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Judge Lourie (00:00):

Orthopedic and Medtronic v.—et al. v. NuVasive, Inc. 2013-1576, -1577. I apologize if we were a little uncertain about how we wanted to arrange this. As I understand it, both of these appeals were filed on the same day, but we had a blue brief and a red brief labeled a cross-appeal. So we will—and we've allowed you each 20 minutes. You've indicated how you want to divide it. And so we will hear Mr. Dauchot, is it?

Luke Dauchot (00:45):

It's Dauchot. That's right.

Judge Lourie (00:46):

Dauchot, arguing the—what's in the blue brief—the '236 infringement, supplemental damages, and ongoing royalty. And then Ms. Maynard on the cross-appealed issues '973, validity, '933 infringement, and lost profits. And your second argument will be limited to those cross-appeal issues. So, Mr. Dauchot.

Luke Dauchot (01:15):

All right, thank you, Your Honor. One point of clarification, Your Honor, there was an order issued requesting that the cross-appeal issues be addressed—

Judge Lourie (01:24):

That's what I hope to nullify in effect by what I just said, how we would expect you to deal with the issues in the blue brief.

Luke Dauchot (01:36):

You—with the issues in the blue brief. All right, Your Honor. Well, the issues in the blue brief—

Judge Lourie (01:40):

Which isn't telling you how much time you ought to spend on each issue?

Luke Dauchot (01:45):

No, fair enough. I understand that. So let me begin with the points that Warsaw Orthopedic raised in its appeal. And there are really three issues, Your Honor. The first one is—

Judge Dyk (01:56):

Let's talk about the ongoing royalty for a moment.

Luke Dauchot (01:59):

Yes.

Judge Dyk (01:59):

You agree, I assume, that with respect to the implant that you can't both get lost profits and a reasonable royalty, correct?

Luke Dauchot (02:08):

That's correct.

Judge Dyk (02:10):

Okay. So it seems to me, that's exactly what you're trying to do with respect to the ongoing royalty. You want a reasonable royalty with respect to the implants, and you also want to get lost profits with respect to that.

Luke Dauchot (02:28):

Well, on the two key issues with the ongoing royalty questioner as follows: the first one is that the jury came back affirmatively finding that Warsaw Orthopedics suffered lost profits as a result of the infringement.

Judge Dyk (02:42):

Well, I'm not talking about—let me make clear. I'm not talking about the convoyed sales. Let's put that aside.

Luke Dauchot (02:47):

Okay.

Judge Dyk (02:48):

I'm talking about the rest of what you have lumped into the category of lost profits, and that—those are royalty payments from related companies to Warsaw. So you're seeking that as lost profits, and then you're also seeking a reasonable royalty. And isn't that duplicative?

Luke Dauchot (03:07):

Now, is Your Honor referring to the $100 million verdict that the jury came back with in that context, or are we talking about the ongoing royalty?

Judge Dyk (03:18):

I'm talking about the ongoing royalty for the post-verdict period, not the 14 months, but after that. The ongoing royalty in lieu of the injunction.

Luke Dauchot (03:27):

That's correct. And what we requested. I mean, again, the issue that we have—no, we don't claim to be entitled to both a royalty and loss profit. And of course, an ongoing royalty has, by definition, it's a reasonable royal—it's a royalty, but what we are saying where the district court erred is in calculating the royalty. It did so without acknowledging the lost profit component. So what we had proposed to the district court was that a royalty be calculated that in effect compensates Warsaw Orthopedic for its lost profits on an ongoing basis.

Judge Dyk (04:05):

Yeah, but my problem with this is one in the same time, you're saying we want a reasonable royalty. And we also want as a component of lost profits, the payments from these related companies to Warsaw, which they themselves characterized as royalties.

Luke Dauchot (04:21):

Oh, now I understand the point, Your Honor. Well, and the only royalty, okay, the only lost profits sought at trial were Warsaw's own lost profits, and the—

Judge Dyk (04:33):

Right. But the component of that—

Luke Dauchot (04:34):

Correct.

Judge Dyk (04:34):

Was the royalty payment that was made from the related companies to Warsaw.

Luke Dauchot (04:40):

That's absolutely right. Which is appropriate under Bic, in the court's decision in Bic, which we cite. And so—

Judge Dyk (04:49):

How could it be appropriate to get both reasonable royalty and recover the actual royalty?

Luke Dauchot (04:55):

Well, fair question, Your Honor. The reasonable royalty. So Warsaw received part of the compensation that Warsaw received for Sofamor Danek ultimately—ultimate sale to end users was a reasonable royalty. That was part of it. And under the Bic—this court's authority in Bic, that is a legitimate loss profit component, because that is ultimately a profit that comes to Warsaw. And so that's where that reasonable royalty comes from. I mean, it is—

Judge Dyk (05:26):

I'm sorry. I'm not understanding. I mean, it just seems to me completely duplicated. If I—one at the same time, you're saying we want a reasonable royalty on the implant, and then you say we want to recover in addition, as lost profits, the royalty payments that were made from the related companies to Warsaw, with respect to the items. I mean, why isn't that completely duplicative?

Luke Dauchot (05:48):

No, it's not duplicative, Your Honor, if you consider this. So we begin with what Warsaw lost. Okay. The Warsaw lost profits. A component of the Warsaw lost profits is money that would've come to Warsaw—

Judge Dyk (06:03):

As a royalty.

Luke Dauchot (06:05):

As a royalty. That's just one component of the lost profit.

Judge Dyk (06:08):

I understand. I've put aside the convoyed sales as a separate issue about lost profits, but I'm talking about the royalty component of the lost profits claim is completely duplicative of the reasonable royalty that you're also seeking to recover.

Luke Dauchot (06:24):

It is not duplicative, Your Honor, because what we've asked—what we would ask the district court to do on an ongoing royalty basis, and the issue here, Your Honor, isn't asked—we're not asking the court to handle the ongoing royalty issue. What we're basically asking for is a remand.

Judge Dyk (06:39):

Well, I understand, but you—the reason you want the remand is you say she didn't give you enough because she didn't give you both a reasonable royalty and a royalty component of lost profits.

Luke Dauchot (06:50):

That's not what we're saying. What we're saying is the district court erred in—when in setting the reasonable royalty, basically limiting the compensation, basically taking all of the lost profit component that the jury had given and excising that out and focusing exclusively on a reasonable royalty that not taking into account—

Judge Dyk (07:14):

But are you seeking both?

Luke Dauchot (07:14):

We are not.

Judge Dyk (07:15):

With respect to the—No.

Luke Dauchot (07:16):

What we are asking for is an ongoing royalty that reflects the actual injury suffered by Warsaw Orthopedic.

Judge Dyk (07:24):

No, that's just an abstraction. Are you seeking both the reasonable royalty and the actual royalty that was paid by the related companies to Warsaw?

Luke Dauchot (07:37):

What we are seeking is an actual—the actual royalty, I mean, on a going-forward basis.

Judge Reyna (07:46):

So are you looking for an increased royalty post-verdict?

Luke Dauchot (07:48):

Yes, Your Honor.

Judge Reyna (07:50):

Okay. So on what basis is it increased?

Luke Dauchot (07:51):

Its basis is increased because the royalty that the verdict that the district court came up with only took into account, essentially—basically, the royalty—the ongoing royalty was treated as if we came out of trial with the jury finding no entitlement to lost profit. That's the fundamental issue.

Judge Reyna (08:12):

So you're looking to tack onto the reasonable royalty lost profit?

Luke Dauchot (08:14):

What we are asking for—

Judge Reyna (08:18):

This is—I think this—I agree with Judge Dyk and his questioning to you. Seems to me that you're looking for both. We're going to have to explain on what basis you think you're entitled to an increased royalty post-verdict.

Luke Dauchot (08:30):

Well, the increased royalty post-verdict—so post-verdict, we are back—I mean, post-verdict, we are now in a situation where the injunction was denied, Warsaw the needs to be compensated for NuVasive's ongoing infringement, if you will, willful infringement, if you will. Now, the question is, how do we compensate? Well, a tool to compensate Warsaw is a royalty. Now the question is, how much do we pay? How much is that royalty? What percentage of sales?

Judge Dyk (08:58):

Well, I understand that. The problem is you're seeking on top of that a component of lost profits, which goes beyond convoyed sales, and which represents the royalty payment from the related companies to Warsaw, which is completely duplicative of the reasonable royalty.

Luke Dauchot (09:14):

There is no duplicativeness, Your Honor, in terms of—

Judge Dyk (09:17):

You have to explain to me why that's the case, because you admit that you're seeking both a reasonable royalty and lost profits for the ongoing royalty, right?

Luke Dauchot (09:28):

Well, what we're doing is—

Judge Dyk (09:29):

Yes? Okay.

Luke Dauchot (09:29):

Yes.. We are seeing an ongoing royalty—

Judge Dyk (09:32):

How can you get both?

Luke Dauchot (09:33):

Well, because there was the lost profit component. There was a jury verdict that included a lost profit component. That lost profit component—the fact that Warsaw lost profits was not accounted for in the ongoing royalty.

Judge Dyk (09:48):

How can the jury verdict tell you anything? Because if I read the instructions correctly, the instructions said, “Well, you get lost profits for the period 2004, or you get a reasonable royalty for 2004 to 2006, and then you get lost profits for 2006 on,” correct?

Luke Dauchot (10:08):

That’s correct.

Judge Dyk (10:09):

So that lump sum award by the jury has to have different components. For one part of the period, it’s a reasonable royalty, for another part of the period, it’s lost profits. No?

Luke Dauchot (10:21):

Well, part of it, and you’re right, Your Honor. It was all tied up. If I could move to a second issue in terms of our appeal.

Judge Dyk (10:32):

You can move on, but you haven’t explained to me why you’re not seeking duplicative recovery, but you can go ahead and move on.

Luke Dauchot (10:39):

All right, Your Honor. So let’s turn to the ’236 patent, the NuVasive ’236. The issue there, of course, is that that patent, and in order to distinguish their the claims from the Raymond reference, what NuVasive did was added a stopping step, which is after the normal muscular response is elicited. Okay, what we have is the system stops the emission of a signal, and it is—there is no factual dispute in this record. And NuVasive’s expert, Dr. Raymond, admitted this time and time again, that the NIM-Eclipse, the accused NIM-Eclipse system operates exactly like Raymond. And that is—we cite to that in our briefs, but there’s no issue. So what you have in Raymond is the second signal is the neuromuscular response is received, the signal drops, decreases. That’s exactly what NIM-Eclipse does. The signal with NIM-Eclipse, once the neuromuscular response is received, there is no stopping of the emission of the signal. Does the intensity of the signal decrease? Yes, it does. But that’s just a function of the intensity of the pulses that are being emitted by the signal. The signal keeps going.

Judge Reyna (12:01):

Who’s arguing that there’s a permanent cessation of the signal, the stimuli signal?

Luke Dauchot (12:06):

No one is arguing that.

Judge Reyna (12:08):

Okay.

Luke Dauchot (12:08):

That is a red herring, Your Honor. No one is arguing. We’re not arguing that that signal needs to permanently be off. What we’re saying is at some point when that neuromuscular response is received, we need to have the stopping of the emission of pulses. And if you don’t have that stopping, you don’t meet the claim limitation, which we don’t. And the factual record is undisputed on that.

Judge Dyk (12:33):

But it can start up again?

Luke Dauchot (12:35):

Yeah, sure. It can. So at some point, you can have the signal altogether stop emitting pulses, and the record's clear. The frequency, Your Honor, of the pulses being sent, the frequency never changed. Dr. Raymond agreed that with the NIM-Eclipse neuromuscular response received same frequency. The only thing that happens is is you have a decrease in the strength of the pulse.

Judge Reyna (12:58):

What is it that stops—emission of the signals or that specific pulse that dictates the proximity of a nerve and, and triggers the neuromuscular response?

Luke Dauchot (13:07):

Your Honor, that's precisely the issue. That is precisely the issue, and NuVasive initially—and it's positions have changed—initially took the position that all that needs to stop is the actual pulse that triggered the neuromuscular response. Well, that's a non sequitor because of course, once that pulse is emitted, I mean, it's out there. It's done. So it's not that you need a new pulse. It's that you need that signal to altogether stop the emission. So you need the stoppage of the emission of any pulse, and that is precisely what's stopping the simulation signal means. That's precisely why there's really no substantial—no evidence that can reasonably support the jury verdict that NIM-Eclipse does infringe the '236.

Judge Reyna (14:01):

Does changing the frequency of a pulse—is that stopping the pulse? Is that stopping the signal, rather?

Luke Dauchot (14:06):

It is not. All you're doing is you're basically changing the frequency by which the pulses are emitted, but the pulse is continued to be admitted. As long as the pulse is continued to be admitted, you do not have the stoppage of the signal. One last point, and I see that am on my rebuttal time, Your Honors. One last point is the supple—the question of the damages between July of 2010 and the September 2011 verdict. Quite simply, Your Honors—

Judge Dyk (14:36):

That issue would become moot if we send it back for new trial on damages, right?

Luke Dauchot (14:41):

If you send it back for a new trial on damages, yes. The point is the issue is mooted. Correct, Your Honor.

Judge Reyna (14:48):

If we send it back for new trial on damages, do we need to address the supplemental damages?

Luke Dauchot (14:53):

No, Your Honor. You don't.

Judge Reyna (14:54):

Why not?

Luke Dauchot (14:54):

Well, because it's moot, and presumably if the entire thing gets sent back for a retrial on damages, that period of time is going to get captured anyway in the retrial, so that the gap, if you will, becomes moot.

Judge Dyk (15:11):

You'll be more explicit than you were the first time.

Luke Dauchot (15:15):

Well—

Judge Reyna (15:16):

Won't there be a new gap, a new potential of a gap then if there was one to begin with. I—

Luke Dauchot (15:21):

Well, that's a fair question, Your Honor. And in theory, there will always be some gap at some point, discovery will end, and you are going to have the trial. And so there are a slew of district court cases that handle the issue much like we requested the district court here to do it, which is basically through an accounting that is consistent with the jury verdict.

Judge Dyk (15:44):

Well, mostly it's handled by telling the jury to award damages up to a particular date. And you didn't request that instruction here, right?

Luke Dauchot (15:52):

Well, we did not request that instruction. But if we look at the *Bard* case that's cited, if we look at the jury form there, Your Honor, there was no end date on the damages. And the jury de facto was instructed that way. There was no instruction—

Judge Reyna (16:05):

Well, the jury made its decision based on—it made its decision. And we look at the entirety of the decision here, there are dates. So why shouldn't we hold the jury to what—to its decision?

Luke Dauchot (16:19):

Well, the short answer, Your Honor, is this: the jury was instructed that it could not speculate. The jury is assumed to follow the court's instructions. And that's the Supreme Court precedent that a law that we cite. The jury's assumed to have done that. And then where we go from there is if we look at the actual evidence before the jury, all of the damages evidence ended at June of 2010. That's the way the case was tried by our expert, their expert, and there was just absolutely no issue there.

Judge Dyk (16:49):

Yeah. But what you should have done was to ask for instruction that the jury should award damages up to X date. Right? And you didn't do that.

Luke Dauchot (16:56):

Well—

Judge Dyk (16:56):

That's why—that's why we're in this mess.

Luke Dauchot (16:59):

Well—

Judge Dyk (16:59):

Where it's—where the record is unclear.

Luke Dauchot (17:02):

Well, on the question of whether or not we should have done, there is no precedent from this court on that point, Your Honor. There isn't—this is really—this is new—

Judge Dyk (17:10):

It's just a matter of common sense.

Luke Dauchot (17:11):

Well—

Judge Dyk (17:11):

If you want to get a verdict that's clear, you should ask for instruction that makes the verdict clear.

Luke Dauchot (17:16):

Well, Your Honor, again, a number of district court have dealt with the accounting issue without an instruction that puts the cutoff date in the actual verdict form. But with that, I'll leave it because I know that I'm—

Judge Lourie (17:31):

We'll give you your full requested eight minutes back.

Luke Dauchot (17:34):

All right. Thank you, Your Honor.

Judge Lourie (17:35):

For rebuttal. Ms. Maynard.

Deanne Maynard (17:44):

May it please the court, Deanne Maynard for defendant NuVasive. The $100 million—more than 100 million judgment here should be reversed for multiple independent reasons, going both to liability and damages. I'd like to start with the '973 patent, which should be—

Judge Reyna (18:01):

Can you start with Judge Dyk's question whether what we're being asked to do here is to basically have a duplicitous award of damages based on licenses, license fees, and royalty payments.

Deanne Maynard (18:14):

I agree that—with Your Honors that they can't get a duplicative recovery. So—

Judge Dyk (18:20):

That's what they are seeking, right?

Deanne Maynard (18:21):

To the extent they're reasonable royalties, they're seeking to try to up their reasonable royalty by including it in their lost profits. That is what they're trying to do with respect to the ongoing royalty. I think the district court appropriately considered all the relevant factors, picked a number higher than what the jury had awarded for a reasonable royalty, and picked a number lower than what they wanted, but took into account the appropriate factors. And there would no be—

Judge Dyk (18:48):

How can you get anything out of the jury verdict? I really don't understand it. I mean, there's this lump sum award and some reference to royalty percentages, but the—but trying to parse the lump sum award seems to me to be impossible, given the instruction that for part of the period, up to 2006, they get a reasonable royalty and then after that, they get lost profits. How can we parse that $101 million verdict?

Deanne Maynard (19:14):

You can't, Your Honor. And I think if there's any error in—if you find any error with respect to liability or damages, you should remand for a new trial. And if you find—we would hope that you would clarify what could be in the bucket of damages when you do that, because here, I would like to address liability, but here they've included in their damages things that they shouldn't be entitled to. Warsaw is essentially a non-practicing entity with respects to these patents. It neither makes nor sells any product that competes with anything NuVasive sells. And under this court's precedent in Poly-America, it's not entitled to lost profit.

Judge Dyk (19:54):

Well, that statement is correct to some extent. The problem is it's not completely correct. And the reason it's not completely correct is that one component of the lost profits is these convoyed sales of the screws and the rods and the biologics. So, and those are sales that Warsaw itself made, right?

Deanne Maynard (20:14):

They don't make those to anybody outside their interrelated companies, Your Honor. And they don't—and they—but as—

Judge Dyk (20:21):

But they did sell them. So, the—

Deanne Maynard (20:23):

They transferred them.

Judge Dyk (20:23):

The *Poly* case doesn't give the answer to the question whether they can recover that because those sales are sales that they themselves make.

Deanne Maynard (20:31):

If you say that they can—we don't think they can recover those convoyed sales for a different reason—

Judge Dyk (20:36):

Because they're not functionally related.

Deanne Maynard (20:37):

They're not functionally related.

Judge Dyk (20:38):

But that's the only reason, right?

Deanne Maynard (20:41):

Well, I think to the extent one could read *Poly-America*, Judge Dyk, to say that you can't synthetically create lost profits. They aren't selling—

Judge Dyk (20:52):

No but *Poly-America* does include in it a statement that you—if you make sales yourself, you can't recover for that.

Deanne Maynard (20:58):

If you make sales that compete with sales that compete with the patented item. So it would—then it does fold into the convoyed sales argument, but they shouldn't be able to recover for these unpatented rods and screws under this court's case law. It's no different than *American Seating*. They're not functionally related. The evidence shows that the rods and screws aren't always used, they're put in later, sometimes they're put in a separate surgery completely.

Judge Dyk (21:29):

Was there evidence that the rods and screws were used on other implants other than the patented implant?

Deanne Maynard (21:36):

The rods and screws—you could use interchangeable. Sometimes it was Medtronics rods and screws that were used in NuVasive's surgery.

Judge Dyk (21:43):

So these rods and screws—but just be clear about this, these rods and screws could be used with other implants not covered by this patent?

Deanne Maynard (21:53):

I want to confirm that before I say yes or no, but standing here—so on rebuttal, I'll answer that question, but the evidence did show, Your Honor, that it was often not NuVasive's rods and screws that were used when NuVasive's implant was used.

Judge Dyk (22:11):

Yeah. That seems to me to be a different question. I think that the functional relationship issue turns on whether their rods and screws can only be used with these implants or whether they can be used with other implants.

Deanne Maynard (22:20):

I think the rods and screws are rods and screws, and they can be used with any implant. I'll confirm that.

Judge Dyk (22:25):

Okay, you can show me—give me the record cite for that.

Deanne Maynard (22:27):

I will, Your Honor, when I get back up. If I could—so we think there are multiple problems with the

$100 million damages number. And if you send it back for anything else, we would request that you clarify what is—could be a bucket that they could seek and what couldn't, because the true number vastly increased the damages ask. This would—this is essentially just the *Poly-America* issue. They basically contracted to take 95% of the profits of the selling entity. And that's what *Poly-America* says you can't do. You can't synthetically create these kinds of profits. And that was the largest bucket of the three buckets. It—but I would like to touch on liability because I think that you wouldn't have to answer the damages questions if you set aside the liability verdicts. And I think you should set aside the liability verdicts here. Under the claim construction adopted by the district court, under which the jury was instructed and which they don't challenge here, this '973 patent is anticipated by the Brantigan prior art. This is just—

Judge Dyk (23:32):

Well, under the claim construction, does it have to be capable of lateral insertion?

Deanne Maynard (23:37):

It has to be a—yes, that was the claim construction. But the jury instruction, Judge Dyk—

Judge Dyk (23:42):

Oh yeah, go ahead.

Deanne Maynard (23:43):

The jury instruction, which is on A206, the court at our request instructed the jury that—so it did instruct the jury, as you were suggesting, Judge Dyk, the court construed the term "translateral spinal implant" to mean a spinal implant capable of being inserted trans-laterally. And then the court goes on.

Judge Dyk (24:07):

Does translaterally mean the same thing as laterally?

Deanne Maynard (24:12):

Basically translaterally is just a mode of use, Your Honor.

Judge Dyk (24:15):

But does it mean the same thing as laterally?

Deanne Maynard (24:18):

We think so.

Judge Dyk (24:19):

Okay.

Deanne Maynard (24:19):

They made it state that—dispute that, but it—but for purposes here, it has nothing to do with the structure of the implant. It—the—this is an implant. This is a claim for an oversized implant, and it's defined by the body of the claim, which just defines dimensions. And—

Judge Dyk (24:36):

But are you challenging the construction that says it has to be able to be inserted laterally—has to be capable of lateral insertion?

Deanne Maynard (24:44):

We don't, Your Honor, because if at 206, what the court said is that's not limiting.

Judge Dyk (24:51):

Well, you're talking about the preamble, but—

Deanne Maynard (24:53):

No, Your Honor, actually, if I may read it to you?

Judge Dyk (24:55):

Yeah.

Deanne Maynard (24:56):

It's right below. So if you see the number one—you're on page two. Court construes, and it gives the construction that you're—to which you're referring, and this is key, because this is language they actually leave out of their brief. As stated above, the court—this is the second sentence under the paragraph phrase, as stated above, the court found that the preambles of independent claims 135 and 61 are not limiting. And therefore the court's use of the term "capable" cannot be read to impose additional limitations into the '973 patent that are not otherwise set forth in the claim language. So the court says—

Judge Dyk (25:31):

I mean, it's a little bit confusing, but the court also instructed the jury that it has to be capable of translateral insertion. Right?

Deanne Maynard (25:38):

But—

Judge Dyk (25:39):

Yes?

Deanne Maynard (25:39):

Yes, Your Honor.

Judge Dyk (25:41):

Yeah.

Deanne Maynard (25:41):

Capable of being—capable of being inserted translaterally. But that just—under this court's case law, that doesn't add anything. There's no err there. This is an apparatus claim and that's just the label for it. So if it meets the dimensions of the claim, it's capable of being inserted translaterally.

Judge Dyk (26:01):

I'm not following that because what they're saying is, and they put on evidence to this effect, that it's not capable of lateral insertion, because if you're going to insert it lateral, it has to have the ridges in the right place and so on and so forth. It'll pop out if it—if the Brantigan thing were inserted laterally, right? I mean that, that's basically their contention.

Deanne Maynard (26:21):

That's what they claim, Your Honor. But there's nothing in the claim—if I may step away from the podium, grab my patent. There's nothing thing in the patent that that—oh, I actually have it here. There's nothing in the patent claim that says that. This is claim one: a trans-lateral spinal implant for insertion from the lateral aspect of the spine in the disc space between two adjacent vertebrae. All non-limiting. Not challenging. All non-limiting. Yes. A translateral spinal implant means capable of being inserted translaterally, but capable of not limiting. Doesn't add anything that's not a relevant claim. So the only thing in this claim is the body, which is the following: said implant, having a length that is greater than one half the transverse width of the vertebra, said length being substantially greater than the depth of the vertebra, and a height for contacting each of the two adjacent vertebrae. I mean, this is an apparatus claim. It isn't for any—the intended purpose is not relevant. If you meet the dimensions of this oversized implant, you infringe. And if you meet it, you anticipate, and the Brantigan implant, the inventor conceded that the Brantigan implant is essentially the same size as the preferred environment. And we set—we have that in our brief. Both in our reply brief, we have a chart, in our red brief, we have a chart showing that the dimensions of the prior art Brantigan implant map precisely onto the preferred embodiment. That's all there is to this patent and is anticipated. This never should have gone to a trial. We moved for summary judgment before the trial on this basis. And it should have been granted once the claims were construed where the preamble didn't have all these things in it. So, Judge Dyk, to your point. Did dependent claims have tool holes they call for engagement means. So, for example, claim 18, the implant of claim one, which said implant includes the driving engaging means, like a tool hole. The things that they're trying to read into claim one are not there. And the inventor testified when he was asked, does it have to span code to code? Does it have to have a tool hole? No, it doesn't need to be in the claim. It's not in the claim. It needs to be in the claim if you want to use those limitations to distinguish prior art, and it isn't there. And they don't challenge. I mean, the language that I read you from the jury instruction, they don't even put in their brief. So they don't challenge it and capable of in this—under this court's case law, this is nothing more than a label for what they called this oversized implant, a translateral spinal implant.

Judge Reyna (28:55):

Let me have the citation in the appendix to the jury instruction you're talking about.

Deanne Maynard (28:59):

It's A206, Judge Reyna.

Judge Reyna (29:01):

Okay. I was looking at that.

Deanne Maynard (29:02):

So it's the—and so the first paragraph, and this was a huge debate at the trial, just so you know, I mean, we made a—we made a motion for summary judgment. We made a motion and limited to keep them from trying to turn "capable of" into a Trojan horse. And then we asked for a limiting instruction, most of which we got, and most of which is in here. And nevertheless, that's how they got this rubric that they got. So, Judge Reyna, the point that—the sentence that I'm point to is right below in claim construction of the '973 patent, of the second full sentence under the one, as stated above, the court found that the preambles of independent claims 135 and 61 are not limiting. And therefore the court's use of the term "capable" cannot be read to impose additional limitations. So the only limitations in this patent are those in the body of the claim. The body of the claim only includes dimensions. They could have written it differently. They didn't, and it's anticipated by the Brantigan prior art.

Judge Dyk (30:02):

You want to talk about the '933, unless, I don't know, did Judge Reyna have any other questions?

Judge Reyna (30:07):

No, I'm good.

Deanne Maynard (30:07):

Yes. Thank you, Judge Dyk. The '933—in the '933, what they're trying to do is mix and match the element. And under the way that the claim is written, they can't do that for DOE because it violates the structure the way that the claim sets forth the structure. So claim one requires that a retractor with a first and second portion that form a working channel. With said working channel being closed by said first portion and said second portion. So this is on page A275. And then the second part—so you've got said working channel being closed by said first portion and said second portion. Now, NuVasive's retractor has three blades. One of which—and when joined, they close altogether, creating a working channel. That was what they testified to, but it's three blades, not two. But the claim goes on, and it requires said working channel, said first two portions. Said working channel is enlargeable by laterally moving—each of said first and second portions away from one another and pivoting each of said distal ends of said first and second portions away from one another such that only a portion of said working channel is enclosed by said first and second portions.

Judge Lourie (31:34):

You're saying they can't be a third.

Deanne Maynard (31:35):

The—I'm saying that for them to have any hope of their theory, our third would have to move. And it doesn't.

Judge Dyk (31:45):

To, come with an indoctrine equivalent.

Deanne Maynard (31:46):
Yes, Your Honor, because the structure of this is that the blades create—close to create the working channel. And then each of the blades laterally moves from one another, and the distal ends pivot away from another. And the third blade in NuVasive's retractor never moves. So they're trying to mix and match their theories. And under *Dolly*, this court's precedent under *Dolly*, that's a legal error. You can't have a DUE theory that violates the way that the elements are structured together in the patent claim. And that's exactly what they're trying to do here. Our third blade does not move, and its part—and it's necessary for them to meet the first element. And then it says it has to be the same elements and it just doesn't work. And so, as a matter of law, the infringement of the '933 should be set aside. So in our view, the court should set aside liability on both the '973 and the '933, which would obviate the need to reach any of the damages issues presented by the parties. If I may go back to the, unless you want more to the damages issues, because it is very important. The convoyed sales issue, I don't know if the court would like to direct me as to what you'd like me to spend time on of my remaining time on the damage issue.

Judge Lourie (33:13):

We're giving your opponent extra time, so we'll give you extra time to deal with these several issues.

Deanne Maynard (33:18):

Thank you very much, Your Honor. So on the lost profit issue, I think I hit my main points, which is Warsaw, which is the patent owning entity here, it sells nothing in direct competition with NuVasive. I understand, Judge Dyk, your point that they make these intercompany transfer of sales.

Judge Dyk (33:43):

Well, no, my point is that I was asking about earlier, it's just for a relatively small part of the profits claim, which relates to the convoyed sales of the screws, rods, and biologics. And the question is to the screws and rods, and you're going give a cite about this, is whether these screws and are especially designed for this implant or whether they work with others as well, which seems to bear on the functionality issue.

Deanne Maynard (34:07):

And I'm almost certain it's the latter, Your Honor. And because of that, let me see. I mean, let me see if I can find it to stand right here. So, a surgeon can use one company's retractor in implant, but another's fixation, which is the rods and screws. That's at A11119 to 22. In fact, surgeons frequently did use NuVasive XLS with Medtronics biologics and fixation. That's at A111186 to 87, and A11991 to 92 A12020 to 21, A12058 to 59.

Judge Lourie (35:06):

Ms. Maynard, what's your deal with a stopping step issue?

Deanne Maynard (35:09):

Yes, Your Honor. And I just did want to reiterate, may I finish? My fixation is often not—sometimes not used at all. And then it often isn't done in a completely different surgery or they'll turn you over and do it in from the back, so it's not even done from the side. On the '236, Your Honor, the evidence at trial, Raymond, our expert testified that the stimulus signal upon in the accused product, upon triggering a reaction, stops, notifies the operator of the response, drops down a level, and starts a new stem signal.

Judge Reyna (36:06):

When you say stops, does it stop? Does the entire emission of the single stop, or is it that the pulse changes the frequency?

Deanne Maynard (36:14):

So it's important that the signal is a train of pulses. So in the patent, the figures show a train of pulses up, up, up, up hip, and then this is the way their product works, hip, down. That's a new signal: up, up, up. So stimulus signal is a train of pulses. So in their product, to answer right, the pulses continue and, and our—

Judge Dyk (36:44):

Looking for another nerve. Is that the idea?

Deanne Maynard (36:47):

Looking for, if you move, it might just make sure you're not, how are you still far away from that one? Are you looking for another one? The prior art to which they refer, which is the Raymond patent, are Raymond was the expert who testified for us. The prior to which they're referring is his patent. He says, this was different than what his patent did. His patent was looking for a nerve like to administer anesthesia. And in the prior art, in the prosecution history, what we say about that is we would, in the Raymond patent, you would continue to stimulate the nerve maybe at a lesser amount, but nevertheless, continue to stimulate the nerve. Because you're trying to find it. Here, we're trying to avoid it—

Judge Reyna (37:29):

But it stops, too. Doesn't it? I mean, it, under Raymond, the signal will change frequencies. It will alter. Otherwise, don't you damage a nerve if you continue at that same frequency at which it was detected?

Deanne Maynard (37:42):

In the—my understanding is in the repatent, it may drop down, but it doesn't stop that signal. In our patent, the stimulus signal is a train of pulses that stop and it restarts a new stimulus signal when they, when it drops down, that's a new stimulus signal within the meaning of the patent. So yes, in their product, the pulses continue. They even continue at the same rate as he was saying, but the jury was entitled to conclude under the evidence here and they put on no expert evidence to the contrary. They just crossed our expert who under cross examination continued to maintain, yes, the pulses continue, but that's a new stimulus signal. Once you've gotten the response and it's send it and it has sent the indication to the monitor, the fact that it continues gets repeating claim one, which is also the two repeating claims. It's simply repeating claim one. And there will be no basis to reverse the jury verdict, given the record here on that issue.

Judge Lourie (38:37):

All right. Thank you, Ms. Maynard, we'll give you five minutes for rebuttal on your cross appeal issues if you want to use it.

Deanne Maynard (38:46):

Thank you very much, Judge Lourie.

Luke Dauchot (38:58):

Your Honor, let me pick up with just the '236 patent briefly. I think that the entire issue revolves around the fact that the admissions at trial that NIM-Eclipse performs no differently than Raymond, and I'll cite the court to appendix 11362 and then 11365, 11376, other two important parts of the appendix council said that the difference between Raymond and the invention is that Raymond may continue to send a signal, a pulse, if you will, that will continue to stimulate the nerve, whereas a '236 says this is their latest argument, that you stop emitting pulses that will trigger a response, meaning you could still send pulses low enough that won't trigger, that won't stimulate the nerve,

Judge Reyna (39:48):

But that's a new signal, right? That—

Luke Dauchot (39:51):

Well, no, it's all you're doing is you're decreasing the signal. You're decreasing the intensity.

Judge Reyna (39:55):

But if I have a signal that said X frequency, and all of a sudden I detect a nerve and it drops down to a lesser frequency, is that not a new signal?

Luke Dauchot (40:04):

Important point, Your Honor. Number one, the frequency does not change. That's undisputed in the record. The signal frequency does not change.

Judge Dyk (40:12):

The strength changes.

Luke Dauchot (40:13):

Correct, Your Honor. The intensity will change. And while the pulse intensity can change, you can see the same signal. All you're doing though is decreasing the intensity of the pulses. Importantly, in the record, there's an admission by Dr. Raymond, and I think it was Dr. Raymond, that the NIM-Eclipse system, upon

detecting that neuromuscular response, does not stop stimulating the nerve as it's going, as the pulse is decreasing. And so counsel said, well, the difference between us and Raymond is that Raymond will continue risk continue stimulating the nerve as the pulse decreases following the neuromuscular response—

Judge Reyna (40:55):

But does the amount of the stimulation change?

Luke Dauchot (40:58):

Well, yes, which is why you have the decrease in the pulse, but what their patent teaches is in order to completely protect the nerve from overstimulation, you stop the emission of the signal period.

Judge Dyk (41:11):

Where does Raymond say in the transcript that they're the same, his invention and this one are the same? I thought they said he said something quite different.

Luke Dauchot (41:21):

11, 11362, Your Honor.

Judge Dyk (41:23):

Which volume?

Luke Dauchot (41:25):

Boy, that I can't help Your Honor with, but I can quote.

Judge Dyk (41:33):

But now wait, I want to see it.

Luke Dauchot (41:35):

Yeah. And so what they're describing here is the phenomenon where you have a series of pulses. You get—

Judge Dyk (41:42):

Wait, wait, wait, 11362. Yes, sir. Okay. I have it. It's in volume two.

Luke Dauchot (41:53):

And there's a question, and I don't have the lines, Your Honor, but the question begins with okay. Question. Okay.

Judge Dyk (41:59):

Yeah.

Luke Dauchot (42:00):

All right. And so what they're describing here is the phenomenon where you have a series of pulses, you get a response, a neuromuscular response, and the next thing is the next pulse is lowered in intensity, right? That's what's being described in the quote that I just highlighted. And the quote is from Raymond. The answer is yes. Question. That's the same behavior that happens in the NIM-Eclipse. That's the accused product, in the nerve proximity mode. That was the accused mode, the answer that's true. And so, and this isn't the only site, Your Honor, there are additional admissions, and they are cited in our in our blue brief.

Judge Dyk (42:36):

Well, if you read on, okay.

Luke Dauchot (42:42):

If, Your Honors, if I could switch to the capable issue, importantly, when we get to the '973, there is no appeal from the court's claim construction. There is no appeal from the jury instruction. What the court instructed the jury and it's in the same instruction that counsel quoted, the court instructed the jury that they are not to ignore the language, quote unquote said, implant, which you do find in the body of the claim language. And if Your Honors look at the instruction, that NuVasive—the part of the instruction that NuVasive seizes on to make the point that the district court said capable, carries absolutely no limitation and is meaningless. Okay. What the court said is, the preamble does not impose anything beyond what is in the claim. And the district court appreciated that said implant is in the claim. And if we go back to the genesis of all of this, Your Honors, where does the capable of limitation comes? It comes from NuVasive, importantly in *Markman*. What NuVasive argued to the district court is that translateral implant had to be the ascribed meaning capable of translateral implantation. In urging that position, Your Honors, what NuVasive cited was the court's opinion in *DePuy*. And I'll—it was the *DePuy* 469 F1021 case. In that case, *DePuy*, the court stood for the proposition, held that an apparatus claim can have functional limitations, and the functional limitation at issue in that into the *DePuy* case was a hole for inserting a screw through a—for inserting us through it. And in the *DePuy*, the court held that the accused product was not infringing because it did not meet that functional limitation. So for new NuVasive to argue here on appeal, that capable means nothing. All right, is flat out contradictory with the position that NuVasive took a claim construction. Importantly, NuVasive never, ever asked the court to revisit its claim construction. It never did. What it did do was argue to the district court that it had misinterpreted its own claim construction, and what it does on appeal is raise all sorts of arguments about—the district court shouldn't have let this in, shouldn't have let this in, shouldn't have let this in. Well, these are all abusive discretion issues, and the case, really from that perspective, is postured no differently than what we have in the *Function Media v. Google* decision of this court, 2013, 708F1310., If we put—and by the way, if we accept the court's instruction to the jury about capable, that they cannot not ignore said implant, that said implant means capable of translateral implantation, meaning of one of ordinary skill in the art, plain meaning to one of ordinary skill in the art, no one disputes. NuVasive does not you that if you accept that instruction, there was substantial evidence supporting the jury verdict. Importantly, there was another instruction on length. The court, at NuVasive's request at Markman, construed length to mean plain and ordinary, meaning to one of skill in the art. NuVasive new full well, that when the court adopted that construction, it was not choosing between NuVasive choice, which was longest length, the longest dimension and worse—

Judge Dyk (46:20):

But they—these two implants have the same dimensions right, in Brantigan and in here.

Luke Dauchot (46:25):

Well, that's the difference. When we discussed the length—

Judge Dyk (46:28):

Is that true?

Luke Dauchot (46:29):

Well, they do. They have the same dimension, two points, and that's what is actually interesting about the brief. If you look at the brief that NuVasive submits on reply, they will have you look at the implants this way. This is the perspective you see in the brief—

Judge Dyk (46:44):
And they have the same dimension.

Luke Dauchot (46:46):
Well, they don't.

Judge Dyk (46:47):
They don't?

Luke Dauchot (46:47):
Because implants are not two dimensional. If you actually flip the implant over which they don't shift, you'd see a third dimension, a height, which you'd also see is where the insertion ended.

Judge Dyk (47:01):
I didn't see that there was any briefing about the height being different.

Luke Dauchot (47:04):
Oh, there is in our yellow brief, Your Honor.

Judge Dyk (47:10):
Where?

Luke Dauchot (47:10):
We discuss—where we indicate that the 41—

Judge Dyk (47:13):
Where do you talk about a height?

Luke Dauchot (47:14):
Sure. The 41 millimeter in—

Judge Dyk (47:16):
Where? What page?

Luke Dauchot (47:19):
I will get you that. I don't have it at my at my fingertips, but the height component plays into whether or not it's capable of being implanted laterally. All right. So here's the point. You take the 41 millimeter implant, and if you look at it too dimensionally, you say, well, it's got a length that meets the limitation. And they say, well, if you take the one that was meant for the lower lumbar region and shove it up a couple of levels, there you go. Now, if you look at that length, it's going to have a length that is substantially deeper than the depth of the vertebral body as you walk up the column. The problem is at that level—

Judge Lourie (48:00):
Mr. Dauchot, I think the extra time we've given you has expired. We'll hear from Ms. Maynard on cross appeal issues, and if you, at the conclusion of that, give us the page number, we will accept that.

Luke Dauchot (48:17):
All right. Thank you, Your Honor.

Judge Lourie (48:27):

You need a caddy.

Deanne Maynard (48:28):

Yes, Your Honor. There's a lot of paper in this case.

Judge Dyk (48:32):

I don't mean to take up all your time on this, but do you have a thought about the Raymond testimony that they discussed at 11362, which I'm trying to lead this sitting here, it's sort of confusing. What do, you understand it to be saying?

Deanne Maynard (48:50):

I think that if one reads 11315 to 11316, Raymond says it's different. What he's saying, and I think if you read his testimony completely through, it's consistent with what I was saying to Judge Reyna. The pulses continue, but the stimulus signal within the meaning of our patent stops and a new stimulus signal starts. And he at—so at 11.

Judge Dyk (49:23):

Okay, well, I'll have to read it. I don't mean to take up your time. Go ahead.

Deanne Maynard (49:24):

Okay. I'm sorry, Your Honor. But I direct you—I think he says that his screen [**inaudible**] different at 1135. Thank you. If I can on the '973, if this isn't preservation of the claim construction argument, then I don't know how one would preserve it. We made the arguments at *Markman*. We, as I said, we moved for some reason—

Judge Dyk (49:48):

Made what argument?

Deanne Maynard (49:50):

At *Markman*. We argued that the preamble was not limiting. And that we—

Judge Dyk (49:59):

But are you challenging the jury instructions on appeal? No. Right?

Deanne Maynard (50:04):

The jury instruction is consistent with what we are saying.

Judge Dyk (50:08):

So the answer is you're not challenging the jury instructions.

Deanne Maynard (50:09):

We have not challenged the jury instruction. Although, if the court thinks that we have made this argument, Judge Dyk, if the court thinks that the district court left these questions to the jury, then we are challenging that, that would be legal error. That's not an abusive discretion that under this court's cases, like *Exergen*, it's legal error to let—to leave an 02 [**inaudible**] legal error to leave claim construction questions to the jury. We think that the court said the preamble is not limiting translateral. Spinal implant means capable of being inserted translaterally, but that's not limiting. And so, it's just an apparatus claim

with dimensions that are and to his point about the Brantigan prior our, Judge Dyk, to follow up on your questioning with my colleague. The Mr. Michelson, who's the inventor here, he admitted that the prior art Brantigan implant is pretty much the same size as the one that we show in our brief and the dimensions are—So the '973 preferred embodiment is at a 256 column, 10, lines 42 to 47, and it gives links of 32 to 50, with 42 being preferred, width of 24 to 32 with 26 being preferred, and height of eight to 16, with 10 to 12 being preferred. And the Brantigan implant falls squarely within that: is 42 by 28 by 14. And I don't remember any briefing about the height, Judge Dyk, the width, what they're, the way they get out of the link is that they shift it. But the ordinary meaning of link is the greatest dimension. This was teed up at claim construction. We asked for plain ordinary meaning. They asked, or if you need to construe it, the greatest dimension they asked—they didn't ask for plain ordinary meaning. They asked for leading edge to trailing edge. The court went with ours, plain and ordinary meaning, which is rejecting theirs. Yet, that's the testimony. They went to—we asked the court at summary judgment to keep that out. It rule for us on summary judgment, but at the very least, don't let them argue that to the jury so that the—if you think that he didn't decide that, then we definitely preserved our rights to that question. And we would say you should decide length is the greatest dimension. That's the ordinary meaning of length. There's certainly no express disclaimer here, or lexicography in the specification. All of the point places to which they point the specification with respect to length completely consistent with length being the greatest dimension. That was the greatest dimension of all the prior art patents as well. And they've—to the extent his arguments go to it matters which particular vertebrae you're sticking it in. Well, then these patents are indefinite, or they're mixed method, apparatus patents. If you have to know, which is what they told the patent office to get overcome their indefiniteness rejection, if you have to know the occasion of its use, it's indefinite. So they can't have it both ways indefiniteness is the real question. This court could decide on that basis just as readily. They've always argued that you have to know its use in order to know whether or not it's in friendship.

Judge Lourie (53:25):

Thank you, Ms. Maynard.

Deanne Maynard (53:31):

Thank you, Judge Lourie.

Judge Lourie (53:32):

Unless Mr. Dauchot has a page number, we'll take the case under advisement.

Luke Dauchot (53:37):

So pages four and 29.

Judge Lourie (53:39):

Thank you very much.