



THINK FORWARD

Federal Circuit Overturns PTAB and Provides Another Benchmark Decision on Handling Post-Petition Invalidity Arguments During IPR Proceedings

By Ilhwan (Scott) Yoo, James Cleland

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In its recent *In re: Nuvasive, Inc.* decision, the Federal Circuit on November 9, 2016 found that the Patent Trial and Appeal Board (“PTAB” or “Board”) in an *inter partes* review (IPR) proceeding violated a patentee’s rights under the Administrative Procedure Act (“APA”) by denying the patentee the opportunity to address a portion of a prior reference that was not specifically identified in the IPR petition. Despite the patentee’s opportunity to address the new arguments in observations filed after an expert deposition, the Federal Circuit found that the PTAB’s refusal to permit the patentee to file a motion for strike, a surreply or present the new arguments during the final oral hearing violated the patentee’s due process and APA rights. The Federal Circuit remanded the case to the PTAB for further proceedings.

More particularly, Medtronic, Inc. filed two separate petitions for IPR of a NuVasive, Inc. patent directed to spinal fusion implants. In the first proceeding, IPR2013-00507 (“IPR507”), the petitioner cited to a particular portion (“disputed portion”) of one of the two invalidating references (“Michelson”). In the second proceeding, IPR2013-00508 (“IPR508”), the petition did not discuss the disputed portion of Michelson, but instead first mentioned the disputed portion in petitioner’s reply. The patent owner argued that the disputed portion of Michelson raised a new ground of invalidity asserted for the first time on reply and it did not have adequate notice or opportunity to respond. The PTAB denied patent owner an opportunity to file a motion to strike or surreply and further refused to allow Nuvasive to address the new material at oral argument. The PTAB then, however, found claims of the challenged patent obvious by relying on the disputed portion of Michelson.

In remanding the case to the PTAB for further proceedings, the Federal Circuit concluded that patentee was entitled to an opportunity to respond to the petitioner’s citation of the disputed portion of Michelson for the first time in the reply. Although the patent owner cross-examined the petitioner’s expert on the disputed portion and filed observations on the cross-examination, the Federal Circuit determined that observations were not enough to protect the patent owner’s APA rights, particularly given that the PTAB generally prohibits argument in the observations. The Federal Circuit also found that the discussion of the disputed portion of Michelson in a co-pending IPR challenging the same patent did not satisfy the APA. Notice in one IPR proceedings was not enough to constitute notice in the co-pending IPR proceeding because the proceedings were treated separately.

In re: Nuvasive provides both IPR petitioners and patent owners with important lessons. For petitioners, *In re: Nuvasive* provides yet another reminder that every effort should be made to tie reply arguments back to the petition. Petitioners may also think twice about opposing a patent owner’s motion for a surreply, as a surreply may be unlikely to influence the PTAB’s ultimate decision but it will likely eliminate issues on appeal. For patent owners, *In re: Nuvasive* is a reminder that it is important to create a record – whether by seeking to strike, file a motion for surreply or address new material during

oral argument - when petitioners raise new arguments for the first time on reply. It also reinforces the importance of developing a clean, stand-alone record in each IPR proceeding, rather than assuming that a first-filed IPR will serve as the record for a second-filed co-pending IPR challenging the same patent.

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