

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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SMITH & NEPHEW, INC. and  
ARTHROCARE CORP.,  
Petitioner,

v.

ARTHREX, INC.,  
Patent Owner.

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Case IPR2016-00917  
Patent 8,821,541 B2

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Before WILLIAM V. SAINDON, BARRY L. GROSSMAN, and  
TIMOTHY J. GOODSON, *Administrative Patent Judges*.

GOODSON, *Administrative Patent Judge*.

JUDGMENT

Granting Request for Adverse Judgment Before Institution of Trial  
*37 C.F.R. § 42.73(b)*

## I. INTRODUCTION

On April 19, 2016, Petitioner filed a Petition challenging claims 1–9 of U.S. Patent No. 8,821,541 B2 (“the ’541 patent”). *See* Paper 2. On July 22, 2016, Patent Owner filed a “Disclaimer in Patent Under 37 CFR 1.321(a)” in which it disclaimed claims 1–9 of the ’541 patent. Ex. 2001. The same day, Patent Owner filed a Preliminary Response apprising the Board of the statutory disclaimer and arguing that an *inter partes* review should not be instituted. Paper 8, 1. The Preliminary Response stated that “[b]y filing the statutory disclaimer, Arthrex, Inc. is not requesting an adverse judgment.” *Id.*

At Petitioner’s request, we authorized additional briefing on the issue of whether Patent Owner’s statutory disclaimer should be considered a request for adverse judgment. Paper 9, 2. Petitioner and Patent Owner submitted a Reply and a Sur-Reply, respectively, setting forth their arguments on this issue. *See* Paper 10 (“Reply”), Paper 11 (“Sur-Reply”). For the reasons discussed below, we determine that Patent Owner’s statutory disclaimer should be treated as a request for adverse judgment. Accordingly, we enter adverse judgment against Patent Owner pursuant to 37 C.F.R. § 42.73(b).

## II. LEGAL STANDARDS

The Board’s rule regarding requests for adverse judgment provides as follows:

A party may request judgment against itself at any time during a proceeding. Actions construed to be a request for adverse judgment include:

- (1) Disclaimer of the involved application or patent;
- (2) Cancellation or disclaimer of a claim such that the party has no remaining claim in the trial;

- (3) Concession of unpatentability or derivation of the contested subject matter; and
- (4) Abandonment of the contest.

37 C.F.R. § 42.73(b).

Our rule pertaining to preliminary responses in *inter partes* review proceedings specifies that “[t]he patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent. No *inter partes* review will be instituted based on disclaimed claims.” 37 C.F.R. § 42.107(e).

Also relevant to the analysis below is the Board’s rule concerning estoppel, which provides that “[a] patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent: (i) A claim that is not patentably distinct from a finally refused or canceled claim.” 37 C.F.R. § 42.73(d)(3).

Our rules include definitions for several of the terms used in the provisions quoted above. “Proceeding” is defined as “a trial or preliminary proceeding.” 37 C.F.R. § 42.2. Definitions of “trial” and “preliminary proceeding” are also provided: “Preliminary Proceeding begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.” *Id.* The definition of “trial” states, in relevant part, that a trial is “a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial.” *Id.* “Judgment” is defined as “a final written decision by the Board, or a termination of a proceeding.” *Id.*

### III. ANALYSIS

Patent Owner submits that its statutory disclaimer of all challenged claims should not be treated as a request for adverse judgment because no decision on whether to institute a trial has been reached in this proceeding. *See* Prelim. Resp. 1; Sur-Reply 2. According to Patent Owner, Rule 42.73(b)(2) is inapplicable to statutory disclaimers entered before institution of a trial because that provision lists, as an action that will be construed as a request for adverse judgment, “[c]ancellation or disclaimer of a claim such that the party has no remaining claim *in the trial*.” Sur-Reply 2–3. Patent Owner points out that, as defined in Rule 42.2, a “trial” begins with a written decision instituting a trial. *Id.* at 5. Moreover, following the statutory disclaimer of all challenged claims, institution of this proceeding is prohibited pursuant to Rule 42.107(e). *Id.* at 3.

In support of its position, Patent Owner cites two cases in which panels of the Board denied requests to treat a pre-institution statutory disclaimer of all challenged claims as a request for adverse judgment. *See id.* at 3–5 (citing *FCA US LLC v. Jacobs Vehicle Systems, Inc.*, Case IPR2015-01234 (PTAB Oct. 23, 2015) (Paper 9); *RPX Corp. v. Cedatech Holdings, L.L.C.*, Case IPR2015-00736 (PTAB Oct. 13, 2015) (Paper 11)). Patent Owner also cites Board decisions in which a pre-institution statutory disclaimer of all challenged claims resulted in denial of institution, with no discussion of whether the disclaimer should be considered a request for adverse judgment. *See id.* at 7 (citing *CoolIT Systems, Inc. v. Asetek Danmark A/S*, Case IPR2014-01172 (PTAB Jan. 29, 2015) (Paper 12); *Tandus Flooring, Inc. v. Interface, Inc.*, Case IPR2013-00526 (PTAB Feb. 14, 2014) (Paper 7)).

Petitioner counters that Patent Owner's insistence that its statutory disclaimer should not be treated as a request for adverse judgment is an effort to avoid the estoppel provision of Rule 42.73(d)(3). Reply 1. According to Petitioner, if this proceeding is terminated by entry of adverse judgment, the estoppel provision will apply, but a denial of institution without entry of adverse judgment would not trigger the estoppel provision. *Id.* Further, Petitioner asserts that Patent Owner has two continuation applications pending, such that absent entry of adverse judgment, nothing will prevent Patent Owner from seeking claims that are patentably indistinct from those that it has disclaimed. *Id.* at 1–2, 10. Patent Owner does not dispute Petitioner's assertion that a termination of this proceeding that does not include an adverse judgment would allow Patent Owner to seek patentably indistinct claims in its continuation applications. Rather, Patent Owner contends that the existence of continuation applications is not a sufficient reason to treat the disclaimer as a request for adverse judgment because in *FCA*, the patent owner had a reissue application pending, yet the panel still did not enter adverse judgment. *See* Sur-Reply 9 (citing *FCA*, slip op. at 1–2).

Petitioner further argues that treating Patent Owner's disclaimer as a request for adverse judgment is consistent with the text of Rule 42.73(b), “which provides a non-limiting set of actions that can be construed as a request for adverse judgment.” Reply 7. Petitioner cites previous Board decisions in which pre-institution statutory disclaimers were treated as requests for adverse judgment. *See id.* at 3 (citing *Global Tel\*Link Corp. v. HowLink Global LLC*, Case IPR2014-00696, slip op. at 3 (PTAB Aug. 15, 2014) (Paper 9); *Hospira, Inc. v. Janssen Pharmaceuticals, Inc.*, Case

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IPR2013-00365, slip op. at 2 (PTAB Oct. 24, 2013) (Paper 9); *Smith & Nephew, Inc. v. Bonutti Skeletal Innovations LLC*, Case IPR2013-00621, slip op. at 1 (PTAB Jan. 17, 2014) (Paper 9)). Petitioner also contends that the equities favor construing Patent Owner’s disclaimer as a request for adverse judgment. *See id.* at 8–10. Specifically, Petitioner argues that it put significant effort into preparing its Petition, and Patent Owner should not be able to avoid the resolution of the issues presented in the Petition “by disclaiming the claims without prejudice to [Patent Owner’s] ability to later pursue patentably indistinct claims.” *Id.* at 9–10.

We agree with Petitioner that our rules permit the Board to construe a statutory disclaimer of all challenged claims as a request for adverse judgment, even when the disclaimer occurs before the Board has entered a decision on institution. Rule 42.73(b) provides that adverse judgment can be requested “at any time during the proceeding,” which includes before institution. *See* 37 C.F.R. §§ 42.2, 42.73(b). The rule specifically lists four actions that are construed as a request for adverse judgment. *See* 37 C.F.R. § 42.73(b)(1)–(4). In stating that actions so construed “include” the listed items, the rule indicates that the list is nonexhaustive and that other actions may also be construed as requests for adverse judgment. *See* 37 C.F.R. § 42.73(b). Rule 42.107(e) prohibits institution of *inter partes* review based on disclaimed claims, but is silent on whether a disclaimer can result in adverse judgment. 37 C.F.R. § 42.107(e).

Our interpretation of Rule 42.73(b) is consistent with the previous Board decisions that the parties have cited.<sup>1</sup> As summarized above, some of

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<sup>1</sup> None of the Board decisions that the parties cite is designated precedential and, therefore, none of them is binding. *See* PTAB Standard Operating

those decisions have entered adverse judgment after a patent owner's pre-institution statutory disclaimer of all challenged claims. *See Global Tel\*Link*, slip op. at 2–3; *Hospira*, slip op. at 2; *Bonutti*, slip op. at 1. Others have denied institution in those same circumstances, without entering adverse judgment. *See FCA*, slip op. at 3; *RPX*, slip op. at 5; *CoolIT*, slip op. at 2–3; *Tandus*, slip op. at 2. However, in *CoolIT* and *Tandus*, the issue of whether adverse judgment should be entered was not even discussed. *CoolIT*, slip op. at 2–3; *Tandus*, slip op. at 2. The decision in *RPX* denied a request to treat a pre-institution disclaimer as a request for adverse judgment, but still indicated that the Board has discretion to treat the statutory disclaimer as a request for adverse judgment. *See RPX*, slip op. at 5 (“[A]lthough the Board *may* treat a disclaimer such as that filed by Patent Owner as a request for adverse judgment, the Board is not required to do so.”). Likewise, in *FCA*, the panel simply determined that “[n]othing in 37 C.F.R. § 42.73(b)(2) **requires** us to construe Patent Owner’s statutory disclaimers as a request for adverse judgment prior to institution of trial.” *FCA*, slip op. at 3 (emphasis added).

Although the panels in *RPX* and *FCA* were unpersuaded that adverse judgment should be entered, neither of the decisions discussed the impact of how the proceeding was terminated on the estoppel provision of Rule 42.73(d)(3). Here, the estoppel provision is the primary reason why Petitioner seeks to have this proceeding terminated through adverse judgment.

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Procedure (SOP) 2 (Rev. 9), *available at* <http://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/resources>. Nevertheless, we have carefully considered the cited decisions for the guidance they offer on the issue before us.

Having determined that it is within our discretion to consider the disclaimer as a request for adverse judgment, we agree with Petitioner that it is appropriate for us to do so in this case. Construing Patent Owner's disclaimer as a request for adverse judgment aligns with the policies underlying the estoppel provision of our rules. In response to comments on Rule 42.73(d)(3) offered during the rulemaking process, the Office explained as follows:

[Section] 42.73(d)(3) set forth in this final rule is consistent with the AIA, other statutory provisions, the common law related to estoppel, and the common law related to the recapture rule. *See, e.g., In re Deckler*, 977 F.2d 1449, 1452 (Fed. Cir. 1992); *In re Clement*, 131 F.3d 1464, 1468 (Fed. Cir. 1997) (the recapture rule prevents a patentee from regaining through reissue the subject matter that the patentee surrendered in an effort to obtain allowance of the claim).

Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 48,612, 48,649 (Aug. 14, 2012).

Here, treating the disclaimer as a request for adverse judgment is in keeping with “the policies of finality and repose embodied in the doctrines of res judicata and collateral estoppel.” *Deckler*, 977 F.2d at 1452. Having presented a challenge to the patentability of claims 1–9 that prompted Patent Owner to enter a statutory disclaimer, Petitioner is entitled to finality and repose on those claims. Finality and repose would not be achieved if this proceeding were terminated in a manner that left Patent Owner free to seek claims that are not patentably distinct through its continuation applications.

Similarly, entering adverse judgment is also the more equitable result in the circumstances of this case. Our review of the Petition and its supporting materials gives credence to Petitioner's argument that it

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expended considerable resources to challenge these claims. We agree with Petitioner that it would be unfair if Patent Owner were able to avoid Petitioner's challenge through a statutory disclaimer and then pursue patentably indistinct claims in its continuation applications.

For the foregoing reasons, we conclude that Patent Owner's statutory disclaimer of all challenged claims should be construed as a request for adverse judgment.

#### IV. ORDER

It is

ORDERED that judgment is entered against Patent Owner under 37 C.F.R. § 42.73(b); and

FURTHER ORDERED that this proceeding is hereby terminated.

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