IN THE
INDIANA COURT OF APPEALS

CAUSE NO. 19A-PL-00378

WARSAW ORTHOPEDIC, INC., MEDTRONIC, INC., and MEDTRONIC SOFAMOR DANEK, INC.,

Appellants
(Defendants Below),

v.

RICK C. SASSO, M.D.,

Appellee,
(Plaintiff Below).

Appeal from the Marshall Circuit Court

Trial Court
Cause No. 50C01-1806-PL-00027

The Honorable Curtis D. Palmer, Judge

Brief of Appellee/Cross-Appellant

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Table of Contents

Table of Authorities

Cases

Statutes

Rules

Other Authorities

Statement of Issues[1]

Sasso tried this contract/unjust enrichment case because Medtronic refused to pay for two of his inventions: (1) Vertex (a cervical spine fixation system), and (2) his Screw Delivery System. On Vertex, Medtronic was to pay Sasso 2% of Vertex net sales. On Screw Delivery (which Medtronic calls the "Facet Agreement"), Medtronic was to pay Sasso 2.5% of net sales on products implanted with his Screw Delivery System. While Medtronic made partial payments on both agreements for over a decade, Sasso claimed Medtronic stopped honoring both agreements and breached, keeping the royalties owed for itself.

Following a four-week trial before the Honorable Curtis Palmer, in which the jury heard from 36 witnesses, a verdict was entered for Sasso on both agreements.

The issues for the appeal and cross-appeal are:

1. Do Indiana courts have subject matter jurisdiction over this contract dispute involving intellectual property?

2. Did the trial court appropriately enter final judgment on the jury verdict of $112,452,269—consisting of $32,657,548 on the Vertex Agreement and $79,794,721 on the Screw Delivery Agreement—both amounts confirmed by experts (without objection) based upon sales data provided by Medtronic?

3. On cross-appeal, did the trial court err in granting summary judgment on Sasso's claim for punitive damages under Tennessee law when Medtronic

[1] "Medtronic" refers to all three defendants/appellants as any distinction is irrelevant here.

breached 5 separate agreements starting in 2010 and flip-flopped its coverage position on the first Vertex patent in 2013 to attempt to explain its breach?

Statement of Case

1. 2013-14: Sasso's Complaint and Medtronic's removal to federal court.

In 2013, Sasso sued Medtronic for breaching the Vertex Agreement. (Medtronic.App.Vol.II,pp.9.) Medtronic removed the case claiming it arose "under the patent laws." (Sasso.App.Vol.II,pp.3-8.) The federal court disagreed and remanded. (*Id.*,p.53.) Sasso then amended his complaint, adding claims under the Screw Delivery Agreement. (*Id.*,pp.75-184.)

2. 2015-16: Expert disclosures and the first round of dispositive motions.

In 2015, Medtronic committed to provide thousands of pages sent to the U.S. Senate detailing Sasso's contributions to Medtronic's spinal technology. (Sasso.App.Vol.III,p.57.) When Medtronic later decided against it, Sasso moved to compel and extend the case management deadlines, including those related to experts. (*Id.*,39-72.) Medtronic objected, arguing Sasso should be held to the prior deadlines despite its refusal to produce the documents. *(Id.*,p.135.)

The trial court granted Sasso's motion and required expert identification by May 1, 2016 (Sasso), and June 1, 2016 (Medtronic). (Sasso.App.Vol.III,pp.153-154.) The parties were to disclose all other witnesses by July 1, 2016. (*Id.*) The Court acknowledged the complexity and litigiousness of the case, stating: "[N]o enlargements…of the above dates are anticipated." (*Id.*) Sasso disclosed 10 expert witnesses in April 2016, six of whom testified. (*Id.*,pp.157-224.) Medtronic disclosed

six expert witnesses (only one came to trial), and made no disclosure relating to patent invalidity.[2] (Sasso.App.Vol.IV,pp.2-44.)

On August 23, 2016, Sasso moved to amend his complaint, adding claims related to Medtronic's underreporting of Vertex sales. (Sasso.App.Vol.IV,pp.45-89.) On November 15, 2016, the trial court granted leave to amend the complaint. (Sasso.App.Vol.VIII,p.129.)

The parties filed dispositive motions in October 2016. (Medtronic.App.Vol.II,pp.32-33.) In January 2017, the trial court granted summary judgment on punitive damages and denied the rest including Medtronic's motion to dismiss for lack of subject matter jurisdiction. *(Id.,*pp.104-10.)

3. 2017: Medtronic answers the operative complaint; never mentions patent "invalidity."

On March 29, 2017, Sasso filed his third amended complaint—the operative complaint at trial—which included an alternative claim for unjust enrichment. (Sasso.App.Vol.X,pp.2-182, 29-30.) Medtronic answered and raised no affirmative defense of invalidity. (Sasso.App.Vol.XI,pp.2-56.)

In August 2017, the trial court entered its 6th case management order, setting trial for November 1, 2018. *(Id.,*pp.57-58.)

[2] Medtronic claims it timely disclosed an unnamed "medical expert" twenty months before trial, (Br.45), citing "App.Vol.16, pp.153-161," which states: "The anticipated subject matter of these experts' testimony is described in defendants' June 1, 2016 identification of Expert Witnesses." (Medtronic.App.Vol.XVI,p.159.) The 2016 disclosure states: "Defendants specifically reserve the right to call a medical expert to respond to the, as yet, undisclosed opinions and conclusions of Dr. Eric Potts." (Sasso.App.Vol.IV,p.3.) Potts never testified.

4. <u>Spring 2018</u>: After discovery closes, Medtronic raises invalidity for the first time.

On the day discovery closed, Medtronic produced over 30,000 pages of documents Sasso would learn related to a never-before-raised "invalidity" defense. (Sasso.App.Vol.XII,p.95.) This more than doubled Medtronic's prior production. Medtronic then filed an amended witness list identifying five never-before-disclosed witnesses and moved to continue the November 2018 trial to explore patent invalidity. *(Id.,*pp.96-102 (witnesses); *Id.*,pp.103-123 (continuance).) That motion was denied. (Medtronic.App.Vol.II,p.59.)

On May 1, 2018, just before the hearing on its continuance motion, Medtronic filed *ex parte* papers requesting the United States Patent and Trademark Office cancel certain claims in its Screw Delivery patents. (Tr.Vol.44.pp.137-Tr.Vol.47,p.164.) As part of its petition, Medtronic submitted voluminous affidavits from physicians, including Dr. Robert Banco. (Tr.Vol.47.pp.21-129; Tr.Vol.46,pp.15-118.) Banco was never identified as a witness in this case, yet Medtronic sought to admit his affidavit through the USPTO papers. (*Id.*)[3]

On June 8, 2018, Medtronic filed a new lawsuit in federal court seeking a declaration there was "no valid claim coverage" and it did not breach the Screw

[3] Medtronic communicated with the USPTO through the summer before trial. (Tr.Vol.47,pp.129-156.) Two days before trial, based in part on Banco's affidavits, the USPTO issued an "office action," indicating intent to cancel some of the claims of the '313 and '046 patents. (Tr.Vol.45.pp.100-123.) On November 20, 2018, the USPTO mailed a second document indicating intent to cancel some of the claims. (Tr.Vol.55,pp.131-135.) The claims were not cancelled until January 2019. (Sasso.App.Vol.XIX,pp.31-32.)

Delivery Agreement. (Sasso.App.Vol.XII,p.125.) The federal court dismissed Medtronic's complaint. (Sasso.App.Vol.XIX,pp.33-41.)[4]

5. <u>Summer 2018</u>: Second round of summary judgment and exclusion of Medtronic's new invalidity argument.

On July 2, 2018, Sasso moved for partial summary judgment on the Screw Delivery Agreement's term and Medtronic's newly-raised invalidity allegations. (Medtronic.App.Vol.XI,pp.128-Vol.XIII,p.177.) Medtronic moved for summary judgment on punitive damages and asked for a "claim construction" order defining certain phrases in the patents. (Medtronic.App.Vol.XIV,p.216-Vol.XVI,p.97.) Sasso also moved to exclude Medtronic's untimely identified witnesses and new invalidity arguments. (Medtronic.App.Vol.XVI,pp.130-35.)

After oral argument, the trial court held:

> The plain and unambiguous language of Section 4(B) [of the Screw Delivery Agreement] states that Dr. Sasso is to be paid "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." **The amount of money to be paid under the Agreement and the term depend on the issuance of patents and their expiration, not their validity.** Patent No. 6,287,313 or 6,562,046 issued and have not expired. The '046 patent will expire on January 11, 2020.
>
> Nor are Dr. Sasso's alternative theories of compensation altered by any challenges to the validity of the patents by the Defendants who own the patents and have kept them in force and benefited from ownership for nearly their entire terms.

[4] Medtronic appealed to the United States Court of Appeals for the Federal Circuit, which is pending.

> Patents are presumed to be valid. Invalidity of the '313 patent and '046 patents was required to be pleaded as affirmative defenses by the Defendants and was not. Furthermore, the Defendants delayed providing information on the never pleaded affirmative defense, to the prejudice of Dr. Sasso.

(Medtronic.App.Vol.II.,pp.112-13)(emphasis supplied).) The trial court also excluded Medtronic's untimely witnesses and "all evidence related to the defense of patent invalidity." *(Id*.,p.111.) Finally, the trial court adopted Medtronic's claim construction proposal *verbatim*. (Medtronic.App.Vol.XVI,p.127; Sasso.App.Vol.XVIII.,pp.226-228 (proposed).)

6. <u>November 2018</u>: trial and post-trial motions.

Trial started November 1, 2018. (Medtronic.App.Vol.2,p.89.) Four former Medtronic officers testified in Sasso's case-in-chief. (Tr.Vol.6,pp.65-89 (Bob Compton, President/COO); Tr.Vol.2,p.177-Vol.3,p.59 (Brad Coates, President Cervical); Tr.Vol.3,pp.225-Vol.4,p.4 (Andy Handwerker, Vice President Cervical); Tr.Vol.3,p.152-224 (Steve McAdoo, Medtronic Navigation, Market Director, Spine).)

Sasso called Michael Pellegrino to provide testimony on damages under the Screw Delivery Agreement. (Tr.Vol.7,pp.139-201.) Before trial, Medtronic moved to exclude Pellegrino's expert opinions, which was denied. (Sasso.App.Vol.XIX,pp.2-23; Medtronic.App.Vol.2,p.118.) At trial, Medtronic chose not to object. (*See* Tr.Vol.7,pp.139-176; Tr.Vol.11,pp.119-134.) Pellegrino testified Screw Delivery damages (at the 2.5% contract rate) totaled $79,794,721, and because a "reasonable" royalty rate was higher, Sasso's unjust enrichment damages were $153,602,787. (Tr.Vol.7,pp.159-168.) Medtronic called its own Screw Delivery damages witness, who

agreed with Pellegrino's methodology, but opined Sasso's damages were smaller. (Tr.Vol.10.,pp.201-202,208.)

Jury deliberations began on November 28, 2019. (Tr.Vol.12,p.110.) After five hours, the jury asked whether there was any dispute Sasso transferred the '313/'046 patents as part of the Screw Delivery Agreement. *(Id.,*p.112.) The parties agreed both patents had been transferred and the trial court informed the jury. (*Id.*,p.114.) One hour later, the jury rendered its verdict: (1) $32,657,548 on Vertex, and (2) $79,794,721 on Screw Delivery. *(Id.,*pp.115-116.) The jury awarded no damages on Sasso's alternative theory of unjust enrichment and found against Medtronic on its counterclaim of "mistake." (*Id.*)

Statement of Facts

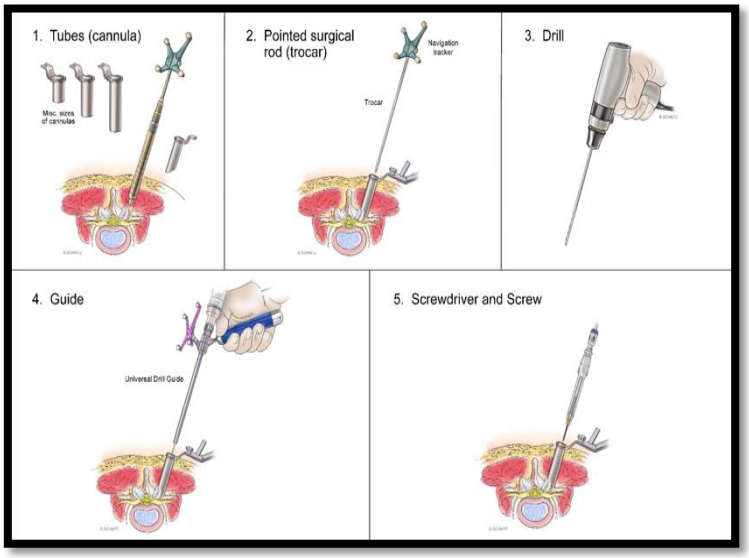
1. Sasso's credentials.

Sasso grew up in Warsaw, Indiana, and graduated from Wabash College in 1982 and IU School of Medicine in 1986. (Tr.Vol.4,p.228.) He completed an orthopedic residency and spine surgery fellowships in the U.S. and Europe before returning to Indiana in 1992. (Tr.Vol.26,pp.174-175.) He is a professor and Chief of Spine Surgery at IU School of Medicine. (*Id.*) He has co-authored 81 book chapters on spine surgery, 120 peer-reviewed spine surgery journal articles, and has spoken at hundreds of lectures and instructional courses world-wide. (Tr.Vol.26,p.172-Tr.Vol.27,p.35.)

2. Sasso's inventions.

2.1 The Screw Delivery System.

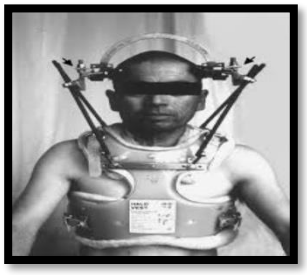
When beginning his practice, Sasso examined current spine surgery techniques and thought "there's gotta' be a better way of — of doing this." (Tr.Vol.5,p.60.) He devised a 5-element technique to minimize surgical incisions with a separate tube to the surgical site to guide surgical instruments and implants. (*Id.*) While other surgeons were performing minimally invasive spine surgery, Sasso was using a **separate** outer tube ("cannula") to implant spinal devices. (Tr.Vol.11,pp.152-154; Tr.Vol.6,pp.199-201.)



Without an outer cannula, surgeons typically placed spinal implants using guidewires. (Tr.Vol.11,pp.158-159.) Guidewires posed their own problems: (1) instruments push on guidewires causing them to pierce important body parts, (Tr.Vol.5,pp.104); (2) guidewires break during surgery, *(Id.,*pp.104-105); and (3) guidewires require serial x-rays, increasing radiation exposure *(Id.,*pp.103-104). Sasso's invention of performing entire procedures through a separate outer cannula became the standard of care. (Tr.Vol.11,pp.133,148-149.)

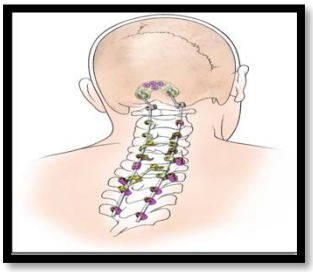
Medtronic sales of products implanted using Sasso's Screw Delivery System totaled approximately $2.1 billion. (Tr.Vol.7,p.160.)

2.2 The Vertex System.



Starting in 1998, Sasso worked with Medtronic on what would become Vertex. (PX573,Tr.Vol.15,pp.180-184.) Before Vertex, treatment of cervical spine deformities often required extensive immobilizing recovery time. (Tr.Vol.4,p.236-237.)

In the 1990s, surgeons worked with screws and plates in the cervical spine, but had trouble anchoring and aligning the implants. (Tr.Vol.2,p.91.) Vertex fixed that with poly-axial screws and offset pieces to connect stabilizing rods in the cervical spine. *(Id.*,p.90-91.) Screws no longer had to be perfectly aligned, allowing surgeons more flexibility. (*Id.*)[5]



Vertex sales were approximately $2 billion. (Tr.Vol.7,p.60.)

3. Screw Delivery System Dispute.

In the mid-nineties, Sasso began showing Medtronic's president Bob Compton minimally invasive surgical ("MIS") techniques for the spine. (Tr.Vol.6,pp.69-71.) In May 1999, Sasso and Medtronic executed a nondisclosure agreement to discuss Sasso's "Bone Screw Delivery System." (PX374_7,Tr.Vol.15,p.139-141.) By September 1999, Sasso was using his prototypes in surgery in Indianapolis. (Tr.Vol.2,pp.125-

[5] Images at Tr.Vol.2,p.28.

126.) And by November, Medtronic's interest piqued: division President Michael DeMane organized a meeting to explore potential applications of Sasso's system. (PX103, PX106, PX107,Tr.Vol.15,pp.8,10,12.)

3.1 Medtronic agrees to buy Sasso's Screw Delivery System.

On November 1, 1999, Medtronic and Sasso signed a "Purchase Agreement" related to the Screw Delivery System focused on "headless" facet screws. (Sasso.App.Vol.II,pp.139-148.) This agreement would have paid Sasso a 5% royalty if the "Medical Device" was "covered by a valid claim of an issued patent" and 2.5% if not. (*Id.*,pp.140-141.)

This agreement was quickly superseded and broadened beyond "headless" facet screws. (PX3,Tr.14,pp.17-26.) The payment provision of the new agreement removed the "covered by a valid claim" language, but lowered the royalty to 2.5%:

> A contingency payment in the amount of two and one-half percent (2-1/2%) of the worldwide sales of the Medical Device. … The contingency payment is payable to Dr. Sasso until the expiration of the last to expire of the patents included in the Intellectual Property Rights, or seven (7) years from the Date of First Sale of the Medical Device, if no patents issue.

Sensing the new agreement would entail significant royalty payments across multiple product lines, Medtronic included a fail-safe:

> However, if [Medtronic] is required to pay any third party a royalty payment to allow [Medtronic] to sell the Invention, Dr. Sasso agrees to negotiate in good faith a reduction of the above contingent payment to enable [Medtronic] to fairly compete in the marketplace.

(*Id.*)

"Medical Device" meant "**any device, article, system, apparatus or product <u>including</u> the Invention**," and was to be listed by Medtronic catalog numbers on Schedule B. (*Id.*) Despite paying Sasso for some parts for years, Medtronic never included any product or catalog numbers. (*E.g., id.*,p.26.)

"Invention" meant "**any product, method, or system <u>relating to</u>** a facet screw instrumentation and a headless facet screw fixation system as described in Schedule A, attached hereto." *(Id.,*p.17.)

"Intellectual Property Rights" meant "any patent and/or patent application, improvement, modification, enhancement, and all know-how and technology, and any other property right with respect to the Invention." *(Id.,*p.18.)

The "Term of Agreement" was left unchanged from the earlier, superseded agreement:

> Unless sooner terminated, this Agreement shall expire upon the last to expire of the patents included in Intellectual Property Rights, or if no patent application(s) issue into a patent having valid claim coverage of the Medical Device, then seven (7) years from the Date of First Sale of the Medical Device.

*(Id.,*p.21.)

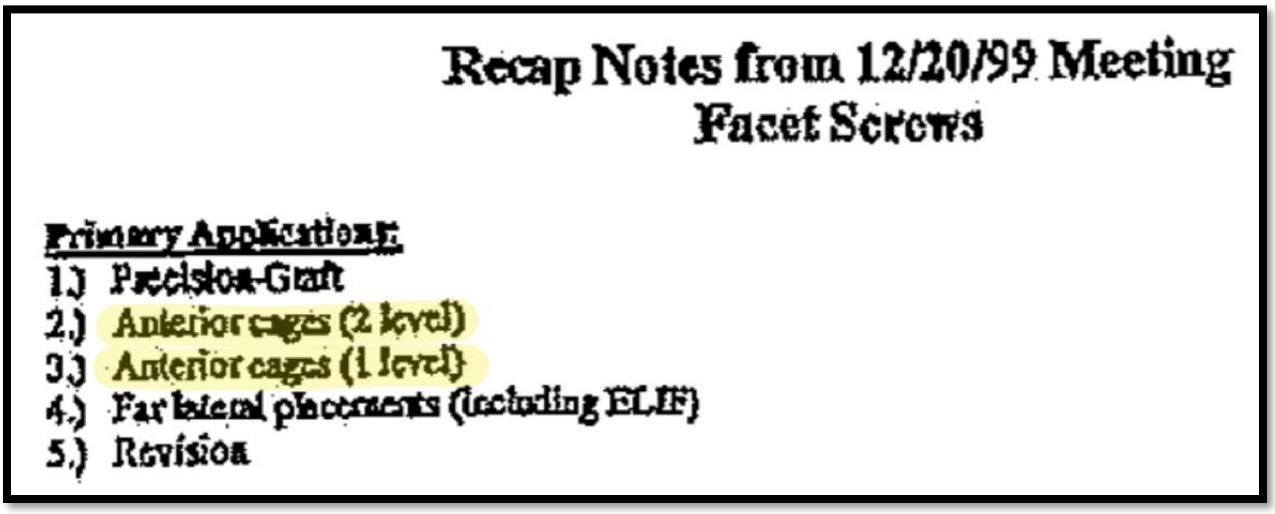
Finally, Medtronic changed the applicable law from Indiana to Tennessee. (Sasso.App.Vol.II,p.162.)

Before the Screw Delivery Agreement was signed, Sasso prepared but did not file a patent application. (Tr.Vol.5.,p.64-67.) Upon signing the Agreement, Sasso transferred the application to Medtronic for prosecution. (*Id.*)

3.2 Sasso and Medtronic patent the Screw Delivery System and work to develop its application.

On November 23, 1999, a patent application was filed entitled "Screw Delivery System and Method" with Sasso as the sole named inventor. (PX17,Tr.Vol.14,pp.132-146.) Days later, Medtronic set up a "big shindig" to work on commercial uses for the system. (PX112,Tr.Vol.15,p.20.) The labs involved the use of Medtronic's navigation software, translaminar facet screws, and interbody implants. (*Id.*) Medtronic engineer Tommy Carls was invited and responded: "What do you have to do with translaminar facet screws? I thought you were an interbody guy?" (*Id.*) "Interbody implants" are not facet screws; they are metal "cages" placed between the vertebrae to assist in decompression and proper spacing. (Tr.Vol.5,p.72.)

Recapping the lab work, Medtronic wrote Sasso: "It was particularly helpful spending the time with you in the cadaver lab learning precisely how you envision this instrument set functioning and how we may incorporate our image technology into the system." (PX118,Vol.15,p.28; Tr.Vol.5,pp.70-71.) Medtronic included a memo outlining the primary applications of the system:



Recap Notes from 12/20/99 Meeting
Facet Screws

Primary Applications:
1.) Precision-Graft
2.) Anterior cages (2 level)
3.) Anterior cages (1 level)
4.) Far lateral placements (including ELIF)
5.) Revision

(PX118,Vol.15,p.29.) Understanding the system was not limited to "headless" facet screws, Medtronic documented two "primary applications" as placement of anterior cages (i.e., interbody implants). (*Id.*; Tr.Vol.3.,pp.165-168.) Sasso continued to work in different Medtronic labs in the early 2000s to develop his Screw Delivery System for integration into Medtronic's navigation platform. (*E.g.*,PX145,Tr.Vol.14,p.52; Tr.Vol.2.,pp.126-145; PX223,Tr.Vol.15.,pp.101-102; PX234,Tr.Vol.15,p.104.)

The patent issued to Medtronic on September 11, 2001, as Patent No. 6,287,313 ("'313" patent). (PX17,Tr.Vol.13,pp.132.) The USPTO did not request any changes before issuing the patent. (Tr.Vol.5,p.68,98-99.)

3.3 From the beginning, both parties confirmed Sasso was to be paid on all products implanted using his Screw Delivery System.

Sasso always believed implants—including interbody cages—placed using his system were royalty-bearing. (Tr.Vol.6,p.189.) In January 2002, President DeMane assured Sasso of that:

> end of the day, your royalty stream is limited only by our collective sales
> and marketing efforts. With our recent FDA panel recommendation for InFUSE
> approval, the projections below may be magnified.

(PX211,Tr.Vol.15,pp.91-92; Tr.Vol.5,p.135.) INFUSE is a bone growth compound placed in cages implanted between vertebral bodies — it has nothing to do with "headless" facet screws. (Tr.Vol.5,pp.95-97.) DeMane's statements occurred after Sasso assigned the Screw Delivery patent applications to Medtronic but before a single Screw Delivery royalty payment was made. (*Id.*) The "projections below" were Sasso's royalty estimates. (*Id.*,pp.96-97.) This acknowledged Sasso's royalty stream was based—in part—on sales of products incorporating INFUSE, like cages, demonstrating the parties' intent to include products outside "facet screws." (*Id.*)

3.4 Sasso and Medtronic work to integrate the Screw Delivery System with Medtronic's navigation platform.

In August 2003, Medtronic asked Sasso to join a team of "leaders in their field" working on navigated surgery. (Tr.Vol.3.,pp.188-190,230-231; PX585,Tr.Vol.15, pp.230-34.) Navigation greatly assists minimally invasive surgery in the spine. (Tr.Vol.2.,pp.133-34; Tr.Vol.3.,pp.159-65.) Medtronic's navigation unit developed

leading systems, including "Fluoronav" and "O-Arm." (*Id.*) Medtronic sold its first Fluoronav unit and O-Arm to St. Vincent Hospital in Indianapolis where Sasso practiced. (Tr.Vol.3,p.193; Tr.Vol.2,pp.149-50.)

The navigation team worked on a "Guidewireless" spinal procedure for the lumbar and thoracic spine; **Medtronic's rollout document displays Sasso's Screw Delivery System**. (Tr.Vol.3,pp.173-174.) By 2010, Medtronic listed Sasso's system instruments in its navigation catalog as the instruments for navigated spine surgery. (PX817,Tr.Vol.18,p.46; Tr.Vol.2,pp.151.) Sasso's system described in the '313 patent is now at the heart of all MIS spine implant surgeries. (Tr.Vol.3.,pp.171-178; Tr.Vol.11,pp.131-132,159,148.) Sasso's damages expert searched "far and wide" for other relevant MIS techniques, but couldn't find anything other than Sasso's system. (*Id.*,p.133.) Sasso's system became the standard of care, and Medtronic provided no contrary evidence. (*Id.*,pp.131-132,159,148.)

3.5 Despite never updating Schedule B, Medtronic paid Sasso on cortical bone screws.

While the Screw Delivery Agreement stated royalty-bearing parts were to be included by name and catalog number on Schedule B, nothing was added. (*E.g.*,Tr.Vol.5,pp.133-134.) Medtronic made its first payment on January 20, 2003. (PX1000ee,Tr.Vol.30,p.78.) Medtronic made 46 quarterly payments from 2003 through January 2015 without adding anything to "Schedule B." (*Id.*,pp.78-186.) The payments were for "cortical bone screws" never listed on Schedule B. (Tr.Vol 11,pp.31-32.)

3.6 Sasso's complaints.

By late 2008, Sasso complained he wasn't being paid what he was owed on products implanted using his Screw Delivery System. (Tr.Vol.5,pp.113-115.) Sasso sent e-mails, made phone calls, and met in person with Medtronic's Chief Medical Officer who worked directly with the company's CEO. (Tr.Vol.6,pp.192-193.) The parties' relationship deteriorated when Doug King became Medtronic's division president in 2010. (Tr.Vol.6,pp.190-191.) By 2012, Medtronic's counsel instructed Sasso not to contact any Medtronic employee. (Tr.Vol.6,p.219.)

4. The Vertex Dispute.

In 1998, Sasso and Medtronic began work on what became Vertex. (PX573,Tr.Vol.15,pp.180-184.) Medtronic began selling Vertex in fall 2000 and filed a patent application. (PX7,Tr.Vol.14,p.32.) The Vertex Agreement was not signed until the following summer. (PX1,Tr.Vol.14,p.11.) In January 2001, within months of first sales, Medtronic recognized Sasso as the most experienced Vertex surgeon. (Tr.Vol.5p.11; PX169,Tr.Vol.15,p.68.)

4.1 The Vertex Agreement.

Brad Coates, Medtronic's Cervical Division President at the time, negotiated the Vertex Agreement. (Tr.Vol.2,pp.206-207.) Coates made clear at trial the agreement was to be in force if there was a patent covering the system, whether or not Sasso was a "named inventor." (Tr.Vol.2,p.210-213; PX111,Tr.Vol.15,p.18.) The Vertex Agreement was a "life of patent" agreement as opposed to a "named inventor" agreement. (*Id.*)

Along with the invention, Medtronic also purchased Sasso's know-how to assist in the improvement of Vertex:

> Invention. The Invention shall mean a posterior cervical rod system utilizing multi-axial screws as described in the Intellectual Property Rights and **including any know-how and/or technical information** relating to the posterior cervical rod system in the possession of Dr. Sasso **or hereinafter developed by Dr. Sasso in the course of his providing services to [Medtronic] pursuant to Section 6 of this Agreement.**

(PX1,Tr.Vol.14,pp.4-5)(emphasis supplied).) Section 6 required Sasso to provide his technical expertise and knowledge in developing and improving Vertex. (*Id.*)

The definition of "Intellectual Property Rights" also acknowledged Medtronic's purchase of future know-how Sasso would bring to Vertex improvements:

> Intellectual Property Rights. Intellectual Property Rights shall mean: U.S. patent application…(USSN 09/663,638) filed on September 15, 2000...and including any and all U.S. and International patents issuing therefore or claiming priority thereto…and all continuations, continuation-in-part, divisional, reissues or reexaminations based thereon or claiming priority thereto **and any and all know-how, technology and any other intellectual property right with respect to the Invention.**

(*Id.*(emphasis supplied).)

Medtronic agreed to pay Sasso 2% of the Vertex net sales. (*Id.*,p.7.) The payments were guaranteed for 8 years, but if Vertex was covered by any patent "arising out of the Intellectual Property Rights," which included Sasso's ongoing technical expertise and know-how, then payments would continue for the life of the patent. (*Id.*)

The Vertex Agreement is governed by Tennessee law. (*Id.*,p.9.)

4.2 Sasso's work on the Vertex patents and the parties' understanding.

In 2002, the Vertex application issued into Patent No. 6,485,491 ("'491" patent). (PX7,Tr.Vol.14,pp.32-94.) Coates explained '491 was the "original patent for Vertex." (Tr.Vol.2,p.222.) Soon after its release, Vertex "needed to be fixed." *(Id.)* The first fix embodied the second Vertex patent, "'621." (*Id.*) Coates—a named inventor on '621—testified the new patent increased screw angulation, and Sasso contributed ideas and know-how to this improvement. *(Id.,*p.234.) Sasso also contributed know-how and technical expertise to other patents protecting Vertex improvements: '714 (Tr.Vol.5,pp.21-22), and '277 *(id.,*pp.22-23). Doug King—the executive who decided to terminate Sasso's Vertex royalties—testified there is "mounds of evidence" demonstrating Sasso's continued contribution to improving Vertex. (Tr.Vol.8,p.149.)

Medtronic's "invention" disclosure for '621 states the '491 patent "preceded" it, and '621 "incorporate[s] by reference" the entire '491 patent. (PX9 (invention disclosure),Tr.Vol.14,p.126; PX14 ('621),Tr.Vol.14,pp.96.) Many of '621's drawings and descriptions were copied and pasted from '491. (Tr.Vol.3.,pp.101-03.)

While the agreement's guaranteed term expired in 2008, Coates explained Sasso's payments continued due to '621 coverage. (Tr.Vol.3,p.31.) Coates further explained '621 did not need to be added to the agreement because it arose from Sasso's Intellectual Property Rights (i.e., his know-how and technical expertise) and, therefore, was already part of the agreement. *(Id.,*pp.30-31.) When he signed the Vertex agreement, Sasso had no doubt he would receive life patent royalties if there

was some patent covering the system arising from his Intellectual Property Rights. (Tr.Vol.6,p.208.)

Medtronic's admission that '621 covered Vertex was read to the jury. (Tr.Vol.7,pp.138-139.) Medtronic never disputed the '714, '277, and '359 patents also cover Vertex.

4.3 Medtronic's internal acknowledgement of Sasso's entitlement to royalties after 2008.

Medtronic used "royalty codes" to account for Vertex payments. (PX928,Tr.Vol.26,pp.13-14.) Medtronic created the original Vertex royalty code "366" in the 3rd quarter 2001, using it for all Vertex parts for years. (*Id.,*pp.21-28.) "Exhibit B" to the Vertex Agreement listed 77 parts when it was signed.[6] Medtronic added nearly 2000 Vertex royalty-bearing parts without adding them to "Exhibit B." (*Id.,*pp.34-49)

After the guaranteed term expired, Medtronic added five royalty codes for approximately 1,500 new Vertex parts. (*Id.*,pp.21-27,39-49.) Adding parts to these codes started with in-house and outside counsel analyzing the intellectual property and the Vertex Agreement to determine whether the new parts were royalty-bearing. (*Id.,*pp.89-96.) Employees from development and marketing would then review

[6] Medtronic reproduced the original "Exhibit B." (Br.24.) It contains part numbers because—unlike the Screw Delivery System—Medtronic started selling Vertex before it had a signed agreement from Sasso.

Vertex parts and decide whether they should be included. (*Id.)* In-house counsel then reviewed those decisions for accuracy.[7] (*Id.*)

Medtronic also maintained "royalty cards" summarizing quarterly Vertex sales. (PX1000bb,Tr.Vol.30,pp.17-76.) Until the first quarter of 2009, the cards read: "Expires 12/31/08," consistent with the agreement's initial term of years. (*Id.,*pp.35-47.) After first quarter 2009, the cards were changed to read (a) "**Patented 11/26/02**," (b) "8 years after commercial launch or **life of patent**," and (c) "**Patented 11/26/2002 Expires 11/26/2019**." (*Id.,*pp.48-74.)

4.4 Medtronic's claimed "mistake" in continuing to pay Sasso for over 4 years.

In 2013, Medtronic stopped paying Vertex royalties claiming the last 17 quarterly payments (everything since Q3-2008) were "mistakes." (Tr.Vol.8,pp.130-131.) The Medtronic officers in charge never discussed their decision or the agreement with its signatory DeMane (Tr.Vol.13,p.12), did not know Coates (*id.*), and reviewed no documents related to the creation of additional Vertex royalty codes in 2009/2010 (*id.*,p.13).

4.5 The evidence of Vertex claim coverage.

Sasso proffered a bio-mechanical engineer who explained how '491 claims 21 and 48 cover Vertex. (Tr.Vol.4,pp.45-53.) He also testified claims in '621, '359, '714, and '277 cover Vertex. (Tr.Vol.4,pp.61-65.) A chart of his coverage opinions was

[7] After the guaranteed term expired, Medtronic generated documents related to royal ty coding decisions but withheld them under privilege. To defend against Medtronic's "mistake" counterclaim, Sasso moved to compel disclosure of these emails, which was denied. (Sasso.App.Vol.XII,p.93.)

admitted without objection. (Tr.Vol.4,pp.66; PX807,Tr.Vol.18,p.26.) Sasso later testified consistent with these opinions. (Tr.Vol.5,pp.39-42.)

Responding to Medtronic's attempt to limit Vertex to the drawings contained in '491, Sasso's engineer explained: "there could be multiple things that will satisfy the claim language and they may look different in appearance." (Tr.Vol.4,p.174-179,189.) The patent—drafted by Medtronic's lawyers—states:

> The drawings are to be considered illustrative and not restrictive in character…all changes and modifications that come within the spirit of the invention are desired to be protected.

(Tr.Vol.4.,p.174-179,189; PX7,Tr.Vol.14,p.69.) It describes Figure 24 (highlighted in Medtronic's Brief) as nothing more than "**another** embodiment." (PX7,Tr.Vol.14,p.67.)

Medtronic chose not to explain the alleged coverage analysis underlying its decision to stop royalties. Medtronic did call two of the named inventors on the Vertex patents, but chose not to ask them a single question about claim coverage. (Tr.Vol.7,pp.234-Tr.Vol.8,p.68 (Foley); Tr.Vol.9,p215-Tr.Vol.10,p.76 (Farris).) Instead, Medtronic called a spine surgeon who admitted: (a) he was not aware of the '491 patent in 2013, (b) before retained in April 2018, he had never seen **any** patent, and (c) the only Medtronic representatives he met with to discuss coverage were Medtronic's trial counsel. (Tr.Vol.10,pp.144-145.)

Summary of Argument

After making billions on Sasso's inventions, Medtronic chose not to honor its agreements with Sasso. The jury heard from 36 witnesses, reviewed thousands of

pages of exhibits, and agreed. Medtronic concedes the jury was properly instructed, leaving it to challenge jurisdiction and ask this Court to ignore or reweigh the evidence supporting the verdict. When the record is inspected with any level of scrutiny, it is apparent Medtronic had a fair trial and the verdict should be affirmed.

Jurisdiction. For over a century, the United States Supreme Court has recognized state court jurisdiction over contract cases involving patents. Exclusive federal jurisdiction only exists when patent law is essential to **every** theory advanced; alternative claims arising under state law allow cases to remain in state court, even if they involve patents.

Because Sasso's theory on the Screw Delivery Agreement simply asked the jury to determine the intent of the parties as to what products were royalty-bearing, the case was properly tried in Marshall County.

On the Vertex Agreement, Medtronic removed the case and the federal court remanded. Congress was clear: such a decision is not reviewable on appeal.

SEE, LLC. This Court's prior decision in *SEE* does not control because it analyzed a different contract with different language and applied different substantive law (Indiana v. Tennessee). In *SEE* Medtronic made no royalty payments, arguing a contract never existed. Here, Medtronic paid royalties under the agreement (just not all of them), which, despite its refusal to list any products on Schedule B, acknowledges a contract existed.

Unlike *SEE*, the Screw Delivery claim was tried with an alternative claim for unjust enrichment, leaving the jury to decide if there was a meeting of the minds and

whether Medtronic was unjustly enriched by receipt of Sasso's intellectual property. The jury was instructed (Medtronic concedes properly) on the alternative claim leaving that factual question to the jury.

Invalidity. After half a decade of litigation, Medtronic attempted to insert patent "invalidity" months before trial. To be clear: Medtronic enjoyed patent protection for 18 out of 20 years and then asked the USPTO *ex parte* to invalidate that protection—**destroying its own property right**—to create grounds justifying its non-payment. It used this creation to then argue its non-payment was justified. Medtronic could have travelled this road for nearly two decades; it chose to start only months before having to explain to a jury why it chose not to pay Sasso what he was owed.

The trial court was within its discretion to exclude this never-before-pled affirmative defense when Medtronic identified the supporting witnesses **after** the trial court's case management deadline.

Regardless, the evidence was irrelevant. Black letter patent law holds a licensee (like Medtronic) must pay royalties up to the date it first challenges patent validity even if a Court or USPTO later declares the patent invalid. Sasso's damages were calculated through **December 31, 2017**, and Medtronic didn't challenge validity until **2018**, making the evidence irrelevant. The trial court still allowed Medtronic to introduce evidence it provided the USPTO, i.e., evidence Medtronic claims shows "Sasso invented nothing." The jury didn't find it credible.

Finally, invalidity is an affirmative defense. Medtronic waived its right to that affirmative defense by waiting until the close of discovery to raise it.

Screw Delivery term. The trial court correctly held Sasso did not have to prove "valid claim coverage" for royalties under the Screw Delivery Agreement. Such language was expressly removed from a prior iteration of the agreement, demonstrating the parties' intent to remove the requirement. The fact one clause in the agreement contains "valid claim coverage" language and another expressly removed that language creates—at worst—an ambiguity for the jury to decide.

"Kit claim." The only evidence at trial supporting a requirement Sasso's invention be sold in a single box to trigger royalties was struck because Medtronic never disclosed it before trial, and that decision was not challenged on appeal. Regardless, there was persuasive evidence from Sasso and a former Medtronic employee that Sasso's invention was provided in a "kit" as understood by persons in the spine implant field.

Screw Delivery damages. Medtronic never objected to Sasso's damages expert and waived any argument on appeal. Regardless, there was an abundance of evidence in the record to support the jury's decision, some of which Medtronic elicited on cross-examination.

Vertex Agreement. Medtronic provides no standard of review and, therefore waives this argument. Waiver aside, Medtronic appears to make a sufficiency of the evidence argument, but does not cite any of the record supporting the jury's decision. The Medtronic officer who negotiated the agreement testified as long as a patent

arising from Sasso's intellectual property rights covered Vertex, Sasso was entitled to royalties. He then testified the '621 patent arose from Sasso's intellectual property rights and Medtronic's admission of '621 coverage was read to the jury.

Further, the jury heard Medtronic paid Sasso for years when patent coverage was required. This alone was evidence supporting the verdict. The jury also heard Medtronic's in-house counsel analyzed the patents, agreement, and products and chose to continue paying Sasso after the term of years expired.

The jury heard extensive expert testimony demonstrating how the '491 patent—on which Sasso is a named inventor—covered Vertex. To be sure, Medtronic proffered its argument on Vertex coverage but it's not reversible error when a jury chooses to believe one side's evidence over the other's.

The trial court's judgment on the jury's verdict should be affirmed.

Argument

1. State courts generally have subject matter jurisdiction over contract disputes involving patents.

For over 100 years, the United States Supreme Court has recognized state court jurisdiction over contract cases involving patents. *E.g., Aronson v. Quick Point Pencil Co.*, 440 U.S. 257,261 (1979); *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473,478 (1919). State courts routinely exercise jurisdiction over contract disputes, even those involving patent issues. *See*, *e.g.*, *Caldera Pharms. v. Regents of Univ. of Cal.*, 205 Cal.App.4th 338,357-362 (2012); *MGA, Inc. v. LaSalle Mach. Tool, Inc.*, 384 N.W.2d 159,160-62 (Mich.Ct.App.1986); *Heath v. Zenkich*, 437 N.E.2d

675,678-79 (Ill.Ct.App.1982); *Consolidated Kinetics Corp., v. Marshall, Neil & Pauley*, 521 P.2d 1209,1211-1213 (Wash.Ct.App.1974).

For exclusive jurisdiction under 28 U.S.C. §1338(a), patent issues must be: (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). Unless each element exists, there is no §1338(a) jurisdiction — federal courts do not have exclusive jurisdiction over all "questions in which a patent may be the subject of the controversy." *Id.* at 264. The possibility a state court will incorrectly resolve patent issues in a state lawsuit is not enough to trigger patent jurisdiction. *Id.* at 263.

Essential to the "necessarily raised" analysis—and absent from Medtronic's brief—is *Christiansen v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988). *Christiansen* began with trade-secret claims against a former employee. The district court found antitrust violations and invalidated nine Colt gun patents, yet the Supreme Court found no §1338(a) jurisdiction because, "a claim supported by alternative theories in the complaint may not form the basis for §1338(a) jurisdiction unless patent law is essential to **each** of those theories." 486 U.S. at 810. This holding takes many contract cases—including this one—outside of §1338(a) when there are multiple theories of recovery and some do not require patent issues be decided. *Inspired Development Group LLC v. Inspired Prods. Group LLC*, 938 F.3d 1355,1362 (Fed.Cir.2019).

1.1 The Screw Delivery dispute does not invoke §1338(a).

1.1.1 The agreement demonstrates patent issues are not "necessarily raised."

The Screw Delivery Agreement requires no patent issue adjudication. The jury was to decide what was Sasso's "Invention" and what were royalty-bearing "Medical Devices." These fact issues surround the parties' intent, classic state-law contract questions.

Introducing '313 patent evidence does not change the analysis. No document better describes the "Invention" Sasso sold than the '313 patent application. The application was filed five days after the Agreement was signed and was required to describe the Invention with particularity. 35 U.S.C. §112(a). The application details what Sasso and Medtronic understood to be new, different, and inventive — whether or not the USPTO later agreed to issue a patent. Throughout its brief, Medtronic ignores the distinction between "descriptions" and "claims" in patent law. "Claims" describe the "metes and bounds" of what is protected; what the patent "describes" helps to understand what was invented. Using the patent to describe what Sasso sold, does not implicate any issue of patent law (e.g., infringement) — it elegantly described for the jury what Sasso invented.

The Agreement's definition of "Medical Device" was broad and ambiguous ("any device, article, system, apparatus, or product including the Invention," (PX3,Tr.Vol.14,p.18), but could be understood using the patent application with its detailed descriptions and drawings. Sasso sold intellectual property, including prototypes, a patent application, and surgical know-how. Proof of **what** Sasso sold,

which the '313 application described, is not an issue of patent law. *See Inspired Development*, 938 F.3d at 1362.

Neither do Sasso's answers to Medtronic's discovery requests seeking claim coverage positions show patent issues were "necessarily raised." Sasso always contended he did not have to demonstrate '313 covered any particular product to recover — expert opinions of claim coverage were an expedient to demonstrate what he invented and transferred to Medtronic.[8]

Finally, the trial court's "*Markman"* order does not transform this case into one arising under the patent laws. First, Medtronic misstates the record. A "*Markman* hearing" never happened; there wasn't even oral argument. The trial court simply decided on the papers, signing Medtronic's proposed order *verbatim*. (Medtronic.App.Vol.XVI,p.127-129.) And a *Markman*-like procedure should be used in state court proceedings when necessary. *See*, *Gunn*, 568 U.S. at 262 (holding, "state courts can be expected to hew closely to the pertinent federal precedents."); *New Tek Mfg. v. Beehner*, 702 N.W.2d 336,346-47 (Neb.2005). Sasso argued no order was necessary because the claim language was simple and clear; the Court agreed with Medtronic.[9]

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[8] Medtronic engages in *ad hominem* on counsel's closing argument that '313 "is in force today." (*E.g.,*Br.21.) Medtronic never provides the Court with the context where counsel explained: "This payment does not depend on whether an invention covers a product." (Tr.Vol.12,p.40.)

[9] On cross-appeal, Sasso asks this Court to consider Medtronic's flip-flop on whether the '491 patent covered Vertex. In *Medtronic Sofamor Danek USA, Inc. v. Globus Medical,Inc.*, Case No. 06-CV-4248 (E.D.Pa.), as a plaintiff claiming infringement, Medtronic affirmed '491 covered Vertex. In *Globus*—contrary to its

At issue for trial was ambiguity in the definitions of the Agreement and the parties' course of conduct, classic state court issues. *See Meeker R&D, Inc. v. Evenflo Co.*, 52 N.E.3d 1207,1210-12 (Ohio.Ct.App.2016).

1.1.2 There are no "substantial" patent issues.

"Substantial" has a special meaning not met here: "it is not enough that the federal issue be significant to the particular parties in the immediate suit…substantiality…looks instead to the importance of the issue to the federal system as a whole." *Gunn,* 568 U.S. at 260. In *MDS (Canada) Inc. v. Red Source Techs., Inc.*, 720 F.3d 833,842 (11th Cir.2013), the Eleventh Circuit identified three factors to assist in this inquiry: (1) a pure question of law is more likely to be a substantial federal question; (2) a question controlling many other cases is more likely to be substantial; (3) a question the federal government has a strong interest in litigating in a federal forum is more likely to be substantial.

Here, no factor points to federal jurisdiction. There are no "pure question[s] of law." The verdict here controls only cases involving Sasso and Medtronic. And the federal government has no interest keeping this case in a federal forum. Patent infringement is not at issue given all patent rights were assigned to Medtronic. Money due for a patent after assignment has long been considered outside §1338(a) jurisdiction. *See Odell v. F.C. Farnsworth Co.,* 250 U.S. 501,503 (1919); *Mirowski Family Ventures, LLC v. Boston Scientific Corp.*, 958 F.Supp.2d 1009,1014

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argument below—Medtronic argued certain language of the '491 patent did not require "claim construction" as did Sasso here. (Sasso.App.Vol.XV.,p.74.)

(S.D.Ind.2013) (quoting *Odell*). The issue here is what contingency payments are due Sasso. Finally, whether Medtronic's own patents cover its own products in a contractual dispute is not likely to affect other cases: the patents expired in 2019.

1.1.3 Asserting jurisdiction would upset the federal/state balance.

Federal courts are courts of limited jurisdiction. Without diversity, Congress left contract claims to be decided by state courts. The proper—i.e., Congressionally-approved—balance between state and federal responsibilities is to leave the resolution of royalty disputes to state courts. *See MDS*, 720 F.3d at 843.

1.1.4 *Jang* does not control §1338(a) jurisdiction.

Medtronic's reliance on *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (FedCir.2014) is misplaced. *Jang* began in federal court after Boston Scientific made a $50,000,000 down payment for Jang's issued patent and a dispute arose over whether additional amounts were due. *Jang v. Boston Scientific Corp.,* 532 F.3d 1330,1332 (Fed.Cir.2008). Jang's contract required a product to be "covered by one or more Valid Claims…which but for assignment…**would infringe** one or more Valid Claims of the patents." *Id*. (emphasis supplied) No such "would infringe" standard is at issue here — the jury was to decide simply what products were royalty-bearing under the agreement.

In *Inspired Development*, the Federal Circuit recently held *Jang* not generally applicable to state court lawsuits:

> *Jang's* reasoning is worlds away from the supposed state-federal conflict here…the analysis in *Jang* took place entirely between federal courts…

> The risk of such conflict from state courts here is remote. First, a state court cannot invalidate patents. Second, a state court's determination of patent validity does not have a precedential effect on a district court … Finally, even assuming a state court's case within a case adjudication may be preclusive…, the result would be limited to the parties and patents that had been before the state court.

938 F.3d at 1365-66. The Federal Circuit concluded the Florida state-court claim could not raise a "substantial" issue of patent law required for §1338(a) jurisdiction. *Gunn* and *Inspired Development* together eliminate from §1338(a) jurisdiction state court cases that have "embedded" case-within-a-case patent issues.

1.2 Removal and remand make §1338(a) challenges to the Vertex dispute frivolous.

Challenging jurisdiction on Sasso's Vertex claim is frivolous. Medtronic removed this case to federal court; after analyzing each *Gunn* factor, Judge Robert Miller remanded. (Sasso.App.Vol.II,pp.55-75.) "An order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise." 28 U.S.C § 1447(d). Put bluntly: Medtronic seeks review of an order that is "not reviewable." State courts are courts of general jurisdiction. When a federal court remands for lack of jurisdiction, state courts must have jurisdiction. Medtronic cites no state court decisions overriding a federal court §1338(a) remand order *in the same case*. Sasso knows of none.

Regardless, Judge Miller's analysis was sound. The issue for trial was "what the parties intended the agreement to cover." (Sasso.App.Vol.II,p.58.) Sasso showed Medtronic analyzed the products, the patents, and the agreement and decided payments should continue past the guaranteed term. Before remand, Medtronic

admitted '621 covered Vertex entitling Sasso to continued royalties if '621 "aris[es] out of the Intellectual Property Rights," a pure contract issue. Medtronic did not dispute the '359, '714, and '277 patents also covered Vertex. All this demonstrates patent issues were not "necessarily raised."

On the "substantial" prong, Judge Miller wisely found, "What these parties intended has no impact whatsoever on federal patent law." (Sasso.App.Vol.II,p.58.) "Patent issues" are inventorship, validity, and enforceability. *See HIF Bio, Inc. v. Yung Shin Pharms. Indus. Co.*, 600 F.3d 1347,1353-1357 (Fed.Cir.2010); *New Tek Mfg.*, 702 N.W.2d at 346. The Vertex verdict demonstrates the absence of impact on federal patent law conclusively. No federal issue was resolved with the verdict; the jury simply found Medtronic owed Sasso money under their agreement.

2. The Screw Delivery judgment must be affirmed.

2.1 This Court's opinion in *SEE LLC* does not control.

SEE, LLC v. Warsaw Orthopedic, Inc., 45 N.E.3d 835 (Ind.Ct.App.2015) ("*SEE*") does not bar Sasso's Screw Delivery claim. *SEE* involved an agreement between an entity owned by Sasso's family and Medtronic. *Id.* at 836-37. Medtronic was to pay a 5% royalty if a "Medical Device" was covered by a patent and 2.5% if not. *Id*. at 837. Applying Indiana law, this Court found the agreement unenforceable. *Id.* at 840. The SEE agreement was markedly different and this Court's prior decision does not control.

First, the Screw Delivery Agreement is controlled by Tennessee law, which recognizes what Indiana does not: an implied duty of good faith and fair dealing in **every** contract. That duty precludes Medtronic from doing what it did in SEE —

refuse to update Schedule B and then claim, "no schedule B, no royalties." The jury was instructed, "a party cannot benefit from a failure to perform a condition of the contract, when he himself prevented the condition from occurring." (Tr.Vol.12,p.101.) Medtronic does not challenge this instruction on appeal.

Second, Medtronic never paid royalties under the SEE agreement. 45 N.E.3d at 838. Here, Medtronic expressly recognized an enforceable contract by making payments for years despite listing no products on Schedule B.

Third, SEE never made a demand for payment until the lawsuit was filed. 45 N.E.3d at 838. Here, Sasso complained years before the lawsuit was filed: he sent e-mails, made phone calls, and met in person with Medtronic's Chief Medical Officer who worked directly with the company's CEO (Tr.Vol.5,pp.113-115; Tr.Vol.6,pp.192-193). Here, Medtronic advertised Sasso's system in its product brochures (*e.g.,* Tr.Vol.3,pp.173-174), and still refused to add royalty-bearing parts to the contract.

Finally, the jury was instructed to determine whether there was a meeting of the minds or whether Medtronic's receipt of the Invention was unjust enrichment. Medtronic does not challenge this instruction on appeal. (Tr.Vol.12,pp.101-102.) In fact, Medtronic tendered a verdict form asking the jury to decide whether there was a valid contract, and if so, whether there was a breach and damages. (Sasso.App.Vol.XIX,p28;Tr.Vol.12,pp.9-11.) "One may not claim as error the giving of an instruction the essence of which he has tendered to the court." *Kroll v. Bell*, 433 N.E.2d 71,72 (Ind.Ct.App.1982). Medtronic agreed the jury could award contract damages without a listing of parts.

Despite the foregoing, Medtronic contends the trial court erred three times, denying summary judgment in 2017, a directed verdict, and the motion to correct error. Medtronic cites **no** summary judgment designation. Regardless, filing amended complaints with alternative claims for unjust enrichment mooted the summary judgment denial. *See Palacio v. Kline*, 566 N.E.2d 573,577 (Ind.Ct.App.1991). This case was properly given to the jury and the verdict should be upheld.[10]

2.1.1 Tennessee law, not Indiana law, applies here.

The Agreement is controlled by Tennessee law. (Tr.Vol.14,p.22.) Unlike Indiana, Tennessee imposes a duty of good faith applicable to **all** contracts. *Dick Broad. Co. v. Oak Ridge FM, Inc.*, 395 S.W.3d 653,665 fn.9 (Tenn.2013)(*distinguishing, First Fed. Sav. Bank v. Key Mkts., Inc.*, 559 N.E.2d 600,605 (Ind.1990)). This conflict requires application of Tennessee law, *Hartford Acc. & Indm. Co. v. Dana Corp.*, 690 N.E.2d 285,291 (Ind.Ct.App.1997), which does not allow a party granted future discretion to act arbitrarily or unreasonably.

In *SEE*, the parties never listed medical devices subject to royalty payments and Medtronic never paid royalties on unlisted products, which together were fatal to the agreement's enforceability. 45 N.E.3d at 840. Under Tennessee law,

[10] Judgment on the evidence should be granted "only when there is a total absence of evidence in favor of the non-moving party, that is the evidence is without conflict and is susceptible of only one inference." *McGarrity v. Berlin Metals, Inc.*, 774 N.E.2d 71,75-76 (Ind. Ct.App.2002).

Medtronic's duty of good faith required cooperation in the future listing of parts based on the agreed definitions.

When the agreement was signed, there were no parts being sold, so a "placeholder" Schedule B was created. When Sasso assigned his patent application to Medtronic and worked diligently to perfect the system, Sasso relied on Medtronic to provide part numbers as the use of his system spread; he had far less knowledge of Medtronic's product lines than Medtronic. The jury weighed that evidence and found for Sasso.

Further, nearly two decades of Medtronic payments without a single part number listed eliminated the listing requirement. Unlike *SEE*, Medtronic acknowledged the existence of an enforceable agreement by paying royalties for sixteen years without ever listing part numbers. (Tr.Vol.13,pp.18-26; PX1000ee,Tr.Vol.30,pp.78-186.) Under Tennessee law, the parties' course of conduct can modify a contract. *Lancaster v. Ferrell Paving, Inc.*, 397 S.W.3d 606,611-12 (Tenn.Ct.App.2011) (even contracts prohibiting oral modification can be impliedly modified by parties' course of conduct). All that was left was for the jury to decide was what Medtronic parts were royalty-bearing.

2.1.2 Sasso sought recovery under the Screw Delivery Agreement and, alternatively, unjust enrichment.

The *SEE* appeal involved no alternative claim for unjust enrichment. With both claims alive here, the jury was asked whether a contract existed and, if not, whether Medtronic was unjustly enriched with Sasso's intellectual property, including two patents. The alternative claim was governed by Indiana law.

(Tr.Vol.12,p.101.) Indiana Pattern Jury Instruction 3317 sets forth the elements to recover by implied contract/unjust enrichment, citing *Indianapolis v. Twin Lakes Enters., Inc.*, 568 N.E.2d 1073,1082 (Ind.Ct.App.1991). The jury was so instructed and the trial court followed the pattern instruction's commentary with its verdict forms. (Tr.Vol.12,p.101-02.) During deliberation, the jury asked whether the '313/'046 patents were transferred under the agreement. (Tr.Vol.12.,p.112-14.) At Medtronic's request, the trial court instructed the jury there was no dispute: the '313/'046 patents were transferred under the Screw Delivery Agreement. (*Id.*) The jury found Medtronic breached the agreement, did not reach unjust enrichment, and awarded the exact contract damages calculated by Sasso's expert.

Under Tennessee law, "[D]estruction of contracts because of uncertainty has never been favored by the law, and with the passage of time such disfavor has only intensified." *Gurley v. King*, 180 S.W.3d 30,34 (Tenn.Ct.App.2005). "Under some circumstances, a binding contract may be formed if the parties agree on the material terms, even though they leave open other provisions for later negotiation." *Id.* at 35; *Bridgeforth v. Jones*, 2015 Tenn.App.LEXIS 35, at *31 (Tenn.Ct.App.2015).[11] Here, there were no parts to list or sell when the agreement was signed. It took up to five years to get an idea to market. (Tr.Vol.7,pp.213-14.) Sasso would not have assigned the '313 patent application had he known Medtronic would refuse to add royalty-bearing implants meeting the Agreement's definitions. (Tr.Vol.6,p.189.) DeMane

[11] Unpublished Tennessee opinions are "persuasive authority." Tenn.S.Ct. Rule 4(G)(1).

assured Sasso in January 2002—before any sales—parts implanted using the Invention would be royalty-bearing. (Tr.Vol.5,pp.95-97.)

Gurley and *Bridgeforth* cite *Restatement (Second) of Contracts*, §34(2) and (3) with approval. Section 34(2) provides partial performance may establish an enforceable contract. Section 34(3) states, "Action in reliance on an agreement may make a contractual remedy appropriate even though uncertainty is not removed." These Restatement provisions address this situation: The jury wanted to know whether both sides agreed Medtronic received the '313/'046 patents under the agreement. Upon receiving an affirmative response, the jury awarded contract damages, 2.5 % of the royalty base with interest.[12]

The jury was instructed on Tennessee's duty of good faith, which Medtronic does not challenge. Medtronic argued there was no breach because no parts were added to Schedule B. If the jury agreed, it would have completed the second and fourth paragraphs of Verdict Form 2. But the jury found Medtronic breached and awarded damages of 2.5% of the royalty base, the percentage set out in §4(B) of the agreement. The purpose of the verdict form was to allow the jury to consider these factual issues under Indiana and Tennessee law. **Medtronic tendered a verdict form asking the jury to do the same thing – decide whether there was a valid contract and, if not, decide whether there was unjust enrichment.** (Sasso.App.Vol.XIX,p.28.) *Kroll*, 433 N.E.2d at 72 (waiver).

[12] Medtronic disputed this assignment occurred through the agreement (*e.g.,* Sasso.App.Vol.II,p.220), until deliberations when Medtronic recognized the jury was considering the larger unjust enrichment amount.

Medtronic cited only two Tennessee cases—both confirming generally freedom of contract—to support its argument. (Br.37.) The relevant Tennessee policy is avoiding destruction of contracts due to uncertainty. *See Gurley, supra*; *Bridgeforth, supra*. Under Tennessee law, because Sasso assigned his invention and relied on future listing of parts, a contract remedy existed even though the listing didn't happen. The jury could award Tennessee "contract" damages without a list.

2.1.3 The two agreements do not have "identical wording."

Contrary to Medtronic's claim, there is not "identical wording" in the two agreements. "Invention means "any product, method, or system relating to a facet screw instrumentation." "The Invention" in the *SEE* agreement included "any…system relating to spinal or cranial surgery" – arguably everything Medtronic Spine sold. 45 N.E.3d at 837. This definition was far broader than "any system … relating to a facet screw instrumentation" and the '313 patent application transferred was solid evidence of what that meant. The different language under different law mandates a different result than in *SEE*.

2.2 The trial court acted within its discretion to exclude evidence of patent invalidity.

2.2.1 The trial court was within its discretion to enforce its case management deadlines.

The trial court was within its discretion to exclude Medtronic's untimely attempt to raise invalidity. Enforcing case management deadlines is essential to sound judicial administration. *Wright v. Miller*, 989 N.E.2d 324,331 (Ind.2013). Pre-trial discovery orders "prevent surprise by allowing the parties adequate time to prepare their cases." *Wiseheart v. State*, 491 N.E.2d 985,990 (Ind.1986.) The trial

court has "broad discretion in managing its docket and enforcing deadlines." *Story v. Leonas*, 904 N.E.2d 229,238 n.5 (Ind.Ct.App.2009). When one party ambushes another with a new witness list or new evidence just before discovery closes, the trial court is within its discretion to exclude the evidence. *Id*. at 238.

On the day discovery closed, Medtronic produced 30,000 documents. (Sasso.App.Vol.XII,p.95.) Medtronic then made a "supplemental" witness disclosure **after** discovery closed. (Sasso.App.Vol.XII,p.96-102.) It used this new material to argue for a continuance and explore patent invalidity, which had not been alleged previously. (Sasso.App.Vol.XII,pp.103-123.)

The case was almost five years old. The trial court entered its 6th CMO mid-2017, setting the jury trial for November 1, 2018. After Medtronic asked to exclude Sasso's expert testimony for late disclosure, the court ordered a specific procedure to identify witnesses. Sasso followed the procedure; Medtronic did not.

While Medtronic did not inform this Court of its 11th hour maneuvers, Medtronic told the trial court the invalidity defense somehow arose from Sasso's 2018 litigation positions. Not so. On June 6, **2014**, Sasso alleged the breadth of '313 in his First Amended Complaint. (Sasso.App.Vol.II,pp.88-89.) Medtronic simply denied the allegations. (*Id.*,p.221.) When Medtronic made its 2016 expert disclosures, it did not mention invalidity. The invalidity "evidence" Medtronic manufactured in 2018 with its USPTO petitions was available in 2001 when the first patent issued and was kept hidden from the public for the majority of the patent's terms. Medtronic's 2018 federal court lawsuit could have been filed in June 2014. And Medtronic could have removed

the case at any time before—or during— trial if federal question jurisdiction truly resulted from 2018 litigation posturing. The trial court was within its discretion to see Medtronic's last second attempt to insert invalidity for what it was—using a new issue to postpone a trial.

Next, Medtronic did not "timely" disclose a "medical expert" on invalidity in its disclosures "twenty months" before trial. (Br.46.) Medtronic's citation (App.Vol.16,pp.153-161), simply reserved the right to respond to Dr. Eric Potts, who was not disclosed on anything related to validity and was never called.

Medtronic ambushed Sasso with a never-before-pled defense of invalidity after discovery closed. Adhering to the trial schedule and enforcing its deadlines was well within the trial court's discretion.

2.2.2 The USPTO evidence did not affect Medtronic's liability.

Regardless of timing, Medtronic's invalidity defense was irrelevant. Sasso's Screw Delivery damage calculation stopped on December 31, 2017 — before Medtronic ever raised patent invalidity. (Tr.Vol.7,pp.190-192; Sasso.App.Vol.XII,p.204.) This is critical because a patent licensee (like Medtronic) must continue paying royalties until the date it first challenges validity. *Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co.*, 112 F.3d 1561,1566-68 (Fed.Cir.1997). The reason: to "prevent the injustices of allowing [the licensee] to exploit the protection of the contract and patent rights and later to abandon conveniently its obligations under those same rights." *Id.* at 1568. Judge Palmer recognized this:

> Nor are Dr. Sasso's alternative theories of compensation altered by any challenges to the validity of the patents by the Defendants **who own the patents and have kept them in force and benefited from ownership nearly their entire terms.**

(Medtronic.App.Vol.2,pp.112-13.)

Medtronic not only enjoyed the protection of the '313 and '046 patents for 18 of their 20 years, it paid 4 maintenance fees to keep the patents alive, including $7,400 in 2014 – **while this litigation was pending.** (Medtronic.AppVol.XI,pp.167-168.) The '313 and '046 patents "are among some of the most frequently cited by the patent office in the field of spine implant technology." (*Id.*,pp.170-71.) Keeping them alive preserved "economic potential." (*Id.*) Medtronic knew they were being cited as blocking references as early as 2009. (*Id.*) Under black letter patent law,[13] Medtronic had to pay royalties on the Screw Delivery System up to the date it first claimed invalidity even if the patent was later found invalid. *Shell*, 112 F.3d at 1568.

Sasso did not "open the door" by opining the patent application claims were "broad." (Tr.Vol.5,p.68.) They were. Medtronic kept them in force and benefited from them nearly their entire terms. The undersigned counsel had no need to "proclaim validity" (and didn't) by telling the jury the patents were "in force" during closing. They didn't expire until November 23, 2019.

[13] This law is explained in detail here: (Medtronic.App.Vol.XI,pp.150-159); *Bd. of Trustees of the Univ. of Ill. v. Micron Tech., Inc.*, 245 F.Supp.3d 1036, 1044 (C.D.Ill.2017); *Esoterix Genetic Labs. LLC v. Qiagen, Inc.*, 113 F.Supp.3d 349,361-62 (D.Mass.2015); *Revson v. Claire's Stores, Inc.*, 120 F.Supp.2d 322,326 (S.D.N.Y.2000).

Even if there was some marginal relevance to the USPTO proceeding, and there was not, the trial court properly excluded the evidence under Rule 403 because its probative value was substantially outweighed by unfair prejudice, confusion, and the potential to mislead the jury. *E.g., Sims v. Pappas*, 73 N.E.3d 700,708 (Ind.2017)(providing standard). Medtronic—not Sasso—prosecuted the patents. (Tr.Vol.5,pp.245-46,67,98-99.) At no point during its attempt to tender invalidity evidence, did Medtronic explain why it prosecuted the original application if its own prior technology rendered the claims invalid, or why it waited until just months before trial before "confessing" to the USPTO. It would have been unfair for Medtronic to submit voluminous argument from an unopposed proceeding with affidavits of witnesses not timely disclosed here.

Finally, the USPTO proceeding would have created confusion with the issue of a new contract breach: Section 12 prohibited Medtronic from disposing of "any of the rights conferred" without Sasso's "prior written consent." (PX3,Tr.Vol.14,pp.22-23.) Sasso never gave such consent. Judge Jon DeGuilio described Medtronic as taking "the unusual position that its own patents are invalid." *Warsaw Orthopedic, Inc. v. Sasso*, Northern District of Indiana, Case No. 3:18-cv-00437,p.2, fn.3 (January 31,2019)

After enjoying the patent protection for 18 years, Medtronic asked the USPTO to invalidate its own patent—destroying its own property right—in an attempt to justify its decision not to pay Sasso what he was owed. The only purpose for the voluminous *ex parte* proceeding in violation of the Agreement was to continue the

trial or seek admission of rank undisclosed hearsay at trial. Medtronic could have "disclaimed" any claim **at any time after 2001** with a simple notice filing to the USPTO, but did not. 35 U.S.C §253(a)("A patentee…may…make disclaimer of any complete claim.") Judge Palmer avoided this sideshow outside the circus by excluding the USPTO evidence.

2.2.3 Medtronic admitted and argued the alleged "prior art" from the USPTO proceedings; the jury rejected it.

While Judge Palmer excluded the USPTO proceedings, he allowed Medtronic to admit evidence of prior art to support its argument Sasso invented nothing. In the USPTO petition, Medtronic discussed the techniques disclosed in the AO Textbook; the trial court allowed Medtronic to cross Sasso on that technique. (Tr.Vol.5,p.248-250.) Sasso explained how his system was different and novel. (Tr.Vol.6,pp.2-3,196-98.) The jury agreed.

Medtronic called Dr. Kevin Foley to testify **he** invented what was disclosed in Sasso's '313 patent. (Tr.Vol.7,pp.247-250.) The jury was not persuaded.[14]

While excluding the defense of invalidity for being both irrelevant and untimely, the trial court allowed Medtronic wide latitude to use the "prior art" cited in the USPTO petition to argue Sasso invented "nothing." The jury just didn't believe it.

[14] The jury was entitled to find Foley biased. Medtronic paid him approximately **$210 million** over 13 years. (Tr.Vol.8,pp.61-66.)

2.2.4 "Invalidity" is an affirmative defense.

Medtronic incorrectly describes invalidity as a "general" defense. Federal law presumes an issued patent is valid and invalidity must be pleaded as an affirmative defense. 35 U.S.C. §282(a),(b). When pled, it must be proven by clear and convincing evidence. *Microsoft Corp., v. i4i Ltd. P'ship*, 564 U.S. 91,95-98 (2011). Both Tennessee and Indiana law require affirmative defenses to be pled. Tenn.R.8.03; Ind.T.R.8(C).

By failing to timely plead invalidity, Medtronic waived the affirmative defense. *See Pratcher v. Methodist Healthcare Memphis Hosps.*, 407 S.W.3d 727,737 (Tenn.2013); *Freedom Express, Inc. v. Merchandise Warehouse Co., Inc.*, 647 N.E.2d 648,651 (Ind.Ct.App.1995). The trial court was within its discretion to strike a never-pled affirmative defense.

2.3 Medtronic's "term of the agreement" argument ignores the agreement's language.

The Screw Delivery Agreement's modification of the superseded November agreement and 16 years of partial royalty payments demonstrate the agreement did not expire in 2009.

A contract provision is ambiguous under Tennessee law when it has an uncertain meaning and may be reasonably understood in more than one way. *Empress Health & Beauty Spa, Inc. v. Turner*, 503 S.W.2d 188,190-191 (Tenn.1973). Ambiguous terms are construed against the drafter, *West v. Shelby Cnty. Healthcare Corp.*, 459 S.W.3d 33,42 (Tenn.2014), and courts may use parol evidence to guide enforcement of a contract. *Allstate Ins. Co. v. Watson*, 195 S.W.3d 609,612 (Tenn.2006).

Section 4 of the agreement gives Sasso a 2.5% royalty "until expiration of the last to expire of the patents included in the Intellectual Property Rights, or seven (7) years from the Date of First Sale of the Medical Device if no patents issue." Nowhere does Section 4 mention claim coverage or patent validity.

The superseded November agreement tiered royalties based on whether a product was "covered by a valid claim." (Sasso.App.Vol.II,p.110.) In the operative agreement, the parties chose to drop that language in exchange for a single, lower royalty. (PX3,Tr.Vol.14,pp.19-20.) Because the parties eliminated "covered by a valid claim" from Section 4, Medtronic clings to Section 7 to argue royalty-bearing products must be covered by a valid claim:

> Unless sooner terminated, this Agreement shall expire upon the last to expire of the patents included in the Intellectual Property Rights, or if no patent application(s) issue into a patent having valid claim coverage of the Medical Device, then seven (7) years from the Date of First Sale of the Medical Device.

(PX3,Tr.Vol.14,p.21.) This sentence does not negate Section 4. Both sections state the operative agreement remained in force until '313 expired.

Medtronic's argument defies Tennessee rules of contract construction. First, the payment and term provisions must be "construed in harmony" such that both are given effect. *See Guiliano*, 995 S.W.2d at 95. Under Medtronic's interpretation, the agreement expired after seven years, even though Section 4 required royalty payments until November 23, 2019. This interpretation would impermissibly render

the life-of-patent payment term meaningless.[15] *See Stonebridge Life Ins. Co. v. Horne*, 2012 Tenn.App.LEXIS 805, at*18 (Tenn.Ct.App.2012). At worst, the purported inconsistency renders the agreement ambiguous.

Medtronic's post-contract behavior further demonstrates the intent of the modifications to Section 4. *See Univ. Corp. v. Wring*, 2012 Tenn.App.LEXIS 645, at *18 (Tenn.Ct.App.2012); *Hamblen Co. v. City of Morristown*, 656 S.W.2d 331,335 (Tenn.1983). Medtronic started paying Screw Delivery royalties in fourth quarter 2002, continuing through 2018. These payments did not stop in the second quarter of 2009—seven years from the date of first sale—because patents "included in the Intellectual Property Rights" **did** issue. Medtronic understood the agreement had not expired. *Hamblen*, 656 S.W.2d at 335.

Finally, the disjunctive "or" in Section 7 creates two alternate conditions, only one of which must be satisfied. *Lasco, Inc. v. Inman Constr.Corp*, 467 S.W.3d 467,473-74 (Tenn.Ct.App.2015). Here, the agreement expires **either** (1) on the last to expire of the '313/'046 patents, or (2) if no patent applications issue into a patent having valid claim coverage, then seven (7) years from the Date of First Sale of the Medical Device." "Or" is different than "and," which makes the first clause of Section 7 controlling.

Rendering the phrase "valid claim coverage" inapplicable due to issued and unexpired patents and 16 years of payments is sound. To allow a disjunctive clause

[15] Medtronic makes much of the section headings "payment" and "term," which the Agreement states are not substantive. (PX3,Tr.Vol.14,p.23.)

buried in Section 7 to overrule express edits to Section 4 eliminating "covered by a valid claim" **and** lowering the royalty rate would have been fraud in the inducement of the new agreement.

2.4 Medtronic's "kit" argument is a failed jury argument.

Medtronic's "kit" argument begins with a false premise: Sasso had to prove '313 coverage to trigger royalties. He didn't, and never contended otherwise. Sasso could demonstrate the intellectual property he transferred, which was more than just patent rights, was valuable.[16]

Regardless, the jury heard a "kit" did exist, which came in without objection. (Tr.Vol.11,p.151.) Medtronic elicited the same from its former employee, Steve McAdoo on cross. (Tr.Vol.3,pp.202-204.) And there is supporting case law in the relevant field. *See Howmedica Osteonics Corp., v. DePuy Orthopedics, Inc.*, 2013 U.S.Dist.LEXIS 95094 at *16-19 (N.J.2013).

The only **evidence** Medtronic proffered to support its "kit" argument came from a law professor who testified "kit" requires all five of Sasso's elements be packaged in the same box. (Tr.Vol.9,p.180-181.) The trial court struck that opinion because Medtronic never disclosed it before trial (Tr.Vol.9,p.214), and Medtronic does not challenge that decision.[17]

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[16] Proving value does not mandate §1338(a) jurisdiction. *See Inspired Development*, 938 F.3d at 1364; *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024,1037 (9th Cir.2015).

[17] Upon hearing the "kit" opinion, Sasso considered a mistrial—not because patent issues were critical—because Medtronic proffered a never-before-disclosed

2.5 The Screw Delivery Agreement damages award should be affirmed.

2.5.1 Medtronic waived any issue it had with Sasso's damages evidence.

Sasso proffered expert Michael Pellegrino to calculate and opine on damages under the Screw Delivery Agreement. Medtronic describes his opinion as "wildly inflated," calls his methodology "flawed," and claims his opinions were "untied" to the agreement. (Br.53-57.) Medtronic's brief omits a critical fact: it never objected at trial. (*See* Tr.Vol.7,pp.139-176; Tr.Vol.11,pp119-134.) In footnote 19, Medtronic stresses it "challenged" Sasso's damages evidence, but never discloses its failure to object. (Br.55, n.19.)

When a party fails to object to evidence at trial, any argument on appeal is waived. *State Farm Fire & Cas. Co. v. Radcliff*, 987 N.E.2d 121,153 (Ind.Ct.App.2013). In *Radcliff*, State Farm made Medtronic's argument here: plaintiff's expert testimony, "lacked any indication of reliability which misled the jury into artificially inflating [plaintiff's] damages." *Id*. This Court disposed of the argument: "Because State Farm did not object when Dr. Jaffee testified, it acquiesced in the admission of his opinion and the issue is waived." *Id*. Medtronic did not object when Pellegrino took the stand or testified and cannot complain now.

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expert opinion at the end of trial, despite an agreed order to pre-trial reports containing all expert opinions.

2.5.2 Sasso's damages were supported by substantial evidence consistent with the language of the agreement.

Waiver aside, the definition of "Invention" as "any product, *method, or system* relating to a facet screw instrumentation" made "Medical Device" implant royalties dependent on what surgeons did with the system instruments. This captured screws and cages when implanted with the system, as contemplated by President DeMane in January 2002. (PX211,Tr.Vol.15,pp.91-92;Tr.Vo.5,pp.95-97.)

Tennessee is not unusual in requiring courts to ascertain and give effect to the parties' intent. *Allstate,* 195 S.W.3d at 611. Ambiguous terms generally are construed against the drafter of the contract. *Richardson v. James Brown Constr., Inc.*, 2010 Tenn.LEXIS 689, at *15 (Tenn.2010). Tennessee courts broadly construe the term "relating to." *See Tenn. Imports, Inc. v. Filippi*, 745 F.Supp.1314,1325 (M.D.Tenn.1990); *Dale Supply Co. v. York Int'l Corp.*, 2003 Tenn.App.LEXIS 720, at *1 (Tenn.Ct.App.2003) To resolve ambiguity, Tennessee courts may consider the contracting parties' conduct and statements regarding the disputed provision, to guide construction and enforcement of the contract. *Individual Healthcare Specialists, Inc. v. Blue Cross Blue Shield of Tenn.,* 566 S.W.3d. 671,703 (Tenn.2019); *Keck v. Meek*, 2018 Tenn.App.LEXIS 370, at *28 (Tenn.Ct.App.2018); *Allstate*, 195 S.W.3d at 612. The 2.5% rate applied, consistent with Sasso's September 1998 consulting agreement, as explained by Medtronic's former President at trial. (Tr.Vol.6,pp.73-74.) Compton testified Sasso's surgical expertise was worth 2.5% to Medtronic's predecessor, even without any corresponding patent protection. (*Id.*) The additional requirement Sasso negotiate a reduction if the rate prevented Medtronic

from fairly competing in the marketplace acknowledges a definitional breadth beyond "facet" screws as long as the screw delivery system was being used. (PX3,Tr.Vol.14.p.20.)

Tennessee law does not demand perfect damage calculations: "uncertain or speculative damages are prohibited only when the existence of damages is uncertain, not when the amount of damages is uncertain." *Western Sizzlin, Inc. v. Harris*, 741 S.W.2d 334,336 (Tenn.Ct.App.1987). Despite this standard, Medtronic still claims there was no evidence royalty-bearing products were implanted using "a 5-instrument kit as recited by Claim 26 of the '313 patent." (Br.55). Not so. Medtronic elicited the evidence in its cross of Pellegrino:

> Q. You have no information, none, that proves to you the use of Dr. Sasso's five-part method to implant screws by any surgeon other than Dr. Sasso himself, true?
>
> A. The standard of care as I'm aware, is to use an outer cannula and the other elements to place the screw. I searched — ah — far and wide to find other MIS techniques…and was unable to find anything that said there was another way. So, I believe we have a reliable indicator in the way I've done it.

(Tr.Vol.11,pp.132-133.) Sasso reiterated, explaining Medtronic's manuals for the very products at issue advertised his Screw Delivery system. *(Id.,*p.157.) After explaining he has trained countless surgeons around the country, he testified his Screw Delivery technique is the standard of care. *(Id.,*p.159)

Sasso then highlighted Medtronic's failure to call a single witness to dispute the universal use of his technique: "it's done with these techniques; that's why you haven't heard anyone say it's different." (*Id.,*p.148.) Pellegrino and Sasso

demonstrated the ubiquity of Sasso's technique, without objection. Medtronic's argument on appeal acts as if this evidence doesn't exist and should be rejected.

3. The Vertex verdict must be affirmed.

Finally, Medtronic attacks the Vertex judgment arguing royalties required '491 patent coverage and '491 doesn't cover. (Br.58-65.) Medtronic provides no standard of review in violation of Rule 46(A)(8)(b).[18] This failure waives the argument on appeal. *Jackson v. State*, 758 N.E.2d 1030,1037 (Ind.Ct.App.2001).

Waiver aside, given its citation to the transcript, Sasso assumes Medtronic challenges the sufficiency of evidence where this Court considers "only the evidence most favorable to the verdict and the reasonable inferences to be drawn therefrom." *Indian Trucking v. Harber*, 752 N.E.2d 168,172 (Ind.Ct.App.2001). The Court will not reweigh the evidence or judge witness credibility. *Id.* "The verdict will be affirmed unless we conclude that it is against the great weight of the evidence." *Id.* Under this standard, neither of Medtronic's contentions have merit.

3.1 There was substantial evidence demonstrating the Vertex improvement patents "arose" from Sasso's Intellectual Property Rights, triggering royalties.

The only requirement for life-of-patent royalties under the Vertex Agreement was coverage by a patent "arising out of [Sasso's] Intellectual Property Rights." (PX1,Tr.Vol.14,p.2.) "Intellectual Property Rights" included Sasso's "know-how" and, "any other intellectual property right with respect to the Invention." (*Id.*) "Invention" was defined as a continuing product, requiring Sasso to assist in refining Vertex. (*Id.*)

[18] Stating a judgment "fails as a matter of law" should preserve nothing.

The Medtronic officer charged with negotiating the Vertex agreement (Coates), explained Sasso "absolutely" provided the know-how embodied in '621, the first Vertex improvement patent. (Tr.Vol.2,p.234,204-205.) Much of '621 was copied *verbatim* from '491. (Tr.Vol.3,pp.101-102.) There was also an internal Medtronic memo stating Sasso was a "designing" surgeon on improvement patent '277. (PX633,Tr.Vol.15,p.247.) There was more than sufficient evidence to find the patents on Vertex improvements "arose" from Sasso's "Intellectual Property Rights."

As far as coverage, Sasso provided coverage evidence on each Vertex improvement patent; Medtronic proffered nothing. The jury heard Medtronic's written discovery responses **admitting** '621 covered. (Tr.Vol.7,pp.138-139.)

Medtronic's attempt to analogize Vertex to the agreement in *SEE, LLC* is a red herring. Putting aside Coates' testimony that '621 need not be expressly written into the agreement because it "arose" from Sasso's Intellectual Property Rights, Medtronic fails to mention the *SEE* agreement required the parties to **mutually** agree on products to list in the agreement. 841 N.E.3d at 841. The Vertex Agreement required **Medtronic alone** to update the agreement as additional intellectual property rights were added. (PX1,Tr.Vol.14,p.5.)

Finally, there is no language in the Vertex agreement requiring Sasso to be a "named inventor" for royalties to continue; all that was needed was a covering patent "arising out of" the "Intellectual Property Rights." (*See* PX1,Tr.Vol.14,pp.4-15.) Medtronic introduced several agreements containing language requiring Sasso to be

a named inventor, demonstrating the parties knew how to require as much if they intended. (*E.g.,* DX1009,Tr.Vol.31,p.46 (Venture); DX1011,Tr.Vol.31,p.73 (SiLo).)

3.2 There was substantial '491 coverage evidence.

Improvement patent coverage was enough to trigger life-of-patent royalties. Regardless, the jury received an abundance of evidence supporting '491 coverage. The standard of review requires this Court review only the evidence supporting the verdict, *Indian Trucking*, 752 N.E.2d at 172, yet Medtronic cites or discusses none of it. Instead, Medtronic presents its jury argument and asks this Court to reweigh it. For that reason alone, Medtronic's argument fails. Regardless, there was sufficient evidence supporting '491 coverage.

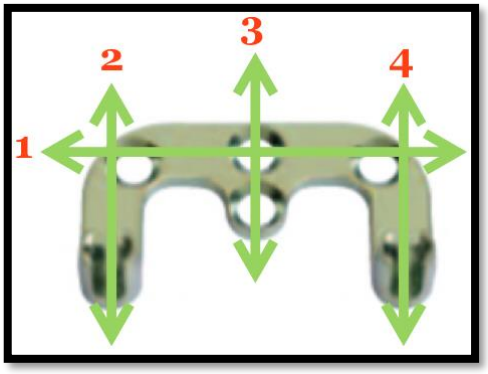
First, Medtronic made royalty payments for seventeen quarters when claim coverage was required. (PX1000aa,Tr.Vol.27,pp.123-Tr.Vol.29,p.15.) Evidence of royalty payments—even if later claimed to be mistaken—is evidence of claim coverage. *Frolow v. Wilson Sporting Goods Co.*, 710 F.3d 1303,1311-12 (Fed.Cir.2013).

Next, a bio-mechanical engineer mapped Claims 21 and 48 directly to the Vertex system sold today. (Tr.Vol.4,pp.42-55.) Medtronic attacks Claim 21 referring to patent Figure 24 (with Medtronic lawyers' characterization in red), claiming "the jury could not lawfully find" Claim 21 covered Vertex because the system differed from the drawing. (Br.61.) Notwithstanding Medtronic's failure to provide or

distinguish Sasso's contrary evidence, Medtronic presumes drawings in a patent are the sole representation of the invention, which is contrary to a host of evidence:[19]

- The patent—written by Medtronic's lawyers—explains drawings are "**illustrative and not restrictive in character.**" (PX7,Tr.Vol.14,p.69.)
- The patent further explains: "only the preferred embodiments are shown and described and that **all changes and modifications that come within the spirit of the invention are desired to be protected**." (*Id.*)
- Sasso's bio-mechanical engineer testified, "there could be multiple things that will satisfy the claim language and they may look different in appearance." (Tr.Vol.4,p.177.)

Far from the be-all-end-all of claim coverage, Figure 24 is just one possible illustration of what is claimed and cannot be used to limit coverage. (*See* PX7,Tr.Vol.14,p.69.)



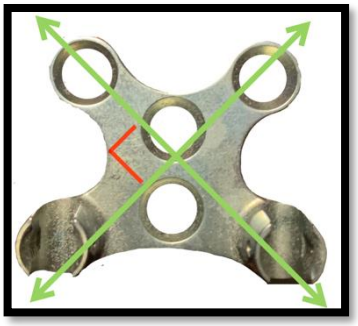
On Claim 48, Medtronic again rehashes its jury argument and discusses none of the evidence supporting coverage (Br.62-65.) For example, Sasso's bio-medical engineer testified the M plate did have four arms, which was sufficient for coverage. (Tr.Vol.4,pp.53-55.)

[19] In *Globus,* Medtronic told the federal court '491's claims were **not** limited to the "embodiments" (Sasso.App.Vol.XV.,p.46-47.)

Before trial, Medtronic asked the trial court to construe Claim 48, and the court adopted Medtronic's proposal *verbatim*. Medtronic's definition said nothing about the axes or the arms "connecting the ends"; it simply required two axes connecting at right angles with "four arms." (Medtronic.App.Vol.XVI,p.127.) The jury heard Medtronic's three-arm argument and Sasso's four-arm argument and resolved the dispute in Sasso's favor; to disturb that decision would be to reweigh the evidence, which this Court cannot do.

Medtronic repeatedly argues that Claim 48 required the transverse axis to "connect the first and second transverse ends" of the arms. (Br.63.) To the extent Medtronic takes issue with the Court's decision to adopt Medtronic's construction of Claim 48–**which eliminated language requiring the axis to connect the "ends" of the arms**—Medtronic cannot challenge that decision on appeal under the doctrine of "invited error." *Booher v. State*, 773 N.E.2d 814,822 (Ind.2002); *Key Pharms. v. Hercon Labs. Corp.*, 161 F.3d 709,715 (Fed.Cir.1998).

On the keel plate, Medtronic's brief shows the "medium" keel plate but never shows this Court the "small" keel plate. (Br.63.) Sasso's bio-mechanical engineer



explained how the small keel plate **does** intersect at right angles with four arms. (Tr.Vol.4,pp.50-53.) Medtronic had its argument and Sasso had his. Resolution of this factual dispute was the jury's job and cannot be disturbed on appeal.

Conclusion

The trial court had jurisdiction and properly submitted the case to the jury. After hearing from 36 witnesses the jury was entitled to find in Sasso's favor on both agreements. The trial court's judgment should be affirmed.

Cross-Appeal

Statement of Issue

Did the trial court err in granting summary judgment twice on Sasso's claim for punitive damages under Tennessee law?

Statement of the Case

Sasso adopts his Statement of the Case above.

Statement of Facts

For over twenty years, Sasso was one of Medtronic's most active and prolific surgeon-inventors, entering multiple agreements with Medtronic involving multiple inventions. Beginning in 2010, however, the relationship deteriorated when Medtronic began serially breaching Sasso's agreements.

1. Medtronic breaches the One-Pin, SiLo, and Bryan Agreements.

Under Sasso's One-Pin Agreement, Medtronic agreed to make "milestone" payments once the product was launched. (Sasso.App.Vol.XVI,pp.185-186.) The new president of Medtronic Spine, Doug King, wrote Sasso stating Medtronic's intent was to use the Spine sales force to commercialize the product. (*Id.*,pp.186-187.) But Medtronic gave no launch date and never had the sales force engaged. Sasso tried to mediate twice, once in 2011 and once in early 2013. *(Id.*,pp.187-189.)

During One-Pin mediation, Medtronic stopped paying on Sasso's SiLo Agreement, which provided for seven years of royalty payments through October 1, 2012, with payments continuing if there was a patent naming Sasso as an inventor

covering the system. (*Id.*,p.188-189.) Medtronic admitted two patents mandated continuing royalties but stopped paying anyhow. (*Id.*)

Then Medtronic stopped paying on Sasso's Bryan Disc Agreement. (*Id.*,pp.188-189.) Sasso helped design simplified instruments for Medtronic's Bryan Cervical Disc system, which weren't yet FDA-approved. (*Id.*) Sasso represented Medtronic before FDA, which then approved the new technique, opening U.S. sales. (*Id.*) In 2012, Medtronic invited Sasso to speak to its spine sales force to launch the improved system. (*Id.*) Notwithstanding the U.S. launch and increasing sales, Sasso's royalties remained stagnant. (*Id.*) Sasso learned Medtronic had created new part numbers—comprising the bulk of sales—but never added them to his contract. (*Id.*)

In April 2013, after Medtronic breached these three agreements, it announced there was a "mistake" and Vertex royalties should have stopped in 2008. (*Id.*,p.189.) Sasso sued in August 2013.

2. Arbitration panels determine Medtronic breached each Agreement.

While this suit was pending, Medtronic filed for arbitration **against** Sasso for One-Pin, disavowing its President's prior statements. (*Id.*,p.190.) Because Medtronic was breaching the SiLo and Bryan Disc agreements simultaneously, Sasso asked for a consolidated proceeding, which was denied. (*Id.*,pp.191-192.) In March 2015, after months of discovery and a six-day arbitration, a 3-member panel awarded Sasso substantial damages. (*Id.*,pp.193.)

Sasso then started arbitration on SiLo and Bryan Disc. (*Id.*,p.193.) In April 2016, the arbitration found Medtronic breached both agreements and further relief

was awarded. (*Id.*,p.194.)[20] Although there were three arbitration awards against Medtronic, Medtronic testified here it reviewed over 25 physician agreements and this lawsuit was the only dispute. (Tr.Vol.11,p.110.)

3. Sasso designates significant evidence of Medtronic's bad faith.

In addition to Medtronic's serial breaches, Sasso designated a host of evidence in response to Medtronic's summary judgment motion, starting with Medtronic's statement to a **federal court** that '491 **covers** Vertex. (Sasso.App.Vol.XIII,pp.210-211.) Medtronic sued a competitor (Globus) for infringing the '491 patent. *See Medtronic v. Globus*, Case No. 2:06-cv-042248-ND, (E.D. Pa.). Medtronic told that court twice '491 covered Vertex and recovered over $20 million for infringement. (*Id.*)

Sasso also designated: Medtronic's admission it paid no royalties on 28 pages of Vertex parts (Sasso.App.XIV,pp.112-113,178-206); Medtronic's officers and lawyers analyzed the agreement before paying royalties past the term of years (PX928,Tr.Vol.26,pp.89-96); Medtronic misrepresented which Vertex parts were royalty-bearing (Sasso.App.Vol.XIII,pp.218-220); and, before choosing to stop payments, the executives in charge never spoke with the signatory of the agreement or its negotiator (Sasso.App.Vol.XIV,p.95). Medtronic also confirmed Vertex never changed such that it was once covered by '491 but no longer was. (*Id.*,pp.10-11.)

[20] In February 2016, just before the second arbitration hearing, Medtronic (without notice) wired Sasso a "catchup" payment for Bryan Disc of $274,618.25. (Sasso.App.Vol.XVI,p.194.) The arbitration panel still found Medtronic breached. (*Id.*)

Finally, Sasso provided evidence that Medtronic's behavior violated reasonable commercial practices for inventor/manufacturer royalty agreements through an expert who spent fifty years in the intellectual property field as a USPTO patent examiner, patent attorney, licensing executive, entrepreneur, expert witness, and inventor. (Sasso.App.Vol.XIII,pp.230-231.)

Summary of Argument

It was reversible error for the trial court to enter judgment on Sasso's punitive damages claim because (unlike Indiana) Tennessee law allows punitive damages for bad faith breaches of contract. In 2011, Medtronic began serially breaching its agreements with Sasso. By arbitration or lawsuit, Medtronic has been found in breach of five agreements.

Medtronic's '491 coverage litigation positions are opportunistic flip-flops. Medtronic analyzed the Vertex agreement and the system and determined Sasso's entitlement to royalties after the term of years expired. Then, new management—who didn't bother to review Medtronic's decision to keep paying royalties or even speak to the officers charged with negotiating and signing the agreement—decided to stop. This evidence raised genuine factual issues of Medtronic's intent that should have gone to the jury.

It is reversible error to grant summary judgment on punitive damages when the credibility of the non-moving party is fairly at issue. Sasso designated substantial evidence in response to the motion for summary judgment demonstrating bad faith, and this Court should remand for trial on punitive damages.

Argument

1. Standard of review.

Summary judgment decisions are reviewed *de novo*. *Kenworth of Indianapolis v. Seventy-Seven Ltd.*, 134 N.E.3d 370,376 (Ind.2019). Drawing all reasonable inferences for the nonmoving party, summary judgment is proper only if the designated evidence shows there is no genuine issue of material fact, and the movant is entitled to judgment as a matter of law. *Alicea v. Brown*, 121 N.E.3d 621,622 (Ind.Ct.App.2019). Summary judgment is inappropriate if the trier of fact could disbelieve the movant's account of the facts underlying a claim for punitive damages. *Alicea* at 623-24.

2. The duty of good faith in Tennessee.

Medtronic owed a duty of good faith under the Vertex Agreement. *Dick Broad*, 395 S.W.3d at 665 n.9. When that duty is breached, punitive damages are available. *Dog House Invs.,LLC v. Teal Props.*, 448 S.W.3d 905,915–916 (Tenn.Ct.App.2013). Breaches that are (1) intentional, (2) fraudulent, (3) malicious, or (4) reckless are sufficient to trigger punitive damages. *Hodges v. S.C. Toof & Co.*, 833 S.W.2d 896,901 (Tenn.1992). Fraud exists sufficient for punitive damages when a breach is made, "knowingly or recklessly or without belief or regard for its truth." *Dog House* 448 S.W.3d at 915. The question of intent is for the finder of fact. *Id*. at 916.

3. Whether Medtronic acted in good faith was a jury question.

First, Medtronic's "no coverage" argument on '491 was an opportunistic flip-flop. Medtronic swore Vertex never changed in a way it was once covered by '491, but

no longer is. (Sasso.App.Vol.XIV,pp.10-11.) When it stood to gain millions, Medtronic affirmed to a federal court '491 covered Vertex*;* when it stood to lose millions, Medtronic told the court here '491 did not cover Vertex. (Sasso.App.Vol.XIII,pp.210-211.) As confirmed by an attorney-expert, Medtronic's flip-flop demonstrates a malicious mental state sufficient to send to a jury.

Second, Medtronic's motive for cutting off royalties after making 17 quarterly payments after the guaranteed term creates genuine issues of fact on bad faith. The designated evidence shows Medtronic concocted a "straw man" '491 coverage argument. While "Intellectual Property Rights" has a definition, "arising out of" does not. Medtronic did not investigate why payments continued for 17 quarters beyond the guaranteed term. The decision was made after Sasso raised concerns about Medtronic breaching three other agreements. If Medtronic had investigated, it would have learned one of its top executives (Coates, the agreement's negotiator)[21] believed there were multiple patents on Vertex supporting continued royalties. While Medtronic disclaims any ill-will, the record of multiple breaches combined with willful ignorance allows a jury to conclude otherwise. *See Alicea*, 121 N.E.3d at 623.

Third, Medtronic's 30 instances of underreporting Vertex sales is undisputed and conclusively established by the jury verdict. (Medtronic.App.Vol.II,pp.193-196.) Medtronic confessed it did not code all Vertex parts for royalties and produced a list

[21] As part of this cross-appeal, Sasso seeks reversal of the order denying Sasso the unredacted Senate Finance Committee documents. (Sasso.App.Vol.II,p.2.) By producing the documents to two separate governmental entities, any privilege was waived. *Amobi v. D.C. Dept. of Corrections*, 262 F.R.D. 45,52-53 (D.D.C.2009). Unredacted documents should be produced on remand.

of such parts comprising 28 pages. (Sasso.App.Vol.XIV,pp.112-113,178-206.) The jury awarded Sasso the maximum calculated by CPA Stover. (Tr.Vol.7,p.72.) The Vertex Agreement is the **third** agreement where Medtronic failed to "code" parts for royalties. One time could be a mistake. Two times, negligence. But three times with the same doctor at the same time? *Dog House* merely requires misrepresentations be made "recklessly." Here, because of two other similar misrepresentations of sales figures and royalties, questions of fact exist for the jury.

4. The case should be remanded on punitive damages.

Hodges, 833 S.W.2d at 901-02, establishes a bifurcated system on punitive damages, with punitive damages tried after liability. Sasso requests the case be remanded on punitive damages.

Conclusion

Sasso designated substantial evidence entitling a reasonable jury to find Medtronic acted maliciously, recklessly, or fraudulently in its administration of the Vertex Agreement, and this Court should remand for trial on punitive damages.

Respectfully submitted,

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Verified Statement of Word Count

Pursuant to Appellate Rule 44(E), the undersigned counsel verifies 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, Microsoft Word 2018..

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Certificate of Service

I certify that on February 5, 2020, I electronically filed the foregoing document using the Indiana E-Filing System (IEFS). I also certify that on February 5, 2020, the foregoing document was served upon the following persons via IEFS:

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