MAJOR US PATENT LAW DECISIONS OF 2021

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TODAY'S AGENDA

- *United States v. Arthrex* (U.S.): PTAB judges appointment
- *Minerva Surgical v. Hologic* (U.S.): Assignor estoppel

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ARTHREX – APPOINTMENT OF APJ

- Supreme Court case that was decided this June
- Key issue: Whether the authority of PTAB to issue patent review decisions on behalf of the Executive Branch is consistent with the Appointments Clause
- Result: Constitutional violation found, while the practical effects were limited

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ARTHREX – BACKGROUND

- Arthrex (patent owner) develops medical devices and procedures for orthopedic surgery
  - In connection with that development, obtains the ’907 Patent in 2015
- Arthrex files a patent infringement lawsuit against Smith & Nephew and ArthroCare (collectively, Smith & Nephew)
- Smith & Nephew files IPRs with the USPTO
- PTAB panel, formed by 3 APJs, finds that the patent lacks novelty and the ’907 Patent gets cancelled

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ARTHREX – BACKGROUND

- Arthrex appeals the PTAB decision to the Federal Circuit
  - Argues, for the first time, that the PTAB panel (comprising 3 APJs) was unconstitutional
  - Arthrex argued that the APJs were principal officers and therefore that their appointment without the Senate's approval was unconstitutional
  - Smith & Nephew disagreed, arguing that the APJs were properly appointed
  - The Government also stepped in to defend the appointment procedure

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ARTHREX – BACKGROUND

- The Federal Circuit agreed with Arthrex that APJs were principal officers
  - Because neither the Secretary of Commerce nor the Director of the USPTO has the authority to review their decisions or to remove the APJs without limitation
- As such, the Federal Circuit ruled that the APJs' appointments were unconstitutional
  - To fix this constitutional violation, the Federal Circuit invalidated the tenure protections for APJs, making APJs removable at will by the Secretary
- The parties appealed, and the Supreme Court granted review

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ARTHREX – RELEVANT LAW

- The Appointments Clause
  - "[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 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." Art. II, §2, cl. 2

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ARTHREX – RELEVANT LAW

- Issue: Is an APJ a principal officer or an inferior officer?
  - Principle officer: Only the President can appoint with the Senate approval
  - Inferior officer: The President or another principal officer alone can appoint, but needs to be supervised by the President or a principal officer appointed by the President with the Senate's approval
- Another issue: If inferior officer, is an APJ properly supervised by the Secretary or the Director, who is appointed by the President?
  - Under the current patent law, APJs are appointed by the USPTO Director without the Senate's approval
  - PTAB/APJs patent review decisions are not subject to review by the Secretary or the Director

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ARTHREX – DECISION

- Majority: Written by Chief Justice Roberts
  - Majority (only for 2 of the 3 Parts he wrote)
    - Parts I and II (majority): APJs are inferior officers, but their final decisions from IPR are not subject to review by the Secretary or the Director
    - That is a constitutional violation
    - Part III (plurality, non-majority) addressed an interim review process by the director (how to fix the current constitutional violation)
- Other opinions:
  - Justice Gorsuch: Agreeing with the results reached in Parts I and II, but disagreeing with Part III
  - Justice Thomas: Disagreeing with Parts I and II (i.e., no violation)
  - Justice Breyer: In key parts, agreeing with Justice Thomas and providing additional reasoning

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ARTHREX – DECISION

- Majority, Parts I and II:
  - Key points:
    - Congress provided under the current law that APJs are appointed as inferior officer, not requiring the President's appointment
    - Consistent with precedents, held that an inferior officer's significant responsibility such as deciding patent's validity must be directed and supervised at some level by a principal officer appointed by the President with the advice and consent of the Senate
    - Because the PTAB IPR decisions issued by the APJs are not subject to review by the President, Secretary, or Director, APJs (who are not appointed with the Senate's approval) exercise power that conflicts with the design of the Appointments Clause
    - Result: Constitutional violation

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ARTHREX – DECISION

- Plurality, Non-majority, Part III
  - Key points:
    - Re-wrote the AIA to read that the PTAB's (APJs) IPR decisions are reviewable by the Director
    - Holding unenforceable the part of the statute, namely 35 U. S. C. §6(c), that prevents
      the Director from reviewing the decisions of the PTAB
    - The case is remanded to the Acting Director for him to decide whether to rehear the petition for review
    - "To be clear, the Director need not review every decision of the PTAB. What matters is that the Director have the discretion to review decisions rendered by APJs

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ARTHREX – USPTO RESPONDS TO THE DECISION

- PTAB decisions are now reviewable by the Director
- On June 29, USPTO implemented an interim procedure whereby review of a PTAB final written decision in an inter partes, post-grant, or covered business method review may be initiated sua sponte by the Director or requested by a party to a PTAB proceeding
- 30 days of the entry of a final written decision or decision on rehearing by a PTAB panel
- Party may request either the Director review or a rehearing by the original PTAB panel
- Keep in mind that, if a party asks for a Director review, that party will not be able to ask the PTAB panel for a rehearing

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MINERVA – ASSIGNEE ESTOPPEL

- Supreme Court case that was decided this June
- Key issue: Is assignor estoppel still good law?
- Result: Assignor estoppel still continues to be available, but now with further clarification

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MINERVA – BACKGROUND

- Technology: Device to treat abnormal uterine bleeding using an applicator head to destroy targeted cells in the uterine lining with water permeable material
  - In 1990s, Truckai founded Novacept and developed the NovaSure System
  - Truckai filed a patent application on the NovaSure System and assigned all interest to Novacept
  - In 2004, Truckai sold Novacept (including the patent application) to another company
  - In 2007, Hologic purchased NovaSure System and all rights to that system

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MINERVA – BACKGROUND

- In 2008, Truckai founded a new company, Minerva Surgical
  - Developed a new system using a different approach (non-water permeable) to using an applicator head to destroy targeted cells in the uterine lining
- In 2013, aware of Truckai's new company and its device, Hologic filed a continuation application
  - Prosecuted claims that cover the use of applicator heads generally
  - Broadly covers both water permeable and non-water permeable devices
  - By 2015, new patent issued

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MINERVA – BACKGROUND

- Hologic sued Minerva for patent infringement with the newly issued patent
  - Minerva asserted that the new patent is invalid
    - Among other contentions, Minerva argued that the broadened claim to applicator heads generally does not match the invention's description in the original specification
  - Hologic responded by invoking assignor estoppel to prevent Minerva from raising invalidity challenges
    - Hologic argued, Truckai and Minerva (essentially, his alter-ego) barred from attacking the patent's validity

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MINERVA – BACKGROUND

- District court ruled that assignor estoppel barred Minerva's invalidity defense
  - Found that infringement against Minerva
  - Jury awarded damages ($5 million) to Hologic
  - Minerva appealed
- The Federal Circuit upheld the district court's judgment
  - Among others, held that assignor estoppel was still good law
  - In application, found that assignor estoppel barred Minerva from raising invalidity defense through a district court proceeding, even if it was true (as Minerva alleged) that Hologic broadened the patent rights' scope after Truckai assigned the rights to Novacept
- Minerva appealed, and the Supreme Court granted review

MINERVA – DECISION

- Majority: Written by Justice Kagan
  - Confirmed that assignor estoppel is still available but provided additional clarification, in light of the Federal Circuit's improperly broad application of the doctrine
- Other opinions (dissents):
  - Justice Alito: Disagreed with the Majority's approach, opining that the Court should have decided whether *Westinghouse* should be overruled instead of skirting that key issue
  - Justice Barrett, joined by Justice Thomas and Gorsuch:
    - Westinghouse was not well-established as precedent
    - the Patent Act of 1952 did not ratify assignor estoppel (patent analogized to personal property v. real property from which this common law doctrine evolved)

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MINERVA – DECISION

- Majority reconfirmed that assignor estoppel is still good law
  - Affirming precedent such as *Westinghouse v. Formica* (1924):
  - Made clear that a patent owner who assigns a patent to another cannot later argue that such patent is invalid
    - Grounded in the principle of fairness
- Noted that, by 1924, whether assignor estoppel existed was well-settled
  - Developed by judges in England in 1700's (18th century)
  - US Courts adopted the principle as first noted in a SDNY decision in 1880
  - Many Federal District Courts and all of the Circuit Appeals Courts had recognized the principle
- Patent Act of 1952 did not abrogate the doctrine
  - The Court's post-*Westinghouse* cases also did not make assignor estoppel an invalid law
  - As such, the Supreme Court noted that the Federal Circuit was correct in holding that assignor estoppel is still good law

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MINERVA – DECISION

- However, the Court found that the Federal Circuit was incorrect in defining the scope of the doctrine
  - assignor estoppel applies only when an invalidity defense conflicts with a representation made in assigning patent rights
- Provided three examples where assignor estoppel does not apply
  - Non-contradiction, i.e., a common employment agreement where employee assigns all future inventions to the employer
  - A later legal development, i.e., the governing law changes after assignment, so that the patent (which was valid before the change) then becomes invalid
  - Change in patent claims, i.e., the new patent owner broadens the scope of the patent rights after the assignment
- Order: Remand to the Federal Circuit to determine whether Hologic's new claim is materially broader than the ones Truckai assigned

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Hiro Hagiwara is a partner in the Litigation Department and based in the firm's Tokyo office. Mr. Hagiwara offers more than 20 years of experience in investigations, cross-border litigations and transactions. Investigations, patent infringement litigations, licensing transactions and disputes, and arbitrations are the main focus of his practice. Mr. Hagiwara has represented clients in US DOJ investigations, international arbitrations and mediations, US Federal Court actions, ITC Section 337 investigations, US PTAB proceedings. In patent disputes, Mr. Hagiwara has handled wide-ranging subject matters from electronics, software, chemical, pharmaceutical, biologics, semiconductor, telecommunication to automotive. He has represented US, European, Asian and Japanese clients in various legal matters.

Clients and independent sources have singled him out as one of the very best in the market to navigate the complex cross-border dispute landscape. One client describes Mr. Hagiwara as a "very smart and very aggressive" practitioner who is "very good and prominent in US patent litigation" (*Chambers Global* 2018). Another client adds: "He is a top litigator who understands what Japanese customers want and works very closely with them" (*Chambers Global* 2018). *IAM Patent 1000* says, "he oversees proactive enforcement and commercialization strategies and executes them wherever required" (*IAM Patent 1000: 2018*). Another source calls Mr. Hagiwara a "Dispute Resolution Star" (*Benchmark Litigation Asia Pacific* 2019). He was also named Cross-Border Disputes Lawyer of the Year in Japan - *Global Law Experts* (2019). Mr. Hagiwara's case and matter list is available upon request.

Accolades and Recognitions

- The Best Lawyers in Japan, Intellectual Property Law - The Best Lawyers in Japan (2014-2020, 2022)
- Dispute Resolution Expert of the Year in Japan – The Lawyer Network (2021)
- Licensing Transactions and Disputes Expert of the Year in Japan - Global Law Experts (2021)
- Patent Infringement Litigations Expert of the Year in Japan - Global Law Experts (2021)
- Dispute Resolution Expert of the Year in Japan - Global Law Experts (2021)
- Japan, Intellectual Property: International - Chambers Global, Asia-Pacific (2012-2021)
- Global Leader in Japan: Foreign - IAM Global Leader (2020)
- Cross-Border Disputes Lawyer of the Year in Japan - Global Law Experts (2019-2020)
- Dispute Resolution Star in Intellectual Property Disputes - Benchmark Litigation (Asia-Pacific) (2013, 2019-2020)
- The World's Leading Patent Professionals, Japan: Foreign - IAM Patent 1000 (2012-2020)
- Patent Star, Japan - IP Stars, Managing Intellectual Property (2014-2020)
- Japan, Intellectual Property: Hall of Fame - The Legal 500 Asia-Pacific (2020)
- Japan, Intellectual Property: Leading Individual - The Legal 500 Asia-Pacific (2013-2020)
- Japan, Intellectual Property: Top Tier International Law Firm - The Legal 500 Asia-Pacific (2018-2020)
- The Leading Patent Lawyers in Japan - Who's Who Legal: Patents (2014-2020)
- Expert in Patents, Japan - Expert Guides (2018-2019)
- World IP Review Leader, Technology Patents - The World IP Review (2016-2019)

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