

The Fed. Circ. In August: New Claim Constructions In IPR

By **Justin Gillett and Paul Stewart** (August 31, 2023)

The U.S. Court of Appeals for the Federal Circuit recently issued a decision in *Axonics Inc. v. Medtronic Inc.* that clarifies inter partes review petitioners' ability to respond to new claim constructions proposed after an IPR is instituted.

The Federal Circuit vacated final written decisions by the Patent Trial and Appeal Board that disregarded the petitioner's reply argument and evidence under a new claim construction first presented in the patent owner's response after institution. On Aug. 7, the court held that

where a patent owner in an IPR first proposes a claim construction in a patent owner response, a petitioner must be given the opportunity in its reply to argue and present evidence of anticipation or obviousness under the new construction, at least where it relies on the same embodiments for each invalidity ground as were relied on in the petition.

Axonics filed IPR petitions challenging claims of two patents owned by Medtronic. The patents share a specification and relate to charging implanted medical devices through the skin. Each of the claims at issue in the Federal Circuit's opinion requires, in relevant part, an external power source that automatically varies its power output based on a value and a measured current.

Before institution, both the parties and the board addressed patentability under a so-called one-input claim construction. Under the one-input construction, the measured current limitation simply narrows the value limitation, so both limitations could be satisfied using one input.

Claim charts attached to Axonics' IPR petitions, Medtronic's preliminary response, and the board's institution decision all addressed patentability only under the one-input construction. The board instituted IPR.

After institution, Medtronic filed a patent owner response that advanced, for the first time, a so-called two-input claim construction of the clauses at issue. Under the two-input construction, the measured current limitation could not also qualify as the value limitation, so satisfying both limitations would require two inputs.

Axonics filed a reply brief and a supplemental expert declaration that addressed patentability under Medtronic's new two-input construction. Those documents cited additional disclosures from the same embodiments of the same prior art references cited in the petition.

Medtronic filed a sur-reply arguing it would be prejudicial to consider Axonics' new reply arguments without providing Medtronic an opportunity to submit its own supplemental expert declaration.



Justin Gillett



Paul Stewart

The board adopted the new two-input construction in its final written decision. It then declined to consider Axonics' arguments and evidence under the two-input construction, finding such arguments and evidence had not been presented in the petition and thus were improperly raised on reply. The board upheld the validity of the relevant patent claims. Axonics appealed.

On appeal, the Federal Circuit first addressed whether an IPR petitioner's reply may introduce new arguments and evidence under a claim construction offered for the first time in the patent owner's response after institution.

The court recognized patent office guidance that a petitioner "may not submit new evidence or argument in reply that it could have presented earlier." But the court noted that, under the board's rules and applicable case law, a petitioner is entitled to respond to new arguments made in a patent owner response.

The Federal Circuit also cited aspects of the Administrative Procedure Act requiring the board to "give all interested parties opportunity for ... the submission and consideration of facts [and] arguments" and to permit parties "to submit rebuttal evidence." After reviewing several of its own decisions, the Federal Circuit announced:

[U]nder the APA, when the Board adopts a new claim construction following institution, an IPR petitioner must have adequate notice and an opportunity to respond under the new construction. In particular, the petitioner must be afforded a reasonable opportunity in reply to present argument and evidence under that new construction.

The court concluded that Axonics had not been afforded that opportunity because the board declined to consider Axonics' reply evidence and argument under the two-input construction.

The Federal Circuit next addressed the scope of argument and evidence regarding a new claim construction that an IPR petitioner may introduce in reply. The court reiterated its precedent that a petitioner's reply may not rely on new prior art.

But it distinguished, and allowed, Axonics' reply, which cited additional disclosures from the same embodiments of the same prior art references cited in its petition. The court left for another day the question of whether a similarly situated petitioner could rely on new embodiments from the same prior art cited in the petition.

The court also addressed various policy arguments. First, it explained that barring a petitioner from presenting argument and evidence directed to a new claim construction the patent owner proposes after institution could lead to unfair sandbagging.

The court desired to avoid creating a strategic benefit for patent owners to withhold their strongest claim construction until institution to create estoppel. Next, the Federal Circuit rejected an argument by Medtronic that permitting a new expert declaration in the petitioner's reply would be unfair because the board's rules do not permit a supplemental declaration in the patent owner's sur-reply.

The court noted that the board's rules allow it to waive or suspend the cited rule and expressed confidence that the board would allow patent owners to submit evidence with a sur-reply in circumstances such as these.

The Federal Circuit vacated the board's final written decisions and remanded for the board to consider Axonics' arguments and evidence under the two-input claim construction and any request by Medtronic to present new evidence in support of its sur-reply.

The court's decision raises strategic considerations for IPR petitioners and patent owners. IPR petitioners may focus briefing on existing claim interpretations, without also addressing potential future constructions.

However, because of the decision's ambiguity regarding other embodiments, litigants may want to consider addressing additional embodiments of their cited prior art references in case those embodiments later prove useful to address a claim construction raised after institution.

For patent owners, the court's decision means that sandbagging to withhold a stronger claim construction until after institution will not deprive their opposition of a chance to address that construction.

But based on the court's confidence that the board would allow patent owners to submit evidence with a sur-reply in circumstances similar to those addressed in the opinion, such sandbagging might allow a patent owner's expert to have the last word in the form of a sur-reply declaration.

However, potential sandbagging patent owners should beware that such a supplemental declaration is not guaranteed and that its scope, if permitted, is uncertain.

Justin Gillett and Paul Stewart are partners at Knobbe Martens.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of their employer, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.