

# UPDATE: The Supreme Court's Arthrex Decision in Action

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Back in June 2021, the Supreme Court issued its decision in *U.S. v. Arthrex, Inc.*, Nos. 19-1434, 19-1452, 1901458 (June 21, 2021) ([slip opinion](#)). In the decision 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<sup>[1]</sup> 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.

## The First Rehearing Granted

Although several direct appeals for PTAB review or rehearing were made by parties who had received adverse outcomes at PTAB hearings after the *Arthrex* decision, on November 3, the first rehearing was granted by the PTO acting director.<sup>[2]</sup> Prior to this order, all of the direct appeals for review and rehearing had been rejected, including the appeal of *Arthrex, Inc.* — the genesis of the Supreme Court ruling.

The rehearing was granted in *Ascend Performance Materials Operations LLC v. Samsung SDI Co. Ltd.*, IPR2020-00349, which resulted in the PTAB's invalidation of a Samsung lithium battery patent. Specifically, Samsung requested director review of the PTAB's final written decision, which determined that all challenged claims of U.S. Patent No. 9,819,057 B2 are unpatentable. On appeal, Samsung argued that director review was appropriate because (1) the Board "erred in failing to separately consider species claims 5 and 17" of the '057 patent, which are entitled to the provisional priority date and which antedate the Shimura reference; (2) the Board's obviousness ground of unpatentability over the Fujii and Yamada references "materially differed" from the ground asserted in the petition; (3) the Board "improperly ignored the [specification of] the '057 patent" and

the prosecution history in reaching its conclusion of obviousness over Fujii and Yamada; and (4) the Board overlooked Samsung's arguments against Yamada when considering the obviousness ground of unpatentability.

Ultimately, the acting director concluded that "review should be granted as to [Samsung's] first argument because '[p]atent claims are awarded priority on a claim-by-claim basis based on the disclosure in the priority applications,' *Lucent Techs., Inc. v. Gateway, Inc.*, 543 F.3d 710, 718 (Fed. Cir. 2008), and the Board's Decision did not specifically address claims 5 and 17."

The acting director thus vacated the PTAB's final written decision and remanded the case to the Board to "issue a new final written decision that also addresses" whether claims 5 and 17 (1) are entitled to the priority date of the provisional patent application and (2) are patentable "in view of the appropriate filing date."

### **The New Director's Impact**

In October, President Biden nominated Kathi Vidal to serve as the new PTO director. Although Vidal has yet to be confirmed, we can speculate as to the impact her appointment will have in the rehearing process. An experienced litigator before the PTAB, Vidal has been involved in over 50 patent reviews, including many as lead counsel, according to patent office data. It is thus fair to say that director nominee Vidal will have a deep understanding of the process and its impact on parties. Accordingly, it would not be surprising to see more rehearings granted if and when director nominee Vidal assumes the reigns of the PTO.

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[1] See <https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/uspto-implementation-interim-director-review>.

[2] This rehearing was ordered by the individual "Performing the Function and Duties" of the director: Commissioner for Patents Drew Hirshfeld.

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