

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

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

v.

ARTHREX, INC.,
Patent Owner.

Case IPR2016-00918
Patent 8,821,541 B2

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

GROSSMAN, *Administrative Patent Judge*.

DECISION
Denying Request for Rehearing
37 C.F.R. § 42.71

I. INTRODUCTION

A. Background

Arthrex, Inc. (“Patent Owner”) timely filed a Request for Rehearing (Paper 43, “Req. Reh’g.”) requesting rehearing of our decision that claims 10 and 11 of U.S. Patent No. 8,821,541 B2 (Ex. 1101, “the ’541 patent”) are unpatentable. Paper 42 (“Final Written Decision” or “Fin. Dec.”).

Petitioner asserts the Board abused its discretion because we “overlooked” evidence of commercial success. Req. Reh’g. 1 (“Patent Owner respectfully submits that such evidence [of commercial success] is in the record and believes that the Board has overlooked that evidence.”).

For the reasons stated below, we deny Petitioner’s Request.

II. ANALYSIS

The burdens and requirements of a request for rehearing are stated in 37 C.F.R. § 42.71(d):

(d) Rehearing. . . . The burden of showing a decision should be modified lies with the party challenging the decision. The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.

A. Patentability

Our analysis of patentability was resolved on the basis of underlying factual determinations, including: (1) the scope and content of the prior art; (2) differences between the claimed subject matter and the prior art; (3) the level of ordinary skill in the art; and (4) secondary considerations, such as commercial success. Fin. Dec. 44. We made factual determinations in all

these areas. *Id.* at 46 (Scope and Content of the Prior Art), 52 (Differences Between the Claimed Subject Matter and the Prior Art), 14 (Level of Ordinary Skill), 64 (Objective Evidence). Our consideration of the objective evidence included determinations regarding the asserted “secondary considerations” of copying by competitors (*id.* at 65–66), licensing (*id.* at 66–67), and commercial success (*id.* at 67–68). Weighing the totality of the evidence before us, including the probative value of the prior art and Patent Owner’s evidence of secondary considerations, we determined that a preponderance of the evidence established that claims 10 and 11 would have been obvious. *Id.* at 68, 78–79.

In its Request for rehearing, Patent Owner takes issue only with our determination regarding commercial success. Patent Owner does not assert that we overlooked, misapprehended, or erred in any other factual determination. Accordingly, we review only the arguments, evidence, analysis, and determination regarding commercial success.

B. Commercial Success

The entirety of Patent Owner’s argument regarding commercial success consisted of ten lines in the Patent Owner’s Response (Paper 15, 69 (“PO Resp.”)), which we repeat below exactly as presented in the Response.

3. Commercial Success

The ’541 Anchors were commercially successful. As shown in Ex. 2029 (Declaration of Christopher Holter), sales of the ’541 Anchors increased substantially between 2007 and 2015. *See also* Declaration of Christopher Vellturo, Ex. 2025, ¶¶#-#.

Further, a nexus should be presumed because each of the ’541 Anchors at issue are coextensive with at least one of claims 10 and 11, as evidenced in Ex. 20## (*see also* Gall ¶____). *Brown &*

Williamson Tobacco Corp. v. Philip Morris Inc., 229 F.3d 1120, 1130 (Fed. Cir. 2000) (if a marketed product embodies the claimed features, and is coextensive with them, then a nexus is presumed and the burden shifts to the party asserting obviousness).

PO Resp. 69.¹ As is readily apparent, these ten lines contain three incomplete citations. Patent Owner refers to “Ex. 2025, ¶#-#,” “Ex. 20##,” and “*see also* Gall ¶__.” *Id.* Patent Owner refers to these incomplete citations as “inadvertent citation errors.” Req. Reh’g. 1.

Patent Owner speculates that the citation errors “might have led the Board to overlook Ex. 2013 entitled ‘Arthrex Covered Products Chart,’ which was prepared by Dr. Gall (Ex. 2010, ¶ 238-239) to establish which of Patent Owner’s products were covered by claims 10 and 11 of the ’541 Patent.” Req. Reh’g. 1. We note that Exhibit 2013 (“Arthrex Covered Products Chart”) is *not* cited in Patent Owner’s argument. We cannot overlook evidence that is not cited by a party. According to Patent Owner, “[w]hen properly considered, that evidence [Ex. 2013] establishes a nexus between Patent Owner’s sales and the patented invention.” *Id.* Patent Owner also submits that “the evidence of record regarding commercial success is sufficient to rebut any evidence of obviousness.” *Id.* at 2; *see also id.* at 6 (asserting that “the evidence of record regarding commercial success sufficiently rebuts any showing of obviousness of claims 10 and 11.”). We disagree with Patent Owner’s premise and conclusion.

¹ Footnotes 6 and 7 omitted. Footnote 6 stated that a redacted version of cited Ex. 2029 is at Ex. 2028. Footnote 7 stated that a redacted version of cited Ex. 2025 is at Ex. 2024.

1. Exhibit 2029

Concerning commercial success, we discussed specifically cited Exhibits 2029 and 2025. Fin. Dec. 67. As we discussed, Exhibit 2029 is a Declaration of Christopher Holter, Patent Owner's Senior Director of Commercial Finance. *Id.* Mr. Holter's Declaration presents a single exhibit ("Exhibit 1"), which is a series of charts summarizing quarterly sales data for twelve different products identified only by a code number, such as "AR-8927BC" and "AR-1318FT." Ex. 2029 ¶ 4. Mr. Holter does not provide any additional information about the products other than the code number.

Mr. Holter does not refer to Exhibit 2013, the Arthrex Covered Products Chart, as the source of the products selected. Mr. Holter also does not refer to the Declaration of Professor Ken Gall, Ph.D. (Ex. 2010). Thus, based on Mr. Holter's Declaration, there was no basis for the Board to review or consider Exhibit 2013 of Professor Gall's Declaration.

Mr. Holter's charts present Arthrex's quarterly sales data from 2007–2015 for the twelve products identified. Ex. 2029 ¶ 4. For each quarter, the chart lists a number for each product. For some quarters and products, a "dash" ("–") is provided. Mr. Holter does not state the significance of the "dash." It likely was intended to indicate that no sales were made of a product in a specific quarter.

Mr. Holter provides two sets of data. The first set of data (Ex. 2029, 3–7) refers to "Qty" for each quarter (*e.g.*, "Qty Q3 2007"). Mr. Holter does not state what "Qty" represents. We are left to reach the logical assumption that "Qty" refers to "quantity." The second set of data (*id.* at 7–11) refers to "Sales" for each quarter (*e.g.*, "Sales Q3 2007"). Mr. Holter does not state whether the "Qty" and "Sales" data represent U.S. sales or world-wide sales.

Mr. Holter also does not provide any data or other information about market share. Merely identifying the level of financial success, without putting that success in context, generally is insufficient to establish commercial success. *In re Applied Materials, Inc.*, 692 F.3d 1289, 1300 (Fed. Cir. 2012) (“the more probative evidence of commercial success relates to whether the sales represent ‘a substantial quantity in th[e] market.’” (citation omitted)). As stated in *Applied Materials*, “[a]n important component of the commercial success inquiry in the present case is determining whether Applied had a significant market share relative to *all* competing pads based on the merits of the claimed invention, which Applied did not show.” *Id.* See also *In re Baxter Travenol Labs.*, 952 F.2d 388, 392 (Fed. Cir. 1991) (“[I]nformation solely on numbers of units sold is insufficient to establish commercial success.”); *Cable Elec. Prods., Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1026–27 (Fed. Cir. 1985) (finding that sales of 5 million units represent a minimal showing of commercial success because “[w]ithout further economic evidence . . . it would be improper to infer that the reported sales represent a substantial share of any definable market.”).

Based on the information presented, we determined that Mr. Holter’s testimony has little probative weight in establishing commercial success.

2. *Exhibit 2025*

We also discussed Exhibit 2025 in our Final Written Decision. Fin. Dec. 67. Exhibit 2025 is a Declaration of Christopher Vellturo, a consultant retained by Patent Owner to “provide summaries and charts of sales data (as provided to [him] by Arthrex) for Arthrex suture anchor products made

under U.S. Patent No. 8,821,541 (Claims 10 and 11).” Ex. 2025 ¶ 2. The summary and chart in Mr. Vellturo’s declaration are based on products that he “understand[s] . . . practice the ’541 patent.” *Id.* at ¶¶ 6, 7; *see also id.* at 17, fn 1, 18. fn 1 (listing the products Mr. Vellturo understands “practice the ’541 Patent”).

Mr. Vellturo does not cite or otherwise mention Ex. 2013, the Arthrex Covered Products Chart, as the source of the products selected. Mr. Vellturo does not refer to the Declaration of Professor Gall. Thus, based on Mr. Vellturo’s Declaration, there was no basis for the Board to review or consider Exhibit 2013 of Professor Gall’s Declaration.

The summary and chart referred to in Mr. Vellturo’s Declaration are provided in Exhibits 2-A and 2-B of the Declaration. *See* Ex. 2025, pp. 17, 18. Exhibit 2-A is labelled “Total Annual Net Sales of Arthrex Products That Practice the ’541 Patent 2007 – 2015; Worldwide.” *Id.* at 17. It shows increasing sales from 2007 through 2015. *Id.* The only source of information Mr. Vellturo cites is “Holter Declaration, Exhibit 1.” *Id.* Unlike Mr. Holter’s Declaration, Mr. Vellturo refers to “Worldwide” sales. *Id.* Mr. Vellturo also refers to “Net Sales,” whereas Mr. Holter refers to “sales” generally (*see* Ex. 2029).

Exhibit 2-B is labelled “Total Annual Net Sales and Unit Sales of Arthrex Products That Practice the ’541 Patent 2007 – 2015; Worldwide.” *Id.* at 18. It provides annual net sales and unit sales for each of the years 2007–2015. It shows increasing sales from 2007 through 2015. *Id.* The only source of information Mr. Vellturo cites is “Holter Declaration, Exhibit 1.” *Id.* Again, unlike Mr. Holter’s Declaration, Mr. Vellturo refers to

“Worldwide” and “Net” sales. *Id.* Mr. Vellturo also refers to “Unit Sales,” whereas Mr. Holter refers to “Qty” and “sales.”

Based on the information presented, we determined that Mr. Vellturo’s testimony has little probative weight in establishing commercial success. *See Applied Materials*, 692 F.3d at 1300; *Baxter Travenol*, 952 F.2d at 392; *Cable Elec. Prods.*, 770 F.2d at 1026–27.

3. Exhibit 2013 and Paragraphs 238–239 of Prof. Gall’s Declaration

Based on the argument presented in Patent Owner’s Response and the cited evidence of Exhibits 2025 and 2029, as discussed above, there was no basis for the Board to review or consider Exhibit 2013, the Arthrex Covered Products Chart, or paragraphs 238 and 239 of Professor Gall’s Declaration. They were not cited in Patent Owner’s argument or Response, nor were they cited or relied upon in any evidence cited by Patent Owner in support of its commercial success argument.

Exhibit 2013 is listed in the Table of Exhibits of Patent Owner’s Response (PO Resp. iv) but is not cited in the body of the Response.

Professor Gall’s Declaration is 138 substantive pages, including 240 numbered paragraphs. Paragraphs 238 and 239 deal with the issue of commercial success. Paragraph 239 refers to the claim charts in Ex. 2013. Paragraphs 238 and 239 are not cited in Patent Owner’s Response.

It is Patent Owner’s position that the Board “overlooked” (Req. Reh’g.. 1) or ignored (*id.* at 2) Exhibit 2013 and Professor Gall’s Declaration testimony about Ex. 2013. *Id.* at 3–4. We disagree. The Board did not overlook or ignore this evidence. Patent Owner failed to properly present this evidence for our consideration.

Patent Owner submitted 52 exhibits, including demonstratives used at the hearing (Exs. 2001–2043, 2045–2053). *See* Paper 31 (Patent Owner’s Updated Exhibit List). All 52 of these exhibits were numbered “20##.” We do not “play archeologist” searching through exhibits looking for support for a party’s argument. *DeSilva v. DiLeonardi*, 181 F.3d 865, 866–67 (7th Cir. 1999) (“A brief must make all arguments accessible to the judges, rather than ask them to play archeologist with the record.”); *see also Novartis AG v. Torrent Pharms.*, 853 F.3d 1316, 1326 n.2 (Fed. Cir. 2017) (explaining that a party failed to provide sufficient argument in support of its motion before the Board because the motion’s “superficial treatment amounts to little more than a request that the Board peruse the cited evidence and piece together a coherent argument on [the movant’s] behalf”).

Moreover, even if we were now to consider Exhibit 2013 and Professor Gall’s Declaration testimony about Ex. 2013, at best this evidence would merely create a presumption of nexus. Req. Reh’g. 6 (“a nexus should be presumed”). Establishing a presumption of nexus, however, does not establish commercial success or patentability. *In re Kao*, 639 F.3d at 1067 (when secondary considerations are present, “they are not always dispositive”); *see also Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1372 (Fed. Cir. 2007) (“Although secondary considerations must be taken into account, they do not necessarily control the obviousness conclusion.”).

As discussed above, the evidence of commercial success based on the sales data presented in the declaration testimony of Mr. Holter (Ex. 2029) and Mr. Vellturo (Ex. 2025) is entitled to little probative weight. Even if we were to attempt to balance this commercial success evidence against the substantial prior art evidence that claims 10 and 11 would have been

obvious, as discussed in our Final Written Decision, it would not change our conclusion that a preponderance of the evidence establishes that claims 10 and 11 would have been obvious. *See* Fin. Dec. 68, 75. We disagree with Patent Owner’s argument “that the evidence of record regarding commercial success sufficiently rebuts any showing of obviousness of claims 10 and 11.” Req. Reh’g. 6.

III. CONCLUSION

Based on the analysis above, Patent Owner has not established that the Final Written Decision misapprehended or overlooked any substantive matter in holding that a preponderance of the evidence establishes that claims 10 and 11 would have been obvious.

Accordingly, we deny the request for rehearing.

IV. ORDER

For the reasons given, it is

ORDERED that the request for rehearing is *denied*.

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