No. 11-1497

In the Supreme Court of the United States

STEPHEN E. BYRNE,

Petitioner,

v.

WOOD, HERRON & EVANS, LLP, ET AL.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF IN OPPOSITION

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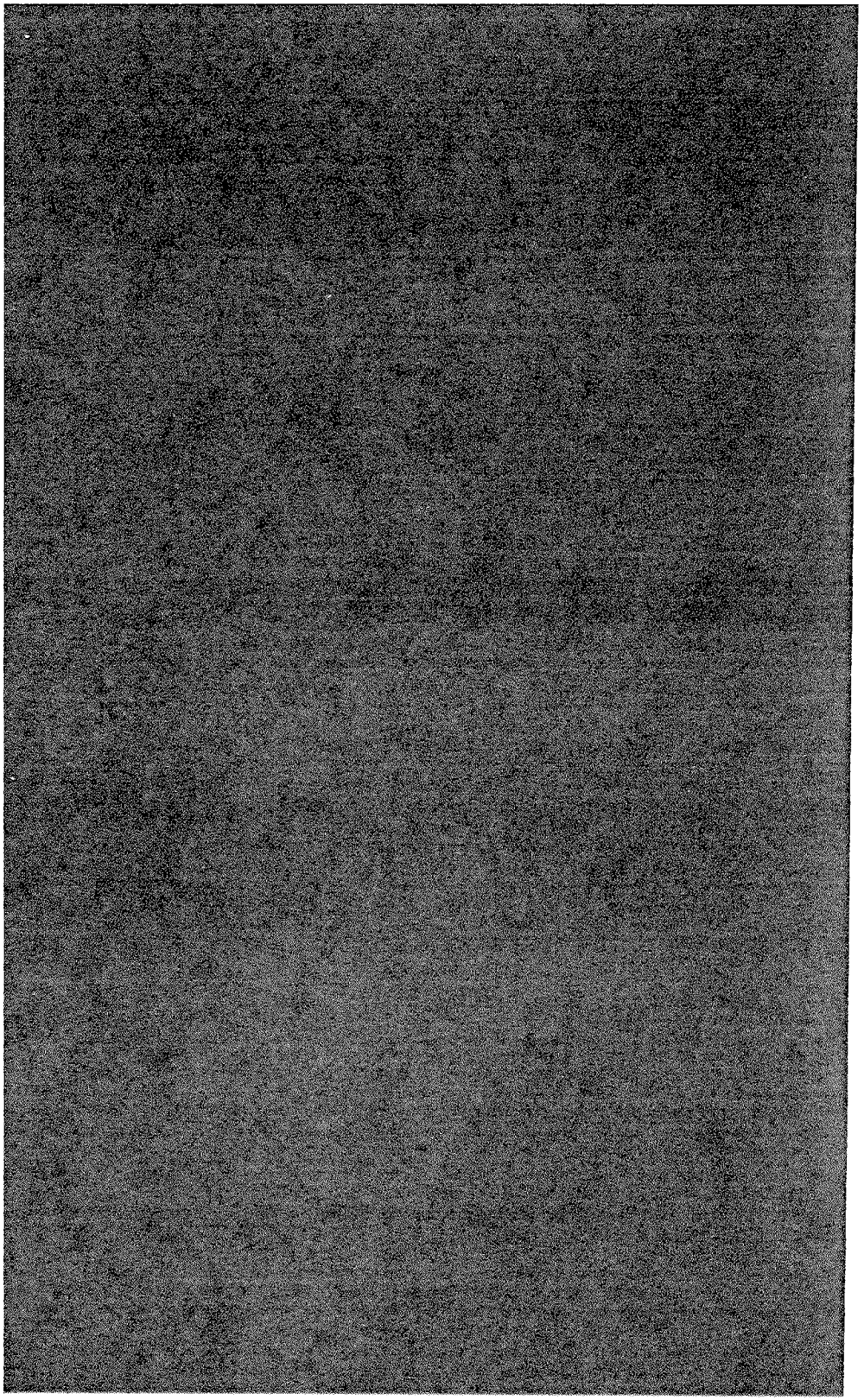

QUESTIONS PRESENTED

Respondents restate the first paragraph of Petitioner's Questions Presented as follows: Did the Federal Circuit correctly apply *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 108 S. Ct. 2166 (1988), *cert. denied*, 493 U.S. 822, 110 S. Ct. 81 (1989) and *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 125 S. Ct. 2363 (2005) in holding that a federal court has "arising under" jurisdiction under 28 U.S.C. §§ 1331 and 1338 where the outcome of a state-law legal malpractice action ancillary to federal patent litigation depends upon the interpretation of federal patent law?

The second paragraph of Petitioner's Questions Presented is merely an assertion that, on the question in its first paragraph, there is a conflict between state courts and the lower federal courts. There is not.

RULE 29.6 COMPLIANCE

None of the Respondents are corporate entities.

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STATUTORY PROVISIONS INVOLVED

In addition to 28 U.S.C. § 1338, cited by Petitioner, this case involves 28 U.S.C. § 1331 ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States").

STATEMENT OF THE CASE

The opinion by the Federal Circuit on which certiorari is sought (App. 1-23) more accurately sets forth the pertinent facts than does Petitioner's Statement of the Case:

> "This is a legal malpractice action in which Stephen Byrne alleges that WHE was negligent in failing to secure broader patent protection for his invention, which relates to an improvement to a grass and weed trimmer used in landscaping. Byrne alleges that, as a result of WHE's negligence, he was unsuccessful in a patent infringement lawsuit . . . .
>
> * * *
>
> . . . Byrne filed a legal malpractice action in Kentucky state court against WHE, which WHE timely removed to the United States District Court for the Eastern District of Kentucky. Byrne moved to remand the case for lack of subject matter jurisdiction, a motion the district court denied. The court found that, although legal malpractice is a state law claim, it requires a 'suit within a suit' analysis that turns on substantial questions of patent law,

thus giving rise to jurisdiction under 28 U.S.C. § 1338. Accordingly, the case proceeded in federal court."

(App. 3-6) (citations omitted).

After denying the motion to remand, the district court granted summary judgment on the malpractice claim. In his appeal, Petitioner raised the issue of whether the district court has federal question jurisdiction over the case under 28 U.S.C. § 1338. Two members of the panel of the Federal Circuit mused that "it is difficult to see the federal interest in determining the validity of a hypothetical patent claim that is ancillary to a state law malpractice action" (App. 13) but said the court was bound to reject the argument based on governing Circuit law (App. 11). Although successful on the merits of the appeal, Petitioner filed a petition for rehearing en banc that again raised the argument that the district court lacked subject matter jurisdiction under 28 U.S.C. § 1338. In a per curiam order of the twelve judges of the court, the Federal Circuit denied the petition; Judge Dyk wrote a concurrence, joined by two judges, and Judge O'Malley wrote a dissent, joined by only one other judge.[1]

This case is currently pending in the district court for ruling on the merits on Defendants' motion for summary judgment of no breach of standard of care. Defendants assert in their motion that they in fact

[1] Judge Gajarsa, who had joined Judge O'Malley in the panel opinion, apparently changed his mind and voted not to rehear the case en banc.

submitted on two occasions claims of the same scope as Petitioner's hypothetical claim only to have those claims rejected as unpatentable over the prior art and that Petitioner acquiesced in the rejections. Resolution of the motion involves at its core examination of the file history of prosecution of Petitioner's patent and claim construction.

The apparent reason that this Petition was filed despite Petitioner's complete success at the Court of Appeals in obtaining reversal of the order of summary judgment is that Petitioner's counsel prefers state courts. Petitioner's counsel has a website through which he solicits unhappy patentees to sue their former patent counsel, http://jablonski-law.com/index.cfm.

REASONS FOR DENYING THE PETITION

Petitioner seeks no change in the law. Granting the petition will result only in re-affirming and re-applying the familiar test used to determine whether federal question jurisdiction exists over a state-law claim that depends for its resolution on federal law. That test is already being competently applied by the Federal Circuit and the district courts to state law legal malpractice cases in which patent law forms an element of the case.

I. Federal Jurisdiction is Appropriate Under the Well-Established Standards of This Court Because the State-Law Malpractice Claim Necessarily Turns on a Substantial Issue of Federal Law

It is unquestioned that a state law cause of action can give rise to federal question jurisdiction under the right circumstances. The "arising under" jurisdiction of 28 U.S.C. § 1331 is satisfied if "federal law creates the cause of action *or* [the] plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law." *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 27-28, 103 S. Ct. 2841, 2856 (1983) (emphasis added). "The doctrine captures the commonsense notion that a federal court ought to be able to hear claims recognized under state law that nonetheless turn on substantial questions of federal law, and thus justify resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues . . . ." *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 312, 125 S. Ct. 2363, 2367 (2005).

Similarly, federal jurisdiction exists in patent matters under 28 U.S.C. § 1338 if "the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809, 108 S. Ct. 2166, 2174 (1988). The Petition does not ask this Court to revisit the well-established standard of *Christianson*.

Applying *Christianson*, it should be undisputed that Petitioner's complaint necessarily requires proof

of the elements of a patent infringement case. Petitioner originally sued a company for patent infringement and lost, allegedly because the patent claims he obtained from the United States Patent & Trademark Office (USPTO) were too narrow, due to his patent counsel's supposed negligence. With 20/20 hindsight enabling Petitioner now to write a broader, "hypothetical" claim, Petitioner argues in his subsequent lawsuit -- this case – that he could have won his earlier infringement case.

The district court ruled that such a claim necessarily raises a "suit-within-a-suit." (App. 6). As the district court held, "the elements of a legal malpractice claim under Kentucky law do require the Court to determine whether Byrne's patent infringement claim (the basis for his alleged lost royalties and license fees) would have been resolved differently but for the Defendants' conduct. . . . Therefore, in this case, Byrne must prove that his patent infringement suit against Black & Decker [the alleged infringer] would have been successful but for the Defendants' alleged negligence." (App. 32-33). Thus, in order to recover damages in this malpractice case, Petitioner must re-try the same patent infringement case he lost (a case over which federal courts unquestionably had federal jurisdiction under § 1338; in fact, federal jurisdiction is exclusive in such cases). The only difference is that this time Petitioner proceeds with a new and allegedly improved "hypothetical" patent claim. Under Kentucky law, Petitioner can succeed in his negligence suit only if the hypothetical patent claim would have created a different result.

In sum, while Petitioner emphasizes that the hypothetical patent claim that his counsel allegedly should have obtained "will never issue as a patent" and thus "[n]o actual patent rights are adjudicated in such cases," (Petition, pp. 6, 11), this case involves the same factual and legal elements involved in a patent infringement case under federal patent law (albeit with the hypothetical claim that counsel (allegedly) should have obtained instead of the actual claim). Patent law is thus a necessary element of Petitioner's malpractice case.

Nevertheless, Petitioner argues (Petition, p. 11) that there is not a substantial question of federal patent law here because his claim involves only a "case-specific application of facts to undisputed law," citing *Grable* and *Franchise Tax Bd.* There are two defects in this argument. The first defect is that Petitioner is reading the caselaw too strictly as to what a federal "question" is. While *Grable* involved an unresolved issue of law, there is no requirement under *Grable*, *Christianson*, or *Franchise Tax Bd.* that the element of federal law in Plaintiff's claim involve a pure issue of law that is unsettled, or an issue of first impression, in order to be substantial. It is enough that there is a disputed question of patent infringement necessarily raised by the claim and on which the outcome of the case depends.

In addition, this case is not the case to resolve whether the substantial question of federal law can be "undisputed law," since it cannot be denied that, in this case, the suit-within-a-suit involving the hypothetical claim will involve substantial questions of patent law that, under the current state of the law, are highly disputed. Every patent infringement claim,

including Petitioner's "hypothetical" one, starts with claim interpretation or construction. The determination of patent infringement is a two-step process: 1) construing the meaning of the patent's claims and 2) applying the properly-construed claims to the allegedly infringing device. *Cybor Corp. v. FAS Techs.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998). The first step involves an issue of law for the court, not the jury. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390-91, 116 S. Ct. 1384, 1396 (1996).

"Claim construction is the single most important event in the course of a patent litigation." *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369, 1370. (Fed. Cir. 2011) (Moore, J.) (dissenting from denial of petition for rehearing en banc). Petitioner agrees. As noted in an affidavit from a patent practitioner that was submitted to the district court by Petitioner, "[a] primary element in determining whether there has been malpractice in a patent prosecution focuses on proper interpretation of the claims." Supplemental Affidavit of William David Kiesel, ¶ 7 (Doc. #78-2).

The plaintiff alleging malpractice must also show that the hypothetical claim would have been patentable, i.e., that it was not anticipated or rendered obvious by prior art. *Minkin v. Gibbons, P.C.*, 680 F.3d 1341, 1348 (Fed. Cir. 2012) (if the "'suit-within-a-suit' analysis applies," then the plaintiff "must prove by preponderant evidence that alternate claim language would have been deemed patentable by the PTO"). The obviousness determination is an issue of patent law that not only can be hotly disputed in an individual case but is also, like claim construction, a controversial area of patent law, and one that has been

taken up by this Court twice in recent years. (*KSR Int'l Co. v. Teleflex Inc.* 550 U.S. 398, 127 S. Ct. 1727 (2007), and *Microsoft Corp. v. i4i Ltd. P'ship*, ___ U.S. ___, 131 S. Ct. 2238 (2011)).

Petitioner contrasts this Court's decisions in *Grable* and *Empire HealthChoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 126 S. Ct. 2121 (2006), implying, incorrectly, that this suit more resembles the latter. (Petition, pp. 10-11.) In *Grable*, the plaintiff alleged, in a suit against the current record owner of real property, that it still retained title to the property, which had been seized by the IRS, because the IRS had not provided the requisite notice of seizure under federal law. 545 U.S. at 310, 125 S. Ct. at 2366. In *Empire*, a private carrier providing one of the insurance plans on the menu of health plans available to federal employees sued for the money recovered by the beneficiary of its plan in a state law tort action, arguing that it was subrogated to the recovery to the extent it paid for the employee's medical care. 547 U.S. at 683, 126 S. Ct. at 2127. As this Court noted, the relevant statute in *Empire* "contains no provision addressing the subrogation or reimbursement rights of carriers," *id.*, and did not pre-empt whatever rights of recovery the carrier would have had under state law, *id.* at 697-98, 126 S. Ct. at 2135-36. Federal law was a backdrop to the case, not a necessary element for proof of the claim.

Furthermore, allowing state court trials of legal malpractice claims against patent counsel will necessarily lead to a large body of state-court opinions interpreting and applying federal patent law on both validity and infringement issues. The widespread use of the case-within-a-case method of analysis of

malpractice claims (e.g., *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1361-62 (Fed. Cir. 2010), *cert. denied*, ____ U.S. ____, 131 S. Ct. 118 (2010)) means that legal malpractice cases frequently, as in Petitioner's case, involve a determination of the results that would have been obtained had patent counsel not committed the alleged malpractice. Such a determination requires rulings on patent-law questions; hence the inevitable accumulation of state-court opinions.

If there were any doubt remaining as to whether Petitioner's case involves a "substantial question of federal law," that doubt is conclusively removed by *Christianson*, which states that "the plaintiff's right to relief *necessarily* depends on resolution of a substantial question of federal patent law, *in that* patent law is a necessary element of one of the well-pleaded claims." *Christianson*, 486 U.S. at 809, 108 S. Ct. at 2174 (emphasis added). Once a court determines that federal patent law is one of a claim's necessary elements, then there is no separate "substantial question" inquiry needed in the patent law context.

II. Recognizing Federal Jurisdiction in This Case Does Not Disturb the Balance of Federal and State Responsibilities, Given the Strong, If Not Unique, Federal Interest in Uniformity in Interpretation of Federal Patent Law

Petitioner also argues (Petition, pp. 10-11) that the Federal Circuit is misapplying the balancing test articulated in *Grable*, which requires that the state-law claim not only raise a substantial and disputed federal issue but also that the issue is one "which a

federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." 545 U.S. at 314, 125 S. Ct. at 2368.

However, trying the patent infringement suit-within-a-suit in a legal malpractice claim against a patent attorney in a federal court raises no danger of upsetting the balance of responsibilities between federal and state courts; in fact, it involves precisely an area that Congress has carefully and deliberately allotted to the expertise of federal courts. Judge Dyk, concurring in the Federal Circuit's denial of rehearing en banc in this case, accurately identified "the strong federal interest in patent law uniformity as manifested by Congress's decision to give exclusive jurisdiction to the federal district courts and on appeal to this court" in cases arising under patent law. (App. 38). But Petitioner would remove uniformity as a goal, contrary to Congressional intent in giving federal courts exclusive jurisdiction of patent matters under 28 U.S.C. § 1338 and giving the Federal Circuit exclusive appellate jurisdiction over cases arising under § 1338.

The Federal Circuit's caselaw properly recognizes that malpractice actions based on even a hypothetical claim would defeat the Congressional intent as to uniformity in patent law if each state's courts were allowed to determine, in the course of those actions, what claims would be patentable under federal patent law. The patent attorney's job on behalf of his client seeking a patent is to negotiate with the USPTO's patent examiner over the scope of claims that the patent examiner deems are allowable over the prior art, since patent law strikes a balance between

rewarding innovation while at the same time not allowing an inventor to claim "[what] is already available to the public or that which may be readily discerned from publicly available material." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150, 109 S. Ct. 971, 977 (1989).

If, in a given patent application, certain claims are disallowed by the examiner, and certain claims are allowed, the patent lawyer then has to apply his or her judgment to determine whether the allowed claims' coverage is acceptable for the client, or whether the allowed claims are so narrow that the expense and delay of an appeal is advisable as the better option. The "hypothetical claim" argument thus raises the question of whether a patent lawyer should pursue to the utmost *every* possible permutation of a patent claim up through the appeal process out of fear of second-guessing later by a state court. In other words, this type of malpractice case -- based on a "hypothetical claim" -- requires a court to determine whether the patent attorney, in light of governing federal patent law, exerted ordinary effort and skill in obtaining a particular result from an agency of the federal government, the USPTO. Relegating malpractice cases to the state courts is obviously ripe for conflicting decisions establishing conflicting standards of care by attorneys applying federal patent law while practicing before the USPTO.

It is long been the rule that practice and attorney conduct in front of the USPTO are governed by federal law. "The standards for practice before the PTO are governed by federal law, as both the Supreme Court and we have previously recognized." *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1324 (Fed. Cir. 2010)

(citing *Sperry v. Fla.*, 373 U.S. 379, 385-86, 83 S. Ct. 1322, 1326 (1963)). State courts have never had an interest in policing patent practitioners or in establishing the standard of care in prosecuting patent applications, drafting claims, and negotiating patentable claim scope with USPTO patent examiners. Cf. *Sperry*, 373 U.S. at 384-85, 83 S. Ct. at 1325-26.

However, under the jurisdictional rule advocated by Petitioner, a patent attorney's conduct, and how he or she proceeds with a patent application, will be largely governed by what the state court system in the state in which he or she practices says about claim construction and patentability. Petitioner's assertion (Petition, p. 6) that the case "is of no moment to the business world and is of interest to the litigants only" ignores the practical reality of *stare decisis*. The resolution of the hypothetical claim issue, involving highly disputed areas of federal patent law such as claim construction and obviousness, will have an impact beyond the litigants, since state courts will be bound to follow their own precedents on patent law matters, and practitioners' conduct will be guided, out of a sense of self-preservation, by those precedents. Petitioner's assertion thus misses the real issue, which is that the 50 states cannot each determine the standard of care required by practitioners applying federal patent law before a federal agency free of the precedential effect of Federal Circuit decisions merely because it arises in the context of a state-law claim.

In the words of Judge Dyk's concurrence in the denial of rehearing en banc in this case, "[s]tate court decisions imposing attorney discipline for conduct before the PTO and in federal patent litigation based on an incorrect interpretation of patent law are almost

certain to result in differing standards for attorney conduct and to impair the patent bar's ability to properly represent clients in proceedings before the PTO and in the federal courts. . . . There is a substantial federal interest in preventing state courts from imposing incorrect patent law standards for proceedings that will exclusively occur before the PTO and the federal courts." (App. 40-41.)

This class of cases is therefore not one in which the balance of duties between federal and state courts dictates a "veto" of federal jurisdiction, as this Court, in *Grable*, characterized the process, 545 U.S. at 313, 125 S. Ct. at 2367 ("[b]ut even when the state action discloses a contested and substantial federal question, the exercise of federal jurisdiction is subject to a possible veto"); rather, this type of case "justif[ies] resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues," *id.* at 312, 125 S. Ct. at 2367.

Finally, in this case there is no "conflict," as Petitioner claims (Petition, pp. 14-15), between "the *Grable* standard" and "the Federal Circuit standard." *Grable* recognized that there is no "'single, precise, all-embracing' test for jurisdiction over federal issues embedded in state-law claims between nondiverse parties," 545 U.S. at 314, 125 S. Ct. at 2368, and that "a request to exercise federal-question jurisdiction over a state action calls for a 'common-sense accommodation of judgment to [the] kaleidoscopic situations' that present a federal issue," *id.* at 313, 125 S. Ct. at 2367 (brackets in original). The Federal Circuit has applied that standard to the increasingly common situation ("the number of patent-related malpractice cases is on the rise" according to Judge

O'Malley's dissent from the Federal Circuit's denial of rehearing en banc, App. 67) of malpractice cases arising out of underlying patent infringement litigation. Given that the *Grable* "test," by this Court's own admonition, can lead to different results, in different "kaleidoscopic" situations, involving different (or non-existent) federal interests, it should be of no concern that these cases, in the general scheme of federal jurisdiction, are treated differently under the standard than other types of actions. The fact that the Federal Circuit has recognized federal question jurisdiction over many patent-related legal malpractice actions does not in itself signal a misapplication of the doctrine applied in *Grable*, nor does the fact that some state courts here and there have gone the other way on the question (Petition, pp. 14-15) suggest that the doctrine needs to be revised in this particular class of cases raising patent law issues, i.e., legal malpractice.

In fact, on the latter point, despite the supposed conflict between the approaches of state courts and the Federal Circuit, Petitioner identifies (Petition, pp. 14-15) only one state supreme court that has reached a conclusion opposite to the body of Federal Circuit law on the "arising under" question (*New Tek Mfg. v. Beehner*, 270 Neb. 264, 272, 702 N.W.2d 336, 346 (2005). *New Tek* has since been criticized by other courts for its conclusion that, because the cause of action and the remedy sought arise under state law, application of exclusive federal jurisdiction is barred. *See Premier Networks, Inc. v. Stadheim and Greer, Ltd.*, 395 Ill. App. 3d 629, 636, 918 N.E.2d 1117, 1123 (Ill. App. Ct. 1st Dist. 2009) ("We note that, later on appeal to the Nebraska Supreme Court [275 Neb. 951, 751 N.W.2d 135 (2008)], the court in its opinion found that it necessarily had to discuss and analyze in detail

the nuances of patent law in order to decide whether legal malpractice had been committed. In other words, the Nebraska Supreme Court's analysis clearly went to the very heart of patent law and therefore was, as the defendant in that case argued, clearly within the scope of 28 U.S.C. § 1338's jurisdiction."); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP*, 183 Cal. App. 4th 238, 249-50, 107 Cal. Rptr. 3d 373, 381 (Cal. App. 6th Dist. 2010) ("Merely because infringement may be a question of fact in a tort created under state law does not mean that it necessarily belongs in state court. We believe it was improper for the Nebraska court to intrude on federal jurisdiction by basing summary judgment on the conclusion that the evidence was insufficient to prove noninfringement."), *reh'g denied* (April 28, 2010), *review denied* (July 14, 2010), *cert. denied*, __ U.S. __, 131 S. Ct. 1472 (2011).

In sum, there is no basis to conclude that the Federal Circuit misapplied this Court's precedent in recognizing that Petitioner's case raises substantial issues of federal patent law. This case can be heard in federal court without disturbing the balance of state and federal interests, particularly in light of the strong federal interest in uniformity of interpretation of patent law and the need for a uniform standard of care for practitioners practicing before the USPTO.

CONCLUSION

This Court should deny the writ because the courts in this case correctly applied the well-established standard from cases such as *Grable* and *Christianson* as to when a state law claim necessarily depends on federal law and gives rise to federal jurisdiction. This

case, and other legal malpractice cases like it that are ancillary to unsuccessful patent infringement litigation, necessarily involve patent law as an element of the case to meet state law "suit-within-a-suit" causation requirements, and do not present a close question as to the balance between the duties of federal and state courts.

Respectfully Submitted,

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