

Axinn IP Update: Federal Circuit Clarifies Permissible Scope of Petitioner Reply

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PRACTICE AREAS

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The Federal Circuit issued two precedential decisions in August, reminding parties in *Inter Partes Review* (IPR) proceedings to refrain from sandbagging and raise all arguments at the first opportunity. In *Axonics v. Medtronic*, No. 2022-1532, 2012 WL 5006851 (Fed. Cir. Aug. 7, 2023), and *Rembrandt Diagnostics v. Alere*, No. 2021-1796, 2023 WL 5158071 (Fed. Cir. Aug. 11, 2023), the Federal Circuit addressed a frequently disputed issue in IPR— the scope of arguments and evidence that a petitioner may advance in reply to a patent owner’s response (POR). While *Axonics* and *Rembrandt* provide some additional guidance as to the scope of additional arguments that may be permissible in reply, it is still not entirely clear as to the extent to which parties may address new issues and disputes that arise following institution.

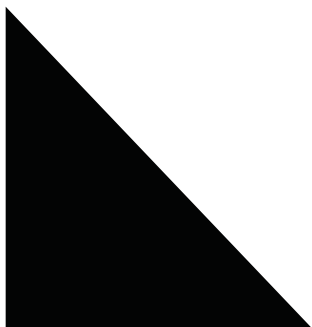
A petitioner is required to identify, “with particularity,” the grounds and supporting evidence for its challenge to each claim in its petition, which “guide the life of the [IPR proceeding].” See *SAS Inst. v. Iancu*, 138 S. Ct. 1348, 1355-56 (2018) (“In all these ways, the statute [35 U.S.C. § 312] tells us that the petitioner’s contentions [in the petition] define the scope of the litigation all the way from institution through to conclusion”). In the reply, a petitioner may “only respond to arguments raised in [the POR] or decision on institution,” see 37 C.F.R. § 42.23.(b), and “may not submit new evidence or argument in reply that it could have presented earlier.” See PTAB Consolidated Trial Practice Guide (CTPG) at 73 (Nov. 2019).

The strict word limit for a petition restricts the ability of petitioners to preemptively address all potential issues that may be raised in the POR, and petitioners are discouraged from splitting an IPR challenge into multiple petitions. See CTPG at 38, 59; 37 C.F.R. § 42.24. The institution decision and POR often raise issues that a petitioner wishes to address in reply, but the line between whether a petitioner’s reply includes a permissible clarification or impermissible new argument has not been entirely clear. Compare *Ariosa Diagnostics v. Verinata Health*, 805 F.3d 1359, 1367 (Fed. Cir. 2015) (affirming PTAB rejection of petitioner’s reply

argument relying on prior art embodiments not specifically identified in petition), with *Apple v. Andrea Elecs. Corp.*, 949 F.3d 697, 706-07 (Fed. Cir. 2020) (reversing PTAB preclusion of petitioner’s reply argument analyzing different application of prior art algorithm than that analyzed in petition).

In *Axonics*, the POR advanced a new claim construction position, which the petitioner argued against in reply and further argued in the alternative that even under the patent owner’s proposed construction, the asserted prior art rendered the challenged claims obvious. Adopting the patent owner’s proposed construction, the Board determined that the challenged claims were not unpatentable. See 2012 WL 5006851, at *4. Even though it had considered and rejected the petitioner’s reply arguments against the new construction proposed in the POR, the Board nonetheless declined to consider the arguments and evidence that the challenged claims, as construed, were obvious over a combination of the asserted references on the basis that such arguments “amount[] to a new ground not set forth in the Petition.” *Id.* The Federal Circuit vacated and remanded, reasoning that a petitioner must be afforded “a reasonable opportunity to respond under the new construction,” including an opportunity to raise invalidity arguments addressing the proposed construction. *Id.* at * 7. While a petitioner still may not rely on new prior art in response to a new claim construction presented in the POR, a petitioner is allowed to rely on the same embodiments from the same prior art relied on in the petition. *Id.* The Federal Circuit left open, however, “the question of whether, when presented with a new claim construction, a petitioner can rely in its reply on new embodiments from the prior art references that were relied on in the petition.” *Id.*

In *Rembrandt*, the patent owner argued that the petitioner improperly raised a new argument in reply that a POSA would have been motivated by the “benefit of cost and time savings” to modify the prior art reference as set forth in the petition and would have expected success in doing so, relying on new disclosures from the asserted reference which were not cited in the petition. See 2023 WL 5158071, at *5-6. The Federal Circuit affirmed the PTAB’s rejection of the patent owner’s argument because the cost and time savings argument “properly expand[ed] on and [was] a fair extension of [the petitioner’s] previously raised efficiency argument,” *id.* at *5, and was responsive to the arguments raised in the POR as it “refute[d] [the patent owner’s] assertion that there is no motivation” or expectation of success in performing the modification proposed by the petition. *Id.* at *6. The new citations in petitioner’s reply to portions of the references which were not included in the petition were deemed permissible because the



petitioner “[did] not point to any new embodiment not previously identified to advance a meaningfully distinct contention,” but rather “additional portions” of the same embodiments to advance the same legal argument that had been raised in the petition. *Id.*

Petitioners should keep in mind that they may be restricted to specific embodiments discussed by the petition, as opposed to the full scope of the asserted references, and to that end, be as inclusive as possible with citations in the petition. In a similar vein, patent owners considering whether to save backup arguments for the POR rather than disclosing those positions in the preliminary response should be aware that the Federal Circuit specifically cautioned that it was “reluctant to adopt a construction of the APA and the Board’s rules that would permit such gamesmanship.” See *Axonics*, 2012 WL 5006851 at *8.

