No. 11-1118

In The
Supreme Court of the United States

JERRY W. GUNN, INDIVIDUALLY, WILLIAMS SQUIRE & WREN, L.L.P., JAMES E. WREN, INDIVIDUALLY, SLUSSER & FROST, L.L.P., WILLIAM C. SLUSSER, INDIVIDUALLY, SLUSSER WILSON & PARTRIDGE, L.L.P., AND MICHAEL E. WILSON, INDIVIDUALLY,

Petitioners,

v.

VERNON F. MINTON,

Respondent.

On Petition For A Writ Of Certiorari To The Supreme Court Of Texas

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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ARGUMENT

A. The steady stream of state law cases decided by the Federal Circuit demonstrates that the jurisdiction issue raises significant federalism concerns.

Minton accuses Petitioners of a "sky is falling" approach and argues that Petitioners have no "empirical data" to support a contention that the Federal Circuit's jurisdictional standard has "opened the floodgates to allow all sorts of embedded federal question cases into federal court." Brief at 22. In fact, the Federal Circuit's recent docket readily illustrates the substantial number of state law cases being swept into federal court because of its jurisdictional error.

In just the short time since the petition for a writ of certiorari was filed in this case, the Federal Circuit has decided the following cases involving state law claims – not just legal malpractice claims – that arise out of underlying patent matters: *Byrne v. Wood, Herron & Evans, L.L.P.*, 676 F.3d 1024 (Fed. Cir. 2012) (en banc); *USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341 (Fed. Cir. 2012); *Landmark Screens, L.L.C. v. Morgan, Lewis & Bockius, L.L.P.*, 676 F.3d 1354 (Fed. Cir. 2012); *Minkin v. Gibbons, P.C.*, No. 2011-1178, ___ F.3d ___, 2012 WL 1560406 (Fed. Cir. May 4, 2012); *Memorylink Corp. v. Motorola, Inc.*, 676 F.3d 1051 (Fed. Cir. 2012) (en banc).

This Court has cautioned that federal courts exercising "arising under" jurisdiction should tread lightly and emphasized that the federalism aspect of

the "arising under" standard is meaningful; ideally the effect on the federal-state balance would be "microscopic." *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 315 (2005); *see also Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699 (2006) (explaining that state law claims that come within "arising under" jurisdiction are the "small and special category" of cases). The sheer number of state law cases on the Federal Circuit's current docket illustrates that "these are not the 'rare' or 'special and small category' of cases." *Byrne*, 676 F.3d at 1037 (O'Malley, J., dissenting). The dissenting judge in *Byrne* also noted that "[t]here are also more patent-related malpractice cases that do not reach this court either because a state court has disagreed with our analysis, thus preventing the matter from entering the federal court system, or because district courts – somewhat brazenly perhaps – have chosen not to follow our analysis in a removed action, resulting in remand orders that we lack jurisdiction to review." 676 F.3d at 1038 n.7. Significant numbers of state law cases really are being swept into federal court as a direct consequence of the Federal Circuit's mistaken jurisdictional standard.

Moreover, this "trend will only increase, as the number of patent-related malpractice cases is on the rise. Accordingly, far from having a 'microscopic effect' on the federal-state division of judicial labor, we have appropriated authority over an entire . . . class of state law claims that traditionally belong in state court." *Id*. at 1038 (citing Christopher G. Wilson, *Embedded*

Federal Questions, Exclusive Jurisdiction, and Patent-Based Malpractice Claims, 51 Wm. & Mary L. Rev. 1237, 1240 (2009) ("[A]ggrieved clients are bringing more claims against patent attorneys"); Am. Bar Ass'n Standing Comm. on Lawyers' Prof'l Liab., Profile of Legal Malpractice Claims 2004-2007, at 4 tbl. 1 (2008)).

B. The strong policy in favor of uniformity in patent law is not the end of the federalism inquiry.

Minton's analysis of the federalism component of "arising under" jurisdiction misses the mark. It gives no regard to the state interests, which are substantial; Minton cites the federal policy in favor of uniformity in patent law, and that is the end of his inquiry.

As a starting point, Minton's premise is flawed; allowing malpractice cases like this to be litigated in state court will not threaten uniformity of patent law. Only hypothetical patent issues, not actual ones, are decided in legal malpractice cases, so no actual patent rights are adjudicated in such cases. The dissent in the Supreme Court of Texas explained that the federal issue "is collateral, not basic. This is a legal malpractice case, litigated after final judgment in the original, federal case. Resolution of the malpractice claim in question does not impact any live patent law claims. Moreover, it is unlikely that the legal malpractice opinions of Texas courts will in any way

disrupt the uniformity of patent law that Congress sought by enacting section 1338; on the merits of actual patent lawsuits, federal courts will no doubt look first to federal patent precedents, not Texas legal malpractice cases." App. 38 (citations omitted).[1]

Moreover, the statutory basis for "arising under" jurisdiction – 28 U.S.C. § 1338(a) – is not limited to patent matters. The "arising under" provision for patent law (and plant variety protection, copyrights and trademarks) in section 1338 follows the same interpretation as the identical "arising under" language in the general federal question provision of 28 U.S.C. § 1331. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808 (1988). Those words mean the same thing in all contexts and are not somehow magical vis-à-vis patents.

The America Invents Act did not expand that basic scope of "arising under" jurisdiction for claims "relating to patents." The Act leaves intact the basis for federal jurisdiction under section 1338(a) that Minton urges here: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks." 28 U.S.C. § 1338(a).

Prior to the Act, "arising under" jurisdiction for the federal courts and the Federal Circuit was governed by the well-pleaded complaint rule. *See Holmes*

[1] Citations to App. in this Reply will be to the Appendix to the Petition for a Writ of Certiorari.

Group, Inc. v. Vornado Air Circulation Systems, Inc., 535 U.S. 826, 830 (2002). *Holmes* held the Federal Circuit did not have appellate jurisdiction over a federal patent law claim raised not in a complaint but in a counterclaim. *Id.* This Court rejected the argument that "arising under" jurisdiction should be interpreted differently regarding the Federal Circuit because of Congress's goal of promoting the uniformity of patent law:

> We do not think this option is available. Our task here is not to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean.

Holmes, 535 U.S. at 832-33.

Congress responded to *Holmes* by amending section 1295(a)(1), section 1338(a), and section 1454(a) through the Act to include patent issues pleaded in a compulsory counterclaim. Without that change to the statute, this Court refused to expand its interpretation of "arising under" jurisdiction. Congress did not, however, change the scope of "arising under" jurisdiction, nor did it reach the *Grable* standard for determining when a state law claim comes within the federal court's exclusive jurisdiction. Indeed, Congress expressly declined to amend the first sentence of section 1338 when it passed the Act precisely to avoid "unsettling the law in ways that no one can fully anticipate." H.R. Rep. No. 109-407, at 6 (2006) (quoting the testimony of Professor Arthur Hellman).

Even in light of Congress' desire to maintain a uniform body of patent law, this Court has confirmed that "[n]ot all cases involving a patent-law claim fall within the Federal Circuit's jurisdiction." *Holmes*, 535 U.S. at 834.

C. The recent opinions from the Federal Circuit demonstrate the lack of clarity regarding "arising under" jurisdiction in the patent context.

"Jurisdictional rules should be clear." *Grable*, 545 U.S. at 321 (Thomas, J., concurring). While the *Grable* standard may present some challenges to apply, the Federal Circuit's overly broad standard has caused substantial uncertainty regarding "arising under" jurisdiction. The tortured procedural history of some of the recent cases decided by the Federal Circuit illustrates the confusion among litigants and the courts regarding the proper forum for state law claims arising out of patent matters.

For example, *Landmark Screens* involved state law claims of breach of contract, actual fraud, breach of fiduciary duty, legal malpractice, and negligence arising out of an underlying patent matter. *Landmark Screens, L.L.C. v. Morgan, Lewis, Bockius, LLP*, 107 Cal. Rptr.3d 373, 183 Cal. App.4th 238 (Cal. Ct. App. 2010), *cert. denied*, 131 S.Ct. 1472 (2011). Suit was originally filed in state court, for good reason: "At that point, it was commonly understood that state law malpractice claims arising out of legal representation involving federal matters – including patent

matters – were properly lodged in state courts and, absent diversity among the parties, only state courts. Not one of the three defendants – all sophisticated lawyers with sophisticated counsel – challenged the state court's jurisdiction over this action at the time it was filed, or for years thereafter." *Landmark Screens*, 676 F.3d at 1367 (O'Malley, J., dissenting) (citations omitted).

> In 2007, two years after the action was filed in state court, this court affected a sea change by announcing its assertion of jurisdiction over these types of state law claims. *See Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007); *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.*, 504 F.3d 1281 (Fed. Cir. 2007). By then, the statute of limitations governing Landmark's malpractice claim had expired. A year after our decision in *Air Measurement*, appellees filed a motion to dismiss in state court, which was granted based on our case law.
>
> California has no savings statute, however, and, by statute, prohibits application of equitable tolling principles to malpractice claims, causing Landmark's malpractice claim to be lost forever.

Landmark Screens, 676 F.3d at 1367. None of the sophisticated parties or counsel in that case identified that the claims came within "arising under" jurisdiction, and the result was a total loss of claims due to

limitations. The "mischief our case law in this area has caused is apparent." *Id*.

Another example of uncertainty is *USPPS*, which involved claims of fraud and breach of fiduciary duty arising out of a patent matter. It was filed in federal court on the basis of diversity, and all "parties to the case proceeded under the assumption that diversity jurisdiction provided the only basis for federal jurisdiction." *USPPS*, 676 F.3d at 1351 (O'Malley, J., concurring). The district court initially granted defendants' motion to dismiss, and USPPS appealed to the Fifth Circuit. No one challenged the correctness of that appellate route, and the Fifth Circuit did not consider whether it had jurisdiction over the appeal. Instead, the Fifth Circuit reversed and remanded the action back to the district court. *See USPPS, Ltd. v. Avery Dennison Corp*., 326 Fed.Appx. 842, 851 (5th Cir. 2009). It was not until the second appeal after remand that the Fifth Circuit *sua sponte* determined that appellate jurisdiction is proper in the Federal Circuit and transferred the appeal. *See USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 275-76 (5th Cir. 2011). No one, not even the Fifth Circuit in the first appeal, identified that the claims came within "arising under" jurisdiction. Writing in the Federal Circuit after the transfer, Judge O'Malley lamented: "This case exemplifies the mischief our jurisdictional over-reaching has caused in situations where a state law claim involves an underlying patent issue." 676 F.3d at 1350.

In this case, as well, Minton filed his claims in state court, and the parties litigated for several years through final judgment. Minton raised the issue of "arising under" jurisdiction for the first time while appeal was pending in the state court of appeals *Minton v. Gunn*, 301 S.W.3d 702 (Tex. App. – Fort Worth 2009), *reversed*, 355 S.W.3d 634 (Tex. 2011). The court of appeals determined that the case did not come within exclusive federal jurisdiction, but one justice dissented from that conclusion. *See* App. 94 (Walker, J., dissenting). A five-justice majority of the Supreme Court of Texas reached the opposite conclusion, finding that Minton's claims belong in federal court. App. 26. Three justices, however, dissented and would have reached the opposite result. App. 45. Minton's claims, which had been fully litigated on the merits in state court, have since been refiled from scratch in federal court.

These opinions illustrate two things: first, just as a matter of common sense, the fact that so many parties, counsel, and judges in state and federal courts have such differing views of "arising under" jurisdiction is a fair indication that the jurisdictional rules are not clear. Second, the fact that all of the confusion and differences of opinion have arisen after the Federal Circuit decided *Air Measurement* and *Immunocept* confirms that those cases departed from this Court's *Grable* standard and changed the law. The net result is a developing body of case law that has "the consequence of confusing what would otherwise be a fairly uniform approach among the state

and federal courts." *Byrne*, 676 F.3d at 1040 (O'Malley, dissenting).

Indeed, Minton's attempts to distinguish cases that depart from the Federal Circuit standard illustrate both the confusion regarding "arising under" jurisdiction in the patent context and also the random quality of the Federal Circuit construct. For example, Minton argues that "courts have declined to find the [federal] issue substantial where the malpractice allegation was based on a missed deadline." Brief at 24 (citing *Genelink Biosciences, Inc. v. Colby*, 2010 WL 2681915, *5 (D. N.J., July 1, 2010) ("Unlike in the Federal Circuit cases, the resolution of plaintiff's claim does not seek determination of infringement or claim construction . . . the standard of care an attorney must provide his client by not missing important deadlines is the same regardless of the subject matter, and not special to the patent law field.")). Yet that is exactly what the Federal Circuit has done: found "arising under" jurisdiction where the malpractice allegation was based on a missed deadline. *See Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1359 (Fed. Cir. 2010), *cert. denied*, 131 S.Ct. 118 (2010).

A malpractice claim based on a missed deadline, moreover, presents exactly the same causation element – the case within a case aspect of malpractice claims – as Minton's claim that Petitioners failed to plead the on-sale bar. In both instances the plaintiff must prove that he would have prevailed in the underlying patent matter but for the attorneys' negligence. That causation inquiry, which is the sole

basis for "arising under" jurisdiction, is the same whether the attorney's negligence was missing a deadline, or failing to raise a particular defense, or any other breach of the attorney's standard of care. For example, in a recent opinion the Federal Circuit found "arising under" jurisdiction over claims of an attorney's conflicts of interest and "mismanagement" of an underlying patent matter; the causation element, not the particular alleged breach, controlled the jurisdictional inquiry. *USPPS*, 676 F.3d at 1344-45. The fact that one sort of malpractice case comes within the federal courts' exclusive jurisdiction while another does not – even though the patent inquiry regarding causation is the same in all – makes jurisdiction a fairly random matter under the Federal Circuit construct.

The need for clarity in jurisdictional rules is so significant that Justice Thomas, concurring in *Grable*, suggested that he would consider, in an appropriate case, whether to abandon the modern construct of "arising under" jurisdiction and return to Justice Holmes' earlier rule limiting such jurisdiction to "cases in which federal law creates the cause of action pleaded on the face of the plaintiff's complaint." *Grable*, 545 U.S. at 320 (Thomas, J., concurring) (citing *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916). "Whatever the vices" of that rule, "it is clear." *Id.* at 321. There is no need to go so far as to abandon embedded federal question jurisdiction wholesale, but this case presents the Court with an opportunity to correct the confusion wrought by the

Federal Circuit and restore clarity to the jurisdictional rules.

CONCLUSION

Petitioners therefore respectfully pray that this Court grant their petition for a writ of certiorari.

Respectfully submitted,

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