United States Court of Appeals for the Federal Circuit

ARTHREX, INC.,
Appellant

v.

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

UNITED STATES,
Intervenor

2018-2140

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

Decided: May 27, 2022

ANTHONY P. CHO, Carlson, Gaskey & Olds, PC, Birmingham, MI, argued for appellant. Also represented by DAVID LOUIS ATALLAH, JESSICA E. FLEETHAM, DAVID J. GASKEY. Also argued by ROBERT KRY, MoloLamken LLP, Washington, DC. Also represented by JEFFREY A. LAMKEN; JORDAN RICE, Chicago, IL; TREVOR ARNOLD, JOHN W. SCHMIEDING, Arthrex, Inc., Naples, FL.

CHARLES T. STEENBURG, Wolf, Greenfield & Sacks,

P.C., Boston, MA, argued for appellees. Also represented by RICHARD GIUNTA, TURHAN SARWAR, NATHAN R. SPEED; MICHAEL N. RADER, New York, NY; MARK J. GORMAN, Smith & Nephew, Inc., Cordova, TN.

JOSHUA MARC SALZMAN, Appellate Staff, Civil Division, United States Department of Justice, Washington, DC, argued for intervenor. Also represented by BRIAN M. BOYNTON, COURTNEY DIXON, SCOTT R. MCINTOSH; SARAH E. CRAVEN, DANIEL KAZHDAN, THOMAS W. KRAUSE, FARHEENA YASMEEN RASHEED, MOLLY R. SILFEN, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA.

Before MOORE, *Chief Judge*, REYNA and CHEN, *Circuit Judges*.

MOORE, *Chief Judge*.

Arthrex, Inc. appeals a Patent Trial and Appeal Board final written decision finding claims 1, 4, 8, 10–12, 16, 18, and 25–28 of U.S. Patent No. 9,179,907 unpatentable as anticipated. It also challenges a decision by the Commissioner for Patents denying Arthrex's request for the Director of the Patent and Trademark Office (PTO) to review the Board's decision and grant rehearing. We affirm.

BACKGROUND

In 2015, Arthrex sued Smith & Nephew, Inc. and ArthroCare Corp. (collectively, S&N) in the United States District Court for the Eastern District of Texas, alleging infringement of the '907 patent. Shortly before trial, S&N petitioned the Board for *inter partes* review (IPR), arguing certain claims of the '907 patent were anticipated. The Board instituted IPR and ultimately found that prior art anticipated claims 1, 4, 8, 10–12, 16, 18, and 25–28. *Smith & Nephew, Inc. v. Arthrex, Inc.*, IPR2017-00275, 2018 WL 2084866, at *1 (P.T.A.B. May 2, 2018).

Arthrex appealed. It primarily challenged the Board's decision on the merits, but it also argued that the Board lacked constitutional authority to issue the agency's final decision. Arthrex reasoned that the Board could not issue final decisions because its Administrative Patent Judges (APJs) were not nominated by the President and confirmed by the Senate, as the Appointments Clause requires for principal officers. We agreed with Arthrex's constitutional challenge and held that the appropriate remedy was to (1) sever the statutory limitations on the removal of APJs and (2) remand for rehearing by a new panel of APJs. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1338, 1340 (Fed. Cir. 2019). We did not reach the merits of the Board's decision.

The Supreme Court vacated and remanded. *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021) (*Arthrex*). It agreed that because APJs are appointed by the Secretary of Commerce, rather than the President with the advice and consent of the Senate, they could not issue any "final decision binding the Executive Branch." *Id.* at 1985. The Court held, however, that the appropriate remedy was to (1) exempt the Director from 35 U.S.C. § 6(c), which precludes anyone but the Board from granting rehearing of a Board decision, and (2) "remand to the Acting Director for him to decide whether to rehear" the case. *Id.* at 1987.

On remand, Arthrex requested "rehearing by the Director." *Smith & Nephew, Inc. v. Arthrex, Inc.*, IPR2017-00275, Paper 39 at 1 (P.T.A.B. Aug. 27, 2021). The office of the Director was, however, vacant. As was the office of Deputy Director, which is "vested with the authority to act in the capacity of the Director in the event of [his] absence or incapacity." 35 U.S.C. § 3(b)(1). The responsibility of addressing Arthrex's request thus fell to the Commissioner under a standing directive known as Agency Organization Order 45-1. That order states, "If both the [Director] and the Deputy [Director] positions are vacant, the Commissioner for Patents . . . will perform the non-exclusive

functions and duties of the [Director]."[1] U.S. Patent & Trademark Off., U.S. Dep't of Commerce, Agency Organization Order 45-1, at II.D (Nov. 7, 2016) (AOO 45-1). The Commissioner then denied rehearing and ordered that the Board's decision "is the final decision of the agency." *Smith & Nephew, Inc. v. Arthrex, Inc.*, IPR2017-00275, Paper 40 at 2 (P.T.A.B. Oct. 15, 2021).

Arthrex appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

I

We first address Arthrex's challenge to the Commissioner's order denying rehearing. Arthrex argues it "never got the remedy the Supreme Court ordered" because "[n]o presidentially appointed, Senate-confirmed principal officer decided Arthrex's petition" for rehearing. Appellant's Supp. Br. 1. Specifically, it argues the Commissioner's exercise of the Director's authority to decide rehearing petitions violated (1) the Appointments Clause, U.S. Const., art. II, § 2, cl. 2; (2) the Federal Vacancies Reform Act (FVRA), 5 U.S.C. § 3345 *et seq.*; and (3) the Constitution's separation of powers, U.S. Const., art. II, § 3. We do not agree.

A

The Appointments Clause requires all "Officers of the United States" to be appointed by the President with the advice and consent of the Senate. U.S. Const., art. II, § 2,

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[1] The order refers to the Director and Deputy Director by their alternate titles of "Under Secretary of Commerce for Intellectual Property" and "Deputy Under Secretary of Commerce for Intellectual Property," respectively. For clarity, we use the titles of Director and Deputy Director.

cl. 2. For "inferior Officers," however, the Appointments Clause authorizes Congress to dispense with joint appointment and vest appointment power "in the President alone, in the Courts of Law, or in the Heads of Departments." *Id.* Congress did just that with the Commissioner for Patents, empowering the Secretary of Commerce to unilaterally appoint him. 35 U.S.C. § 3(b)(2)(A).

Because the Commissioner for Patents is not a Presidentially appointed, Senate-confirmed (PAS) officer, he ordinarily may not "issue a final decision binding the Executive Branch." *Arthrex*, 141 S. Ct. at 1985. Arthrex argues the Commissioner violated this principle when he denied Arthrex's rehearing request and stamped the Board's decision as "the final decision of the agency." *Smith & Nephew*, IPR2017-00275, Paper 40 at 2.

1

Although an inferior officer generally cannot issue a final agency decision, he may perform the functions and duties of an absent PAS officer on a temporary, acting basis. *United States v. Eaton* is instructive. 169 U.S. 331 (1898). After falling ill, the consul general to Siam, Sempronius Boyd, a PAS officer, unilaterally appointed Lewis Eaton, then a missionary, to the position of vice consul general. *Id.* at 331–32. Mr. Boyd then took a leave of absence, returning to his home in Missouri, where he later died. *Id.* at 332–33. In the period between Mr. Boyd's departure and his replacement's arrival, Mr. Eaton was required by law to "temporarily . . . fill the place[ ] of consul[ ] general," which he did. *Id.* at 336 (quoting Revised Statutes § 1674). The government, however, refused to pay Mr. Eaton for his services. It argued that Congress violated the Appointments Clause by authorizing the President to promulgate the consular regulations Mr. Boyd invoked to appoint Mr. Eaton. *See id.* at 343.

The Supreme Court rejected that argument. It held that an inferior officer "charged with the performance of

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