review
- Institution of post grant review

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# Final Decision

- Final decision of interferences in patent applications
- Final decision of inter partes review
- Final decision of PTAB

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# Decision granting rehearing of a decision on institution or final decision

- Decision granting rehearing of interferences in patent applications
- Decision granting rehearing of inter partes review
- Decision granting rehearing of post grant review of a patent

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# Other decision concluding an AIA proceeding

- Any other decision concluding a proceeding brought under 35 U.S.C. 135, 311, or 321

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# New Procedures

- Petition for Director review may be submitted after any of the reviewable decision is made
- § 42.71(d) sets the time for filing the petition
  - 14 days for non-final decisions or a decision to institute a trial
  - 30 days for final decisions or decisions not to institute a trial
- A request for Director Review must comply with the format requirements of § 42.6(a) (standing and issue). Absent Director authorization, the request must comply with the length limitations for motions to the Board provided in § 42.24(a)(1)(v)

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# Director responses

- Until now the average response from the director's office on granting or denying the request for director review is less than 2 months
- Director may initiate sua sponte review at any point within 21 days after the expiration of the period for filing a request for rehearing, pursuant to § 42.71(d), as appropriate to the type of decision (i.e., a decision on institution or a final written decision) for which review is sought

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# Summary

- The Supreme Court in *United States v. Arthrex Inc.* (2021) mandated that under the AIA the Director of the USPTO must have review authority over decisions by the PTAB
- In response the USPTO created rules for petitioning the Director

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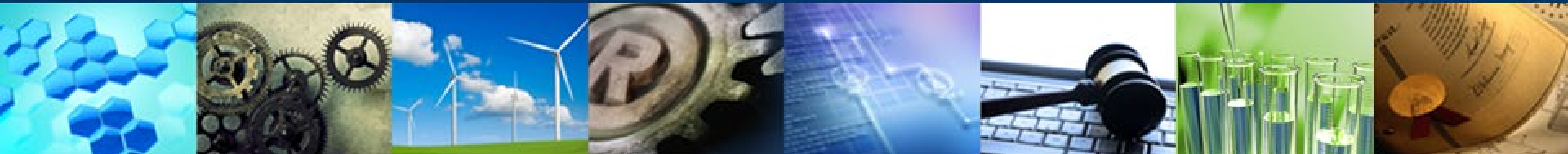
# THANK YOU



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