

2018-2140

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

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**Arthrex, Inc.,**

*Appellant*

v.

**Smith & Nephew, Inc. and ArthroCare Corp.,**

*Appellees*

**United States,**

*Intervenor*

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

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**PATENT OWNER ARTHREX, INC.'S PETITION FOR REHEARING AND  
REHEARING EN BANC**

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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 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.*

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## STATEMENT OF COUNSEL

Based on my professional judgment, I believe this appeal requires answers to the following precedent-setting questions of exceptional importance:

- Whether the Patent and Trademark Office’s delegation of authority to Commissioner Hirshfeld to review final decisions of the Patent Trial and Appeal Board during a vacancy in the Director’s office violates the Federal Vacancies Reform Act.
- Whether 35 U.S.C. § 311(b)’s restriction “only on a ground that could be raised under section 102 or 103” permits IPR challenges that depend solely on compliance with the written description requirement of section 112.

Dated: July 11, 2022

/s/ Anthony P. Cho

Anthony P. Cho

Attorney of Record for Appellant Arthrex, Inc.

**POINTS OF LAW AND FACT OVERLOOKED OR MISAPPREHENDED  
BY THE PANEL BELOW**

The following points of law and fact were overlooked or misapprehended by the panel below:

1. The panel incorrectly construed 5 U.S.C. § 3348(a)(2)(A) to authorize the Patent and Trademark Office to delegate the Director’s authority to Commissioner Hirshfeld in the event of a vacancy, notwithstanding 5 U.S.C. § 3347(a)’s mandate that the Federal Vacancies Reform Act is “the exclusive means for temporarily authorizing an acting official to perform the functions and duties” of a vacant principal office.
2. The Federal Circuit panel improperly construed the language “only on a ground that could be raised under section 102 or 103” as required by 35 U.S.C. § 311(b) to permit challenges that depend solely on the basis of the written description requirement of section 112.
3. The panel’s decision is further in conflict with this Court’s prior decisions in *Samsung Elecs. Am., Inc. v. Prisia Eng’g Corp.*, 948 F.3d 1342 (Fed. Cir. 2020) and *Sarif Biomedical LLC v. Brainlab, Inc.*, 725 Fed. Appx. 996 (Fed. Cir. 2018) (nonprecedential), both of which found that the Board lacks the authority to find unpatentable patent claims for failure to comply with 35 U.S.C. § 112 in an *inter partes* review.

## **COMBINED PETITION FOR REHEARING AND REHEARING EN BANC**

### **I. INTRODUCTION AND STATEMENT OF THE CASE**

The Supreme Court remanded this case so Arthrex could seek review of the Patent Trial and Appeal Board’s decision by a principal officer appointed by the President and confirmed by the Senate. On remand, Arthrex never received that principal officer review. Instead, Arthrex’s petition was denied by Commissioner Hirshfeld, who purported to exercise the Director’s functions during a vacancy in the office.

That action presents an exceptionally important question concerning the scope of the Federal Vacancies Reform Act. The FVRA is “the exclusive means for temporarily authorizing an acting official to perform the functions and duties” of a vacant principal office. 5 U.S.C. § 3347(a). Despite that provision, the panel held that the Patent and Trademark Office could authorize Commissioner Hirshfeld to perform all the Director’s functions during a vacancy simply by promulgating a delegation of authority to that effect.

The panel acknowledged that its interpretation “renders the FVRA’s scope ‘vanishingly small.’” Op. at 12. The panel “f[ou]nd it disquieting that the government views the FVRA as impacting such a ‘very small subset of duties’ and not impacting the PTO at all.” *Id.* at 13. But the panel adopted the government’s interpretation nonetheless. The panel construed the FVRA in a way that drains the

statute of virtually all practical effect and defies clear congressional intent. That decision presents a question of exceptional importance that warrants en banc review.

Turning next to the issue of the scope of *inter partes* review (“IPR”), when an applicant applies for a patent, the application is examined for compliance with four sections of the Patent Act: 35 U.S.C. §101 (patent eligibility), §102 (anticipation), §103 (obviousness), and §112 (written description and enablement). Under the America Invents Act (“AIA”), Congress set up a statutory framework for petitioners to challenge compliance with all four sections in Post-Grant Review (“PGR”) but expressly limited the types of challenges in an *Inter Partes* Review (“IPR”) “**only**” to §§ 102 and 103 grounds. 35 U.S.C. §§ 311(b), 321(b). While PGRs allow a broader range of challenges, they concomitantly require the petitioner to meet a higher threshold of proof for institution and can lead to broader estoppel for future challenges by the petitioner as compared to IPRs.

In this case, Petitioners Smith & Nephew, Inc. and ArthroCare Corp. (together, “S&N”) avoided the higher threshold of proof and broad estoppel accompanying a PGR by stylizing their §112 written description challenge as §102 grounds and then filing this challenge as an IPR. In truth, the entire basis for their petition was §112. For a ground under §§ 102 or 103, a petitioner must identify prior art patents or printed publications that pre-date the effective filing date of the challenged patent. However, S&N did not rely on any such prior art in its Petition



for IPR. Instead, S&N argued that the inventors of the ‘907 Patent did not have possession of the claimed invention throughout its priority chain under the written description requirement of §112. According to S&N, the publication of the earliest patent application in the priority chain of the ‘907 Patent thereby became prior art.

The Board determined that the ‘907 Patent was not entitled to its priority claim and ultimately found the challenged claims of the ‘907 Patent to be unpatentable solely on the basis of this written description challenge. The panel affirmed the Board’s decision.

In so doing, the panel made two mistakes. First, it incorrectly interpreted §311(b) by reading out the word “only.” Second, the panel relied on *In re NTP* to support its view that §112 could form the basis for an IPR challenge despite the express restriction of IPRs to “only” sections 102 and 103 grounds, which is not present in the statute at issue in *NTP*. This result is in conflict with 35 U.S.C. § 311(b) and the Court’s precedent.

## **II. ANALYSIS**

### **A. THE PANEL’S FVRA RULING WARRANTS EN BANC REVIEW**

The Court’s ruling on the Federal Vacancies Reform Act warrants en banc review. The Court’s construction drains the statute of all practical effect and thwarts Congress’s basic objectives in enacting the legislation. Nothing in the statute compels or even supports the panel’s interpretation.

The FVRA is “the exclusive means for temporarily authorizing an acting official to perform the functions and duties” of a vacant principal office. 5 U.S.C. §3347(a). The statute provides three options for an acting officer: (1) the “first assistant” to the office; (2) another principal officer if the President so directs; or (3) another high-level officer or employee in the agency if the President so directs. *Id.* §3345(a)(1)-(3). Commissioner Hirshfeld was none of those things. Rather, the PTO unilaterally selected Commissioner Hirshfeld to stand in for the Director by delegating all of the Director’s powers to him in the event of a vacancy. Agency Organization Order 45-1 §II.D (ECF No. 161-2). The agency thus created its own succession plan that differs from the three options Congress set forth.

The panel held that this delegation did not run afoul of the FVRA because the statute defines “function or duty” to include only functions or duties “required by statute to be performed by the officer (*and only that officer*).” 5 U.S.C. §3348(a)(2)(A) (emphasis added). In the panel’s view, because the PTO Director—like all agency heads—can delegate responsibilities to subordinates, *none* of his responsibilities is required to be performed by “only that officer,” and therefore *none* of his responsibilities is a “function of duty” subject to the FVRA. *Op.* at 15-17.

That holding creates a giant loophole in the statute that renders it all but irrelevant. The panel admitted as much. It acknowledged that its interpretation “renders the FVRA’s scope ‘vanishingly small.’” *Op.* at 12. “Most, and in many

cases all, the responsibilities performed by a [principal] officer will not be exclusive.” *Id.* (quoting *Guidance on Application of Federal Vacancies Reform Act of 1998*, 23 Op. O.L.C. 60, 72 (1999)). The government agreed with that assessment: Across the entire federal bureaucracy, “only ‘a very small subset of duties’ are non-delegable.” *Id.* (quoting government’s argument). And in the government’s view, “the FVRA imposes *no constraints whatsoever* on the PTO because *all* the Director’s duties are delegable.” *Id.* (emphasis added). The panel understandably “f[ou]nd it disquieting that the government views the FVRA as impacting such a ‘very small subset of duties’ and not impacting the PTO at all.” *Id.* at 13.

The panel was right to be “disquiet[ed].” The panel’s interpretation thwarts Congress’s basic objectives in enacting the statute. Before the FVRA, the Justice Department had taken the view that, “where a department’s organic act vests the powers and functions of the department in its head and authorizes that officer to delegate such powers and functions to subordinate officials or employees as she sees fit, such authority supersedes the Vacancies Act’s restrictions on temporarily filling vacant advice and consent positions.” S. Rep. No. 105-250, at 3 (1998). Congress considered that theory “wholly lacking in logic, history, or language” and thought it “undermined” the Senate’s confirmation power. *Id.* at 3, 5. Congress enacted the FVRA to “foreclose[ ]” the Justice Department’s position. *Id.* at 17; *see also* Morton Rosenberg, Cong. Rsch. Serv., *The New Vacancies Act: Congress Acts To Protect*

*the Senate’s Confirmation Prerogative* 9 (Nov. 2, 1998) (statute “expressly negates the DOJ position”); *L.M.-M. v. Cuccinelli*, 442 F. Supp. 3d 1, 34 (D.D.C. 2020).

The panel’s decision now authorizes precisely the practice Congress sought to prohibit. Virtually *all* agencies have general delegation authority, and virtually all functions are subject to that authority. The panel’s decision thus allows every agency in the federal government to make up its own succession plan, without regard to the three statutory options, simply by delegating the agency head’s authority to its preferred successor. That holding thwarts Congress’s intent to prescribe the “*exclusive means* for temporarily authorizing an acting official to perform the functions and duties” of a vacant office. 5 U.S.C. § 3347(a) (emphasis added).

Nothing in the statute compels or even supports the panel’s holding. It is a “cardinal rule” of statutory interpretation that “a statute is to be read as a whole.” *King v. St. Vincent’s Hosp.*, 502 U.S. 215, 221 (1991). A court must “fit, if possible, all parts [of a statute] into an harmonious whole.” *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000). Here, the panel improperly construed Section 3348 in a way that drained Section 3347’s “exclusive means” provision of all practical force.

This is not a case like *Schaghticoke Tribal Nation v. Kempthorne*, 587 F.3d 132 (2d Cir. 2009), in which Congress specifically vested authority over a function in more than one officer. *See id.* at 135 (relevant provision stated that decision could

“be made *either* by the ‘Assistant Secretary—Indian Affairs’ *or* by his or her ‘authorized representative’”). Nor is it a case where Congress vested a function in an officer who then delegated authority over that particular function to another officer in the ordinary course of his duties. Rather, the PTO’s delegation order transfers *all* of the Director’s functions to Commissioner Hirshfeld *only* when there is a vacancy in the office. Agency Organization Order 45-1 §II.D (ECF No. 161-2). In those circumstances, the agency is clearly using its delegation authority to craft a substitute succession plan, contrary to Section 3347’s directive that the FVRA is the “exclusive means” for authorizing temporary appointments.

In any case, the Director’s power to singlehandedly review Board decisions in inter partes reviews is a function “required by statute to be performed by the officer (and only that officer)” even under the panel’s interpretation. 5 U.S.C. § 3348(a)(2)(A). Under the Patent Act, “[o]nly the Patent Trial and Appeal Board may grant rehearings,” and the Board must act in panels of “at least 3 members.” 35 U.S.C. § 6(c). The Supreme Court declared those restrictions unenforceable *only* as applied to the Director: “Section 6(c) cannot constitutionally be enforced to the extent that its requirements prevent *the Director* from reviewing final decisions rendered by APJs.” *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1987 (2021) (emphasis added). For that reason too, the panel’s ruling conflicts with the statute.

Finally, since Commissioner Hirshfeld denied review in this case, the Senate confirmed Katherine Vidal as PTO Director. ECF No. 192 ¶5. The government moved for a remand so the new Director could review the Board’s decision, and neither Arthrex nor Smith & Nephew opposed that motion. *Id.* ¶¶6, 10. On remand, the Director would not have been restricted by the substantial evidence standard that governs this Court’s review, so the Director’s decision could well have been different from what this Court decided. *See Rambus Inc. v. Rea*, 731 F.3d 1248, 1251-52 (Fed. Cir. 2013) (discussing substantial evidence standard). The panel denied the government’s motion anyway. ECF No. 195. The fact that the government *already consented* to the relief that Arthrex seeks is yet another reason why the panel’s decision warrants review.

By its own admission, the panel’s decision “renders the FVRA’s scope ‘vanishingly small.’” Op. at 12. Because the panel has decided an important question of federal law in a way that disregards clear congressional intent, its decision warrants en banc review.

**B. THE PANEL’S DECISION CONFLICTS WITH THE EXPLICIT LANGUAGE OF 35 U.S.C. § 311(B) AND THIS COURT’S PRECEDENT**

*1. The Court Should Consider the Substance of a Ground Over its Form*

In recognition of the plain language of 35 U.S.C. §311(b), S&N styled its grounds of unpatentability as an anticipation ground under §102. However, the entire

challenge rests on the written description requirement of §112 and necessarily falls beyond the scope of an IPR. S&N asked the Board to find claims of the ‘907 Patent unpatentable because the ‘907 Patent was not entitled to its effective filing date, opening up years of additional references that could be used as prior art, including the ‘907 Patent’s own priority chain. This priority analysis has nothing to do with anticipation and everything to do with issues of written description that arise under §112, which the Board and the panel even acknowledged. Appx15-16 (“the priority dispute is circumscribed to a single issue: it focuses solely on [a limitation of the challenged claims] and solely on the written description requirement of 35 U.S.C. § 112”); Op. at 26 (“the Board needed to determine whether the [parent] application satisfied the written description requirement”).<sup>1</sup> The panel’s conclusion that “S&N complied with §311(b) by asserting invalidity grounds under § 102” cannot be reconciled with this fact. Op. at 26.

One must look beyond the form of S&N’s ground and reach its substance—which is outside the statutory scope of IPR. *McCarthy v. MSPB*, 809 F.3d 1365, 1370 (Fed. Cir. 2016) (considering form over substance of decision made by agency in determining that the decision was a reviewable final order under the relevant

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<sup>1</sup> The panel incorrectly found that the Board needed to perform the priority analysis because Arthrex argued that the parent patent was not prior art. In reality, S&N’s petition asked the Board to perform the priority analysis, and Arthrex argued that the parent patent was not prior art in response to S&N’s petition. Appx74-100.

statutes); *O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC*, 955 F.3d 990, 993 (Fed. Cir. 2020) (acknowledging that substance should be prioritized over form in prevailing party analysis for award of attorney’s fees). Prioritizing the form of the ground as the panel did leaves open all continuation and continuation-in-part applications vulnerable to the same sort of attack in an IPR, without subjecting petitioners to the higher threshold of proof and broader estoppel provisions for PGRs that were intended by Congress. *See, e.g., Michele C. Bosch et al., Double the Trouble: Lack of Priority Opens the Door to Unpatentability in an IPR Proceeding* (July 11, 2019), available at <https://www.finnegan.com/en/insights/blogs/prosecution-first/double-the-trouble-lack-of-priority-opens-the-door-to-unpatentability-in-an-ipr-proceeding.html>. Any petitioner wishing to avoid a patent that happens to be a continuation or continuation-in-part need not even find prior art that pre-dates the effective filing date of the patent but may instead rely on a published application in the patent’s priority chain as prior art (as S&N did here).

2. *The Correct Construction of 35 U.S.C. § 311(b) Prohibits the Board From Finding Claims Unpatentable Based on §112*

For questions of statutory construction, the Court must begin with the language of the statute at hand. *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980). “Unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.” *Id.* (internal quotation marks and citations



omitted). In this case, the relevant statute provides that an IPR is available “**only** on a ground that could be raised under section 102 or 103.” 35 U.S.C. §311(b) (**emphasis added**). The operative word is “only,” and there is no alternative definition in the Patent Act. The meaning is clear: the Board cannot find claims of a patent to be unpatentable on grounds other than those arising under §§ 102 or 103.

The panel’s decision does not apply the plain meaning of “only” and indeed can only be interpreted as reading the word “only” out of the statute entirely. Under the panel’s decision, IPR is not limited to “only” grounds under §§ 102 and 103 but is expanded to cover §112. This cannot be the correct result. *Reiter v. Sonotone Corp.*, 442 U.S. 330, 339 (1979) (“In construing a statute we are obliged to give effect, if possible, to every word Congress used.”).

Moreover, it is evident from the statutory scheme that Congress knew patents could be challenged in ways other than grounds under §§ 102 and 103, yet deliberately excluded those other ways from IPR. There is another type of proceeding, post-grant review (PGR), created contemporaneously with IPR, that allows the Board to consider §112 challenges, which would include priority issues. 35 U.S.C. §321(b); *see also* Arthrex’s Opening Brief at 56-57. For these fact-intensive issues, Congress both limited the time period for when such challenges could be raised and increased the threshold of proof that must be met by petitioners to have a PGR instituted (as compared to an IPR). 35 U.S.C. §314(a) (Director may

institute IPR when there is a “reasonable likelihood that the petitioner would prevail”); *compare* §324(a) (Director may institute PGR when “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”). PGRs also carry a broader scope of estoppel than IPRs because of the broader range of challenges available. 35 U.S.C. §315(e); *compare* §325(e).

The panel overlooked this statutory design, thereby enabling challenges under §112 in an IPR without the burden of proof and estoppel imposed by PGR. This decision leaves open the door to priority challenges for every single patent that has an intervening publication, whether a continuation-in-part or a continuation. Why would petitioners file a PGR challenging written description with its added burdens and estoppel provisions when they can file an IPR challenging priority and enjoy a lower burden of proof and a more limited estoppel?

The panel’s reliance on *In re NTP, Inc.*, 654 F.3d 1268 (Fed. Cir. 2011), a case holding that §112 may be examined to determine priority under the reexamination statute, is misplaced. *Op.* at 26. Conspicuously missing from the reexamination statute is the restriction to “only” §§ 102 and 103 grounds present in 35 U.S.C. § 311(b). The reexamination statute is broader by virtue of the exclusion of that word. *Op.* at n. 8 (citing 35 U.S.C. §§ 301, 302). Again, the panel cannot simply ignore Congress’ express statutory limitation. *Reiter*, 442 U.S. at 339. This

Court’s analysis of the reexamination statute in *NTP* is therefore inapplicable to §311(b).

The Government contends that the language “only on the basis of prior art consisting of patents or printed publications” in §311(b) supports §112 review in an IPR. Government’s Opening Brief at 16. According to the Government, to determine whether a patent or printed publication is prior art, a patent application claiming priority must necessarily be examined under 35 U.S.C. §120, which requires compliance with §112(a). *Id.* (citing 35 U.S.C. §120). Thus, by implication, §112 can form the basis of an IPR challenge. *Id.* Even if the government were correct that such an implication could be drawn from the statutory language, it cannot override the express limitation of “only” on §§ 102 or 103. *Fedorenko v. United States*, 449 U.S. 490, 513 (1981) (rejecting construction of a statute that introduced a “voluntariness” aspect because it contravened its plain language and because “Congress was perfectly capable of adopting a ‘voluntariness’ limitation where it felt that one was necessary”) (citing *Detroit Trust Co. v. The Thomas Barlum*, 293 U.S. 21, 38 (1934) (“We are not at liberty to imply a condition which is opposed to the explicit terms of the statute. . . . To [so] hold . . . is not to construe the Act but to amend it.”)).

Nor should any implication override the statutory framework created by Congress, which directed §112 challenges to PGRs with their accompanying

statutory obligations and limitations. *Id.*; see also *Salinas v. United States*, 522 U.S. 52, 58 (1997) (rejecting construction that “cannot stand” when viewed in light of the statutory framework).

Reasons of practicality do not support ignoring Congress’ intention. If there is a question of priority, parties can still raise this challenge in a PGR or in an Article III court.

### 3. *The Panel’s Decision Conflicts with This Court’s Precedent*

Aside from the incorrect construction of §311(b), the panel’s decision conflicts with the decisions of other panels in *Sarif Biomedical LLC v. Brainlab, Inc.*, 725 Fed. Appx. 996 (Fed. Cir. 2018) and *Samsung Elecs. Am., Inc. v. Prisia Eng’g Corp.*, 948 F.3d 1342 (Fed. Cir. 2020).<sup>2</sup> Both panels determined that the Board acts outside its statutory limits if it institutes an IPR where §112 issues arise during claim construction (there, “indefiniteness”) that would require cancellation of the challenged claims. *Samsung*, 948 F.3d at 1350 (citing *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141-42 (2016), which notes that the Patent Office would be acting “outside its statutory limits” by “canceling a patent claim for ‘indefiniteness under § 112’ in inter partes review”)); *Sarif*, 725 Fed. Appx. at 1000.

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<sup>2</sup> *Sarif* is a nonprecedential decision that Arthrex brought to the Court’s attention in its Opening Brief. Arthrex’s Opening Brief at 55-56. The panel did not address *Sarif* in its Opinion. The Court decided *Samsung* two years later, while this Court and the Supreme Court were considering other issues in this case. *Samsung* is a precedential decision that addresses the same issue as *Sarif*.

This case is no different from *Samsung* and *Sarif*. Each of these cases involved a §112 issue arising during the course of an IPR. In *Samsung* and *Sarif*, the issue arose during claim construction, while here, the issue arose in determining priority. Yet, previous panels found it was proper for the Board to decline the dispositive issue of §112 in *Samsung* and *Sarif* for claim construction analysis while the panel in this case found it was permissible for the Board to proceed on the dispositive issue of §112 for priority analysis.

### **III. CONCLUSION**

For the foregoing reasons, Arthrex requests this Court grant its Petition for Rehearing and/or Rehearing *En Banc*.

CARLSON, GASKEY & OLDS, P.C.

Dated: July 11, 2022

/s/ Anthony P. Cho  
Anthony P. Cho  
CARLSON, GASKEY & OLDS, P.C.  
*Attorneys for Appellant, Arthrex, Inc.*

**CERTIFICATE OF COMPLIANCE WITH RULE 32 AND 35**

I, Anthony P. Cho, counsel for Appellant, certify that the foregoing Brief complies with the type-volume limitation set forth in Fed. R. App. P. 35(b)(2).

Specifically, this Brief contains 3,765 words (excluding the parts of the Brief exempted by Fed. Cir. R. 32(b)(2)) as determined by the word count feature of the word processing program used to create this brief.

I further certify that the foregoing brief complies with the paper, typeface, and type style requirements set forth in Fed. R. App. P. 32(a)(4)-(6) Specifically, this brief has been prepared using a proportionally spaced typeface using Microsoft Word 2020, in 14-point Times New Roman font.

CARLSON, GASKEY & OLDS, P.C.

Dated: July 11, 2022

/s/ Anthony P. Cho  
\_\_\_\_\_  
Anthony P. Cho  
CARLSON, GASKEY & OLDS, P.C.  
*Attorneys for Appellant, Arthrex, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on July 11, 2022, I electronically filed the foregoing document using the Court's CM/ECF system, which sent notification of such filing to all counsel of record as follows:

Charles T. Steenburg  
Michael N. Rader  
Nathan R. Speed  
Richard F. Giunta  
Turhan F. Sarwar  
WOLF GREENFIELD & SACKS, P.C.  
600 Atlantic Avenue  
Boston, MA 02210

Mark J. Gorman  
Smith & Nephew, Inc.  
7135 Goodlett Farms Parkway  
Cordova, TN 38013

Joshua March Salzman  
Brian M. Boynton  
Katherine Twomey Allen  
Scott R. McIntosh  
Courtney Dixon  
Joseph H. Hunt  
Department of Justice, Civil Division

Thomas W. Krause, Solicitor  
Farheena Y. Rasheed, Deputy Solicitor  
Sarah E. Craven, Associate Solicitor  
Molly R. Silfen, Associate Solicitor  
Daniel Kazhdan, Attorney  
United States Patent and Trademark Office

Charles R. Macedo  
David P. Goldberg  
Amster Rothstein & Ebenstein LLP  
90 Park Avenue  
New York, NY 10016

Robert Joseph Rando, Esq.  
The Rando Law Firm P.C.  
6800 Jericho Turnpike, Suite 120W  
Syosset, NY 11791

Ksenia Takhistova  
Hunton Andrews Kurth LLP  
200 Park Avenue  
New York, NY 10166

Matthew S. Hellman  
Yusuf Esat  
Jenner & Block LLP  
353 North Clark Street  
Chicago, IL 60654

Jeffrey Francer  
The Association for Accessible Medicines  
Suite 850 601 New Jersey Avenue, NW  
Washington, DC 20001

Dated: July 11, 2022

/s/ Jessica Fleetham  
Jessica Fleetham



# **ADDENDUM**