

IPR UPDATE

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CHAPTER 10

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James has been named a “Rising Star” by Texas Super Lawyers from 2016-2019.

Before receiving his law degree from The University of Texas School of Law, James attended the University of Wisconsin where he earned a degree in Electrical and Computer Engineering.

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Panelist: “Administrative Effects on the Plaintiff-Defendant Balance,” The Intersection of Administrative & IP Law, Texas Intellectual Property Law Journal 19th Annual Symposium; Austin, TX 02.22.2019

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While attending law school, Kat was the editor-in-chief of the Texas Intellectual Property Law Journal and served as a judicial intern for the Honorable Lee Yeakel at the U.S. District Court for the Western District of Texas. At MIT, Kat was a Materials Processing and Manufacturing Institute Graduate Fellow and a Humanities, Art, and Social Sciences Burchard Scholar.

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SELECTED PUBLICATIONS, PRESENTATIONS, & HONORS

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Speaker; "Patent Enforcement in China," U.S. Patent and Trademark Office China Intellectual Property Road Show, Indianapolis, IN 10.18.2017

Speaker; "Remedies Available to Patent Holders in Infringement Actions in China and the U.S.," Global Patent Enforcement to Maximize Portfolio Value Seminar, Dallas, TX 10.18.2017

Speaker; "Intellectual Property Protection in the U.S.," Seminars sponsored by the Beijing IP Office and Nanjing University, Beijing and Nanjing, China 06.06.2017-06.10.2017

Panelist; "Preparing an IPR Petition and a Preliminary Order Response," 30th Annual Course Advanced Intellectual Property Law TexasBarCLE, Austin, TX 02.24.2017

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IPR UPDATE

I. INTRODUCTION

Over the last year, there have been a number of developments in the realm of *inter partes* reviews (“IPRs”) at both the USPTO and in the courts. This article will first review some of the most notable developments at the USPTO, including: (1) updates to the Office Patent Trial Practice Guide; (2) precedential opinions from the Precedential Opinion Panel (“POP”); and (3) motion to amend practice. The article will then discuss the Federal Circuit’s recent Appointments Clause decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) and how that development has played out and may play out.¹

II. DEVELOPMENTS AT THE USPTO

A. Office Patent Trial Practice Guide Updates

The original Office Patent Trial Practice Guide (“Trial Guide”) was published on August 14, 2012 at 37 C.F.R. § 42. The Trial Guide was provided as “a practice guide for the trial final rules to advise the public on the general framework of the regulations, including the structure and times for taking action in each of the new proceedings[, including *inter partes* reviews].” 77 Fed. Reg. 48,756 (“Summary”). The Trial Guide was then updated twice, first in August 2018² and then again in July 2019.³ A consolidated Trial Guide was then published in November 2019,⁴ and it “incorporates the updates from August 2018 and July 2019 into the original August 2012 Practice Guide.” November 2019 Consolidated Trial Guide at 1.

There were several notable updates to the Trial Guide in July 2019, including those listed in the table below.⁵

Update	Overview of Trial Guide as Updated
Conference Calls with Board	<ul style="list-style-type: none"> • Parties should meet and confer to resolve disputes prior to requesting a conference call with the Board. • Expect issues to be resolved in a matter of days.
Additional Discovery	<ul style="list-style-type: none"> • Factors from <i>Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC</i>, IPR2012-00001 (PTAB Mar. 5, 2013) (Paper 26) (precedential) apply: <ul style="list-style-type: none"> ○ More than a possibility or mere allegation are needed; ○ Litigation positions and underlying basis are not necessary in discovery; ○ Information a party can reasonably figure out or assemble on its own is disfavored; ○ Discovery requests should be easily understandable; and ○ Discovery requests should not be overly burdensome to answer. • Narrowly-tailored requests related to real parties-in-interest and secondary evidence of non-obviousness have been allowed.
Live Testimony	<ul style="list-style-type: none"> • Live testimony may be permitted where derivation, early invention, or misconduct is at issue. • Relevant cases include <i>K-40 Elecs., LLC v. Escort, Inc.</i>, IPR2013-00203 (PTAB May 21, 2014) (Paper 34) (precedential) and <i>DePuy Synthes Prods., Inc. v. MEDIDEA, L.L.C.</i>, IPR2018-00315 (PTAB Jan. 23, 2019) (Paper 29) (precedential).
Claim Construction	<ul style="list-style-type: none"> • <i>Phillips</i> standard to be applied and prior constructions from Article III courts or ITC will be considered.
Discretionary Institution Denials	<ul style="list-style-type: none"> • Director has discretion to deny a petition under 35 U.S.C. §§ 314(a) & 324(a). • Previously applied non-exclusive factors from <i>General Plastic Co., Ltd. v. Canon Kabushiki Kaisha</i>, IPR2016-01357, slip op. at 16-17 (PTAB Sept. 6, 2017) (Paper 19) (precedential):

¹ This article is limited to events preceding its submission on December 9, 2019.

² https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf

³ <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf>

⁴ <https://www.uspto.gov/TrialPracticeGuideConsolidated>

⁵ Information covered in this table comes from <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf>, but is also discussed at <https://www.uspto.gov/sites/default/files/documents/Boardside%20Chat%20Trial%20Practice%20Guide%20Update%208.8.19.pdf> & <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trial-practice-guide-july-2019-update>

- whether the same petitioner previously filed a petition directed to the same claims of the same patent;
- whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
- whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;
- the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
- whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
- the finite resources of the Board; and
- the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.
- Two decisions relating to these factors were cited in the updates.
 - *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00062, -00063, -00084 (PTAB Apr. 2, 2019) (Paper 11) (precedential): The PTAB denied institution where petitioner filed a follow-on petition after the PTAB denied institution for a co-defendant's petition covering the same claims.
 - *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (PTAB Sept. 12, 2018) (Paper 8) (precedential): The PTAB denied institution under § 325(d), but also noted that the progressed state of a parallel district court proceeding (involving same prior art, already-construed claims, and having a trial setting before the Board would complete its trial) also weighed in favor of denying institution under 35 U.S.C. § 314(a).
- USPTO added new guidelines for parallel petitions challenging the same patent.
 - "Two or more petitions filed against the same patent at or about the same time (e.g., before the first preliminary response by the patent owner) may place a substantial and unnecessary burden on the Board and the patent owner and could raise fairness, timing, and efficiency concerns. *See* 35 U.S.C. § 316(b). In addition, multiple petitions by a petitioner are not necessary in the vast majority of cases. To date, a substantial majority of patents have been challenged with a single petition."
 - However, where "the patent owner has asserted a large number of claims in litigation or when there is a dispute about priority date requiring arguments under multiple prior art references . . . two petitions by a petitioner may be needed, although this should be rare," though three or more petitions are rarely needed.
 - "To aid the Board. . . [when] a petitioner files two or more petitions challenging the same patent, . . . the petitioner should, in its petitions or in a separate paper filed with the petitions, identify:
 - (1) a ranking of the petitions in the order in which it wishes the Board to consider the merits, if the Board uses its discretion to institute any of the petitions, and
 - (2) a succinct explanation of the differences between the petitions, why the issues addressed by the differences are material, and why the Board should exercise its discretion to institute additional petitions if it identifies one petition that satisfies petitioner's burden under 35 U.S.C. § 314(a)."
 - Patent owner may respond to the petition or separate paper in its preliminary response or separate paper.
 - "Among other issues, the patent owner should explain whether the differences identified by the petitioner are directed to an issue that is not material or not in dispute. If stating that issues are not material or in dispute, the patent owner should clearly proffer any necessary stipulations."

		<ul style="list-style-type: none"> ○ “The Board will consider the parties’ submissions in determining whether to exercise its discretion to institute <i>inter partes</i> review under 35 U.S.C. § 314(a).”
Institution Decision Content		<ul style="list-style-type: none"> • Pursuant to <i>SAS Institute Inc. v. Iancu</i>, 138 S. Ct. 1348, 1359-60 (2018), <i>PGS Geophysical AS v. Iancu</i>, 891 F.3d 1354, 1359-62 (Fed. Cir. 2018), and <i>Adidas AG v. Nike, Inc.</i>, 894 F.3d 1256, 1258 (Fed. Cir. 2018), “the Board will either (1) institute as to all claims challenged in the petition and on all grounds in the petition, or (2) institute on no claims and deny institution.”
Motions to Amend		<ul style="list-style-type: none"> • In accordance with <i>Aqua Products, Inc. v. Matal</i>, 872 F.3d 1290 (Fed. Cir. 2017), “the burden of persuasion ordinarily will lie with the petitioner to show that any proposed substitute claims are unpatentable by a preponderance of the evidence,” or “[t]he Board itself also may justify any finding of unpatentability by reference to evidence of record in the proceeding, for example, when a petitioner ceases to participate.” • “Ultimately, the Board determines whether substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner.” • <i>Lectrosomics, Inc. v. Zaxcom, Inc.</i>, IPR2018-01129, -01130, slip op. at 3-4 (PTAB Feb. 25, 2019) (Paper 15) (precedential) “provid[es] additional information and guidance regarding motions to amend, such as statutory and regulatory requirements as set forth in 35 U.S.C. § 316(d) and 37 C.F.R. §§ 42.121 and 42.221.” • Motions to amend may also address possible 35 U.S.C. § 101 or § 112 issues. <i>Lectrosomics, Inc. v. Zaxcom, Inc.</i>, Case IPR2018-01129, -01130, slip op. at 5-6 (PTAB Feb. 25, 2019) (Paper 15) (precedential); <i>Amazon.com, Inc. v. Uniloc Luxembourg S.A.</i>, IPR2017-00948, slip op. at 5 (PTAB Jan. 18, 2019) (Paper 34) (precedential).
Motions for Joinder		<ul style="list-style-type: none"> • Under <i>Proppant Express Investments, LLC v. Oren Techs., LLC.</i>, IPR2018-00914, (PTAB Mar. 13, 2019) (Paper 38) (precedential) (discussed in Section II.B, <i>infra</i>), the PTAB has discretion to join petitioner to proceeding it is already a party to, even if its later petition is time barred. • “In proceedings in which one or more parties are joined, the Board is permitted to adjust the one-year statutory deadline for issuing a final written decision. <i>See</i> 35 U.S.C. §§ 316(a)(11), 326(a)(11).”
Remands		<ul style="list-style-type: none"> • USPTO incorporates Standard Operating Procedure 9, which notes the PTAB’s goal of issuing decisions on remanded cases within 6 months of PTAB’s receipt of mandate.
Rehearing Requests		<ul style="list-style-type: none"> • “A party dissatisfied with a decision of the Board may file a request for rehearing. 37 C.F.R. § 42.71. The burden of showing that a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and where each matter was previously addressed in a motion, an opposition, or a reply.” • “Ideally, a party seeking to admit new evidence with a rehearing request would request a conference call with the Board prior to filing such a request so that it could argue ‘good cause’ exists for admitting the new evidence. Alternatively, a party may argue ‘good cause’ exists in the rehearing itself.” <i>Huawei Device Co., Ltd. v. Optis Cellular Tech., LLC</i>, IPR2018-00816, slip op. at 4 (PTAB Jan. 8, 2019) (Paper 19) (precedential). • “The opposing party should not file a response to a request for rehearing absent a request from the Board. The Board envisions that, absent a need for additional briefing by an opponent, requests for rehearing will be decided approximately one month after receipt of the request.”
Protective Guidelines	Order	<ul style="list-style-type: none"> • Protective orders not entered by default, but one or more parties may propose. • PTAB must still approve and enter the protective order. • Procedures for modifying default protective order are outlined in the July 2019 Trial Guide.

B. Precedential Opinion Panel Precedential Opinions

On September 20, 2018, the USPTO published Standard Operating Procedure 2: Precedential opinion panel to decide issues of exceptional importance involving policy or procedure (“SOP 2”).⁶ SOP 2, in part, “addresses the designation of a Precedential Opinion Panel in adjudications before the Patent Trial and Appeal Board (Board) to decide issues of exceptional importance (e.g., involving agency policy or procedure).” SOP 2 at 1. This is in addition to precedential and informative opinion designation otherwise permitted. *Id.* at 8-11. The Precedential Opinion Panel (“POP”) may be convened by the Director *sua sponte*, at the request of a party, or at the request of any Board member. *Id.* at 5-6.

Since December 2018, POP review has been granted in four cases and two POP decisions have issued. A brief note about each follows.

PTAB Has Discretion to Join Petitioner to Proceeding in which it is a Party Even in Cases Where Time Bar Would Otherwise Prevent Petition if Undue Prejudice Would Result. In *Proppant Express Investments, LLC v. Oren Techs., LLC*, IPR2018-00914, the POP granted the petitioners’ requested review to decide:

1. Under 35 U.S.C. § 315(c) may a petitioner be joined to a proceeding in which it is already a party?
2. Does 35 U.S.C. § 315(c) permit joinder of new issues into an existing proceeding?
3. Does the existence of a time bar under 35 U.S.C. § 315(b), or any other relevant facts, have any impact on the first two questions?

Proppant Express Investments, LLC v. Oren Techs., LLC, IPR2018-00914, slip op. at 2 (PTAB Dec. 3, 2018) (Paper 24). Specifically, petitioner sought to join its second-filed petition (filed more than one year after being served with a complaint for infringement) with its first-filed petition in which it made several substantive mistakes. *Proppant Express Investments, LLC v. Oren Techs., LLC*, IPR2018-00914, slip op. at 2 (PTAB Mar. 13, 2019) (Paper 38). On March 13, 2019, as to the first two issues, the POP “conclude[d] that 35 U.S.C. § 315(c) provides discretion to allow a petitioner to be joined to a proceeding in which it is already a party and provides discretion to allow joinder of new issues into an existing proceeding.” *Id.* at 4. As to the third issue, the POP:

conclude[d] that the existence of a time bar under 35 U.S.C. § 315(b) is one of several factors that may be considered when exercising our discretion under § 315(c). In order to balance various considerations, including those raised by other statutes such as the time bar of § 315(b), the Board will exercise this discretion only in limited circumstances—namely, where fairness requires it and to avoid undue prejudice to a party. Circumstances leading to this narrow exercise of our discretion may include, for example, actions taken by a patent owner in a co-pending litigation such as the late addition of newly asserted claims. On the other hand, the Board does not generally expect fairness and prejudice concerns to be implicated by, for example, the mistakes or omissions of a petitioner.

Id. In *Proppant*, joinder was “denied because the request for joinder was filed as a result of Petitioner’s errors, there are no fairness or undue prejudice concerns implicated, and the Petition is otherwise time-barred under § 315(b). The Board declines to exercise its discretion under § 315(c) in this case.”

One-Year Time Period for Filing Petitions Begins Even Where Serving Party Lacks Standing. In *GoPro, Inc. v. 360Heros, Inc.*, IPR2018-01754, the POP granted the patent owner’s requested review to decide:

Whether the service of a pleading asserting a claim alleging infringement, where the serving party lacks standing to sue or the pleading is otherwise deficient, triggers the 1 year time period for a petitioner to file a petition under 35 U.S.C. § 315(b).

GoPro, Inc. v. 360Heros, Inc., IPR2018-01754, slip op. at 2 (PTAB May 10, 2019) (Paper 23). On August 23, 2019, the POP “conclude[d] that service of a pleading asserting a claim alleging infringement triggers the one-year time period for a petitioner to file a petition under 35 U.S.C. § 315(b), even where the serving party lacks standing to sue or where the pleading is otherwise deficient.” *GoPro, Inc. v. 360Heros, Inc.*, IPR2018-01754, slip op. at 6 (PTAB Aug. 23, 2019) (Paper 38). In *GoPro*, the “pleading asserting a claim” was in the form of a counterclaim, and the POP held petitioner was time barred. *Id.*; *id.* at 6 n.3.

What Qualifies as a “Printed Publication” is Pending. On April 3, 2019, the POP granted the petitioner’s requested review to address one issue:

⁶ <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>

What is required for a petitioner to establish that an asserted reference qualifies as “printed publication” at the institution stage?

Hulu, LLC, v. Sound View Innovations, LLC, IPR2018-01039, slip op. at 2 (PTAB Apr. 3, 2019) (Paper 15). Briefing was completed on May 15, 2019 (Papers 24 & 25) and the POP held oral argument on June 18, 2019 (Paper 28). POP has yet to issue its opinion.

Questions Regarding Claim Amendments are Pending. On November 7, 2019, the POP granted the patent owner’s requested review to address two issues:

1. Under what circumstances and at what time during an *inter partes* review may the Board raise a ground of unpatentability that a petitioner did not advance or insufficiently developed against substitute claims proposed in a motion to amend?
2. If the Board raises such a ground of unpatentability, whether the Board must provide the parties notice and an opportunity to respond to the ground of unpatentability before the Board makes a final determination.

Hunting Titan, Inc. v. DynaEnergetics GmbH & Co. KG, IPR2018-00600, slip op. at 2 (PTAB Nov. 7, 2019) (Paper 46). Briefing is to be completed by January 6, 2020. *Id.* at 2-3.

C. Motion to Amend Developments

Two motion to amend developments (beyond those noted in the Trial Guide updates section above) are worth noting.⁷ First, on October 22, 2019, the USPTO published proposed rule changes in the Federal Register at 84 Fed. Reg. 56401. Specifically, as it relates to *inter partes* reviews, the USPTO proposed the following additions to 37 C.F.R. §§ 42.121:

[42.121] (d) Burden of Persuasion. On a motion to amend:

- (1) A patent owner bears the burden of persuasion to show, by a preponderance of the evidence, that the motion to amend complies with the requirements of paragraphs (1) and (3) of 35 U.S.C. 316(d), as well as paragraphs (a)(2), (3), (b)(1), and (2) of this section;
- (2) A petitioner bears the burden of persuasion to show, by a preponderance of the evidence, that any proposed substitute claims are unpatentable; and
- (3) Irrespective of paragraphs (d)(1) and (2) of this section, the Board may, in the interests of justice, exercise its discretion to grant or deny a motion to amend for any reason supported by the evidence of record.

84 Fed. Reg. 56401, 56406. According to the USPTO, this proposed rule change is consistent with *Lectrosonics, Inc. v. Zaxcom, Inc.*, Case IPR2018-01129, -01130 (PTAB Feb. 25, 2019) (Paper 15) (precedential). *Id.* at 56402. Comments are due by December 23, 2019. *Id.* at 56401.

Second, on March 15, 2019, the USPTO announced a motion to amend pilot program. 84 Fed. Reg. 9497. Under the program, patent owners will have two new options for amending claims:

1. Patent owners may choose to receive preliminary guidance from PTAB on their motions to amend.
2. Patent owners may choose to file a revised motion to amend after receiving petitioner’s opposition to initial motion to amend and/or after receiving Board’s preliminary guidance (though this option does not depend on first option also being selected).

Id. at 9499-9502. All *inter partes* review trials instituted on or after March 15, 2019 will have these options. *Id.* at 9497.

III. FEDERAL CIRCUIT HOLDS ADMINISTRATIVE PATENT JUDGES ARE PRINCIPAL OFFICERS; WHAT HAPPENS NOW?

A recent and noteworthy development is the Federal Circuit’s decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Since the *Arthrex* decision, there have been additional related opinions from the Federal

⁷ More information from the USPTO is available at <https://www.uspto.gov/sites/default/files/documents/Boardside%20Chat%20on%20MTA%2012.4.19.pdf>.

Circuit and reactions from the USPTO. There are a number of issues practitioners will want to consider regarding this issue going forward.

A. *Arthrex, Inc. v. Smith & Nephew, Inc.* (Fed. Cir. Oct. 31, 2019)

On October 31, 2019, a three-judge panel (*Moore*, Reyna, Chen) of the Federal Circuit held that PTAB administrative patent judges (“APJs”) are principal officers under the Constitution’s Appointments Clause, U.S. Const., art. II, § 2, cl. 2. *Arthrex*, 941 F.3d at 1325. Because removal of APJs is impermissibly restricted under the Patent Act, the Federal Circuit severed those restrictions, vacated the *inter partes* review final written decision, and remanded for a new panel of APJs to consider the matter. *Id.*

Background. To better understand the *Arthrex* decision, some background is in order. In *Arthrex*, a three-APJ PTAB panel instituted an *inter partes* review for a for a patent “directed to a knotless suture securing assembly” and, after briefing and trial, held all challenged claims unpatentable as anticipated in a final written decision. *Id.* at 1325-26. On appeal, *Arthrex* argued that the PTAB’s decision violated the Constitution’s Appointments Clause (U.S. Const., art. II, § 2, cl. 2) as, *Arthrex* alleged, “the APJs were principal officers who must be, but were not, appointed by the President with the advice and consent of the Senate.” *Id.* at 1325, 1327.

Waiver. Both *Smith & Nephew* and the government initially argued that *Arthrex* waived its Appointments Clause challenge by not first raising the issue with the PTAB. *Id.* at 1326. The Federal Circuit disagreed. *Id.* at 1326-27. The Federal Circuit reasoned that “the Supreme Court has included Appointments Clause objections to officers as a challenge which could be considered on appeal even if not raised below.” *Id.* at 1326 (citing *Freytag v. Commissioner of Internal Revenue*, 501 U.S. 868, 878-79 (1991); *Glidden Co. v. Zdanok*, 370 U.S. 530, 535-36 (1962)). Thus, the Federal Circuit held that *Arthrex*, “like *Freytag*, is one of those exceptional cases that warrants consideration despite *Arthrex*’s failure to raise its Appointments Clause challenge before the Board.” *Id.* The Federal Circuit further explained that:

Like *Freytag*, this case implicates the important structural interests and separation of powers concerns protected by the Appointments Clause. Separation of powers is “a fundamental constitutional safeguard” and an “exceptionally important” consideration in the context of *inter partes* review proceedings. *Cascades Projection LLC v. Epson America, Inc.*, 864 F.3d 1309, 1322 (Fed. Cir. 2017) (Reyna, J., dissenting from denial of petition for hearing en banc). The issue presented today has a wide-ranging effect on property rights and the nation’s economy. Timely resolution is critical to providing certainty to rights holders and competitors alike who rely upon the *inter partes* review scheme to resolve concerns over patent rights.

Id. at 1326-27. The Federal Circuit concluded that “the Board could not have corrected the problem. Because the Secretary continues to have the power to appoint APJs and those APJs continue to decide patentability in *inter partes* review, we conclude that it is appropriate for this court to exercise its discretion to decide the Appointments Clause challenge here.” *Id.* at 1327.

APJs are Officers. On the merits, the Federal Circuit first turned to the Appointments Clause and determined that APJs were officers as opposed to employees. *Id.* at 1327-28. The Appointments Clause states that:

[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.

U.S. Const. art. II, § 2, cl. 2. The Federal Circuit noted this language, that “APJs are appointed by the Secretary of Commerce, in consultation with the Director of the USPTO.” and that “[t]he issue, therefore, is whether APJs are ‘Officers of the United States’ and if so, whether they are inferior officers or principal officers; the latter requiring appointment by the President as opposed to the Secretary of Commerce.” *Arthrex*, 941 F.3d at 1327. The Federal Circuit agreed with *Arthrex* that “APJs exercise the type of significant authority that renders them Officers of the United States” (such as “oversee[ing] discovery,” “apply[ing] the Federal Rules of Evidence,” “hear[ing] oral arguments,” “issue[ing] final written decisions containing fact findings and legal conclusions, and ultimately deciding the patentability of the claims at issue”) while noting that neither *Smith & Nephew* nor the government “dispute that APJs are officers as opposed to employees.” *Id.* at 1328.

APJs are Principal, Not Inferior Officers. Next, the Federal Circuit determined that APJs were principal as opposed to inferior officers. *Id.* at 1328-35. The Federal Circuit based its decision on several factors emphasized by the Supreme Court in *Edmond v. United States*, 520 U.S. 651, 662-63 (1997): “(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." *Arthrex*, 941 F.3d at 1329. The Federal Circuit then evaluated these factors, among others, and concluded that "[t]he only two presidentially-appointed officers that provide direction to the USPTO are the Secretary of Commerce and the Director. Neither of those officers individually nor combined exercises sufficient direction and supervision over APJs to render them inferior officers." *Id.* at 1329-35. The table below includes several considerations that the Federal Circuit noted for the various factors.

Factor	Federal Circuit's Analysis
(1) Review Power	<ul style="list-style-type: none"> • "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." <i>Id.</i> at 1329. • "The Director is the only member of the Board who is nominated by the President and confirmed by the Senate." <i>Id.</i> • "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. If parties are dissatisfied with the Board decision, they may request rehearing by the Board or may appeal to this court." <i>Id.</i> • "At most, the Director can intervene in a party's appeal and ask this court to vacate the decision, but he has no authority to vacate the decision himself." <i>Id.</i> • "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." <i>Id.</i> at 1330. • "We do not agree that the Director's power to institute (ex ante) is any form of review (ex post)." <i>Id.</i> at 1330. • "Thus, APJs have substantial power to issue final decisions on behalf of the United States without any review by a presidentially-appointed officer. We find that there is insufficient review within the agency over APJ panel decisions. This supports a conclusion that APJs are principal officers." <i>Id.</i> at 1331.
(2) Supervision Power	<ul style="list-style-type: none"> • "The Director exercises a broad policy-direction and supervisory authority over the APJs." <i>Id.</i> at 1331. • "The Director has the authority to promulgate regulations governing the conduct of <i>inter partes</i> review." <i>Id.</i> • "He also has the power to issue policy directives and management supervision of the Office." <i>Id.</i> • "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" <i>Id.</i> • "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." <i>Id.</i> • "In addition to these policy controls that guide APJ-panel decision making, the Director has administrative authority that can affect the procedure of individual cases." <i>Id.</i> • "The Director possesses similar authority to promulgate regulations governing <i>inter partes</i> review procedure and to issue policy interpretations which the APJs must follow. Accordingly, we conclude that the Director's supervisory powers weigh in favor of a conclusion that APJs are inferior officers." <i>Id.</i> at 1332. • "We conclude that the supervision and control over APJs by appointed Executive Branch officials in significant ways mirrors that of the CRJs in <i>Intercollegiate [Broadcasting System, Inc. v. Copyright Royalty Board]</i>, 684 F.3d 1332 (2012)." <i>Id.</i> at 1334.
(3) Removal Power	<ul style="list-style-type: none"> • "Under the current Title 35 framework, both the Secretary of Commerce and the Director lack unfettered removal authority." <i>Id.</i> at 1332. • "The only actual removal authority the Director or Secretary have over APJs is subject to limitations by Title 5. Title 35 does not provide statutory authority for removal of the APJs. Instead, 35 U.S.C. § 3(c) provides, '[o]fficers and employees of the Office shall be subject to the provisions of title 5, relating to Federal employees.'" <i>Id.</i> at 1333.

	<ul style="list-style-type: none"> • “Specifically, APJs may be removed ‘only for such cause as will promote the efficiency of the service.’” <i>Id.</i> (quoting 5 U.S.C. § 7513(a)). • “APJs issue decisions that are final on behalf of the Executive Branch and are not removable without cause.” <i>Id.</i> at 1334.
Other Limitations	<ul style="list-style-type: none"> • “[O]ther factors which have favored the conclusion that an officer is an inferior officer are completely absent here.” <i>Id.</i> at 1334. • “Unlike the Independent Counsel [in <i>Morrison v. Olson</i>, 487 U.S. 654 (1988)], the APJs do not have limited tenure, limited duties, or limited jurisdiction.” <i>Id.</i> • “Interestingly, prior to the 1975 amendment to Title 35, ‘Examiners-in-Chief’—the former title of the current APJs—were subject to nomination by the President and confirmation by the Senate. . . . There can be no reasonable dispute that APJs who decide reexaminations, <i>inter partes</i> reviews, and post-grant reviews wield significantly more authority than their Examiner-in-Chief predecessors. But the protections ensuring accountability to the President for these decisions on behalf of the Executive Branch clearly lessened in 1975.” <i>Id.</i> at 1334-35.

The Federal Circuit thus concluded that “[t]hese factors, considered together, confirm 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; because they are not, the current structure of the Board violates the Appointments Clause.” *Id.* at 1335.

Sever Limitations on APJ Removal to Remediate. Third, the Federal Circuit turned to “consider whether there is a remedial approach we can take to address the constitutionality issue.” *Id.* In particular, the court noted that “[w]here appropriate, we ‘try to limit the solution to the problem, [by] severing any problematic portions while leaving the remainder intact.’ 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.’” *Id.* (quoting *Free Enterprise Fund v. Public Company Accounting Oversight Board*, 561 U.S. 477, 508 (2010); *United States v. Booker*, 543 U.S. 220, 258-59 (2005)). The court initially rejected several other alternative remedies proposed by the government, including:

- “[C]onstru[ing] Title 5’s ‘efficiency of the service’ standard to permit removal in whatever circumstances the Constitution requires” was “not a plausible construction.” *Id.* at 1335.
- “[C]onstru[ing] the statute as providing the Director the authority to unilaterally revise a Board decision before it becomes final” was untenable as “no language in the statute that could plausibly be so construed.” *Id.* at 1336.
- “[S]ever[ing] the ‘three-member clause’” from 35 U.S.C. § 6(c), which would “[a]llow[] the Director to appoint a single Board member to hear or rehear any inter partes review . . . , especially when that Board member could be the Director himself,” “would be a significant diminution in the procedural protections afforded to patent owners and we do not believe that Congress would have created such a system.” *Id.*

A fourth potential remedy proposed by the government was partial invalidation, which the Federal Circuit held was “[t]he narrowest remedy here is similar to the one adopted in *Intercollegiate*, the facts of which parallel this case. . . . Accordingly, we hold unconstitutional the statutory removal provisions [in Title 5] as applied to APJs, and sever that application.” *Id.* at 1337-38. Thus, the court held, “[a]lthough the Director still does not have independent authority to review decisions rendered by APJs, his provision of policy and regulation to guide the outcomes of those decisions, coupled with the power of removal by the Secretary without cause provides significant constraint on issued decisions.” *Id.* at 1338. “We believe that this, the narrowest revision to the scheme intended by Congress for reconsideration of patent rights, is the proper course of action and the action Congress would have undertaken.” *Id.*

Vacatur, Remand, and a New Panel. Finally, the Federal Circuit held that “[b]ecause the Board’s decision in this case was made by a panel of APJs that were not constitutionally appointed at the time the decision was rendered, we vacate and remand the Board’s decision without reaching the merits.” *Id.* at 1338-39. The court rejected the government’s contention that no relief was warranted due to Arthrex not raising the issue before Board as “the Board was not capable of providing any meaningful relief to this type of Constitutional challenge and it would therefore have been futile for Arthrex to have made the challenge there.” *Id.* at 1339. And, on remand, the Federal Circuit held “that a new panel of APJs must be designated and a new hearing granted.” *Id.* at 1340. No new institution decision was necessary, though, as there was “no constitutional infirmity in the institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314.” *Id.* For the new hearing, the new panel would also be permitted to use the existing written record, allow additional briefing, or reopen the record. *Id.*

Limited Impact on Other Cases. Quite notably, the Federal Circuit cabined the scope of its ruling. *Id.* Specifically, the court “[saw] the impact of this case as limited to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal.” *Id.*

B. Post-*Arthrex* Federal Circuit Decisions, Requests, and Disagreements

Vacatur and Remand for Pending Federal Circuit Cases where Appointments Clause Challenge Raised in Opening Brief. On the same day as the *Arthrex* decision, the Federal Circuit *sua sponte* vacated and remanded at least one case to be handled by the Board pursuant to *Arthrex* where an Appointments Clause challenge had been raised. *Uniloc 2017 LLC v. Facebook, Inc.*, 783 Fed. Appx. 1020 (Fed. Cir. 2019). In other cases where the parties raised the *Arthrex* decision, the Federal Circuit’s response fell into two groups: (1) vacatur and remand to be handled pursuant to *Arthrex* where a party raised an Appointments Clause challenge in its opening brief; and (2) no vacatur or remand in cases where no such challenge was included in an opening brief. *Bedgear, LLC v. Fredman Bros. Furniture Co., Inc.*, 783 Fed. Appx. 1029 (Fed. Cir. 2019) (“In its opening brief, Bedgear, LLC argues that the three final written decisions at issue in this appeal exceed the scope of the Patent Trial and Appeal Board’s authority and violate the Constitution’s Appointments Clause. . . . Accordingly, the Board’s decisions in Nos. IPR2017-00350, IPR2017-00351, and IPR2017-00352 are vacated and the case is remanded to the Board for proceedings consistent with this court’s decision in *Arthrex*.”); *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173 (Fed. Cir. 2019) (“Customedia did not raise any semblance of an Appointments Clause challenge in its opening brief or raise this challenge in a motion filed prior to its opening brief. Consequently, we must treat that argument as forfeited in this appeal.”); *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1174 (Fed. Cir. 2019) (same); *Sanofi-Aventis Deutschland GmbH v. Mylan Pharmaceuticals Inc.*, Nos. 2019-1368, 2019-1369, 2019 WL 6130471, at *9 n.4 (Fed. Cir. Nov. 19, 2019) (“Sanofi did not raise an Appointments Clause issue in its opening brief in this court (or its reply brief). Our precedent holds that failure to raise the *Arthrex* Appointments Clause issue in the opening brief forfeits the challenge.” (citing *Customedia* cases)).

Additional Briefing on Appointments Clause Challenge Requested in a Second Case. On November 8, 2019, the Federal Circuit requested briefing on four issues from the parties and government in Dkt. 90, *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 2018-1768 (Fed. Cir. Nov. 8, 2019):

- (1) what level of supervision and review distinguish a principal from an inferior officer;
- (2) whether severing the application of Title 5’s removal restrictions with respect to APJs under 35 U.S.C. § 3(c) sufficiently remedies the alleged unconstitutional appointment at issue in these appeals;
- (3) whether, and how, the remedy for an Appointments Clause violation differs when it stems from an unconstitutional removal restriction, rather than an unconstitutional appointment itself; and
- (4) whether severing the application of Title 5’s removal restrictions with respect to APJs under 35 U.S.C. § 3(c) obviates the need to vacate and remand for a new hearing, given the Supreme Court’s holdings on the retroactive application of constitutional rulings. *E.g.*, *Harper v. Virginia Dep’t of Taxation*, 509 U.S. 86 (1993).

Id. at 2-3. Briefing is due by January 6, 2020. *Id.*; but see Dkt. 93, *Polaris Innovations Ltd. v. Kingston Tech. Co., Inc.*, No. 2018-1768 (Fed. Cir. Nov. 26, 2019) (extending deadline to January 6, 2020).

Disagreement at Federal Circuit Over Who is Entitled to Relief. Not all Federal Circuit judges agree that Appointments Clause challenges needed to be included in opening briefs. For instance, Judge Newman in *Sanofi* noted that “at the time these appeals were filed, there was no holding of illegality of appointments of the PTAB’s Administrative Patent Judges.” 2019 WL 6130471, at *12 (Newman, J., dissenting). Because “a change in governing law applies to the pending appeal when the change occurs while the case is on appeal,” *id.* (citing *Dow Chem. Co. v. Nova Chems. Corp. (Can.)*, 803 F.3d 620, 629 (Fed. Cir. 2015)), “Sanofi is entitled to the same benefit of the *Arthrex* decision as are the *Arthrex* parties. The foundation of a nation ruled by law is that the same rules, as well as the same law, will be applied in the same way to parties in pending litigation,” *id.*

Disagreement at Federal Circuit Over Proper Remedy. Nor do all Federal Circuit judges agree with the *Arthrex* panel’s remedy. For instance, Judges Dyk and Newman concurred in the *Bedgear* judgment, but concluded that “the remedy aspect of *Arthrex* (requiring a new hearing before a new panel) is not required by *Lucia v. S.E.C.*, — U.S. —, 138 S. Ct. 2044, 201 L.Ed.2d 464 (2018), imposes large and unnecessary burdens on the system of *inter partes* review, requiring potentially hundreds of new proceedings, and involves unconstitutional prospective decision-making.” 783 Fed. Appx. at 1030. Specifically, they reasoned that “the panel improperly makes the application of its decision prospective only, so that only PTAB decisions after the date of the panel’s opinion are rendered by a constitutionally appointed panel. In my view, the panel improperly declined to make its ruling retroactive so that the

actions of APJs in the past were compliant with the constitution and the statute. In this respect, I think that the panel in *Arthrex* ignored governing Supreme Court authority.” *Id.* at 1030-31 (emphases original).

C. USPTO Reaction to *Arthrex*

The USPTO, including PTAB panels, has responded to *Arthrex* and Appointments Clause challenges on several occasions in the time since the *Arthrex* decision issued.

USPTO Will Seek Rehearing of *Arthrex* En Banc. On November 13, 2019, in response to a motion to remand based on *Arthrex* in another case, the government sought to stay proceedings (or extend its time to respond). *Steuben Foods, Inc. v. Nestle USA, Inc.*, Nos. 20-1082 (Fed. Cir. Nov. 13, 2019) (Paper 15). It did so on the grounds that it planned to intervene, and noted that the stay would be “pending resolution of a petition for rehearing en banc.” *Id.* at 1. Indeed, the government stated that “[t]he United States intends to seek rehearing en banc in *Arthrex*.” *Id.* at 2. The government further argued that “[i]t would be inefficient and burdensome for the court and the parties to engage in further proceedings in this case relating to the *Arthrex* decision until the en banc Court decides what to do with that decision.” *Id.* at 3. The Federal Circuit granted an extension to intervene and respond to the motion to remand (but did not grant a stay pending an en banc rehearing request in *Arthrex*). *Steuben Foods, Inc. v. Nestle USA, Inc.*, Nos. 20-1082, slip op. at 2 (Fed. Cir. Nov. 18, 2019) (Paper 18).

Institution Decisions Not Impacted by *Arthrex*. As the Federal Circuit noted in *Arthrex*, institution decisions are not implicated by the Appointments Clause issue. This was noted in *Cisco Sys., Inc. v. Uniloc 2017 LLC*, IPR2019-00964, 2019 WL 5860720 (PTAB Nov. 8, 2019), where a “Patent Owner state[d] that it ‘adopt[ed] this [Appointments Clause] constitutional challenge ... to ensure the issue is preserved pending the appeal.’” *Id.* at *12. The PTAB “decline[d] to consider Patent Owner’s constitutional challenge at this time, as Patent Owner fails to sufficiently present the referenced constitutional arguments.” *Id.* Furthermore, the *Arthrex* decision noted that “there is ‘no constitutional infirmity in [an] institution decision as the statute clearly bestows such authority on the Director pursuant to 35 U.S.C. § 314.’” *Id.* (quoting *Arthrex*, 941 F.3d at 1340).

PTAB Panels Will Not Substantively Address Appointments Clause Challenges. Consistent with the Federal Circuit’s note in *Arthrex* that “the Board could not have corrected the [Appointments Clause] problem,” at least one PTAB panel has noted but not addressed such a challenge. In *GoPro, Inc. et al. v. CellSpin Soft, Inc.*, IPR2019-01107, 2019 WL 6443935 (PTAB Nov. 21, 2019), the PTAB noted a patent owner’s Appointments Clause objections in its institution decision, but did not resolve the issue further. *Id.* at *12 n.23.

D. Guidance for Practitioners

Until the *Arthrex* mandate issues and pending any further appeals, requests for rehearing or en banc consideration, or even Supreme Court consideration, practitioners are left with a number of considerations. These include whether to raise an Appointments Clause challenge in an *inter partes* review, when to raise such a challenge, and how to raise the challenge.

Whether to Raise an Appointments Clause Challenge. Your initial decision will be whether to raise an Appointments Clause challenge at all. Some considerations include: (1) whether you won or lost at the PTAB; (2) how much a challenge will cost; (3) how likely a change in result is; and (4) whether there are other timing concerns you have that mitigate against lengthening the *inter partes* review process.

When and How to Raise an Appointments Clause Challenge. If you decide that you want to raise an Appointments Clause challenge, you will want to decide when (*i.e.*, in which venue) and how to raise the challenge. Depending on the status of your *inter partes* review, you will have different options.

- **If your case is still before the PTAB,** you might consider raising the challenge there (but remember that the Federal Circuit has held that there is no Appointments Clause issue with institution decisions). Challenges might be raised in briefing, a motion, or in response to a possible communication from the PTAB about Appointments Clause challenges. However, as the Federal Circuit noted in *Arthrex* and as the PTAB panel in *GoPro* appeared to confirm, the PTAB is unlikely to correct any Appointments Clause problem on its own. *Arthrex*, 941 F.3d at 1327; *GoPro*, 2019 WL 6443935, at *12 n.23.
- **If your case is at the Federal Circuit,** you will need to raise any Appointments Clause challenge in your opening brief. The Federal Circuit alluded to this in *Arthrex* and confirmed it in the later *Customedia* and *Sanofi* cases. *Arthrex*, 941 F.3d at 1340 (noting that the court “s[aw] the impact of this case as limited to those cases where final written decisions were issued and where litigants present an Appointments Clause challenge on appeal”); *Customedia*, 941 F.3d 1173; *Customedia*, 941 F.3d 1174; *Sanofi*, 2019 WL 6130471, at *9 n.4. While you might consider filing a Rule 28(f) letter, these cases have held that such a letter is too late.

- If the Federal Circuit recently decided your case, you might seek panel rehearing or en banc rehearing (if within 30 days of a decision) or petition for certiorari at the Supreme Court (if within 90 days of a decision). If the former, remember that the Federal Circuit has rejected Appointments Clause challenges not made in an opening brief, though an en banc Federal Circuit could overrule those decisions (as Judge Newman appears inclined). If the latter, you will want to consider whether the cost of such a petition is worth the possible benefit.
- If the time for appeals and petitions for certiorari have passed, you are likely out of luck.