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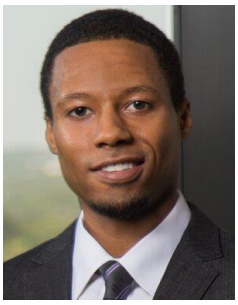
# USPTO Director Review Is A Rare Remedy After Arthrex

By **Kenneth Darby and Joshua Griswold** (March 31, 2022, 4:37 PM EDT)



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On June 21, 2021, the U.S. Supreme Court decided the highly anticipated U.S. v. Arthrex Inc. case.[1] A 5-4 majority concluded that the America Invents Act grants "unreviewable authority" within the executive branch to administrative patent judges "incompatible with their status as inferior officers" under the appointments clause of the U.S. Constitution.[2]

The court then decided in a 7-2 split to cure the constitutional violation by rendering that part of the AIA, Title 35 of the U.S. Code, Section 6, "unenforceable as applied to the Director insofar as it prevents the Director from reviewing the decisions of the PTAB on his own," such that "[t]he Director may engage in such review and reach his own decision."[3] Thus, AIA trials at the Patent Trial and Appeal Board were preserved, and the new age of director review began.

Director review has not been a panacea for parties facing adverse final written decisions from the board. The acting director has used the power to review and vacate decisions sparingly, granting just three party requests and denying well over a hundred others. While it is still too early to spot a trend, all three granted requests for director review involved cases where the board made an incontrovertible legal error.

**The Contours of Director Review**

On June 29, 2021 and July 1, 2021, just days after the Supreme Court decided Arthrex, the PTAB issued guidance on its "implementation of an interim Director review process" and conducted a webinar regarding the same.[4] Under the interim process, the director may conduct a review addressing any issue of law or fact raised by the board's final written decision.

The director's de novo review yields no deference to the board's decision, a notable distinction from the rehearing procedure, which is limited to issues "the Board misapprehended or overlooked."[5]

Where director review ostensibly provides a more expansive fresh look, though, it is comparatively limited in its scope of application. Unlike rehearing, director review is not available for non-final decisions or institution decisions in post-grant proceedings.

The director's review of a final written decision may be initiated sua sponte or on request by a party free

of charge. Party requests are evaluated by a director-appointed committee, which will advise on whether final written decisions merit review. The ultimate decision to grant or deny review is solely the director's. While its composition is not disclosed, the board's Arthrex Q&As webpage suggests the advisory committee is comprised of administrative patent judges and members of various other business units within the Patent Office.[6]

"[T]here is no exclusive criteria" for the committee's evaluation, and the long list of exemplary topics includes "material errors of fact or law, matters that the Board misapprehended or overlooked, novel issues of law or policy, issues on which Board panel decisions are split, issues of particular importance to the Office or patent community, or inconsistencies with Office procedures, guidance, or decisions."[7] As discussed below, however, current outcomes have yet to match the breadth of these examples.

Similar to the procedures for rehearing, a party request for director review:

- Is limited to 15 pages;
- Must be filed within 30 days of the final written decision; and
- If timely, resets the 63-day deadline for filing a notice of appeal.[8]

Likewise, as with rehearing, the interim procedures do not reserve briefing for the nonrequesting party.

A party cannot request both director review and panel rehearing of a final written decision, neither in parallel nor in series.[9] But if a panel grants rehearing, a party may request review of the rehearing decision.[10] Similarly, a new final written decision issued on remand from the director is eligible for another round of director review.[11]

**Analysis of Director Review Orders**

Thus far, before Andrew Hirshfeld[12], commissioner for patents, performing the functions and duties of the director, the pendency of director review requests has been nearly two months — approximate mean of 57 days and median of 52 days — significantly longer than the board's one-month target for rehearing requests.[13]

As for case outcomes, early results suggest an uphill climb for requesting parties. The authors have identified nearly 150 denied requests for director review, and just three requests favorably decided on the merits—a success rate of roughly 2%.[14]

In cases where Hirshfeld denied review, the published decision took the form of a concise general order, bereft of substantive analysis, and resembling a Rule 36 affirmance in the U.S. Court of Appeals for the Federal Circuit. Like many requesting parties, Arthrex itself was told in a one-page order four months after the Supreme Court's ruling that its "request for Director review is denied" and "the Patent Trial and Appeal board's Final Written Decision is the final decision of the agency."[15]

Parties may view these terse denials as a gift or a curse, depending on their circumstances. For a party planning to pursue a Federal Circuit appeal, the current format is favorable because a failed request for Director review does not substantively contribute to the appellate record. In rehearing, by comparison, the likely result of an unsuccessful party request is another adverse decision bolstering the board's original analysis. Such a decision may complicate the requesting party's case on appeal. On the other hand, a party with no plans to appeal may be dissatisfied with the lack of articulated reasoning in an order rejecting director review.

As for the three granted director review requests, each is summarized briefly below.

***Ascend Performance Materials Operations v. Samsung SDI***

In the Nov. 1, 2021, Ascend Performance Materials Operations LLC v. Samsung SDI Co. Ltd. case, the patent owner requested director review following the board's final written decision finding all challenged claims anticipated or obvious over the prior art.[16] The request for director review raised the following four alleged bases for relief:

1. The board did not independently assess whether species-dependent claims found support in the challenged patent's provisional application when addressing the prior art status of an otherwise anticipatory reference.

2. The board fashioned a new single-reference obviousness ground from the multi-reference combination advanced in the petition.

3. The board overlooked and failed to account for intrinsic evidence of unexpected results in its obviousness analysis.

4. The board overlooked patent owner's arguments against the petition's proposed motivation to combine two prior art references.

Hirshfeld granted director review only "as to [the] Patent Owner's first argument because 'patent claims are awarded priority on a claim-by-claim basis based on the disclosure in the priority applications.'"[17] Additionally, "[d]irector review [was] denied as to [the] Patent Owner's second through fourth arguments."[18]

***Proppant Express Investments v. Oren Technologies***

In the Sept. 17, 2021, Proppant Express Investments LLC v. Oren Technologies LLC case, the patent owner requested director review "because the Board's error in these proceedings has already been identified by the Federal Circuit."[19]

Specifically, the board's analysis in this case regarding patent owner's secondary considerations was virtually identical to a related case where the court found legal error and vacated the final written decision because "the Board did not contend with and weigh any of the evidence potentially showing ... commercial success and [industry] praise."[20]

Hirshfeld agreed that the board's analysis was "substantially similar" and "grant[ed] Director review for the Board to address Patent Owner's objective evidence of nonobviousness" consistent with the Court's guidance.[21]

***Apple Inc. v. Personalized Media Communications LLC***

Similar to the above-discussed Oren Technologies case, the patent owner in the March 3, 2022, Apple Inc. v. Personalized Media Communications LLC case requested director review on the sole basis of "intervening precedent from the Federal Circuit that is irreconcilable with the Board's determination."[22]

Here, the issue was claim construction. In a prior case involving a related patent with "the same inventors and the same specification," the Federal Circuit overturned the Board's construction of a key claim term.[23]

Because the board's construction in the present cases was "substantially similar" to the overturned construction, Hirshfeld granted director review and remanded to the board for further consideration "in light of the Federal Circuit's decision."[24]

**Conclusion**

While perhaps short of a trend, the three requests favorably considered by Hirshfeld are bound by a common thread: incontrovertible legal errors, confirmed by either recent Federal Circuit decisions involving related patents or black letter law. Thus far, director review is shaping up to be a rarely and conservatively granted remedy, even more so than reversal or remand at the Federal Circuit.

Indeed, we have already observed divergent outcomes.[25] And maybe this divergence is by design. Where appellate review is about ensuring the correct application of the law, the Supreme Court explained in Arthrex that director review is about preserving the "political accountability and effective oversight"[26] required by the appointments clause of the Constitution.

In other words, the practical role of director review might be one of quality control — i.e., avoiding demonstrably unfair and inconsistent results — that reserves a second look at the legal merits for the Federal Circuit. Regardless, the apparent downward trend in monthly filing counts suggests director review is a decreasingly popular choice by parties saddled with adverse final written decisions.[27]

The current director review procedures are temporary and may change in the future. A new director — Kathi Vidal — is expected to assume the role in 2022 and may opt for a significantly different approach. The director nominee said she "will engage with stakeholders and interested members of Congress to develop and formalize the Director review process."[28]

As the first anniversary of Arthrex approaches, all we can say with certainty is that it is too early to reach definitive conclusions regarding director review.

*Correction: A previous version of this article misstated the date of the Apple v. Personalized Media Communications decision. The error has been corrected.*

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[1] See United States v. Arthrex, Inc., 141 S. Ct. 1970 (2021).

[2] Id. at 1976.

[3] Id.

[4] See USPTO implementation of an interim Director review process following Arthrex (https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/uspto-implementation-interim-director-review?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term); and Learn about the interim Director review process following U.S. v. Arthrex, Inc. (https://www.uspto.gov/about-us/events/learn-about-interim-director-review-process-following-us-v-arthrex-inc).

[5] 37 C.F.R. § 42.71(d).

[6] Arthrex Q&As (https://www.uspto.gov/patents/patent-trial-and-appeal-board/procedures/arthrex-qas) at D1.

[7] Id. at D2.

[8] Id. at A2, A8, B1.

[9] Id. at A3.

[10] Id.

[11] Patent Trial and Appeal Board Boardside Chat: Arthrex and the interim procedure for Director review (https://www.uspto.gov/sites/default/files/documents/20210701-PTAB-BoardsideChat-Arthrexfinal.pdf) at p.16.

[12] At least two parties have lodged arguments at the Federal Circuit contending that Commissioner Hirshfeld lacks authority to conduct Director reviews. See Arthrex, Inc. v. Smith & Nephew, Inc., Case No. 18-2140; VirnetX Inc. v. Mangrove Partners Master Fund, Case No. 20-2271.

[13] Some studies have suggested that the pendency of rehearing requests is closer to two months.

[14] Research conducted via PTAB Open Data (https://developer.uspto.gov/ptab-web/#/search/documents) using filters under the "Documents" tab for (i) AIA trial orders issued after June 21, 2021 with "Director Review" in the document heading; and (ii) AIA Trial exhibits filed after June 21, 2021 with "Director Review" in the document heading.

[15] Smith & Nephew, Inc., et al. v. Arthrex, Inc., IPR2017-00275, Paper 40 at 2 (Oct. 15, 2021).

[16] Ascend Performance Materials Operations LLC v. Samsung SDI Co., Ltd., IPR2020-00349, Paper 54 at 3-15 (Aug. 14, 2021); id., Paper 57 at 2 (Nov. 1, 2021).

[17] Id., Paper 57 at 2-3 (quoting Lucent Techs., Inc. v. Gateway, Inc., 543 F.3d 710, 718 (Fed. Cir. 2008)).

[18] Id. at 3.

[19] Proppant Express Investments, LLC, et al. v. Oren Technologies, LLC, IPR2018-00733, Paper 94 at 1 (Sep. 17, 2021).

[20] Id. at 1-2; see also Oren Techs., LLC v. Proppant Express Invs. LLC, No. 2019-1778, 2021 U.S. App. LEXIS 21859, at *19 (Fed. Cir. July 23, 2021).

[21] Proppant Express Investments, LLC, et al. v. Oren Technologies, LLC, IPR2018-00733, Paper 95 at 1 (Nov. 18, 2021). Paper 95 at 3 (Nov. 18, 2021).

[22] Apple Inc. v. Personalized Media Communications, LLC, IPR2016-00754, Paper 48 at 1 (Dec. 8, 2021).

[23] Id. at 1-2 (citing Personalized Media Communications, LLC v. Apple Inc., 952 F.3d 1336, 1339 (Fed. Cir. 2020)).

[24] Apple Inc. v. Personalized Media Communications, LLC, IPR2016-00754, Paper 50 at 3 (Mar. 3, 2022).

[25] Compare Baker Hughes Holdings, LLC v. Liquidpower Specialty Products Inc., IPR2016-01905, Paper 88 (Oct. 29, 2021) (denying Director review) with Liquidpower Specialty Prods. v. Baker Hughes, 810 F. App'x 905, 906 (Fed. Cir. 2020) (vacating and remanding).

[26] E.g., Arthrex, 141 S. Ct. at 1984 ("And higher-level agency reconsideration by the agency head is the standard way to maintain political accountability and effective oversight for adjudication that takes place outside the confines of §557(b)." (quotes omitted)).

[27] See Note 14.

[28] Questions for the Record for Ms. Kathi Vidal Nominee for U.S. Patent and Trademark Office Director, p.19.