

Arthrex: Round II

NYIPLA PTAB COMMITTEE
April 5, 2022



Amster Rothstein & Ebenstein LLP

Charles Macedo, Partner & PTAB Committee Co-Chair

Christopher Lisiewski, Associate & PTAB Committee Coordinator

Law Offices of Kenneth R. Adamo

Ken Adamo, PTAB Committee Co-Chair

Greenspoon Marder LLP

Robert Rando, Partner & First Vice President of NYIPLA and Board Liaison

Special Thanks to Thomas Hart (Law Clerk, Amster Rothstein & Ebenstein LLP) for assistance in preparing this presentation.



Co-Chairs

Board Liaison

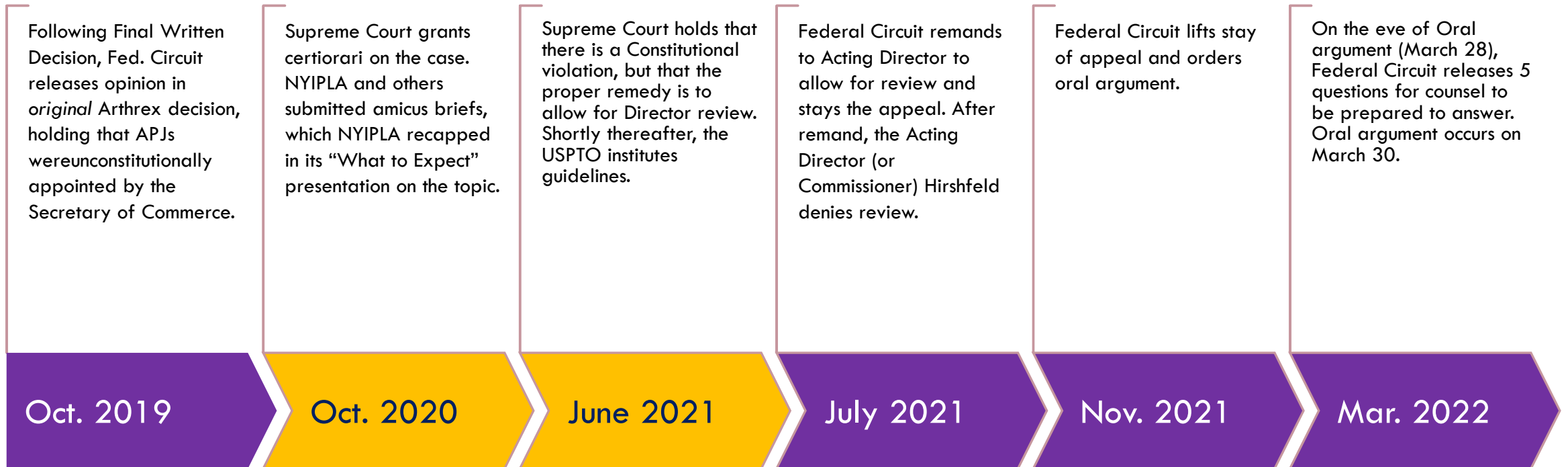
Coordinator

Disclaimer

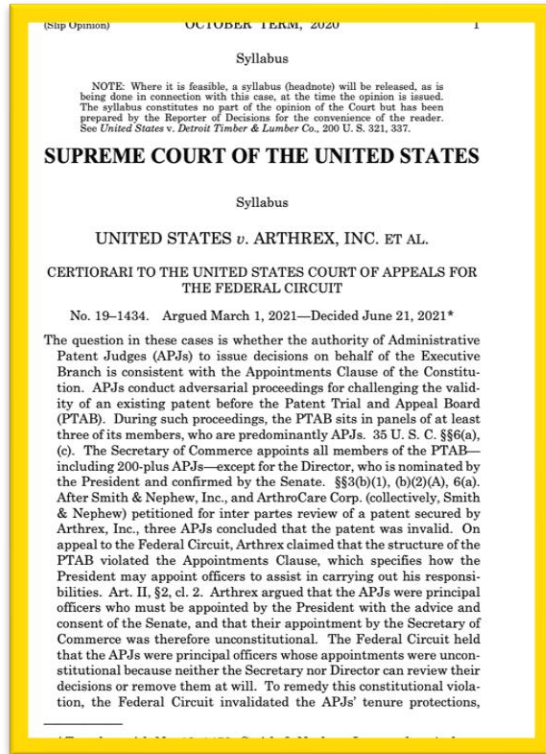
The following presentation reflects the personal opinions of its authors and does not necessarily represent the views of their respective clients, partners, employers or of the New York Intellectual Property Law Association, or of the PTAB Committee or its members.

Additionally, the following content is presented solely for the purposes of discussion and illustration, and does not comprise, nor is to be considered, as legal advice.

Brief Procedural History of Arthrex



Prior Holding of the Supreme Court



“We conclude that a tailored approach is the appropriate one: Section 6(c) [Board Review] cannot constitutionally be enforced to the extent that its requirements prevent the Director from reviewing final decisions rendered by APJs. **Because Congress has vested the Director with the ‘power and duties’ of the PTO, §3(a)(1), the Director has the authority to provide for a means of reviewing PTAB decisions. See also §§3(a)(2)(A), 316 (a)(4).**” *US v. Arthrex*, 141 S. Ct. 1970.

“We also conclude that the appropriate remedy is **a remand to the Acting Director for him** to decide whether to rehear the petition filed by Smith & Nephew.. .. Under these circumstances, a limited remand to the Director provides an adequate opportunity for review by a principal officer”. *US v. Arthrex*, 141 S. Ct. 1970.

5 U.S. Code § 3348 - Vacant office (Federal Vacancies Reform Act)

(b)Unless an officer or employee is performing the functions and duties in accordance with sections 3345, 3346, and 3347, **if an officer of an Executive agency** (including the Executive Office of the President, and other than the Government Accountability Office) **whose appointment to office is required to be made by the President, by and with the advice and consent of the Senate**, dies, resigns, or is otherwise unable to perform the functions and duties of the office—

(1)the office shall remain vacant; and

(2)in the case of an office other than the office of the head of an Executive agency (including the Executive Office of the President, and other than the Government Accountability Office), **only the head of such Executive agency may perform any function or duty of such office.**

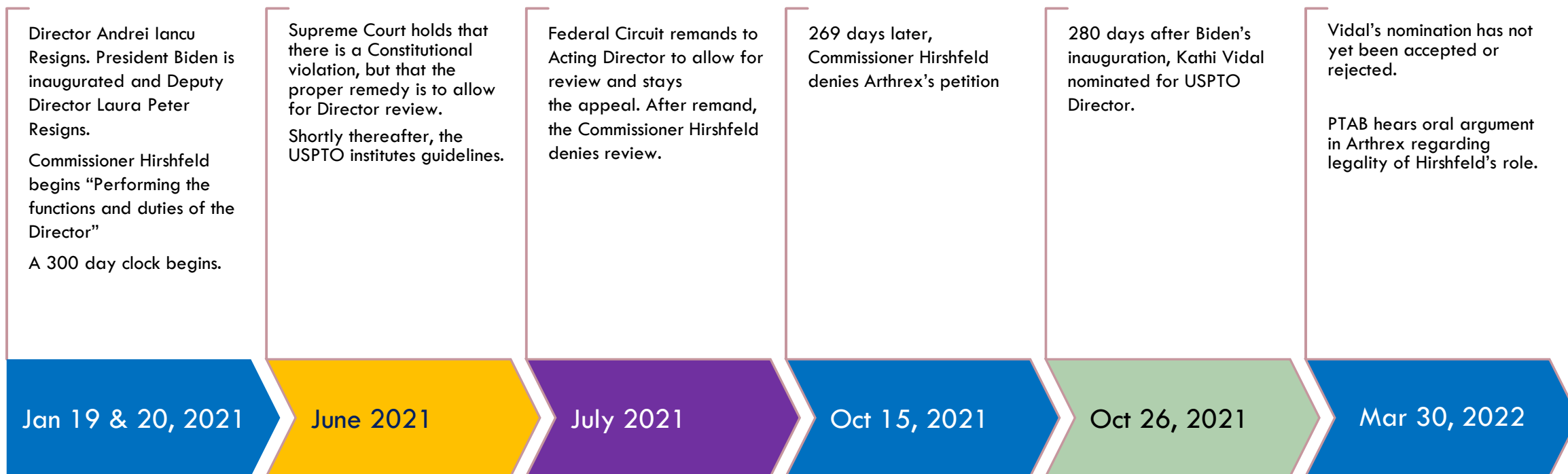
(c)If the last day of **any 210-day period under section 3346** is a day on which the Senate is not in session, the second day the Senate is next in session and receiving nominations shall be deemed to be the last day of such period.

(d)

(1)An action taken by any person who is not acting under section 3345, 3346, or 3347, or as provided by subsection (b), in the performance of any function or duty of a vacant office to which this section and sections 3346, 3347, 3349, 3349a, 3349b, and 3349c apply shall have no force or effect.

(2)An action that has no force or effect under paragraph (1) may not be ratified.

Compliance with the FVRA



Under 5 U.S.C. §3346, an acting officer may legally perform the duties of the office for 210 days. This is extended by 90 days, to 300 days, in the event that vacancy is within 90 days of inauguration. If the president nominates a director, then the time limit is suspended during the pendency of her nomination. If the nomination is rejected, a new 210 day period begins.

Order on Remand

Trials@uspto.gov Paper 40
571.272.7822 Entered: October 15, 2021

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDERSECRETARY AND DIRECTOR OF
THE UNITED STATES PATENT AND TRADEMARK OFFICE

SMITH & NEPHEW, INC. and
ARTHROCARE CORP.,
Petitioner,

v.

ARTHREX, INC.,
Patent Owner.

IPR2017-00275
Patent 9,179,907 B2

Before ANDREW HIRSHFELD, *Commissioner for Patents, Performing the
Functions and Duties of the Under Secretary of Commerce for Intellectual
Property and Director of the United States Patent and Trademark Office.*

ORDER

Issued by ANDREW HIRSHFELD, *Commissioner for Patents, Performing the Functions and Duties of the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.*

IPR2017-00275
Patent 9,179,907 B2

The Office has received a request for Director review of the Final Written Decision in this case. Ex. 3100. The request was referred to Mr. Hirshfeld, Commissioner for Patents, Performing the Functions and Duties of the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

It is ORDERED that the request for Director review is denied; and
FURTHER ORDERED that the Patent Trial and Appeal Board's Final
Written Decision is the final decision of the agency.

Grounds for Appeal By Appellant **Arthrex**

2018-2140

**United States Court of Appeals
for the Federal Circuit**

Arthrex, Inc.,
Appellant

v.

Smith & Nephew, Inc. and ArthroCare Corp.,

Appellees

United States,
Intervenor

Appeal from the U.S. Patent & Trademark Office,
Patent Trial and Appeal Board, *Inter Partes* Review No. 2017-00275

PATENT OWNER ARTHREX, INC.'S SUPPLEMENTAL BRIEF

Jeffrey A. Lamken
Robert K. Kry
MOLOLAMKEN LLP
600 New Hampshire Ave. NW
Washington, D.C.
Telephone: (202) 556-2010
Facsimile: (202) 556-2001
jlamken@molomanken.com
rkry@mololamken.com

Jordan A. Rice
MOLOLAMKEN LLP
300 North LaSalle Street
Chicago, IL 60654
Telephone: (312) 450-6709
jrice@mololamken.com

Anthony P. Cho
David Gaskey
Jessica Fleetham
David L. Atallah
CARLSON, GASKEY & OLDS, P.C.
400 West Maple Road, Suite 350
Birmingham, MI 48009
Telephone: (248) 988-8360
Facsimile: (248) 988-8363
acho@cgolaw.com
dgaskey@cgolaw.com
jfleetham@cgolaw.com
datallah@cgolaw.com

Attorneys for Appellant Arthrex, Inc.

First, the decision violates the Appointments Clause. The Supreme Court held that only presidentially appointed *principal* officers may issue final decisions that represent the agency's final word. Yet the PTO repeated the exact same error that led to the Supreme Court's decision by allowing someone appointed as a mere *inferior* officer to conclusively resolve Arthrex's case.

Second, the decision violates the Federal Vacancies Reform Act. That statute permits an acting officer to exercise the functions and duties of a principal office temporarily, but only if the acting officer was the principal officer's deputy or was personally selected by the President. Commissioner Hirshfeld was neither.

Finally, the decision violates the separation of powers. The President must be able to remove the heads of executive agencies at will so he can supervise and be accountable for their exercise of executive power. Commissioner Hirshfeld has tenure protections that deny the President that authority.

Response of Intervenor United States

No. 18-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX INC.,
Appellant,
v.
SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,
UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office Patent Trial and
Appeal Board, Inter Partes Review No. IPR2017-00275

SUPPLEMENTAL RESPONSE BRIEF FOR INTERVENOR

<i>Of Counsel:</i> THOMAS KRAUSE <i>Acting General Counsel</i> FARHEENA RASHEED <i>Acting Solicitor</i> DANIEL KAZHDAN SARAH E. CRAVEN <i>Associate Solicitors</i> U.S. Patent and Trademark Office Mail Stop 8, P.O. Box 1450 Alexandria, Virginia 22313 (571) 272-9035	BRIAN M. BOYNTON <i>Principal Deputy Assistant Attorney General</i> SCOTT R. MCINTOSH JOSHUA M. SALZMAN <i>Attorneys, Appellate Staff</i> Civil Division, Room 7258 U.S. Department of Justice 950 Pennsylvania Avenue NW Washington, DC 20530 (202) 532-4747
---	--

This case returns to this Court following Supreme Court review, which resulted in a holding that Congress cannot prohibit the Director of the U.S. Patent and Trademark Office (USPTO) from reviewing decisions of the Patent Trial and Appeal Board (Board) in inter partes review (IPR) proceedings. See *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021). In the wake of that decision, this case was remanded to the USPTO to allow appellant Arthrex, Inc. to seek Director review of a Board decision invalidating a patent held by Arthrex. Because the office of Director has been vacant, Arthrex's rehearing request was referred to Commissioner for Patents Andrew Hirshfeld, who has been duly delegated the duties and functions of the Director during the present vacancy. Commissioner Hirshfeld denied the rehearing request; Arthrex now challenges this denial of Director review. That challenge lacks merit and should be rejected.

Response of Intervenor United States

No. 18-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office Patent Trial and
Appeal Board, Inter Partes Review No. IPR2017-00275

SUPPLEMENTAL RESPONSE BRIEF FOR INTERVENOR

<i>Of Counsel:</i> THOMAS KRAUSE <i>Acting General Counsel</i> FARHEENA RASHEED <i>Acting Solicitor</i> DANIEL KAZHDAN SARAH E. CRAVEN <i>Associate Solicitors</i> U.S. Patent and Trademark Office Mail Stop 8, P.O. Box 1450 Alexandria, Virginia 22313 (571) 272-9035	BRIAN M. BOYNTON <i>Principal Deputy Assistant Attorney General</i> SCOTT R. MCINTOSH JOSHUA M. SALZMAN <i>Attorneys, Appellate Staff</i> Civil Division, Room 7258 U.S. Department of Justice 950 Pennsylvania Avenue NW Washington, DC 20530 (202) 532-4747
---	--

On Arthrex’s telling, the Supreme Court held that there are no circumstances under which an Executive Branch agency can issue final decisions absent a Senate-confirmed principal officer overseeing that decisionmaking process and, thus, Commissioner Hirshfeld—who has not been appointed as a principal officer—could not provide final review of the Board’s rulings. But this reading of *Arthrex* is wrong. Recognizing the significant disruption that would result from a rule that would leave the duties of a principal office unfulfilled during any vacancy in that office, the **Supreme Court has long construed the Appointments Clause to allow an inferior officer like Commissioner Hirshfeld to perform the duties of a vacant principal office on a temporary basis.** See *United States v. Eaton*, 169 U.S. 331, 343 (1898). Nothing suggests that the Supreme Court intended to depart from this longstanding rule. Indeed, even Arthrex seems to recognize that its categorical reading of the Supreme Court’s decision in this case is incompatible with *Eaton*. It endeavors to distinguish that decision, but Arthrex’s cramped reading of *Eaton* runs contrary to centuries of precedent and practice and, in any case, does not ultimately support Arthrex’s constitutional claim.

Response of Intervenor United States

No. 18-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX INC.,
Appellant,
v.
SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,
UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office Patent Trial and
Appeal Board, Inter Partes Review No. IPR2017-00275

SUPPLEMENTAL RESPONSE BRIEF FOR INTERVENOR

<i>Of Counsel:</i>	BRIAN M. BOYNTON
THOMAS KRAUSE	<i>Principal Deputy Assistant Attorney</i>
<i>Acting General Counsel</i>	<i>General</i>
FARHEENA RASHEED	SCOTT R. MCINTOSH
<i>Acting Solicitor</i>	JOSHUA M. SALZMAN
DANIEL KAZHDAN	<i>Attorneys, Appellate Staff</i>
SARAH E. CRAVEN	<i>Civil Division, Room 7258</i>
<i>Associate Solicitors</i>	<i>U.S. Department of Justice</i>
<i>U.S. Patent and Trademark Office</i>	<i>950 Pennsylvania Avenue NW</i>
<i>Mail Stop 8, P.O. Box 1450</i>	<i>Washington, DC 20530</i>
<i>Alexandria, Virginia 22313</i>	<i>(202) 532-4747</i>
<i>(571) 272-9035</i>	

Arthrex also argues that Commissioner Hirshfeld's order was **barred by the Federal Vacancies Reform Act, 5 U.S.C. § 3345 et seq.** But that statute does not preclude delegations of authority like the one that vested Commissioner Hirshfeld with the duties and functions of the Director. The general rule is that **functions and duties assigned to a federal officer, including a principal officer, may be delegated to other officers,** and Arthrex fails to show that consideration of a request for Director review is an exclusive function that cannot be delegated.

Response of Intervenor United States

No. 18-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office Patent Trial and
Appeal Board, Inter Partes Review No. IPR2017-00275

SUPPLEMENTAL RESPONSE BRIEF FOR INTERVENOR

<i>Of Counsel:</i>	BRIAN M. BOYNTON
THOMAS KRAUSE	<i>Principal Deputy Assistant Attorney</i>
<i>Acting General Counsel</i>	<i>General</i>
FARHEENA RASHEED	SCOTT R. MCINTOSH
<i>Acting Solicitor</i>	JOSHUA M. SALZMAN
DANIEL KAZHDAN	<i>Attorneys, Appellate Staff</i>
SARAH E. CRAVEN	<i>Civil Division, Room 7258</i>
<i>Associate Solicitor</i>	<i>U.S. Department of Justice</i>
<i>U.S. Patent and Trademark Office</i>	<i>950 Pennsylvania Avenue NW</i>
<i>Mail Stop 8, P.O. Box 1450</i>	<i>Washington, DC 20530</i>
<i>Alexandria, Virginia 22313</i>	<i>(202) 532-4747</i>
<i>(571) 272-9035</i>	

Finally, Arthrex asserts that allowing Commissioner Hirshfeld to consider requests for Director review offends **the separation of powers** because he has limited removal protections. This claim lacks merit because there are **constitutionally adequate means for politically accountable actors to control Commissioner Hirshfeld.**

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667	Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com
Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903	Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

Arthrex’s challenge to the denial of its rehearing request on remand contradicts the letter of the Supreme Court’s decision, the text of the Federal Vacancies Reform Act (“FVRA”), and centuries of precedent from both the Supreme Court and the Patent Office (“PTO”). **If credited, Arthrex’s arguments would imperil the ability of the PTO and indeed the entire federal government to function during Presidential transitions.** Arthrex’s extreme position contradicts even Arthrex’s own previous representation to the Supreme Court that “inferior” officers can “wield principal-officer powers” on a temporary basis. S&N Add. Ex. A at 7.

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

<p>Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667</p> <p>Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903</p>	<p>Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com</p> <p>Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370</p>
--	---

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

Arthrex received exactly what the Supreme Court ordered: unilateral review by the executive branch official responsible for patentability determinations. The Court credited Arthrex’s Constitutional challenge to the extent FWDs rendered in IPRs were “expressly ordering the Director to undo his prior patentability determination when a PTAB panel of unaccountable APJs later disagrees with it.” *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1985 (2021). To remedy that imbalance, *Arthrex* held 35 U.S.C. § 6(c) unenforceable “insofar as it prevent[ed] the Director from reviewing the decisions of the PTAB on his own” rather than as one of a multi-member panel. *Id.* at 1987. Arthrex got exactly that relief on remand.

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667	Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com
Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903	Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

Nothing in the Supreme Court’s decision requires the Director to consider rehearing requests personally—just as no law requires the Director to examine patent applications personally. All that matters is that there be “discretion” to perform such actions by the holder of the office (or his or her delegee), ensuring that the “President remains responsible for the exercise of executive power.” *Arthrex*, 141 S. Ct. at 1988. The FVRA itself confirms that responsibility, including the President’s ability to remove Hirshfeld’s delegated responsibilities at any point. This ensures the President’s ultimate responsibility for both issuing and cancelling patent franchises.

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

<p>Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667</p> <p>Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903</p>	<p>Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com</p> <p>Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370</p>
--	---

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

Moreover, the Supreme Court expressly contemplated that the “Acting Director”—neither nominated by the President nor confirmed by the Senate—would handle Arthrex’s rehearing request on remand. This mandate echoes Arthrex’s own acknowledgment to the Court that “inferior” officers can “wield principal-officer powers” on a temporary basis. S&N Add. Ex. A at 7. It also tracks centuries of history. **When Congress first authorized the Patent Office in 1836, it expressly provided for an “inferior officer” to superintend the Office when the principal office was vacant.**

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667	Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com
Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903	Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

This is also exactly the scenario recognized in *Eaton*, which the Supreme Court cited in a context directly refuting Arthrex’s erroneous suggestion that *Eaton* applies only to acting officials the President personally appoints. Prior to leaving his post, the consul general to Siam tasked a missionary (Eaton) with superintending the consulate, leaving Eaton in charge of U.S. governmental interests in Bangkok.

Here, likewise, **the former Director and Deputy Director resigned pursuant to a formal delegation regime tasking the Commissioner of Patents (Hirshfeld) with superintending the PTO until the President selected a permanent successor.** The same has occurred in multiple previous transitions following the FVRA’s passage. In the last decade alone, over half a million patents have been issued in the name of PTO superintendents who were neither a “principal officer’s deputy” nor “personally selected by the President” (Arthrex Supp. Br. at 2). **Arthrex’s arguments would wrongly cloud all such patents.**

Argument of Appellees Smith & Nephew et al.

No. 2018-2140

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ARTHREX, INC.,
Appellant,

v.

SMITH & NEPHEW, INC., ARTHROCARE CORP.,
Appellees,

UNITED STATES,
Intervenor.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, in No. IPR2017-00275

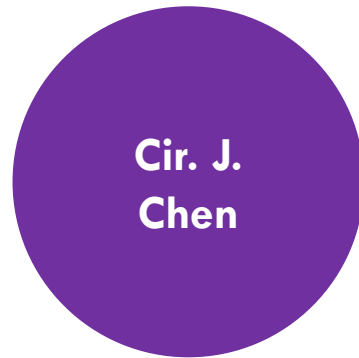
APPELLEES' SUPPLEMENTAL RESPONSE BRIEF

Mark A. Perry GIBSON, DUNN & CRUTCHER LLP 1050 Connecticut Avenue, N.W. Washington, D.C. 20036 (202) 887-3667	Charles T. Steenburg Richard F. Giunta Nathan R. Speed Turhan F. Sarwar WOLF, GREENFIELD & SACKS, P.C. 600 Atlantic Avenue Boston, MA 02210 (617) 646-8000 csteenburg@wolfgreenfield.com
Mark J. Gorman Smith & Nephew, Inc. 7135 Goodlett Farms Parkway Cordova, TN 38016 (901) 399-6903	Michael N. Rader WOLF, GREENFIELD & SACKS, P.C. 605 Third Avenue New York, NY 10158 (617) 646-8370

Counsel for Appellees Smith & Nephew, Inc. and ArthroCare Corp.

Further, the IPR process “involves the same basic matter as the grant of a patent” and is simply “a second look” at the earlier grant. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1368 (2018) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 279 (2016)). **There is no difference between finalizing IPR decisions and finalizing initial patentability decisions.** Both are essential PTO functions that would grind to a halt—along with the rest of the Executive Branch—if Arthrex’s arguments were credited.

Oral Argument of March 30: Counsel at Oral Argument and Judges Hearing the Case



The Federal Circuit

Arthrex



MoloLamken LLP

USPTO



DOJ

Smith & Nephew



Wolf Greenfield & Sacks PC

Eve of Oral Argument – Five Questions from the Federal Circuit

1. Is there any impediment to the President designating Commissioner Hirshfeld as the Acting Director of the United States Patent and Trademark Office? *See* 5 U.S.C. § 3345(a)(3).
2. If an Acting Director denied rehearing, would that avoid the alleged constitutional infirmity? *See United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1987 (2021) (per curiam) (“We also conclude that the appropriate remedy is a remand to the Acting Director for him to decide whether to rehear the petition filed by Smith & Nephew.”).
3. Does Section 4745 of the PTO Efficiency Act apply only when the office of Director is filled in light of the provision that “[n]o delegation of functions under this section or under any other provision of this subtitle shall relieve the official to whom a function is transferred under this subtitle of responsibility for the administration of the function”?
4. Can the Director or Acting Director delegate review of final Board decisions to an inferior officer?
5. Does any such delegation cease to be valid when the Director or Acting Director, as the case may be, leaves office?

The Federal Circuit posed five questions two days before oral argument. However, discussion focused (in addition to briefed materials) primarily on the first question, although other questions were occasionally touched upon.

Highlights of Oral Argument

Hirshfeld and the Role of Acting Director



Circuit Judge Chen: Could you just tell us what is Mr. Hirshfeld's current title?

Salzman: He is performing the functions and duties of the director, the office to which he is appointed is Commissioner for Patents...

Circuit Judge Chen: Right, it would be. It would be wrong to call him Commissioner Hirshfeld. Right? Today it would be wrong to call him Commissioner.

Salzman: I I don't believe that is the title he is currently using...

Circuit Judge Chen: It would also be wrong to call him Director Hirshfeld.

Salzman: It it would be wrong to call him director.

Circuit Judge Chen: **Would it be wrong to call him acting director Hirshfeld?**

Salzman: **Yes it would.**

Circuit Judge Chen: So, what do I call him?

Highlights of Oral Argument

Removal of Hirshfeld (Answering Question 1)



Circuit Judge Reyna: Can the President fire him at will?

Salzman: So the President can remove him from those functions by invoking the federal Vacancies Reform Act... At any point, if the President had been dissatisfied with the way Commissioner Hirshfeld was exercising the functions and duties assigned to him or wanted somebody else in the position, he would have had the ability to invoke the federal Vacancies Reform Act and put in place anyone else who has Senate confirmation or anybody who meets the requirements of a(3).

Chief Judge Moore: It can't be the case that the appointment clause is satisfied and the FVRA is satisfied because President Biden could act but didn't. Those are affirmative obligations. The fact that he could act to rectify something doesn't mean that what's happening now is legitimate.

Salzman: I I completely agree with that your honor.

Highlights of Oral Argument

Acting Director Constitutionally Capable of Fulfilling Role



Chief Judge Moore to Kry: You have some overarching appointments clause challenge, which I find difficult to comprehend in light of the Supreme Court's *Arthrex* decision. The Supreme Court's *Arthrex* decision expressly acknowledged that remand to an acting director would satisfy the appointments clause concerns. An acting director is not a principal officer who has been nominated by the President and confirmed by Congress. So in light of that in the Supreme Court argument is Supreme Court case.

Can you please explain to me what your appointments clause general argument is? ...

[Not clipped] I guess my problem is it seems like your appointment clause issue would actually render the Vacancy Reform Act unconstitutional.



Chief Judge Moore to Salzman: **The Supreme Court made it clear that the confirmed by Congress part is not necessary when they included the language 'acting directors.'** I agree with you, it dooms their constitutional argument. I'm already there, you know, because their constitutional argument, as I interpret it, would conflict with the Supreme Court's affirmative statement that an acting director could do it, and it would also make the Federal Vacancy Reform Act unconstitutional. I'm there.

Highlights of Oral Argument

Is Director Review a Delegable Function or Duty?



Chief Judge Moore to **Kry**: Functions and duties as defined under 3348 requires that it be a function or duty that is established by statute. We're in an unusual uncharted territory because the Supreme Court created director review here, out of **judicial Fiat**. There isn't a particular statutory section that governs it.

Kry explained his position that Section 6(c) was the statutory delegation.



Circuit Judge Chen to **Kry**: I don't understand how Section 6(c) helps you because the Supreme Court did not rewrite Section 6(c) to specifically inject the words “the director and only the director has the authority to review any decision, final written decision by the Patent board.” That the Supreme Court did not do so, I don't see how Section 6(c) as re interpreted by the Supreme Court helps you.

Highlights of Oral Argument

The Federal Vacancies Reform Act and Filling Vacancies



Chief Judge Moore: I don't know what to make of the idea that your view of the FVRA is it's got a miniscule application in the world. It is virtually inapplicable to the world as we know it, and not at all applicable to the PTO.

Salzman: I think Congress was balancing concerns when it enacted the FVRA. It certainly wanted to impose some constraints and also to create a framework through which it could create more constraints in the future by specifically vesting authorities in the President. But it's also an atom bomb to say that a government agency has to stop operating and I think Congress wanted to ensure continuity of government as well. So it struck a balance in 3348.

Chief Judge Moore: And nobody's ever suggested. I don't think anybody, in this case, is suggesting that an agency has to stop operating, I think what the suggestion is that there are certain duties and functions which are required to be performed by a principal officer or in the absence of a principal officer, somebody authorized by Congress and by the President to perform those duties, which is exactly what would be satisfied by an FVRA type appointment.


Chief Judge Moore: **But your view is that ... every agency can wing it.** Every agency can come up with their own mechanism for a succession plan.



Case Submitted



Chief Judge Moore: I thank all counsel, this case is taken under submission.

A group of business professionals in a meeting. A woman in a grey blazer is pointing at a tablet held by another person. A man in a dark suit and striped tie is also looking at the tablet. There are coffee cups on the table. The word "Discussion" is overlaid in white text.

Discussion

Additional Resources

NYIPLA PTAB Committee:

[Getting Read for Arthrex Oral Arguments: Hear What Amicus Are Saying](#) (February 25, 2021)

[Review of Final PTAB Decisions](#) (August 3, 2021)

[PTAB Committee to Examine Open and Unresolved Issues After the Arthrex Decision](#) (October 5, 2021)

[PTAB Committee to Examine Constitutionality Challenges After Arthrex and APJ Compensation](#) (November 2, 2021)

NYIPLA Pod Bites:

Ep. 3: [Arthrex, Inc. v. Smith & Nephew](#) - The Federal Circuit Holds PTAB APJ's Were Not Properly Appointed Per The Constitution

Ep. 11: [U.S. v. Arthrex](#)

Law Alerts from Amster, Rothstein, & Ebenstein:

[Federal Circuit Declares PTAB APJs to Be Superior Officers Appointed in an Unconstitutional Manner, but Offers a Fix Going Forward With Limited Relief Going Back](#) (November 4, 2019)

[SCOTUS Holds Appointment Of PTAB APJs Unconstitutional But Remedies Situation By Giving Director More Control](#) (June 22, 2021)

[USPTO Issues Interim Procedure Giving Director More Control Over PTAB Final Written Decisions In Accordance With Supreme Court's Arthrex Decision](#) (June 30, 2021)