

**IN THE
INDIANA COURT OF APPEALS**

Case No. 19A-PL-00378

WARSAW ORTHOPEDIC, INC.;)	
MEDTRONIC, INC.; MEDTRONIC)	
SOFAMOR DANEK, INC.,)	Appeal from the Marshall County Circuit
Appellants)	Court
(Defendants below),)	
)	Trial Court Case No.
v.)	50C01-1806-PL-000027
)	
RICK C. SASSO, M.D.,)	The Honorable Curtis D. Palmer, Judge
Appellee)	
(Plaintiff below).)	
)	

BRIEF OF APPELLANTS WARSAW ORTHOPEDIC, INC.;
MEDTRONIC, INC.; AND MEDTRONIC SOFAMOR DANEK, INC.

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STATEMENT OF THE ISSUES

1. Plaintiff-Appellee Rick Sasso was paid millions of dollars in royalties for his collaborations with Medtronic; he nonetheless filed this suit to seek millions more. His Facet Agreement with Medtronic provides that the products upon which Sasso is owed royalties are to be specified by catalog number in Schedule B. Earlier in this case, this Court in *Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d 835 (Ind.Ct.App.2015), held that identical wording in a similar purchase agreement means that Schedule B defines the royalty obligation. The first issue is:

Has Sasso been paid for everything listed in Schedule B, which means judgment should have been entered in favor of Medtronic as a matter of law because Sasso is not entitled any additional royalties?

2. Sasso also presented arguments that he was owed royalties on a vast array of products based on application of patent law. Patent-law cases, however, are within the exclusive jurisdiction of the federal courts. The second issue is:

Did the existence of these patent-law issues render the judgment null and void because state courts lack subject-matter jurisdiction over patent cases?

If this Court vacates the judgment on jurisdictional grounds, it need not decide any additional errors. If the judgment is not vacated, the following prejudicial errors require reversal or, at a minimum, a new trial.

3. To receive life-of-patent royalties under the Facet Agreement, Sasso was required to prove that he had a **valid** patent claim. Medtronic's evidence and Sasso's own interpretation established **invalidity**. This same evidence led the United States Patent and Trademark Office to officially declare Sasso's patent claims invalid and cancel them *ab initio*. The third issue is:

Did the trial court commit reversible error by refusing to allow Medtronic to present any evidence as to invalidity or tell the jury the Patent Office had canceled the very patent claims upon which Sasso was seeking royalties?

If the initial exclusion was not error, should Medtronic have been allowed to respond after Sasso affirmatively opened the door by telling the jury that these patent claims were valuable, valid, and still in effect even though he knew the Patent Office had declared these exact patent claims to be invalid and cancelled them, thus proving them worthless?

4. The "Term" provision of the Facet Agreement provided that Medtronic's royalty obligation expired in 2009. The fourth issue is:

Did the trial court erroneously hold that the term of the Agreement was not governed by its "Term" provision and was instead governed by the "Payment" provision?

5. If the "Payment" provision applied to establish the term, Sasso was required to show the products on which he sought royalties were "covered" by claims issued from the applicable Patent. Patent law establishes that where a patent claim requires multiple components, a product is not covered by the claim unless it includes **all** the components. The fifth issue is:

Given that the applicable patent claims involved a kit with five and six instruments and it is undisputed that Medtronic has **never** made, produced, or sold such a product, as a matter of law did Sasso fail to establish that the patent claims covered any Medtronic products?

6. At trial, Sasso sought more than four-thousand times the amount he had accepted as royalties for twelve years (without complaint). He argued he was owed royalties on any and all Medtronic products that might have been implanted by a surgeon using any type of minimally-invasive spine surgery techniques, regardless of the instruments used. The sixth issue is:

Given the undisputed evidence that Medtronic had never sold any patented kits and there was no evidence that any surgeon ever used the claimed instruments to implant any of Medtronic's products, are these royalty damages impermissible as a matter of law because they are untethered to the Agreement?

7. To succeed on his Vertex Agreement argument, Sasso was required to show that valid claims of a patent arising out of his intellectual property covered the products on which he sought royalties. The final issue is:

Was Sasso entitled to recover anything under the Vertex Agreement, where the only relevant patent to issue from the Intellectual Property Rights described in the Vertex Agreement the was '491 patent, and the evidence did not establish that the '491 patent covered the products at issue?

STATEMENT OF THE CASE

This appeal involves two contracts between Defendant-Appellant Medtronic¹ and Sasso: the Facet Agreement and the Vertex Agreement. (Tr.Vol.14, pp.4-26.) Sasso's initial complaint sought royalties under the Vertex Agreement and another agreement. (App.Vol.2, p122-180.) This Court affirmed Summary Judgment against Sasso on that other agreement, *see Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d 835 (Ind.Ct.App.2015), and that is not at issue here.

Medtronic removed the action to federal court, which remanded the case to state court. (App.Vol.2, p.10-12.) Sasso then amended his complaint to add counts for breach of the Facet Agreement. (App.Vol.2, p.181-248.)

In October 2016, Medtronic moved to dismiss for lack of subject-matter jurisdiction. (App.Vol.3, p.16-18.) The trial court denied the motion. (App.Vol.2, p.109-110.) On March 27, 2017, Sasso filed his operative Third Amended Complaint, again alleging breach of the Facet and Vertex Agreements. (App.Vol.2, p.181-248.)

Medtronic moved for summary judgment that Sasso was not entitled to any additional royalties. (App.Vol.7, p.87-163.) The trial court denied that motion. (App.Vol.2, p.104-108.)

Sasso moved for summary judgment that the Facet Agreement's "Term" provision did not set the term of that agreement. (App.Vol.6, p.128-162.) The trial court granted that motion over Medtronic's objection. (App.Vol.2, p.112-113.) In so

¹ "Medtronic" refers to Defendants-Appellants Medtronic, Inc.; Medtronic Sofamor Danek, Inc. (and its predecessor Sofamor Danek, Inc.); and Warsaw Orthopedic Inc.

doing, the trial court signed verbatim orders written by Sasso's counsel. (App.Vol.14, p.214-215.)

Sasso also moved to exclude evidence related to the invalidity of the patents-in-suit. (App.Vol.16, p.130-135.) The trial court granted the motion over Medtronic's objection, (App.Vol.2, p.111,120), again signing verbatim the order written by Sasso's counsel. (App.Vol.17, p.183-184.)

Before trial, Medtronic filed a declaratory-judgment action in federal court seeking a declaration that Medtronic owed Sasso nothing. (App.Vol.12, p.118-133.) The federal court assumed it had exclusive jurisdiction but declined to hear Medtronic's declaratory-judgment action. (*Id.*) Medtronic appealed that decision to the U.S. Court of Appeals for the Federal Circuit; briefing is complete and the case was argued on November 6, 2019. *See Warsaw Orthopedic, Inc. v. Sasso*, 19-1583 (Fed.Cir.).

After a fifteen-day trial, a jury awarded Sasso all the damages he requested—\$112,452,272—and the trial court entered judgment. (App.Vol.18, p.143-146; App.Vol.21, 132-133.) Medtronic timely moved to correct error under T.R. 59. (App.Vol.21, p.2-58.) On January 18, 2019, the trial court denied that motion. (App.Vol.2, p.121.)

STATEMENT OF FACTS

Medtronic—a leader in medical technology—sells products for use in spinal surgery. (Tr.Vol.7, p.208; Tr.Vol.8, pp.83-84,86-87,90-91.) In designing new products, Medtronic often works with doctors pursuant to consulting and purchase agreements.

(Tr.Vol.8, pp.115-117.) Medtronic is prohibited from paying doctors more than fair-market value for their services. (Tr.Vol.5, p.193-194; Tr.Vol.8, pp.101-103,116-117.) Federal law ensures transparency and accuracy of payments to doctors and prevents kickbacks. (Tr.Vol.5, pp.194,199-200,206-208; Tr.Vol.11, pp.62-68.)

Medtronic compensated consultant doctors, such as Sasso, in three possible ways. (Tr.Vol.5, pp.137-138; Tr.Vol.8, pp.114-117.) The first—and most common—was a traditional consulting fee, which compensated doctors for their time on a flat-fee or hourly basis. (Tr.Vol.2, pp.189-191; Tr.Vol.5, p.137; Tr.Vol.8, pp.114-115.) Some doctors also received a second layer of compensation in the form of royalties on products arising from the consulting project, which typically were paid for a defined period of years. (Tr.Vol.2, pp.192-198; Tr.Vol.5, pp.137-138; Tr.Vol.8, p.116; Tr.Vol.11, p.73.)

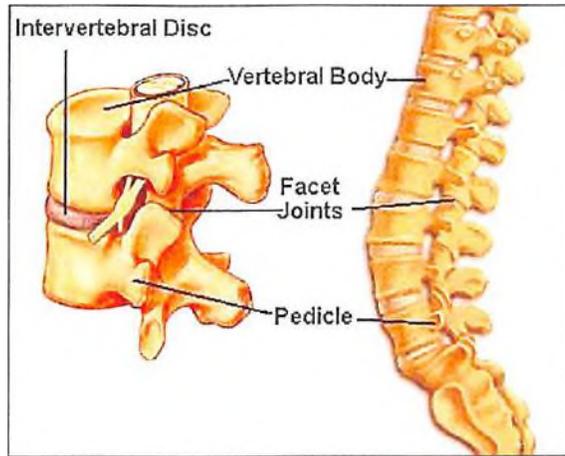
If the doctor's involvement rose to the level of being a named inventor on a patent for those products, the doctor may have been entitled to receive the third, most expansive form of compensation: royalties for the entire life of the patent. (Tr.Vol.2, pp.192-198; Tr.Vol.11, p.73.) In exchange for these royalties, the inventor assigns his patent rights to Medtronic. (*Id.*)

This appeal involves two collaborations between Medtronic and Sasso: (1) the "Facet" project; and (2) the "Vertex" project. (Tr. Vol.5, pp.130-132,136-138,141-142.) Medtronic paid Sasso millions of dollars for these two projects, representing consulting fees and royalties. (Tr. Vol.5, p.161; Tr.Vol.6, p.121.) Sasso initiated this litigation contending he was owed over a hundred million dollars more.

A. The Facet Project/Agreement

1. Medtronic pays Sasso consulting fees and royalties for his work.

“Facets” are joints between adjacent vertebrae that can be screwed together during spinal-fusion surgery:



(Tr.Vol.2, p.58-59.) Techniques for facet-fusion surgeries have existed for decades.

(Tr.Vol.5, p.250; Tr.Vol.9, p.86.) Screws often used to fuse the facet joint are shown

below:

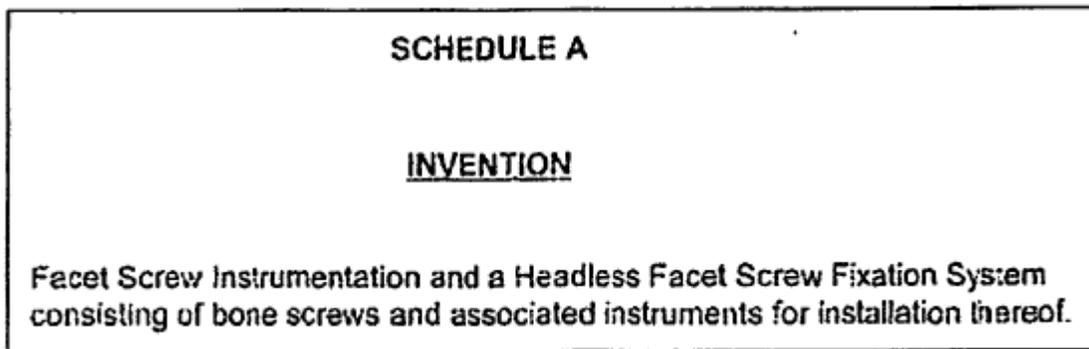


(Tr.Vol.29, p.249.)

In 1999, Medtronic partnered with Sasso to collaborate on developing a new “headless” facet screw. (Tr.Vol.6, pp.44-48; Tr.Vol.5, pp.212-213.) No headless facet screw was ever developed, however. (Tr.Vol.6, p.46.)

In connection with this project, Medtronic and Sasso entered into the Facet Agreement. (Tr.Vol.14, pp.17-26.) Under this Agreement, Sasso assigned Medtronic Intellectual Property Rights and Medtronic agreed to pay Sasso royalties on certain products. (Tr.Vol.14, pp.19-21.)

Section 4(B) of the Facet Agreement provides that Sasso shall receive 2.5% of the “Net Sales of the Medical Device.” (Tr.Vol.14, pp.19-20.) “Medical Device” is defined as “any device, article, system, apparatus, or product” that includes “the Invention.” (Tr.Vol.14, p.18.) “Invention,” in turn, is defined as “any product, method or system relating to a facet screw instrumentation and a headless facet screw fixation system as described in Schedule A.”



(Tr.Vol.14, pp.17,25.)

The Facet Agreement also provides that the “Medical Devices” upon which royalties are paid “shall be listed in accordance with ... catalog numbers and will be listed in Schedule B attached hereto.” (Tr.Vol.14, p.18.)

SCHEDULE B
MEDICAL DEVICE CATALOG NUMBERS
**Facet Screw Instrumentation, and
A Headless Facet Screw Fixation System**

(Tr.Vol.14, p.26.) The facet screw instrumentation and the headless facet screw fixation system is all that the parties listed in Schedule B; nothing else was listed on that schedule. (*Id.*)

Section 4(B) provides for royalty payments “until expiration of the last to expire of the patent(s) included in the Intellectual Property Rights, or seven years from the Date of First Sale of the Medical Device, if no patent(s) issue.” (Tr.Vol.14, p.20.)

Section 4(B)’s royalty obligation does not survive the contract’s termination, the term of which is set forth in Section 7, entitled “Term of Agreement.” (Tr.Vol.14, p.21)

Section 7 provides that if a “patent having valid claim coverage of the Medical Device” issues, then the agreement expires “upon the last to expire of the patents included in Intellectual Property Rights.” (Tr.Vol.14, p.21.) However, “if no patent application(s) issue into a patent having valid claim coverage of the Medical Device,” then the agreement expires “seven (7) years from the Date of First Sale of the Medical Device.” (*Id.*)

No “Headless Facet Screw Fixation System” was ever developed, made, or sold by Medtronic. (Tr.Vol.6, p.46.) Medtronic did, however, pay Sasso royalties for all Facet Screws it sold, totaling \$17,609. (Tr.Vol.5, pp.153-155.)

2. Sasso sues Medtronic, demanding additional royalties.

Sasso accepted these royalties for twelve years, and then in 2013 argued for the first time that he was entitled to almost \$80 million more in royalties on sales of a wide variety of Medtronic's spine products. (Tr.Vol.5, pp.155-160; Tr. Vol.7, pp.151-152,163-164.) He sought royalties on pedicle screws and interbody fusion implants (together, the "Disputed Products"), which were not part of the facet project, and which Sasso did not invent. (*Id.*; Tr.Vol.5, pp. 130-131; Tr.Vol.9, pp.29,124.)

a. Medtronic refuses to pay royalties for products that are not listed in the Agreement.

The Facet Agreement provides that the "Medical Devices" upon which royalties are paid "will be listed in Schedule B attached hereto." (Tr.Vol.14, p.18.) None of the products Sasso sought royalties on were listed on Schedule B and none is used on the "facet" joint. (Tr.Vol.3, p.247; Tr.Vol.9, pp.29,124; Tr.Vol.11, p.130; Tr.Vol.11, p.144; Tr.Vol.14, p.26.)

The Facet Agreement expressly provides that "Schedule B may be updated from time to time by mutual written agreement of the parties hereto to include the appropriate SDH catalog numbers and descriptions of any Medical Device(s) which utilize the Invention." (Tr.Vol.14, p.18.) But Sasso admitted he never requested that Medtronic add the Disputed Products (or any others) to Schedule B, and the parties never reached "mutual agreement" to amend Schedule B. (Tr.Vol.5, pp.133-135; Tr.Vol.6, pp.55-57.)

As discussed more fully below, Medtronic believed these facts warranted the same conclusion reached by this Court in *Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d

835 (Ind.Ct.App.2015), which involved a similar agreement with a related Sasso-owned entity called “SEE LLC.” (App.Vol.3. p.2-15.)

The SEE LLC/Medtronic Agreement provided—just as the Facet Agreement does—that the royalty-bearing “Medical Devices” were to be “listed in accordance with [their] catalog numbers and descriptions in an addendum to be attached to [the] Agreement as agreed upon in writing between the parties.” (*Id.*) This Court held Sasso/SEE LLC was not entitled to any royalties on unlisted products. (*Id.*)

Medtronic accordingly declined to pay Sasso royalties on products not listed in the Facet Agreement’s Schedule B. (*See* Tr.Vol.5, pp.133-137; Tr.Vol.10, p.246.)

b. Sasso seeks royalties based on patent-law arguments.

Sasso argued his right to royalties was not governed by Schedule B at all and instead put forth a patent-law argument to support his royalty demand. (Tr.Vol.4, pp.67-72,183-188; Tr.Vol.5, pp.133-137; Tr.Vol.7, pp.151-152,177-178; Tr.Vol.11, pp.143-149.) Sasso argued he was entitled to royalties because, he contended, claims of U.S. Patent No. 6,287,313 (“the ’313 patent”) covered the Disputed Products. (*Id.*)

Patent “claims”—numbered sentences at the end of a patent—define the legal scope of the invention subject to patent protection. (Tr.Vol.4, p.75; Tr.Vol.9, p.165; Tr.Vol.12, pp.105-106.) Like boundaries for real property, a patent’s claims define the metes and bounds of protected intellectual property, and therefore define not only what the inventor invented, but also the scope of the patent owner’s rights. (*Id.*)

The '313 patent—issued to Sasso and then assigned to Medtronic²—involves a screw delivery system and method. (Tr.Vol.14, pp.132-146.) Claim 26 comprises a kit “for providing a minimally-invasive portal to a surgical site” that requires five particular medical instruments. (Tr.Vol.14, p.146.) Claim 34 requires the five-instrument kit of Claim 26 and a sixth instrument: an “interbody fusion implant.” (*Id.*) Sasso’s expert witnesses admitted that none of the instruments standing alone was patentable because each of the instruments was invented by others and was already well-known before Sasso filed his patent. (Tr.Vol.4, pp.195-197; *see* Tr.Vol.5, pp.130,156-160; Tr.Vol.7, p.184.) Instead, it was the combination of the five or six instruments into a kit that was allegedly inventive. (Tr.Vol.4, p.196; Tr.Vol.7, p.184.)

Sasso argued that he was entitled to royalties on Disputed Products because they were covered by—met all of the requirements of—Claims 26 and 34 of the '313 patent. Patent law provides that a claim “covers” a product only if the product meets every requirement (element) of the claim. (Tr.Vol.12, p.105.) Claim 26 of the '313 patent requires a “kit” with five distinct instruments. Undisputed summary judgment and trial evidence showed that:

- (1) Medtronic never produced a product containing all five instruments;
- (2) Medtronic never sold the five necessary instruments together as a “kit”; and
- (3) Sasso did not invent any of the five instruments in the referenced kit.

² Another patent—U.S. Patent No. 6,562,046 (“the '046 patent”)—also issued, but Sasso abandoned any reliance on that patent before trial.

(Tr.Vol.4, pp.165-170,195-197; Tr.Vol.5, pp.130,156-160; Tr.Vol.9, pp.83-85; Tr.Vol.13, p.81; Tr.Vol.11, p.151.)

Because Medtronic did not produce or sell any of the five-part kits of Claim 26, Medtronic also did not produce or sell any of the six-part kits of Claim 34. (See Tr.Vol.12, p.107.) Medtronic therefore argued that Sasso could not establish that any patent issued with “valid claim coverage of the Medical Device,” and that—under Section 7—the Facet Agreement had expired in 2009, seven years after the sale of the first Medical Devices in 2002. (Tr.Vol.5, p.135.)

In response, Sasso argued he was nonetheless entitled to additional royalties because a surgeon could theoretically obtain the five individual instruments separately (not in a kit) and might then—without Medtronic’s knowledge—decide to use them all during a single surgical procedure. (Tr.Vol.4, pp.68-72; Tr.Vol.5, pp.130-132,136-137; Tr.Vol.11, p.151.) As is shown below, Sasso never showed that any surgeon (besides himself) actually did that.

Finally, although admitting that he did not invent minimally-invasive spine surgery, any of the five instruments of the claimed kit, or the spinal implants for which he sought royalties, Sasso sought royalties for all surgical implants Medtronic sold that might have been implanted by a physician using any type of minimally-invasive surgical techniques, regardless of whether any of the five instruments were used during the implantation procedure. (Tr.Vol.4, pp.165-170,195-197; see Tr.Vol.5, pp.130,156-160; Tr.Vol.7, pp.159-160,171-172.)

Medtronic sought summary judgment that, as a matter of law, Sasso could not

recover additional unpaid royalties under the Facet Agreement. (App.Vol.7, p.87-163.)

The trial court denied this motion. (App.Vol.2, p.104-108.)

3. The jury never learns the U.S. Patent and Trademark Office found Sasso's Patent Claims 26 and 34 invalid.

Sasso's theory of entitlement to royalties under the Facet Agreement depended on establishing, among other things, that the Facet Agreement had not expired, which required proving that Claims 26 and 34 of the '313 patent provided "claim coverage" of a Medtronic product and were "valid." In the absence of such "valid claim coverage," Section 7 provided that it expired after seven years—in 2009—and no royalties were due thereafter.

In May 2018, Medtronic asked the U.S. Patent and Trademark Office to "reexamine"³ the validity of several Claims of the '313 patent (including Claims 26 and 34). (Tr.Vol.44, pp.141-143,164-169.) Medtronic informed the Patent Office that this reexamination was necessary because Sasso's litigation disclosures and arguments revealed that his interpretation of Claims 26 and 34 was so broad that it rendered those Claims invalid. (*Id.*) Medtronic presented evidence that Sasso's newly asserted broad interpretation meant the claims were not limited to novel inventions as required by 35 U.S.C. §§ 102, 103 and instead either encompassed others' inventions or old and obvious surgical techniques and tools. (*Id.*)

³ Under this process, a patent claim issued by the Patent Office can later be found "invalid" if, for example, it covers technology that was invented by someone else before or that would have been "obvious" to a person skilled in that technical field. *Return Mail v. U.S. Postal Service*, 139 S.Ct. 1853, 1859-1860 (2019). This "reexamination can lead the Patent Office to cancel the patent (or some of its claims)." *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2137 (2016).

The Patent Office agreed with Medtronic and declared Claims 26 and 34 invalid in June 2018, issuing a “final” action on October 29, 2018 (before the start of trial).

(Tr.Vol. 45, pp. 102-123.) On November 20, 2018, before the trial ended, the Patent Office issued a notice formally canceling Claims 26 and 34. (Tr.Vol. 55, pp. 132-135.)

Sasso, however, had previously sought a pre-trial ruling preventing Medtronic from offering any evidence as to the Claims’ invalidity, contending that Medtronic was required to plead invalidity as an affirmative defense. (App.Vol.16, p.130-227.)

Medtronic argued that—unlike a patent infringement action where invalidity is an affirmative defense—Sasso’s contract claim required him to prove a valid and enforceable contract, including compliance with Section 7. (App.Vol.16, p.135-149.)

Medtronic argued the Agreement’s requirement of “valid claim coverage” made it an element of Sasso’s burden of proof, not Medtronic’s affirmative defense. (*Id.*)

The trial court, however, signed Sasso’s proposed Order verbatim and prevented Medtronic from offering evidence of patent invalidity. (App.Vol.17, p.183-184.)

Nonetheless, Sasso himself raised this precise issue during his trial testimony, telling the jury that Claims 26 and 34 were “incredibly broad” and valuable. (Tr.Vol.5, p.68.)

Sasso told this to the jury even though he knew Claims 26 and 34 had been held invalid by the Patent Office—and were therefore worthless.

To counter what Sasso told the jury, Medtronic sought to admit the Patent Office’s invalidation of Claims 26 and 34 as evidence that (a) Sasso had not received a broad and valuable patent, and (b) there was no “valid claim coverage” entitling Sasso to life-of-patent royalties. The trial court again excluded Medtronic’s evidence.

(Tr.Vol.6, p.152.)

Sasso's counsel doubled down in closing argument, stating that the '313 patent "is in force today," even though he knew that the '313 patent claims at issue—Claims 26 and 34—were no longer valid or enforceable. (Tr.Vol.12, p.40.) Medtronic was again forbidden from telling the jury the truth: that the Claims at issue had been invalidated by the Patent Office.

4. Sasso asks for nearly \$80 million in damages under the Facet Agreement.

Sasso demanded almost \$80 million under the broad theory that Medtronic owed royalties under the Facet Agreement on any spine implants that surgeons inserted using any type of minimally-invasive spine surgical technique, regardless of the instruments used. (Tr.Vol.4, pp.165-170,195-197; *see* Tr.Vol.5, pp.130,156-160; Tr.Vol.7, pp.159-160,163-164,171-172,177-178.)

Sasso's damages expert, Mike Pellegrino, was unable to determine how many of the Disputed Products—if any—were ever actually implanted using the five instruments described in Claim 26 of the '313 patent. (Tr.Vol.7, pp.171-172,177-179,185.) Likewise, "minimally-invasive" spine surgery was a preexisting technique that Sasso did not invent, covering far more than the use of the five instruments recited in the '313 patent. (Tr.Vol.7, pp.185-187.) Sasso agreed during trial that he did not invent any of these screws or implants. (Tr.Vol.5, pp.130,156-160)

Pellegrino instead multiplied the overall sales volume of the Disputed Products by an estimated percentage of how often, in general, spine surgeons perform minimally-invasive spine surgeries, but did not take into account whether any of those

surgeries in fact utilized the five-instrument kit recited in the '313 patent, or any other invention by Sasso. (Tr.Vol.7, pp.159-160,171-172,177-178.)

Medtronic contended this led to an inflated, speculative, overbroad damages figure untied to the Facet Agreement. (Tr.Vol.12, p.67.)

B. The Vertex Project/Agreement

1. Medtronic pays Sasso millions but realizes it has paid Sasso years longer than required under the Vertex project.

Separate from the Facet Project, Sasso began working with Medtronic in 1998 to develop a posterior spinal rod system for the Asian market. (Tr.Vol.3, p.56; Tr.Vol.4, pp.247-248; Tr.Vol.6, p.41; Tr.Vol.15, pp.178-182.) Around 2000, that project merged into a preexisting project known as "Vertex." (Tr.Vol.8, pp.48-49; Tr.Vol.9, pp.227-228,231-235.)

In addition to being paid consulting fees for his work on the Vertex project, Sasso entered into a royalty agreement with Medtronic in 2001. (Tr.Vol.14, pp.4-15.) The Vertex Agreement is structured similarly to the Facet Agreement.

In exchange for Sasso's assigning Medtronic any Intellectual Property Rights to the new invention, Medtronic agreed to pay Sasso royalties for a term of years, and further agreed to extend those royalties for the life of patents Sasso assigned to Medtronic if those patents had valid claims covering the products. (Tr.Vol.14, pp.19-20.)

Section 4(B) of the Vertex Agreement establishes the royalties as 2% of the "Net Sales of the Medical Device." (Tr.Vol.14, p.7.) "Medical Device" is defined as "the posterior cervical rod system ... incorporating the Invention and Intellectual Property

Rights as developed, manufactured and sold ... pursuant to this Agreement. Medical Devices are listed by catalog number in Exhibit B.” (Tr.Vol.14, p.5.) “Intellectual Property Rights” included the:

U.S. patent application entitled ‘Posterior Cervical Fixation System Utilizing Multi-axial Screws’, (USSN 09/663,638) [“the ‘638 application”] filed on September 15, 2000, naming DR. SASSO as a co-inventor, and including any and all U.S. and International patents issuing therefrom ... A listing of all Intellectual Property Rights is contained in Exhibit A which will be updated by SDH from time to time (at least yearly) as additional Intellectual Property Rights are added to the Agreement.

(Tr.Vol.14, p.5.) Exhibit A provides:

<u>EXHIBIT A</u>			
<u>INTELLECTUAL PROPERTY RIGHTS</u>			
<u>Patent Appin./Patent No.</u>	<u>Entitled</u>	<u>Filing Date</u>	<u>Issue Date</u>
USSN 09/633,638	Posterior Cervical Fixation System Utilizing Multi-Axial Screws	9-15-00	

(Tr.Vol.14, p.12.)

In contrast to Exhibit B to the Facet Agreement, Exhibit B to the Vertex Agreement was expansive:

<u>EXHIBIT B - (Page 1 of 3)</u>		<u>EXHIBIT B - (Page 2 of 3)</u>	
<u>MEDICAL DEVICE(S)</u>			
<u>ITEM</u>			
RODS		6902130	LATERAL CONNECTORS Lateral Connector-Closed, 10mm
6900240	3.2mm Titanium Rod, 240mm	6902525	CROSS LINKS Multi-Span Cross Link
6900241	3.2 x 240mm Rod Template		
6900250	3.2 - 5.5mm Tapered Rod		VERTEX RECONSTRUCTION SYSTEM INSTRUMENTS
SET SCREW		<u>Catalog Number</u>	<u>Instruments</u>
6900300	Set Screw	6905708	Drill Guide
SCREWS		6905709	Cancellous 14mm Drill Bit (STERILE)
6900310	3.5 x 10mm Multi-Axial Cancellous Bone Screw, Ti	6905710	Cancellous Adjustable Drill Bit (STERILE)
6900312	3.5 x 12mm Multi-Axial Cancellous Bone Screw, Ti	6905711	4.0mm Adjustable Cortical Drill (STERILE)
6900314	3.5 x 14mm Multi-Axial Cancellous Bone Screw, Ti	6905712	Adjustable Drill Stop
6900316	3.5 x 16mm Multi-Axial Cancellous Bone Screw, Ti	6905715	Circular Drill Bit Adapter
6900318	3.5 x 18mm Multi-Axial Cancellous Bone Screw, Ti	6905744	Depth Gauge
6900320	3.5 x 20mm Multi-Axial Cancellous Bone Screw, Ti	6905755	Drill Bit Handle
6900322	3.5 x 22mm Multi-Axial Cancellous Bone Screw, Ti	6905765	3.5mm Adjustable Cancellous Tap w/teeve
6900324	3.5 x 24mm Multi-Axial Cancellous Bone Screw, Ti	6905770	4.0mm Adjustable Cancellous Tap w/teeve
6900410	4.0 x 10mm Multi-Axial Cancellous Bone Screw, Ti	6905771	4.0mm Adjustable Cortical Tap
6900412	4.0 x 12mm Multi-Axial Cancellous Bone Screw, Ti	6905772	Screw Driver
6900414	4.0 x 14mm Multi-Axial Cancellous Bone Screw, Ti	6905773	Lockscrew Driver used w/Cross-Link
6900416	4.0 x 16mm Multi-Axial Cancellous Bone Screw, Ti	6905774	Red Holder
6900418	4.0 x 18mm Multi-Axial Cancellous Bone Screw, Ti	6905778	Red Pusher/Counter Torque
6900420	4.0 x 20mm Multi-Axial Cancellous Bone Screw, Ti	6905782	Red Bender
6900422	4.0 x 22mm Multi-Axial Cancellous Bone Screw, Ti	6905784	Red Cutter
6900424	4.0 x 24mm Multi-Axial Cancellous Bone Screw, Ti	6905785	Alignment Tool
6900426	4.0 x 26mm Multi-Axial Cortical Bone Screw, Ti	6905787	Compressor
6900428	4.0 x 28mm Multi-Axial Cortical Bone Screw, Ti	6905788	Distractor
6900430	4.0 x 30mm Multi-Axial Cortical Bone Screw, Ti	6905790L	Bending Irons, Left
6900432	4.0 x 32mm Multi-Axial Cortical Bone Screw, Ti	6905790R	Bending Irons, Right
6900434	4.0 x 34mm Multi-Axial Cortical Bone Screw, Ti		IMPLANTS - SPECIAL
6900436	4.0 x 36mm Multi-Axial Cortical Bone Screw, Ti	<u>Catalog Number</u>	<u>Instruments</u>
6900438	4.0 x 38mm Multi-Axial Cortical Bone Screw, Ti	Y690001	3.2 x 240mm Rod
6900440	4.0 x 40mm Multi-Axial Cortical Bone Screw, Ti	Y6900109	Set Screw
6900442	4.0 x 42mm Multi-Axial Cortical Bone Screw, Ti	Y690002	3.2 x 240mm Occipital Plate/Rod, Titanium
6900444	4.0 x 44mm Multi-Axial Cortical Bone Screw, Ti	Y6900312	3.5 x 12mm Multi-Axial Cancellous Bone Screw,
6900446	4.0 x 46mm Multi-Axial Cortical Bone Screw, Ti	Y6900314	3.5 x 14mm Multi-Axial Cancellous Bone Screw,
6900448	4.0 x 48mm Multi-Axial Cortical Bone Screw, Ti	Y6900316	3.5 x 16mm Multi-Axial Cancellous Bone Screw,
6900450	4.0 x 50mm Multi-Axial Cortical Bone Screw, Ti	Y6900320	3.5 x 20mm Multi-Axial Cancellous Bone Screw,
6900452	4.0 x 52mm Multi-Axial Cortical Bone Screw, Ti		

EXHIBIT B - (Page 3 of 3)

Y6900012	4.0 x 12mm Multi-Axial Cancellous Bone Screw, Ti
Y6900014	4.0 x 14mm Multi-Axial Cancellous Bone Screw, Ti
Y6900016	4.0 x 16mm Multi-Axial Cancellous Bone Screw, Ti
Y6900020	4.0 x 20mm Multi-Axial Cancellous Bone Screw, Ti
Y6900200	Lateral Connector-Closed, 10mm, Ti
Y6900426	4.0 x 26mm Multi-Axial Cortical Bone Screw, Ti
Y6900430	4.0 x 30mm Multi-Axial Cortical Bone Screw, Ti
Y6900024	4.0 x 24mm Multi-Axial Cancellous Bone Screw, Ti
Y6910000	Screw Connector
Y690-001	3.2 x 240mm Rod
Y690-014	4.0 x 14mm Multi-Axial Cancellous Bone Screw, Ti
Y690-100	Set Screw

(Tr.Vol.14, pp.13-15.)

Similar to the Facet Agreement, royalties under the Vertex Agreement terminate after eight years if no patent covering the products issued. (Tr.Vol.14, pp.8-9.) If, however, “the Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights, then the royalty payment

specified above will be payable for the life of the patent.” (*Id.*)

Sasso was paid almost \$18 million in royalties from 2001 until 2013. (Tr.Vol.5, p.161.) Following Congress’s enactment of the Sunshine Act—which requires healthcare companies to disclose their payments to doctors—Medtronic reviewed its contracts in 2012 and 2013 to ensure it was not overpaying doctors. (Tr.Vol.8, pp.126-127.) Medtronic’s review included royalty payments to Sasso under the Vertex Agreement. (Tr.Vol.8, pp.126-127.)

One patent that issued from the “638 application” (recited in Exhibit A of the Vertex Agreement) was U.S. Patent No. 6,485,491 (“the ’491 patent”). (Tr.Vol.3, p.99.) Medtronic evaluated whether the ’491 patent had claims covering the Vertex system, thereby requiring life-of-patent royalties on Vertex to Sasso. (Tr.Vol.8, pp.126-132; Tr.Vol.11, pp.68-69,72-73.) In May 2013, Medtronic informed Sasso that it had made a “significant mistake” regarding its payment obligations under the Vertex Agreement. (Tr.Vol.6, pp.137-138; Tr.Vol.8, pp.130-132.) Medtronic realized that “the product that was commercialized did not have a patentable claim that was invented by the physicians”—and thus no royalties were due beyond the specified eight-year term. (Tr.Vol.8, p.131.)

The ’491 patent is the only patent related to the ’638 application—the only patent application listed in the Vertex Agreement—that Sasso has ever claimed covers the Vertex system. (Tr.Vol.3, p.115; Tr.Vol.6, pp.39-40; Tr.Vol.9, pp.187-195.)

2. Sasso sues Medtronic, seeking over \$30 million in additional Vertex royalties.

Sasso sued Medtronic, contending he was owed \$32 million beyond the almost

\$18 million he had already been paid. (Tr.Vol.5, p.161; Tr.Vol.12, p.48.) Sasso argued that Claims 21 and 48 of the '491 Patent covered components of the Vertex system. He therefore argued he was owed Vertex royalties for the life of the '491 Patent. (Tr.Vol.2, pp.26, 30-34; Tr.Vol.12, pp.27-29.)

Medtronic countered that no Vertex component met the specific requirements of Claim 21 or 48 of the '491 Patent. In particular, Medtronic argued that Claim 21 requires a product with (1) a “channel,” (2) a “transverse hole,” *and* (3) a “coupling member extending ... through said transverse hole.” (Tr.Vol.14, p.70.) Claim 48 requires a product with “a member having two axes intersecting at right angles, with four arms.” (Tr.Vol.12, p.106.) No Vertex component meets those requirements. (Tr.Vol.10, pp.130-132,139-143; see Tr.Vol.4, pp.51-52,102-103,135-138,191.)

Sasso also sought life-of-patent royalties based on four other patents that Sasso did not invent, that Sasso never owned, and that Sasso never assigned to Medtronic. (Tr.Vol.6, pp.40-41.) Medtronic pointed out that:

- none of those patents is referenced “in the Intellectual Property Rights” attached as Exhibit A of the Vertex Agreement;
- none is related to the '491 patent or in its patent “family”;
- none of those patents were related to the '638 application—the only application listed in the Vertex Agreement; and
- Sasso never contended that he should have been named as an inventor or held any ownership rights to those patents.⁴

(*Id.*; Tr.Vol.3, p.115; Tr.Vol.6, pp.39-40; Tr.Vol.9, pp.187-195.)

⁴ Unless assigned, a patent is jointly owned by its inventors. See 35 U.S.C. §§ 101, 261-262.

C. Medtronic seeks to litigate this case in the proper forum because state courts lack subject-matter jurisdiction.

Sasso's first Complaint challenged only the Vertex Agreement, but not the Facet Agreement. (App.Vol.2, p.122-180.) Medtronic removed the action to the U.S. District Court for the Northern District of Indiana. (App.Vol.3, p.16-17.) Medtronic argued that Sasso's Vertex claims arose under federal patent law because they required proof that Medtronic's products were covered by patent claims, that those claims are not invalid, and Congress has given federal courts exclusive jurisdiction over patent-law cases. (*Id.*)

Sasso moved to remand the case to state court. (App.Vol.14, p.34.) In his remand motion, Sasso argued to the federal court that "Dr. Sasso may recover on his claim without a court deciding a single disputed issue of patent law." (App.Vol.14, p.36.) After Sasso made that assertion, the federal court remanded the case; that remand order was unappealable. 28 U.S.C. §1447(d).

A few months after the remand, Sasso amended his Complaint to include counts arising from the Facet Agreement. (App.Vol.2, p.181-248.) Proceedings following remand confirmed that, in fact, this case arose under federal patent law.

In 2016, for example, Sasso served interrogatory responses confirming that his demand for additional royalties under the Facet Agreement depended on his contention that his patents covered Medtronic products: "My entitlement to royalties derive[s] from my Patent Nos. [313 and '046] ... , the relevant coverage of which is described in my response to Interrogatory No. 30." (App.Vol.8, p.194.) In turn, his response to Interrogatory No. 30 identified various devices allegedly "covered by claim

26 of the '313 patent" and related patent claims. (App.Vol.18, p.13-38.)

Sasso's experts likewise testified extensively about the patent issues in this case. Sasso proffered Irving Rappaport to testify about: (1) the elements of the '313 patent; (2) how to determine whether a patent claim covers a product; and (3) what it means to practice a patent. (Tr.Vol.3, pp.78-92, 104-105.) Another expert, Kim Parnell, provided extensive testimony as to whether the '491 and '313 patents covered Medtronic products. (Tr.Vol.4, pp.39-55, 57-60, 67-72.)

The trial court also conducted a "claim construction" hearing—a hearing required in **patent** cases, called a *Markman* hearing for *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)—and issued a *Markman* order construing the meaning of several disputed terms from the relevant patent claims. (Tr.Vol.12, pp.105-108; App.Vol.16, p.127-129.) Sasso threatened to move for a mistrial based on a single answer by Medtronic's expert interpreting the word "kit" as used in the claims of the '313 patent. (Tr.Vol.9, pp.202-209.)

In addition, following the remand, the U.S. Court of Appeals for the Federal Circuit—which hears and decides all patent-law appeals—decided *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (Fed.Cir.2014), which Medtronic believed involved facts indistinguishable from those here, but reached a conclusion opposite that of the federal district court in its remand decision.

Based on those legal and factual developments, Medtronic moved to dismiss the state-court case for lack of subject-matter jurisdiction. (App.Vol.3, p.16-17.) Medtronic argued that Congress directed resolution of this case in federal court, not least because

of the complex, specialized expertise required to resolve patent-law issues and the opportunity for review by the specialized U.S. Court of Appeals for the Federal Circuit. (*Id.*)

The trial court denied Medtronic's motion to dismiss, stating that "an analysis of the current patent issues results in the same decision as that made" by the federal district court when it reviewed only the Vertex claims. (App.Vol.2, p.109-110.)

At the close of trial evidence, the court instructed the jury regarding federal patent law. (Tr.Vol.12, pp.105-108.) This included instructions regarding patent coverage, patent claim construction, and different types of patent claims (but **not** patent validity/invalidity). (*Id.*) Medtronic renewed its motion that the state court lacked jurisdiction to try these patent claims, but the trial court again denied the motion.

The jury returned a verdict for Sasso, awarding the precise amount of damages he requested: \$79,794,724 under the Facet Agreement and \$32,657,548 under the Vertex Agreement, for a total of \$112,452,272. (App.Vol.18, p.143-146; App.Vol.21, 132-133.) Medtronic timely moved to correct error, (App.Vol.21, p.2-58), which the trial court denied on January 18, 2019. (App.Vol.2, p.121.)

SUMMARY OF THE ARGUMENT

Sasso was paid millions of dollars in royalties for his collaborations with Medtronic; he filed this suit to seek millions more. As a matter of law, Sasso has been paid all that he is owed under the two Agreements.

I. The Facet Agreement specifies that the Medical Devices on which Sasso is owed royalties are to be specified by catalog number in Schedule B. Schedule B lists only “Facet Screw Instrumentation” and “A Headless Facet Screw Fixation System.” All parties agree that Medtronic paid Sasso royalties on facet screws and that the headless facet screw fixation system never existed.

Indeed, this Court in *Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d 835 (Ind.Ct.App.2015) has already decided that identical wording in a similar purchase agreement means that Schedule B defines the royalty obligation. Pursuant to the contract’s plain language, Sasso has been paid for everything listed in Schedule B and he is not entitled to the additional royalties he seeks on a host of products.

II. That should have ended the matter and judgment should have been entered in favor of Medtronic without ever proceeding to a jury. But Sasso sought a different conclusion and presented patent-law arguments that he was owed royalties on a vast array of products because they were “covered” by claims 26 and 34 of the ’313 patent.

A. The existence of these patent-law issues, however, rendered the judgment null and void because—analogueous to matters arising under Indiana tax laws being within the exclusive jurisdiction of the Indiana Tax Court—patent-law cases are within the exclusive jurisdiction of the federal courts: state courts lack subject-matter jurisdiction over these cases.

The denial of Medtronic’s Rule 12(B)(1) Subject-Matter Jurisdiction Motion was

reversible error, and the resulting judgment should be vacated and the case dismissed, without prejudice to Sasso litigating his claim in federal court where it belongs.

If the Court vacates the judgment, it need not reach the myriad other problems with this trial—many of which could have been avoided had this case been litigated in the proper jurisdiction. If the judgment is not vacated on jurisdictional grounds, these remaining prejudicial errors require outright reversal or, at a minimum, a new trial.

B.1. To receive life-of-patent royalties under the Facet Agreement, the agreement must not have expired, which in turn requires that any claims covering a Medical Device must be “valid.” Accordingly, he was required to prove that those claims were valid.

Medtronic’s evidence and Sasso’s own interpretation indisputably established the claims were **not** valid—this same evidence led the United States Patent Office to declare Claims 26 and 34 of the ‘313 Patent **invalid** and cancel them *ab initio*, as if they had never existed at all. But Medtronic was prevented from telling the jury this based on the trial court’s misunderstanding of patent law and the role of invalidity in Sasso’s case-in-chief.

The exclusion of Medtronic’s invalidity evidence became even more egregious as the trial went on. Sasso and his counsel affirmatively led the jury to believe that these patent claims were valuable, valid, and still in effect. That opened the door to Medtronic’s evidence that the Patent Office had declared these exact Claims to be invalid and cancelled them, thus proving them worthless. At a minimum Medtronic

should have been able to cross-examine Sasso and impeach his experts on this issue, but that was also denied.

Knowing that Medtronic could not respond, Sasso's counsel in closing stated that the patents were "in force today," although he knew full well that the only claims at issue in the trial relating to the Facet Agreement had been canceled. The jury was left to believe that the claims were valuable and in force. Medtronic deserves a new trial with the opportunity to show the opposite.

B.2. Moreover, even under Sasso's incorrect theory, no patent claim covers the Disputed Products. Claims 26 and 34 addressed a kit with five (or six) instruments. Medtronic never made or sold such a kit. Sasso's attempt to shoehorn Medtronic's products into his Claims by contending that surgeons could have purchased each **individual** instrument from Medtronic and **used** them together must fail.

This is not how federal patent law works: a company that makes and sells separately the components of a patented invention does not practice the patent, and even if Sasso had proven that a doctor somewhere had used all the separate instruments together—which he did not—that would not show that **Medtronic** had done so.

C. Compounding this error was the fact that the "Term" provision of the Facet Agreement provided that Medtronic's royalty obligation expired in 2009. The trial court, however, erroneously held that the term was not governed by the "Term"

provision and was instead governed by language in the “Payment” section—a legal error that Sasso exploited to extend the royalty obligation well beyond the parties’ intended duration by asserting that a patent claim covered the Disputed Products.

III. Going further, Sasso’s damages case under the Facet Agreement was untethered even to his theory of breach. Sasso sought more than four thousand times the amount he had accepted as royalty without complaint for twelve years. Unable to show that Medtronic had sold any patented kits or that any surgeons even used the claimed instruments to implant any of Medtronic’s products, Sasso argued he was owed royalties on any and all Medtronic products that might have been implanted by a surgeon using any type of minimally-invasive spine surgery techniques, regardless of the instruments used.

But Sasso has never claimed to be the inventor of minimally invasive spinal surgery (and the evidence was contrary to any such claim) and in fact it could be performed using any number of instruments. Sasso therefore failed to prove any damages under the Facet Agreement.

IV. Finally, the verdict under the Vertex Agreement must be reversed. Like the Facet Agreement, Sasso needed to show that valid claims of a patent arising out of his intellectual property covered the products on which he sought royalties. The only relevant patent to issue from the Intellectual Property Rights described in the Vertex Agreement was the ’491 patent. And no reasonable jury could find that that the ’491

patent covered the Vertex system.

The judgment should be vacated and judgment entered in favor of Medtronic on the merits, as Sasso has received all royalties to which he is entitled. Alternatively, this case is subject to exclusive federal jurisdiction and should be dismissed so that Sasso can bring these claims in the proper venue. At a minimum, the judgment should be reversed and remanded for a new trial on the merits.

ARGUMENT

I. SASSO'S ACTION FOR BREACH OF THE FACET AGREEMENT SHOULD NEVER HAVE BEEN PRESENTED TO A JURY AS IT FAILS AS A MATTER OF LAW.

Sasso's action for breach of the Facet Agreement fails as a matter of law. The trial court improperly denied summary judgment to Medtronic while granting summary judgment to Sasso,⁵ and then improperly denied Medtronic's directed verdict requests,⁶ leading to a jury verdict that was contrary to law.⁷ The court thereafter

⁵ See App.Vol.2, p.104-108; 112-113. This Court's review of summary judgment is *de novo*, "without affording any deference to the trial court's decision." *Town of Cedar Lake v. Alessia*, 985 N.E.2d 55, 60 (Ind.Ct.App.2013). Summary judgment will be granted when the designated evidence "shows that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." IND.TRIAL RULE 56(C).

⁶ See Tr.Vol.11, pp.183-186. "Judgment on the evidence is proper where all or some of the issues are not supported by sufficient evidence. We will examine only the evidence and the reasonable inferences that may be drawn therefrom that are most favorable to the nonmovant, and the motion should be granted only where there is no substantial evidence supporting an essential issue in the case." *Think Tank Software Development Corp. v. Chester, Inc.*, 30 N.E.3d 738, 744 (Ind.Ct.App.2015) (citations omitted).

improperly denied Medtronic's Motion to Correct Error.⁸

All of these decisions were wrong and this case never should have gone to a jury. *See Vincennes Univ. v. Sparks*, 988 N.E.2d 1160 (Ind.Ct.App.2013) (reversing jury verdict because defendant was entitled to summary judgment or directed verdict); *Auto-Owners Ins. v. Hughes*, 943 N.E.2d 432 (Ind.Ct.App.2011) (same); *City of Fort Wayne v. Moore*, 706 N.E.2d 604 (Ind.Ct.App.1999) (same); *City of Gary v. Cox*, 512 N.E.2d 452 (Ind.Ct.App.1987) (same). Judgment should be entered for Medtronic because Sasso has been paid all royalties due under the Facet Agreement.

This Court's decision in *Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d 835 (Ind.Ct.App.2015), confirms that Sasso is not entitled to further royalties and that this is a legal issue that never should have been presented to the jury. That appeal arose from Sasso's initial complaint in this case, which also alleged breach of an agreement between Medtronic and a Sasso-owned entity called "SEE LLC." (App.Vol.3, p.2-15.)

The SEE LLC/Medtronic Agreement—just like the Facet Agreement—provided that the royalty-bearing "Medical Devices" were to be "listed in accordance with [their] catalog numbers and descriptions in an addendum to be attached to [the] Agreement as agreed upon in writing between the parties." (*Id.*) Sasso sued, seeking

⁷ *See* App.Vol.18, p.143-146; App.Vol.21, 132-133. Although the appellate court will "indulge every reasonable presumption in favor of the legality of [a jury] verdict, [it] will overturn the verdict if it is legally or logically inconsistent, contradictory, or repugnant." *School City of Hammond District v. Rueth*, 71 N.E.3d 33, 43 (Ind.Ct.App.2017) (quotation omitted).

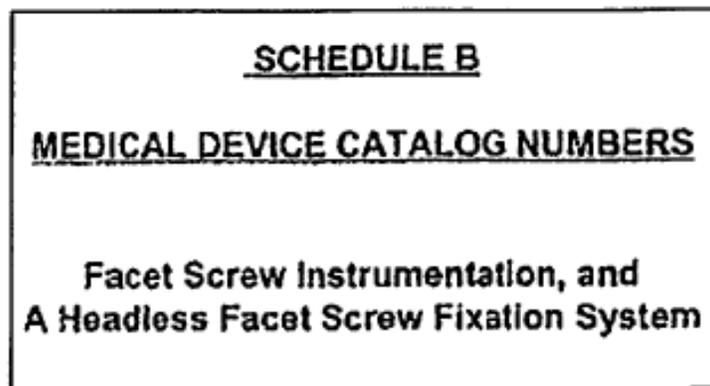
⁸ *See* App.Vol.2, p.121. "Generally, a trial court's ruling on a motion to correct error is reviewed for an abuse of discretion.... However, where the issues raised in the motion are questions of law, the standard of review is de novo." *Poiry v. City of New Haven*, 113 N.E.3d 1236, 1239 (Ind.Ct.App.2018).

royalties on products not listed in the SEE LLC Agreement. (*Id.*)

This Court ruled for Medtronic, holding that “since there [were] no products listed in an addendum, there [were] no ‘Medical Devices’ as defined in the Agreement,” and thus there was no breach and no royalty obligation. (*Id.*) In other words, the products listed in the addendum—or lack thereof—governed Medtronic’s royalty obligations. (*Id.* (holding the “[t]he addendum’s absence renders the Agreement unenforceable” because “there is no basis for determining whether a breach occurred” and because “there is no basis for giving an appropriate remedy” without a listing of royalty-bearing products).)

Likewise, this Court noted, the agreement signaled “an intent by the parties to create the addendum together. It does not create a unilateral obligation in the defendants to provide an addendum.” (*Id.*)

As noted in the Statement of Facts, the Facet Agreement provides that the “Medical Devices” upon which royalties are paid “will be listed in Schedule B,” and Schedule B lists the following:



(Tr.Vol.14, pp.18,26.)

It is undisputed that no “Headless Facet Screw Fixation System” was ever

developed, made, or sold by Medtronic. Sasso was therefore paid royalties for all Facet Screws it sold—the only products in the category of “facet screw instrumentation” on which Medtronic receives revenue. (Tr.Vol.5, pp.153-155.)

The Facet Agreement imposes a mutual obligation to amend Schedule B if warranted, but none of the Disputed Products was ever listed on Schedule B and Sasso never requested that they be added. (Tr.Vol.14, p.26; Tr.Vol.5, pp.133-135; Tr.Vol.6, pp.55-57.) Like the SEE LLC Agreement at issue in *Sasso v. Warsaw Orthopedic, Inc.*, the foundational prerequisite for royalty payments—listing them on Schedule B—was never met.

Tennessee law—which governs this contract—provides that “[p]arties are free to bargain for and agree upon such terms as they see fit, even if the bargained-for agreement may seem undesirable to outside observers.” *Poole v. Union Planters Bank*, 337 S.W.3d 771, 780 (Tenn.Ct.App.2010). *Accord Baugh v. Novak*, 340 S.W.3d 372, 382–83 (Tenn.2011) (“public policy is best served by freedom of contract”).

Sasso willingly agreed to the terms of the Facet Agreement which establishes, as a matter of law, that Medtronic does not owe royalties on unlisted products. Sasso has been paid all royalties due under the Facet Agreement. This contractual interpretation question is a legal issue that never should have been presented to the jury. Judgment should be entered for Medtronic.

II. SASSO’S PATENT-LAW ARGUMENTS DO NOT SUPPORT HIS RIGHT TO ROYALTIES.

Even if the Court concludes that Schedule B or this Court’s decision in *Sasso v. Warsaw Orthopedic* do not compel judgment for Medtronic, reversal is still necessary.

Sasso argued he was owed royalties on a vast array of products because they were “covered” by Claims 26 and 34 of the ’313 patent. (Tr.Vol.4, pp.70-72; Tr.Vol.5, pp.133-137).

This argument is based upon patent law, but state courts lack subject-matter jurisdiction over patent-law cases and the resulting judgment is, accordingly, null and void. The denial of Medtronic’s Rule 12(B)(1) Subject-Matter Jurisdiction Motion⁹ was error and this Court should dismiss this case without prejudice to Sasso litigating his claim in federal court where it belongs. Alternatively, Sasso’s patent-law arguments fail on the merits.

A. The judgment is null and void because state courts lack subject-matter jurisdiction over patent-law cases.

1. Federal courts have exclusive jurisdiction over the specialized subject matter at issue in patent cases.

Medtronic recognizes that asking this Court to vacate the judgment appears drastic. But the law is clear that any judgment from a court without subject-matter jurisdiction is null and void—even following a jury verdict. *See Young v. Ind. Dep’t of Natural Res.*, 789 N.E.2d 550, 559 (Ind.Ct.App.2003) (vacating jury award for lack of jurisdiction); *Johnson v. State*, 832 N.E.2d 985, 993 (Ind.Ct.App.2005).

Congress has provided that federal courts “shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents” and that “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of

⁹ *See* App.Vol.2, p.109-110. The standard of review for Trial Rule 12(B)(1) motions to dismiss is *de novo*. *Engineered Steel Concepts, Inc. v. General Drivers*, 963 N.E.2d 62, 66-67 (Ind.Ct.App.2012).

Congress relating to patents.” 28 U.S.C. §1338(a).

This is analogous to Indiana’s Tax Courts. Matters arising under Indiana tax laws **never** go to the state courts of general jurisdiction—the Indiana Tax Court has exclusive jurisdiction by statute, “thereby ensuring the uniform interpretation and application of the tax laws.” *State ex rel. Zoeller v. Aisin USA Mfg., Inc.*, 946 N.E.2d 1148, 1152 (Ind.2011); *State ex rel. Atty. Gen. v. Lake Superior Court*, 820 N.E.2d 1240, 1247 (Ind.2005).

This same justification led Congress to vest exclusive jurisdiction over patent-law matters in federal courts. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989) (“One of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property.... [S]ince the Patent Act of 1800, Congress has lodged exclusive jurisdiction of actions ‘arising under’ the patent laws in the federal courts....”).

Accordingly—like our Tax Court—the Federal Circuit has specialized knowledge and expertise in patent law that is not found in state courts of general jurisdiction and is responsible for interpreting the patent law, subject only to review by the Supreme Court of the United States. *See Dickinson v. Zurko*, 527 U.S. 150, 163 (1999).

2. This case is within the exclusive jurisdiction of the federal courts.

Counts styled as state-law breach-of-contract matters nonetheless “aris[e] under” the patent laws and are subject to exclusive federal jurisdiction where an issue of patent law is “(1) necessarily raised, (2) actually disputed, (3) substantial, and

(4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.” *Gunn v. Minton*, 568 U.S. 251, 258 (2013). These factors mandate exclusive federal court jurisdiction over this case. 28 U.S.C. §1338(a).

In a state-law, breach-of-contract case with virtually identical facts, the Federal Circuit—which has sole intermediate appellate jurisdiction over all patent-law matters nationwide—held that the plaintiff doctor’s action arose under federal patent law. *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (Fed.Cir.2014). Like *Jang*, this case is subject to exclusive federal jurisdiction.

a. Necessarily Raised.

Sasso’s claim for life-of-patent royalties on products not listed on Schedule B turns on Sasso’s theory that products “covered by” Claims 26 and 34 of the ’313 patent are royalty-bearing. His operative complaint expressly alleges a breach for failure to pay royalties on devices covered by claims of the ’313 or ’046 patents. (App.Vol.2, p. 181-248.)

Even though Sasso argued to the federal court during removal proceedings that he “may recover on his claim without a court deciding a single disputed issue of patent law,” (App.Vol.14, p.36), Sasso thereafter answered contention interrogatories in exactly the opposite way, stating the Agreement was “intended to provide me royalties for [Medtronic] products covered by any patents issuing from the intellectual property developed.” (App.Vol.12, p.127.) And he opposed Medtronic’s motion to dismiss by confirming he “intends to show that those patents cover Medtronic Spine products.” (App.Vol.14, p.76.)

The trial court likewise construed his patent claims pursuant to federal patent law; held a *Markman* hearing; issued a *Markman* order construing (as a matter of patent law) the meaning of several disputed terms from the relevant patent claims; and then gave the jury detailed patent-law instructions. (Tr.Vol.12, pp.105-108; App. , p. .)

Under Sasso's own theory, there is no way for Sasso to recover royalties without showing that the '313 **patent** covers the Disputed Products. That is why Sasso offered extensive expert testimony as to claim coverage and addressed it in his opening statement and closing argument. (Tr.Vol.4, pp.67-72,183-188; Tr.Vol.11, pp.143-151; Tr.Vol.2, pp.39-44; Tr.Vol.12, pp.43-45.)

Indeed, patent issues were so central to Sasso's case at trial that he threatened to move for a mistrial based on a single answer by Medtronic's expert interpreting the word "kit" as used in the claims of the '313 patent. (Tr.Vol.9, pp.202-209.)

Courts have held that breach-of-contract cases requiring a determination whether patents "cover" products are subject to exclusive federal jurisdiction. For example, *Jang* involves facts indistinguishable from those here: an action for breach of a royalty contract brought by a doctor against a medical device company to whom he had assigned patent rights. *Jang*, 767 F.3d at 1336-1338. Here, patent-law issues permeated the trial of this case and were necessary to its resolution, satisfying the first *Gunn* factor.

b. Actually Disputed

The patent-law issues here are "actually disputed": they prompted an entire

“claim construction” hearing and order, testimony by several witnesses, and detailed patent-law jury instructions applying federal patent-law principles to construe the scope and meaning of patent-claim terms. (Tr.Vol.12, pp.105-108)

c. Substantiality

Issues of patent law are substantial when state court adjudication “could result in inconsistent judgments between state and federal courts.” *Forrester Envtl. Servs., Inc. v. Wheelabrator Techs., Inc.*, 715 F.3d 1329, 1334 (Fed.Cir.2013). In *Jang*, for example, the adjudication of a state-law contract claim required “resolution of underlying issues of infringement,” such that if the patentee were to “file suits alleging infringement by others,” there might well be “conflicting rulings particularly as to validity.” 767 F.3d at 1337-1338. That would create a risk of “serious uncertainty for parties facing similar infringement charges.” *Id.* at 1338.

As in *Jang*, Dr. Sasso’s breach-of-contract claims require the determination of both the validity of the relevant patent claims and the coverage of those claims. The patent-law issues in this case are therefore “substantial” within the meaning of *Gunn* and its progeny. *Cf. Inspired Dev. Grp. v. Inspired Prods. Grp.*, 938 F.3d 1355 (Fed.Cir.2019) (no exclusive jurisdiction where plaintiff could prevail on unjust-enrichment claim and contract enforceability issues without decision on any patent-law issues).

d. Federal-State Balance

Resolution of the patent-law questions by an Indiana state court would disrupt rather than advance the federal-state balance approved by Congress. *Gunn*, 568 U.S.

at 258. The contracts at issue here are governed by Tennessee law, and Indiana state courts have no greater interest or expertise in matters of Tennessee law than federal courts. With little if anything to weigh down the state interest side of the scale, the balance tips in favor of the federal interest in ensuring that the patents-in-suit are properly and consistently interpreted by the federal courts.

* * *

At bottom, this has been a patent case from start to finish: Sasso's cause-of-action for breach of the Facet Agreement turns entirely on whether the relevant patents' claims are valid and whether they cover the Medtronic products for which Sasso seeks royalties. Because this case falls within exclusive federal jurisdiction, the judgment should be vacated and the case remanded for dismissal for lack of jurisdiction, without prejudice to refile in federal court.

B. If jurisdiction does exist, Sasso failed to show “valid claim coverage” entitling him to lifetime royalties.

Dismissal for lack of jurisdiction makes addressing the following merits arguments unnecessary. Regardless, Sasso's patent arguments fail as a matter of law.

The Facet Agreement terminates “seven (7) years from the Date of First Sale of the Medical Device” unless the '313 Patent has “valid claim coverage of the Medical Device,” in which case the Agreement continued for the life of that patent. (Tr.Vol.14, p.21.) The first sale of the Medical Device undisputedly occurred in 2002, so the only way Sasso can show he was entitled to life-of-patent royalties—as opposed to royalties terminating in 2009—is if Sasso can prove the '313 patent has “valid claim coverage of the Medical Device.” (*Id.*)

Sasso proved neither claim validity nor claim coverage. A failure to prove **either** of these two requirements warrants reversal; here, **both** requirements fail.

1. The trial court reversibly erred when it excluded evidence that Sasso’s patent claims are invalid.

Sasso argued he was entitled to nearly \$80 million in unpaid royalties under the Facet Agreement because Medtronic’s products were covered by claims of the ’313 patent—namely, Claims 26 and 34. To receive life-of-patent royalties under the Facet Agreement, Sasso was required to prove that any claims covering a Medical Device must be “valid.”

Medtronic’s pre-trial evidence, however, demonstrated that these claims were **invalid**, a position vindicated when the Patent Office itself reexamined Claims 26 and 34 in light of Sasso’s litigation arguments, found them invalid, and cancelled them.¹⁰ As a matter of law, invalid claims are deemed cancelled *ab initio*, as if they had never existed at all. *Fresenius USA v. Baxter Int’l*, 721 F.3d 1330, 1346 (Fed.Cir.2013).

The trial court, however, granted Sasso’s motion for an Order preventing Medtronic from presenting to the jury **any** evidence of the Claims’ invalidity, including the fact that the Patent Office had canceled them. That alone was reversible error.

That error was compounded and magnified when—aware that Claims 26 and 34 had been invalidated by the Patent Office—Sasso misled the jury by stating that these Claims **were** still in force, secure in the knowledge that Medtronic could not respond

¹⁰ The patent law has long included procedures allowing the Patent Office to reevaluate and invalidate issued patent claims. *Return Mail*, 139 S.Ct. at 1859-60.

with the truth because the trial court had signed Sasso's proposed orders verbatim.¹¹ Preventing the jury from hearing evidence of the patent claims' invalidity unfairly prejudiced Medtronic's ability to defend itself, especially after Sasso opened the door to this evidence during trial.

a. Invalidity evidence should never have been excluded in the first place.

Characterizing patent invalidity as an affirmative defense—rather than an element of his breach-of-contract claims—Sasso moved to exclude all evidence and testimony related to invalidity. (App.Vol.17, p.130-135.) The trial court agreed, adopting Sasso's proposed summary judgment order verbatim,¹² and orders excluding evidence.¹³

“Whether a defense is affirmative ‘depends upon whether it controverts an element of a plaintiff’s prima facie case or raises matters outside the scope of the prima facie case.’” *Willis v. Westerfield*, 839 N.E.2d 1179, 1185 (Ind.2006). An affirmative defense is a defense “upon which the proponent bears the burden of proof and which, in effect, admits the essential allegations of the complaint but asserts

¹¹ “[T]he wholesale adoption of one party's findings results in an **‘inevitable erosion of the confidence** of an appellate court that the findings reflect the considered judgment of the trial court.’” *CBR Event Decorators, Inc. v. Gates*, 962 N.E.2d 1276, 1281 (Ind.Ct.App.2012) (emphasis added).

¹² See App.Vol.17, p.183,184.

¹³ See App.Vol.2, p.104-108, 111-120; Tr.Vol.6, p.152; Tr.Vol.7, pp.190-192. Evidence admissibility decisions are reviewed for abuse of discretion. *Hrezo v. City of Lawrenceburg*, 81 N.E.3d 1146, 1157 (Ind.Ct.App.2017). If the exclusion turns on the interpretation of law, it is reviewed *de novo*. *Gast v. Hall*, 858 N.E.2d 154, 161 (Ind.Ct.App.2006).

additional matter barring relief.” *Id.*

When a plaintiff’s cause of action alleges patent infringement, invalidity can be considered an affirmative defense, but Sasso did not accuse Medtronic of **infringing** a patent. He accused Medtronic of breaching of contract on a theory that required **him** to prove the existence of an enforceable contract as a threshold issue. Failure to do so would negate the existence of a valid, enforceable agreement.

Thus, Medtronic raised invalidity **not** as an affirmative defense that would have allowed Medtronic to avoid liability *even if* Sasso proved a breach, but instead to “controvert[] an element of [Sasso’s] prima facie case.” *Willis*, 839 N.E.2d at 1185. Medtronic was not required to plead patent invalidity as an affirmative defense in order to use it to controvert elements of Sasso’s cause of action.

The trial court did not appreciate this distinction and excluded the invalidity evidence. The trial court also indicated its belief that Medtronic’s disclosure of its expert to testify about the invalidity and limited scope of the patent claims was untimely. (App.Vol.2, p.11-113.) That is incorrect.

Medtronic timely disclosed over twenty months before trial that it would call a practicing spine surgeon as a “medical expert.” (App.Vol.16, p.153-161.) Medtronic thereafter timely disclosed the surgeon’s name, background, and opinions during the expert-discovery window and offered the surgeon for deposition during the expert-discovery period. (App.Vol.16, p.136-149.) These expert disclosures revealed the surgeon’s anticipated testimony as to the invalidity of the Claims at issue. (*Id.*)

Sasso received the surgeon’s opinions and background with ample time to serve

rebuttal expert reports—which he did—and also with ample time to depose the expert, which Sasso refused to do. (*Id.*) Thus, even if the disclosures were untimely—which they were not—the opinions should not have been excluded, because there was no prejudice to Sasso. *See, e.g., Wright v. Miller*, 989 N.E.2d 324, 331 (Ind.2013) (reversing order striking undisclosed expert witness based on minimal prejudice); *see also Dumont v. Davis*, 992 N.E.2d 795, 808 (Ind.Ct.App.2013).

But even if the disclosure was untimely and Medtronic could not present its own expert, Medtronic still should have been able to cross-examine Sasso’s experts on this issue. Medtronic’s attempts to do so, however, were likewise rejected.

The trial court committed reversible error in excluding the invalidity evidence.

b. Medtronic was deprived of its right to a fair trial after Sasso misled the jury.

As noted above, the Patent Office concluded that Sasso’s broad interpretation of the Claims rendered them invalid, informing Sasso before trial that Claims 26 and 34 of the ’313 Patent would be cancelled. An invalid patent claim has no value and cancelled patent claims are void *ab initio*—it is as if they had never issued, and they cannot form the basis of patent claim litigation. *See Fresenius*, 721 F.3d at 1346.

Sasso nonetheless repeatedly misled the jury by testifying that the claims of the ’313 patent were very broad—indeed, so broad that it was surprising to him that the Patent Office ever issued them—and that their breadth vastly increased their value. (Tr.Vol.5, pp.68, 98-99.) Sasso also specifically tied the value of the ’313 patent claims to his demand for nearly \$80 million in damages. (Tr.Vol.5, pp.136-137; Tr.Vol.7, p.164.)

Sasso told the jury this despite knowing that the Patent Office had invalidated the claims he relied on. Yet when Medtronic tried to counter what Sasso told the jury, the trial court rejected Medtronic's attempt and excluded Medtronic's evidence. (Tr.Vol.6, pp.151-152; Vol.7 pp.190-192.) This is despite the fact that the cancellation is a matter of public record.¹⁴

Perhaps most egregiously, Sasso's counsel proclaimed the validity of the '313 patent in his closing argument, stating that "[t]hat patent is in force today"—even though, by then, the Patent Office completed all formalities and had canceled the only claims ever discussed during trial. (Tr.Vol.12, p.40.)

The jury was left to believe that the Patent Office had issued the '313 patent claims because they represented a broad, valuable new invention; Medtronic was improperly prevented from telling the jury the truth—that the Patent Office had already decided that Claims 26 and 34 of the '313 patent were improperly granted, and were in fact invalid. Had the jury understood the truth—that Sasso's request for nearly \$80 million in damages was predicated on valueless, canceled patent claims—it would not have awarded Sasso the extraordinary sum he demanded.

By presenting only half the story, Sasso opened the door to the evidence needed to complete the story. Medtronic should have been permitted to cross-examine him as to validity of his claims to “explore the subject fully” and to mitigate the “false or misleading impression of the facts” he had conveyed. *See Stokes v. State*, 908 N.E.2d

¹⁴ The Claims' cancellation is subject to judicial notice pursuant to Indiana Rule of Evidence 201, as the U.S. Patent Office makes all patents (including reexamination certificates) available at www.uspto.gov/patents-application-process/search-patents#heading-1.

295, 302 (Ind.Ct.App.2009); *see also Hall v. State*, 36 N.E.3d 459, 471 (Ind.2015); *Singh v. Lyday*, 889 N.E.2d 342, 350 (Ind.Ct.App.2008).

The trial court's refusal to allow Medtronic to respond to Sasso's incomplete picture deprived Medtronic of its right to a fair trial and subjected it to improperly inflated damages. This Court should enter judgment in favor of Medtronic on Sasso's breach-of-contract action because the invalidation *ab initio* of Claims 26 and 34 meant that Sasso could not, as a matter of law, establish "valid claim coverage of [a] Medical Device." *See ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358 (Fed.Cir.2015) ("[T]he cancellation of a patent requires that non-final judgments be set aside because the 'cancelled claims [a]re void *ab initio*[.]"); *Fresenius*, 721 F.3d at 1340 ("[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.").

At the very least, Medtronic is entitled to a new trial before a jury that can hear the full, true story.

2. Sasso failed to prove Claims 26 or 34 "covered" the Medtronic products.

For Sasso to recover life-of-patent royalties, the Facet Agreement had to remain in force beyond seven years, which in turn required "valid claim coverage of the Medical device." (Tr.Vol.14, p.21.) Sasso argued Claim 26 of the '313 patent (a "kit" used in minimally-invasive surgeries and comprised of five different medical

instruments¹⁵) and Claim 34 (the same kit plus a sixth instrument¹⁶) met this requirement.

But a claim “covers” a product only if the product satisfies **every requirement** (element) of the claim. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 921 (2014). Where a patent claim requires multiple components, a product is not covered by the claim unless it includes **all** the components. (Tr.Vol.12, pp.105-108.) That there was no coverage was clear when both sides’ witnesses **agreed** that Medtronic has **never** made, produced, or sold the five instruments of Claim 26 (or the six components required by claim 34) together as a “**kit**.” (Tr.Vol.4, pp.165-170; Tr.Vol.9, pp.83-85; Tr.Vol.13, p.81.)¹⁷

Sasso’s attempt to ignore the Claims’ requirement that the components be made into a kit cannot prevail. The evidence showed that Medtronic had been selling all the Claimed components **separately** since 1997. (Tr.Vol.9, pp.81-85.) This is critical because if, as Sasso contends, selling these components **separately** amounts to selling products that are “covered by” the “kit” in Claims of the ’313 patent, then Medtronic was doing so **long before** Sasso claims to have invented the multi-piece “kit” in 1999, meaning that **Sasso invented nothing**. (*Id.*; Tr.Vol.5, pp.156-160; Tr.Vol.6, pp.23-24.)

¹⁵ “[1] an outer cannula; [2] a trocar; [3] means for drilling an opening in a bone at the surgical site; [4] means for aiming said means for drilling; and [5] means for screwing a screw into the opening in the bone.” (Tr.Vol.14, p.146.)

¹⁶ “[A]t least one interbody fusion implant.” (Tr.Vol.14, p.146.)

¹⁷ Sasso’s expert, Parnell, testified about the Disputed Products for which Sasso sought royalties—Sextant, Capstone, Clydesdale, Perimeter, and CD Horizon. But those are not instrument kits at all—they are implants. (Tr.Vol.4, pp.168-169.)

Further, this would confirm that Claims 26 and 34 were and are invalid, because Sasso's invention would not have been "novel" as required by 35 U.S.C. § 102—Medtronic did it first by selling the products individually. *See Beckson Marine, Inc. v. NFM, Inc.*, 292 F.3d 718, 726 (Fed.Cir.2002) (explaining that a device shown to have been sold prior to the patent's invention may be evidence of its invalidity); *Peters v. Active Mfg.*, 129 U.S. 530, 537 (1889) ("That which infringes, if later, would anticipate [invalidate] if earlier.").

Given the absence of evidence of any claimed "kit," Sasso contended that Claim 26 of the '313 patent "covered" Medtronic's products because a surgeon could order the **individual** instruments separately from Medtronic and then opt—without Medtronic's knowledge—to **use** them all during a surgical procedure. (Tr.Vol.4, pp.68-72; Tr.Vol.5, pp.130-132,136-137; Tr.Vol.11, p.151.)

But the Facet Agreement calculates royalties on "Medical Device[s]" and defines "Medical Device" as "any device, article, system, apparatus or product including the Invention"—not methods of use that might be performed by a surgeon without Medtronic's knowledge. (Tr.Vol.14, p.18.) That the contract ties the term of the Agreement to what **Medtronic sells** rather than what **surgeons do** is consistent with the royalty provision's calculation based on device **sales**, rather than device **use**, and similarly prevents the parties' obligations under the contract from being determined by the actions of third parties.

In summary, the U.S. Patent Office has invalidated the only two claims of the '313 patent that Sasso relied on at trial, and Sasso provided no evidence that either of

those claims covered any Medical Device, as required by the Facet Agreement. The Facet Agreement therefore terminated in 2009 (seven years after the first sale for which Sasso received royalties). As a matter of law, Sasso can receive no royalties on any product sold after that date, and the judgment should be vacated.

C. The trial court erred in construing the “term” of the Facet Agreement.

The trial court’s summary judgment order in favor of Sasso’s interpretation of the Facet Agreement’s term compounded the above error. Specifically, both Sasso and Medtronic asked the court to construe the “term” of the Agreement under governing Tennessee law. (App.Vol.6, p.128-162; App.Vol.13, p.178-215.)

Medtronic argued that Section 7—titled “Term of Agreement”—governed the term of the agreement. Section 7 provides that if a “patent having valid claim coverage of the Medical Device” issues, then the agreement expires upon “the last to expire of the patents included in Intellectual Property Rights.” (Tr.Vol.14, p.21.) Conversely, “if no patent application(s) issue into a patent having valid claim coverage of the Medical Device,” then the agreement expires “seven (7) years from the Date of First Sale of the Medical Device.” (*Id.*) Thus, Medtronic argued Sasso must establish “valid [patent] claim coverage” for the Facet Agreement to extend beyond 2009. (*Id.*)

Sasso, however, tendered a proposed Order omitting the key provision governing the Agreement’s term—Section 7, “Term of the Agreement”—and the trial court signed that Order verbatim. Rather than discuss the “Term” provision, Sasso’s proposed Order was based on the Agreement’s *royalty* provision, § 4(B). (App.Vol.14, p.214-215.) But nothing in Section 4(B) provides for any royalty payment beyond the

Agreement's expiration; in fact, the Agreement provides that Section 4(B) does **not** survive the Agreement's expiration. (Tr.Vol.14, pp.19-21,23.)

In addition, the Order does not explain how Sasso's interpretation, which undisputedly renders the "valid claim coverage" language in Section 7 superfluous, complies with governing Tennessee law that a contractual interpretation "which entirely neutralizes one provision should not be adopted if the contract is susceptible of another which gives effect to all of its provisions." *Davidson v. Davidson*, 916 S.W.2d 918, 923 (Tenn.Ct.App.1995); *Maggart v. Almany Realtors, Inc.*, 259 S.W.3d 700, 704 (Tenn.2008) ("[T]he entire contract" must be interpreted in a manner "that gives reasonable meaning to all of the provisions of the agreement, without rendering portions of it neutralized or without effect.").

In short, the trial court erred in finding that the "Term of Agreement" provision—which requires "valid claim coverage" for the agreement to extend beyond 2009—did not govern the term of the agreement. When correctly interpreted, the Agreement's enforceability turned on Sasso proving "valid claim coverage"—an issue that necessarily requires resolution in federal court, and that Sasso could not prove in any event.

III. THE FACET AGREEMENT DAMAGES AWARD IS LIKEWISE UNSUPPORTED.

Without support in the Facet Agreement, Sasso's damages expert (Pellegrino) offered the jury a wildly inflated damages figure—\$79.4 million, which is more than four thousand times the amount Sasso had accepted without complaint for twelve years. Pellegrino's theory was completely untied to the Facet Agreement or even to

Sasso's own theory of liability. The verdict based on such a theory cannot stand.¹⁸

As an initial matter, Sasso's expert did not calculate the allegedly unpaid royalties based on products actually listed or described in Schedule B of the Facet Agreement. Nor did Sasso confine his royalty demand to products or instruments he helped invent.

Instead, Sasso claimed life-of-patent royalties on products he admittedly **did not invent** that were implanted using instruments and techniques that he also **did not invent**. Sasso's damages calculations did not account for whether these spinal products were implanted using **any particular instruments at all**, let alone the "facet screw instrumentation" in Schedule B of the Facet Agreement, or the 5-instrument "kit" claimed in the '313 patent. The result was a wildly inflated damages calculation unrelated to the terms of the Facet Agreement or even to Sasso's theory of liability.

Sasso's expert, Pellegrino, calculated the nearly \$80 million in demanded royalties by: (1) calculating sales of Medtronic spinal implants Sasso deemed **capable** of use during minimally-invasive spine surgery and (2) estimating the portion of those sales that might have been used in **any** minimally-invasive surgeries, regardless of

¹⁸ While "[a] jury is to be afforded great latitude in making damage award determinations," the verdict will be reversed if the award falls outside "the bounds of the evidence" and "it is apparent from a review of the evidence that the amount of damages awarded by the jury is ... so great as to clearly indicate that the jury was motivated by prejudice, passion, partiality, corruption or that it considered an improper element." *Diehl v. Clemons*, 12 N.E.3d 285, 294-295 (Ind.Ct.App.2014).

the surgical technique or instruments used during the procedure.¹⁹ (Tr.Vol.7, pp.151-164.)

First, Pellegrino calculated revenues from several versions of CD Horizon screws and at least three different interbody implants that were not listed in the Facet Agreement. (See Tr.Vol.7, pp.151-153, Vol.14, pp.17-26.) Sasso readily admitted that the products he sought royalties on were invented by others, not him. (Tr.Vol.5, pp.156-160.) Nor did the products arise from the Facet project. These products should never have been subject to royalties at all.

These products sometimes are implanted using minimally invasive surgical techniques, and sometimes are not. (Tr.Vol.5, pp.232-235.) There was no evidence that any of these products was implanted by any surgeon using “facet screw instrumentation” of the Facet Agreement or even a 5-instrument kit as recited by Claim 26 of the ’313 patent. (Tr.Vol.7, p.172.)

Pellegrino’s second step was also flawed. He reduced the royalty base of the Disputed Products in an effort to estimate the sales for products that were ultimately implanted by surgeons using minimally invasive surgical techniques. (Tr.Vol.7, pp.156-164.) But Pellegrino did not limit the royalty base to surgeries using instruments described in the ’313 patent claims, or the “facet screw instrumentation” of the Facet Agreement—nor could he have, because Sasso introduced no evidence that

¹⁹ Medtronic challenged the admissibility of this evidence in a *Daubert* hearing. See *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 595-596 (1993) (concluding admissible evidence nonetheless may be insufficient to support a verdict). Even if admissible, the evidence was insufficient to support the verdict, which Medtronic challenged by moving for a directed verdict on this ground and raising in its Motion to Correct Error.

any of these products were implanted using Sasso's alleged invention, or any 5-part instrument kit. (Tr.Vol.7, p.172 ("Well, we don't have an exact measurement.")).²⁰

Pellegrino's reliance on minimally-invasive surgery generally—without limitation to the instruments or techniques **actually** used—in no way approximates the use of any "kit" or technique allegedly invented by Sasso; minimally-invasive surgery encompasses much more than the '313 patent, and in fact long predated the patent.

But Sasso has never claimed to be the inventor of minimally invasive spinal surgery (and the evidence was contrary to any such claim) and in fact it could be performed using any number of instruments. (Tr.Vol.7, pp.244-249; Tr.Vol.8, p.35; Tr.Vol.36, pp.40-73; Tr.Vol.40, pp.86-104.)

Another witness, Dr. Kevin Foley, testified without contradiction that he had been performing minimally-invasive surgery since the 1980s, and the evidence demonstrated that Foley's minimally-invasive surgical techniques and patents predated the facet project and any technique claimed in the '313 patent. (Tr.Vol.7, pp.243-245; Tr.Vol.8, pp.2-3; Tr.Vol.36, pp.40-73.)

Moreover, Sasso admitted that minimally-invasive surgery can be performed without using the patent's five instruments, such as without the tubes or screws claimed in the '313 patent. (Tr.Vol.5, pp.232-235.) In short, Pellegrino used Sasso's failure to prove how many surgeries used his alleged invention (the five-instrument

²⁰ Sasso's own use was irrelevant because the contract did not allow royalties on his own purchases, as such royalties would violate anti-kickback laws. (Tr.Vol.14, p.18 ("Net Sales shall mean the invoice price charged by SDH to *third parties* for the Medical Device."))

kit claimed in the '313 patent, or even the “facet screw instrumentation” required by the Facet Agreement) as an excuse to employ an overbroad estimate.

While damages estimates need not be exact, “an award of damages can never be based upon conjecture and speculation”; rather, a damages estimate must be “fair and reasonable.” *Western Sizzlin, Inc. v. Harris*, 741 S.W.2d 334, 335-336 (Ct.App.Tenn. 1987). Basing a damages award on the entire category of minimally-invasive spine surgeries Sasso admits he did not invent relies on incorrect assumptions, flawed methods, and irrelevant data. That cannot support a verdict, and it should be reversed or vacated.

IV. SASSO’S CLAIM FOR BREACH OF THE VERTEX AGREEMENT FAILS AS A MATTER OF LAW.

From 2001 until 2013, Sasso was paid almost \$18 million under the Vertex Agreement; he now demands over \$30 million more. (Tr.Vol.5, p.161.) His action for breach of the Vertex Agreement fails as a matter of law and—like the Facet action—never should have gone to the jury.

A. The Vertex judgment is null and void because state courts lack subject-matter jurisdiction over patent-law cases.

Sasso was undisputedly required to prove valid patent coverage of Vertex products to obtain royalties. The Vertex Agreement provides that royalty payments expired after eight years, *except* that “if [a] Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights, then the royalty” would “be payable for the life of the patent.” (Tr.Vol.14, p.7.)

Sasso’s Vertex action thus turned on whether any Medtronic devices are covered

by valid claims of the '491 patent (the only patent arising out of the contractually-defined "Intellectual Property Rights"). The trial court construed those patent claims pursuant to federal patent law and gave the jury detailed patent instructions.

(App.Vol.16, p.127-129; Tr.Vol.12, pp.105-108.)

For the same reasons set forth above, the judgment is null and void because state courts lack subject-matter jurisdiction over patent-law cases.

B. If jurisdiction in state court is proper, Sasso's Vertex arguments still fail.

As above, dismissing the case for lack of jurisdiction makes addressing the following merits arguments unnecessary. Regardless, Sasso's Vertex patent arguments also fail as a matter of law.

1. Coverage by patents other than the '491 Patent is irrelevant and insufficient.

Sasso is entitled to royalties on sales of the Medical Device beyond eight years only if "the Medical Device is covered by a valid claim of a U.S. patent **arising out of the Intellectual Property Rights.**" (Tr.Vol.14, p.7.) The only patent that fits that description is the '491 patent.

"A listing of all Intellectual Property Rights is contained in Exhibit A" to the Vertex Agreement. (Tr.Vol.14, p.5). Exhibit A lists only one patent application: the '638 application, which issued as the '491 patent. (Tr.Vol.14, p.12; see Tr.Vol.14, p.32 ('491 patent showing "Appl. No.: 09/663,638").) Therefore, no reasonable jury could find that the Vertex Agreement extends through the life of any patents not related to the '638 application. To find otherwise would extend the term of the Agreement

beyond the parties' bargain.

This conclusion is consistent with this Court's holding in *Sasso v. Warsaw Orthopedic, Inc.*, 45 N.E.3d 835 (Ind.Ct.App.2015), that the parties **must** agree to the material terms, such as the list of Intellectual Property Rights and patents that extend the term of the agreement. (App.Vol.3, p.2-15.)

The **only** patent Sasso asserted that issued from the '638 application was the '491 patent. (Tr.Vol.3, pp.114-115; Tr.Vol.9, pp.187-190.) No other patent could trigger life-of-patent royalties.

Nonetheless, Sasso demanded life-of-patent royalties based on four unrelated patents: the '621, '277, '359, and '714 patents. (Tr.Vol.14, pp.106-130, 148-191.) But Sasso is not a named inventor on these patents, and he has never claimed that he should be. (Tr.Vol.6, pp.40-41.)

Sasso never had rights or ownership in any of those patents; could not have assigned them to Medtronic for value; and likewise could not demand royalties for Medtronic's use of them. Under patent law, only named inventors have any initial ownership stake in a patent, or the rights that it represents. 35 U.S.C. §§101, 261-262.

The '621, '277, '359, and '714 patents did not issue from and are not related to the '638 application listed on the Vertex Agreement's Exhibit A. (Tr.Vol.3, pp.114-115; Tr.Vol.9, pp.187-190.) These patents therefore do not "aris[e] out of" the '638 application—they are not even in the same patent family. (*Id.*; see Tr.Vol.14, pp.106-130,148-191.)

The applications that gave rise to these patents do not appear on Exhibit A and are not part of the Intellectual Property Rights. (Tr.Vol.14, p.12.) And Sasso conceded he never requested that they be added to Exhibit A. (Tr.Vol.6, pp.172-173.)

As a matter of law, these patents are not “Intellectual Property Rights” and cannot give rise to life-of-patent royalties under the Vertex Agreement. Once again, the Court should reject Sasso’s effort to reap royalties for things he admits he did not invent.

2. Any finding that Claims 21 or 48 cover Vertex products is contrary to the evidence.

Sasso was entitled to royalties beyond a term of eight years **only** if he demonstrated that a “patent arising out of the Intellectual Property Rights” “**covered**” the Medical Device. (Tr.Vol.14, p.7.) Sasso contended Claims 21 and 48 of the ’491 patent covered certain products. Because no reasonable jury could have concluded that the ’491 patent covered **any** product, the judgment should be reversed.

a. Claim 21’s requirements were not met.

Claim 21 of the ’491 patent covers a “spinal implant system” including three things: (1) a “channel,” (2) a “transverse hole defined through ... upright portions,” **and** (3) a “coupling member extending ... through said transverse hole.” (Tr.Vol.14, p.70.) Sasso’s expert Parnell conceded that Figure 24 (below) of the ’491 patent depicts **all** the elements of Claim 21. (Tr.Vol.4, pp.93-96.)

The trial court correctly defined “channel”—an example of which is shown in Figure 24—to mean “a generally U-shaped opening, specifically a void that is open on

two opposite ends and open on one of its sides”:

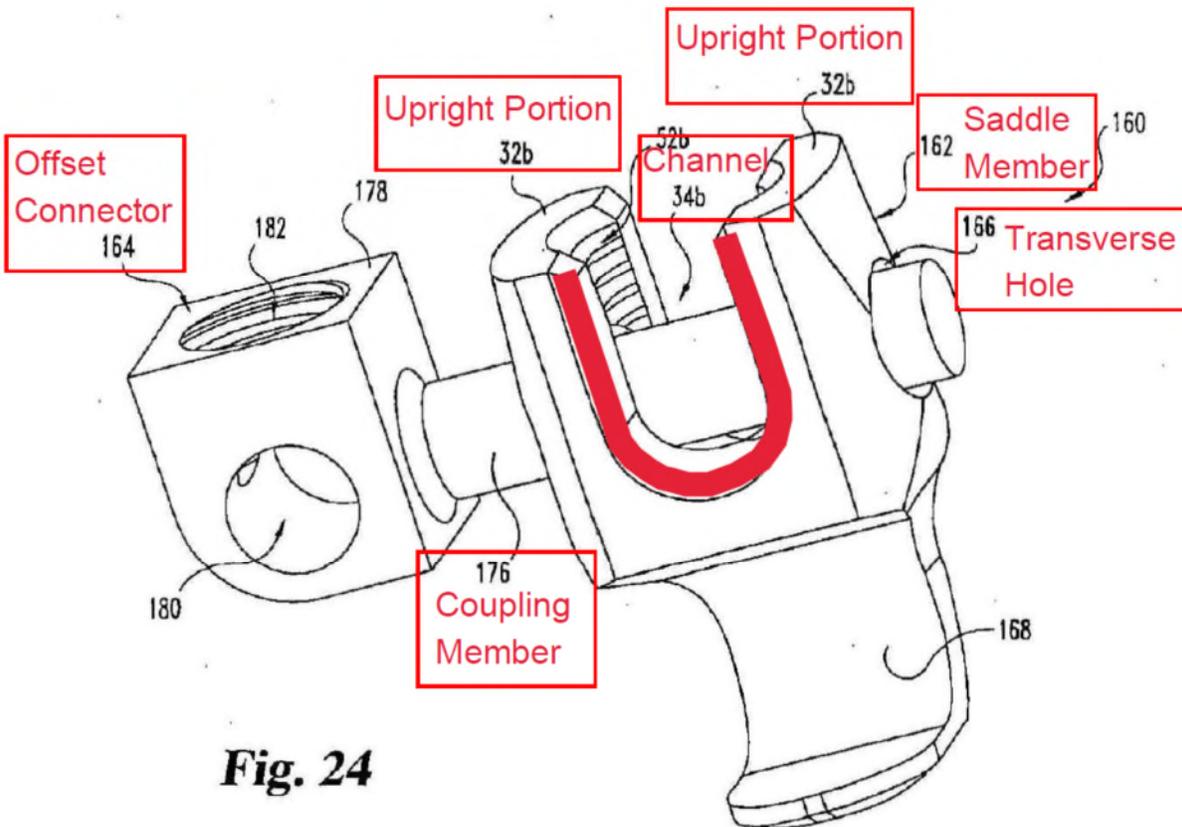
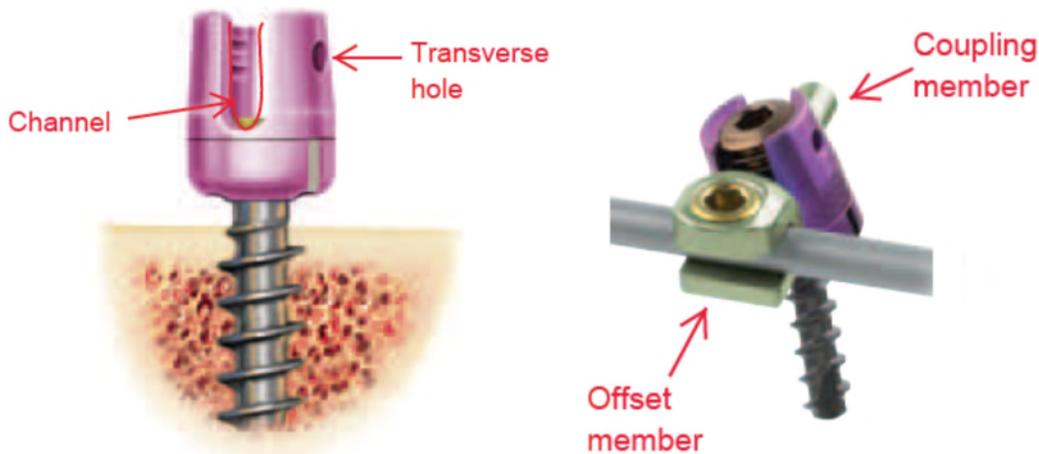


Fig. 24

(Tr.Vol.12, p.106; Tr.Vol.14, p.82 (red annotations added).)

Figure 24 shows a channel 34b, which “generally has a U-shape” between “two upright portions 32b”—like the uprights on a football field. (Tr.Vol.14, p. 67.) Figure 24 also depicts a “transverse hole 166”—which goes through the upright portions 32b with a coupling member 176 extending through it. (*Id.*)

But Medtronic makes *no* product containing a “channel,” *and* a “transverse hole,” *and* a “coupling member extending ... through said transverse hole,” as Claim 21 requires. Rather, in Medtronic’s Vertex system, the “coupling member” passes through the U-shaped “channel,” and cannot pass through the “transverse hole” because it will not fit:



(red annotations added) (Tr.Vol.4, pp.93-96 102-103,191; Tr.Vol.10, pp.130-132.)

Claim 21 undisputedly covers only products with **all three** features. The above evidence establishes that Vertex does **not** have all three features because no product has a “coupling member extending from said body through said transverse hole in said upright portions.”

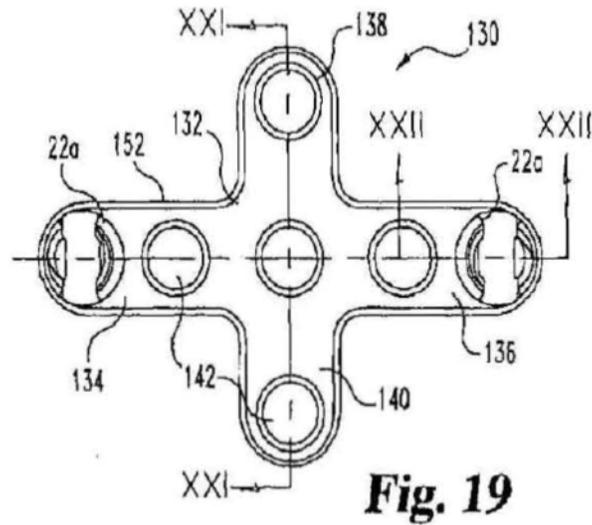
The jury could not lawfully find that **any** product meets Claim 21’s requirements, and the judgment cannot stand.

b. Claim 48’s requirements were not met.

Claim 48 of the ’491 patent covers an “orthopedic fixation plate,” including “a cross-shaped member having a longitudinal axis connecting first and second longitudinal ends and a transverse axis connecting first and second transverse ends, said cross-shaped member having a plurality of apertures therethrough.” (Tr.Vol.14, p.71.) Medtronic has no product covered by Claim 48, because no product contains the required “cross-shaped member.”

The ’491 patent Figure 19 is an example of an orthopedic plate that satisfies

claim 48:



(Tr.Vol.14, p.44.) This “includes a **cross-shaped member 132** having a first longitudinal arm (end) 134 to a second longitudinal arm (end) 136 along a longitudinal axis. Cross-shaped member 132 further has a first transverse arm (end) 140 connected together along an axis transverse with respect to the longitudinal axis.”

(Tr.Vol.14, p.67; Tr.Vol.4, pp.110-117,121.)

Sasso contended that two products, the M-plate (left below) and the keel plate (right), were covered by Claim 48.



M-Plate

Keel Plate

(Tr.Vol.4, pp.50-55; Tr.Vol.12, p. 87; Tr.Vol.14, pp.105-117.) No reasonable jury could so find.

First, the trial court construed Claim 48 to require “a member having two axes

intersecting at right angles with four arms.” (Tr.Vol.12, p.106.) And Claim 48 requires “a longitudinal axis connecting first and second longitudinal ends and a transverse axis connecting first and second transverse ends.” (*Id.*)

But the M-plate does **not** have four arms; it has three at most. (Tr.Vol10, pp.139-140; Tr.Vol.17, pp.111, 114.) For this reason alone, it cannot be covered by Claim 48. (See Tr.Vol.4, pp.130-131 (Sasso’s expert agreeing that if there are only three arms on the M-plate, Claim 48 does not cover it).)

Second, no reasonable jury could find that the keel plate has two perpendicular axes with four arms either. (Tr.Vol.10, pp.140-143; Tr.Vol.17, pp.105,108,117.) One cannot draw two axes, intersecting at right angles, with four arms that form the shape of the keel plate. Instead, Sasso’s expert, Parnell, conceded that he arbitrarily drew axes in multiple places on the keel plate and identified the two upper bars and the two lower bars as “arms” regardless of the location of the axes. (Tr.Vol.4, pp.51-52,135-138.)

Claim 48 **could** have described the cross-shaped member as “having four arms” and left it at that, but it did not. Instead, it explained that the cross-shaped member had a longitudinal axis connecting first and second longitudinal ends and a “transverse axis connecting first and second transverse ends. (Tr.Vol.14, p.71.)

Parnell’s axes do not connect the arms of the keel plate. And Parnell agreed that, when the axes are diagonally drawn on the keel plate so that they connect the four ends he identified as “arms,” they are not **at right angles**, as Claim 48 requires. (Tr.Vol.4, pp.136-138; see Tr.Vol.10, p.180.) For those reasons, no reasonable jury

could find that Claim 48 covers the Vertex plates.

CONCLUSION

The judgment should be vacated and judgment entered for Medtronic, as Sasso has received all royalties to which he is entitled. Alternatively, this case is subject to exclusive federal jurisdiction and should be dismissed so that Sasso can bring these claims in the proper venue. At a minimum, the judgment should be reversed and remanded for a new trial on the merits.

Respectfully submitted,

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VERIFIED STATEMENT OF WORD COUNT

Undersigned counsel, pursuant to Appellate Rule 44(E), hereby verifies that the foregoing contains fewer than 14,000 words, exclusive of the items listed in Appellate Rule 44(C), as counted by the word processing system used to prepare the Brief, MS Word 2016.

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CERTIFICATE OF SERVICE

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