No. 11-1118

IN THE
SUPREME COURT OF THE UNITED STATES

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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

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On Petition for Writ of Certiorari
To The Supreme Court of Texas

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BRIEF IN OPPOSITION

---------------♦---------------

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QUESTIONS PRESENTED

Minton filed a legal malpractice claim against the Attorneys arising from a patent infringement lawsuit. Do federal courts have exclusive "arising under" jurisdiction where the sole substantive issue is the application of a patent law doctrine which is an essential element of Minton's malpractice claim?

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RESPONDENT'S BRIEF IN OPPOSITION

STATEMENT OF THE CASE

Vernon Minton ("Minton") is a computer programmer and an inventor. On January 27, 2000, U.S. Patent Number 6,014,643 was issued to Minton (the '643 Patent). The '643 Patent covers Minton's invention of a method and network for trading securities over a public communication network.[1] This method allowed for orders to purchase or sell securities to be gathered and then transmitted over a public communications network where the orders, listed by price and quantity, would then be displayed to individual users on a graphic interface. [2]

Minton then hired the Petitioners to act as his attorneys (hereinafter the "Attorneys") and pursue a patent infringement case ("The Patent Infringement Case") against the National Association of Securities Dealers, Inc. ("NASD") and the NASDAQ Stock Market, Inc. ("NASDAQ").

In The Patent Infringement Case, NASD and NASDAQ principally defended Minton's patent infringement claim on the ground that Minton's '643 Patent was invalid because of the "on-sale bar" doctrine contained in 35 U.S.C. § 102(b), which states that "an invention is not entitled to a patent if the invention was … on sale in this country more than one year prior to the date of the application in the United States." The

[1] 13CR 2176-77; 5CR 898.
[2] 13CR 2176-77; 5CR 898.

Attorneys asserted that Minton had entered into a lease primarily for commercial purpose which would qualify as a sale that would bar Minton's claim. The lease was referred to as the "TEXCEN Lease."[3]

The Attorneys failed to timely raise the "experimental use" exception in response to NASD and NASDAQ's claims, and the U.S. District Court granted NASD's and NASDAQ's motion for summary judgment based on the "on sale bar doctrine." A fundamental exception to the on-sale bar, the experimental use exception allows an invention to be marketed or sold for testing purposes, as long as it is not being primarily marketed for purposes of profit.

Consequently, Minton brought this malpractice action against the Attorneys primarily alleging that they negligently represented him in The Patent Infringement Case by failing to plead and brief the experimental use defense. [4]

In the trial court below, the Attorneys filed Traditional and No-Evidence Motions for Summary Judgment on the sole issue of the application of the federal patent law doctrine, the "on sale bar." [5] The trial court denied most of the Attorneys' Traditional Motion for Summary Judgment, but granted the No-Evidence Motion for Summary Judgment.[6] Minton appealed this decision to the Second District Court of Appeals in Fort Worth, Texas.

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[3] 6CR 985-990.
[4] 13CR 2176.
[5] Volumes 2, 3, and 4 of CR.
[6] 15CR 2527-2531.

While this appeal was pending before the court of appeals, the Federal Circuit Court of Appeals handed down two cases holding that Federal courts have exclusive jurisdiction over cases similar to this one, cases of a state legal malpractice claim filed over The Patent Infringement Case. *Air Measurement Technologies, Inc., North South Corporation, and Louis Heerberte Stumberg v. Akin Gump Straus Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed.Cir. 2007), and *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281 (Fed.Cir. 2007). On December 6, 2007, Minton filed a Motion to Dismiss Appeal because of lack of jurisdiction. A split panel denied Minton's Motion to Dismiss and affirmed the trial court's judgment. *Minton v. Gunn,* 301 S.W.3d 702 (Tex.App.—Fort Worth 2009) *rev'd*, 355 S.W.3d 634 (Tex. 2011).

The Texas Supreme Court, however, reversed the court of appeals and found that Minton's claims were subject to exclusive federal jurisdiction. *Minton v. Gunn,* 355 S.W.3d 634 (Tex. 2011). Applying this Court's decisions in *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308 (2005) and *Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800 (1988), the Texas Supreme Court found that the federal patent issue involved here is "necessary, disputed, and substantial within the context of the overlying state legal malpractice lawsuit." *Minton,* 355 S.W.3d at 647. The Court further found that this case could be decided in a federal court without upsetting the jurisdictional balance between state and federal courts. *Id.*

REASONS FOR DENYING THE PETITION

The Attorney's petition should be denied because the Texas Supreme Court, in this case, the Federal Circuit Court of Appeals, in *Air Measurement Tech., Inc. v. Akin Gump Strause Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed.Cir. 2007) and *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.,* 504 F.3d 1281 (Fed.Cir. 2007), and numerous other state and federal courts, in cases addressed herein, have correctly integrated and applied this Court's decisions in *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308 (2005) and *Christianson v. Colt Industries Operating Corporation,* 48 U.S. 800 (1988) in determining that exclusive federal jurisdiction applies to state legal malpractice claims involving underlying issues of substantial patent law. These decisions were made with a careful eye to the balance of state and federal concerns, and with the importance of maintaining a uniform, nationwide body of patent law in mind.

The Attorneys allege that the Texas Supreme Court's decision will sweep a broad class of state law claims through the door of federal "arising under" jurisdiction. But *Christianson* and *Grable* already answer the questions raised by the Attorneys and which the Federal Circuit has clarified more specifically with regard to legal malpractice claims arising from patent law matters. *Christianson* held that in order to be substantial, the federal issue must be a necessary element of the plaintiff's claim. In this case, it is undisputed that an essential element of Minton's claim was the application of the on-sale bar doctrine, an exclusive federal patent law doctrine.

Next, *Grable* held that the federal issue must be disputed. In this case, the parties and the lower courts hotly disputed the application of federal patent law, including the claim construction of the patent, the application of the thirteen part test relating to the exception to the on-sale bar rule, and whether the thirteen part test was a question of law or fact, along with other disputed federal patent law issues.

Finally, *Grable* and the Federal Circuit have addressed the balance of federalism. These cases all take into consideration Congress' policy of the importance of creating and maintaining a uniform, nationwide body of patent law. And, with the recent passage and enactment of the America Invents Act, Congress has again echoed its pronouncement that patent law is a unique area of law and is to be treated exclusively as a federal law issue.

The Attorneys' "sky is falling" argument is made without any factual or evidentiary support and should be disregarded. Further, their argument ignores the self-limiting nature of cases that will meet the requirements for exclusive federal court jurisdiction as articulated in *Christianson* and *Grable.* The Attorneys are also wrong in arguing that this case cannot affect any patent rights; this case will affect patent rights. A decision ultimately made in this case regarding the application of the experimental use exception will affect future cases addressing the experimental use exception.

The Texas Supreme Court was correct in deciding that exclusive federal jurisdiction applies to Minton's claim of legal malpractice, in which the only disputed issue is that of substantial patent law. This

Court should deny the Attorney's request for review of that decision.

I. This case satisfies the test set forth in the *Grable* and *Christianson* decisions, as the federal patent law issue is disputed, substantial, and does not upset the balance of state and federal interests.

Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg., 545 U.S. 308 (2005) provides a standard for "arising under" jurisdiction under 28 U.S.C. § 1331 which holds that the federal issue must be (a) actually disputed, (b) substantial, and (c) one "which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Grable,* 545 U.S. at 314. *Christianson* held that a federal patent issue was substantial where it was a necessary element of one of the well-pleaded claims. *Christianson,* 486 U.S. at 808-809.[7]

The federal patent law issue here meets all of those requirements. Application of the "experimental use" exception to the on-sale bar doctrine is the *only* disputed issue here, and thus a federal issue is "actually disputed." In addition to that, it is substantial as it is a necessary element of Minton's claims. And, because of the heightened importance placed on maintaining a uniform body of patent law, application of federal exclusive jurisdiction will not upset the balance of state and federal interests.

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[7] The Texas Supreme Court uses the four-prong test set forth by *Singh v. Duane Morris, LLP,* 538 F.3d 334, 338 (5th Cir. 2008). However, *Singh,* a decision by the Fifth Circuit, does not take into account this Court's decision in *Christianson.*

II. The requirement that a patent law issue be "disputed" does not mean that the issue must be one that is precedential. Application of the experimental use exception is obviously disputed by the parties here.

The Attorneys and the dissenting justices of the Texas Supreme Court misinterpret the requirement put forth by *Grable* that a federal law issue must be "disputed" in order to justify opening the "arising under" door. Both seem to argue that the requirement is that the area of federal law must not be established or set, or that determination of the issue by the federal court will set a precedent in that area of law.

The dissenting opinion from the Texas Supreme Court and the Attorneys rely upon the 1912 decision by this Court in *Shulthis v. Mcdougal,* 225 U.S. 561, 32 S.Ct. 704, 56 L.Ed. 1205 (1912). However, *Grable* remarks upon the evolution of federal question jurisdiction and its development prior to and since *Shulthis.* It does not adopt outright *Shulthis'* statement that the federal issue must "involve a dispute or controversy respecting the validity, construction, or effect of [federal] law." *Grable,* 125 S.Ct. at 313 (citing *Shulthis,* 32 S.Ct. at 704). But even if it did, the parties in this case are certainly disputing the effect of federal law on Minton's legal malpractice claim. The *Shulthis* decision is part of a long line of Supreme Court cases regarding federal question jurisdiction which, in the words of Justice Cardozo, require a "common sense accommodation of judgment to [the] kaleidoscopic situations' that present a federal issue." *Grable,* 125 S. Ct. at 313 (citing *Gully v. First Nat. Bank in Meridian,* 299 U.S. 109, 117-118, 57 S.Ct. 96, 81 L.Ed. 70 (1936).

Grable goes on to conclude that the federal issue at stake was an essential element of the plaintiff's quiet title claim, "and the meaning of the federal statute is actually in dispute; it appears to be the only legal or factual issue contested in the case." 125 S.Ct. at 315. That is exactly the issue in this case. The only disputed issue is the application of the experimental use exception to the federal on-sale bar rule.

As stated in *Air Measurement Tech.*:

> *Grable* did not hold that only state law claims that involve constructions of federal statute or pure questions of law belonged in the federal court. Instead, the holding was based on the substantiality and federalism factors, such as the Government as a party, the experience of federal judges in handling tax matters, and the microscopic effect of the case, which tipped the federalism balance in favor of federal question jurisdiction. Here, the patent infringement aspect of the malpractice claim counsels in favor of federal jurisdiction.

Air Measurement Tech., 504 F.3d at 1272. Accordingly, the Federal Circuit did not have to determine that the federal patent law issue in *Air Measurement Tech.* was unsettled. Rather, the Federal Circuit did exactly what this Court required. It determined that since the case involved a disputed issue of patent infringement exclusive jurisdiction was warranted. The same is true in the instant case.

There is no authority for the proposition that in order for a disputed issue to be substantial, it must be an issue of first impression. An example of a situation where a patent law issue has been found not to be disputed is where the issue has already been decided in a prior case. For instance, in the case of *Magnetek, Inc. v. Kirkland and Ellis, L.L.P.,* 2011 IL App (1st) 101067, 954 N.E.2d 803, 819, *reh'g denied* (July 28, 2011), *appeal allowed*, 962 N.E.2d 483 (Ill. 2011), the court found exclusive federal jurisdiction did not apply where the issues of the underlying case "case within a case" had been litigated in a separate but related case. *Magnetek* was a legal malpractice claim based upon the claimed failure of attorneys to discover pertinent and readily available evidence which would have influenced *Magnetek's* decision to settle the underlying case. Although the legal malpractice claim would have involved a determination of patent infringement using the undiscovered evidence, the court did not find exclusive federal jurisdiction applied because the exact patent at issue had already been declared invalid by another court in *Nilssen v. Osram Sylvania, Inc.,* 504 F.3d 1223 (Fed.Cir. 2007). Because the case had already been fought and decided, the issue was not "disputed" as required for exclusive federal jurisdiction.

Furthermore, the patent law that is at issue and must be applied in this case is not straightforward at all and has been vigorously fought over by the parties. For example, the majority in the court of appeals' decision held that customer awareness that the purpose of a sale was for experimental use is dispositive in a case such as the one at hand. *Minton,* 301 S.W.3d at 714. And although the Federal Circuit has stated customer awareness is a "critical attribute of experimentation," it has also found experimental

purpose where there was no evidence presented of the customer knowing the experimental nature of the product usage and affirmed a jury's finding on experimental use where the only testimony regarding customer awareness was a co-inventor's testimony he "believed" the mechanics knew it was experimental. *Electromotive Division of General Motors Corp. v. Transportation Systems Division of General Electric Co.,* 417 F.3d 1203 (Fed.Cir.2005) (customer awareness is "especially important"), *but see also, EZ Dock*, 276 F.3d 1347, 1358 (Lynn, J. concurring)(experimental purpose found where no evidence regarding customer awareness was presented).

The parties also argued over whether the issue of experimental use is properly considered as a question of fact or as a question of law. The majority in the court of appeals' decision found the issue of experimental use had been established as a matter of law. *Minton,* 301 S.W.3d at 711-712. The Attorneys' arguments in this respect have cited cases holding the application of the on sale bar is one of law. *See, Enzo Biochem, Inc. v. Gen-Probe, Inc.,* 424 F.3d 1276 (Fed. Cir. 2005) ("Whether an invention is 'on sale' within the meaning of 35 U.S.C. § 102(b) is a question of law that we review *de novo*."). This contradicts holdings by federal courts that the issue of experimental use is an issue of fact. *See Monon Corp. v. Stoughton Trailers, Inc.,* 239 F.3d 1253, 1257-1258 (Fed.Cir.2001)("Beyond question, the facts underlying each of the two conditions [including whether the accused transaction was primarily experimental or commercial] are issues of fact. [E]vidence that the public use or sale of the patented device was primarily experimental may negate an assertion of invalidity. . . . Consistent with this approach, we first determine whether *Monon* has

raised a genuine issue of fact material to the determination of whether its admitted December 19, 1983 sale of the first plate trailer to Continental was primarily experimental."). *See Crystal Semiconductor Corp. v. TriTech Microelectronics Intern., Inc.*, 246 F.3d 1336, 1352-1353 (Fed.Cir.2001)("[A] reasonable jury deserved to weigh the facts and determine whether Crystal's '841 patent is subject to an on-sale bar."); *Lisle,* 398 F.2d at 1316-17 (affirming jury's verdict where "reasonable jury could have found that [patent challenger's] prima facie case of public use was rebutted" by patent owner's evidence of experimental use). *EZ Dock, Inc. v. Schafer Systems, Inc.,* 276 F.3d 1347, 1353-54 (Fed.Cir.2002)(reversing summary judgment where patent owner "presented adequate evidence for a reasonable jury to find satisfied the factual predicate for experimental use").

The application of this Court's precedent and the Federal Circuit's precedent regarding the experimental use exception has also been fought over vigorously in this case. In *Pfaff v. Wells,* 525 U.S. 55, 67, 119 S.Ct. 304, 142 L.Ed. 261 (1998), this Court set forth a two-prong test: "First, the product must be the subject of a commercial offer of sale… Second, the invention must be ready for patenting." The Federal Circuit has also set out a set of thirteen factors to be weighed by the trier of fact in determining whether a particular use is primarily experimental versus primarily commercial. *Seal-Flex, Inc. v. Athletic Track and Court Construction,* 98 F.3d 1318, 1323 (Fed.Cir. 1996). These factors include: (1) the necessity for public testing, (2) the amount of control over the experiment retained by the inventor, (3) the nature of the invention, (4) the length of the test period, (5) whether payment was made, (6) whether there was a secrecy obligation, (7)

whether records of the experiment were kept, (8) who conducted the experiment, (9) the degree of commercial exploitation during testing, (10) does the invention reasonably require evaluation under actual conditions of use, (11) was testing systematically performed, (12) did the inventor continually monitor the invention during testing, and (13) the nature of contacts made with potential customers. *Id.* The parties have argued vigorously over how these factors are to be applied and weighed in this case.

The trial court also struggled in applying federal patent law, and decided, without any authority from any area of federal patent law, that expert testimony was required to prove the experimental use exception would have applied. No case in the Federal Circuit has ever found that expert testimony is a required element of negating the defendant's burden to prove sale occurred by "clear and convincing" evidence.

Finally, the parties also disputed the claim construction of Minton's '643 Patent. The Fort Worth Court of Appeals held that there was no evidence of an experimental purpose of the TEXCEN Lease relating to a claimed element of the '643 Patent. *Minton v. Gunn,* 301 S.W. 3d 702 (Tex.App.—Fort Worth 2010, pet. granted and rev'd). The issue of whether the TEXCEN Lease related to a claimed element of the '643 Patent was hotly contested. Conducting an analysis of a claim construction of a patent is at the very heart of patent law. In fact, the attorneys, Minton, and the Fort Worth Court of Appeals relied exclusively and entirely on federal case law and statute to resolve the merits of the case.

Here, the patent law issue of patent infringement, and more specifically the application of the experimental use exception to the on sale bar, is certainly disputed. It was the basis of the Attorneys' Motion for Summary Judgment at the trial court level, as well as the entire basis of Minton's initial appeal of the trial court's decision to the court of appeals. It still remains the only issue in this case other than the jurisdictional arguments being made here. For these reasons, this case meets the first prong of the *Grable* test for federal question jurisdiction.

III. The federal patent law issue here is substantial because it is a necessary element of Minton's well-pleaded claims.

In *Christianson,* this Court explained the test for determining whether a federal patent law issue was "substantial" enough to warrant "arising under" jurisdiction under 28 U.S.C. § 1338:

> A district court's federal-question jurisdiction [under § 1331], we recently explained, extends over 'only those cases in which a well-pleaded complaint establishes either that federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law,' *Franchise Tax Board of California v. Construction Laborers Vacation Trust,* 463 U.S. 1, 27-28, 103 S.Ct. 2841, 2856, 77 L.Ed.2d 420 (1983), in that 'federal law is a necessary element of one of the well-pleaded... claims.' Linguistic consistency, to which we have historically adhered,

> demands that § 1338(a) jurisdiction likewise extend only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or 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**.

In other words, the "plaintiff must set up some right, title, or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws." *Id.* (citing *Pratt v. Paris Gas Light & Coke Co.,* 168 U.S. 255, 259, 18 S.Ct. 62, 64, 42 L.Ed. 458 (1897)).

This is exactly the case here: the success or failure of Minton's claim for legal malpractice is entirely dependent upon whether he can show that he would have succeeded in his patent infringement claim if the experimental use exception had been argued by the Attorneys. There is no other way for Minton to recover against the Attorneys.[8]

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[8] The dissent of the Texas Supreme Court and the Attorneys rely upon the "interpretation" of *Grable* by *Singh* of the test to be applied in determining federal question jurisdiction. However, this wrongfully distorts the decisions of this Court in *Grable* and *Christianson* and relies instead upon a lower court, the Fifth Circuit. While *Singh* treats as a separate factor whether the federal issue is a necessary element of the state law claim, this Court, in *Christianson,* provided that a patent law issue is substantial where "patent law is a necessary element of one of the well-pleaded claims." *Compare, Singh v. Duane Morris L.L.P.,* 538 F.3d 334, 338 (5th Cir. 2008)(interpreting the *Grable* test as requiring: (1) the federal issue is a necessary element of the

The Illinois case of *Premier Networks, Inc., v. Stadheim and Grear, Ltd.,* 395 Ill. App. 3d 629, 636 (2009), in deciding not to follow the Nebraska Supreme Court's holding in *New Tek Manufacturing, Inc. v. Beehner,* 270 Neb. 264, 702 N.W.2d 336 (2005), provides useful insight into the issue of "substantiality" of a patent law issue in a state malpractice claim. The Illinois court points out that although the Nebraska court found the patent law issues involved in the case were not substantial, it nonetheless "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." *Premier Networks,* 395 Ill. App. 3d at 636. Patent law was a necessary element of the plaintiff's claims in the *New Tek* case, requiring the court to decide whether the plaintiff's patent had been infringed upon. *New Tek,* 702 N.W.2d at 343-44. As the *Premier Networks* decision pointed out, the *New Tek* court erroneously held the issue was insubstantial even though it was such a necessary element.

Similarly, in this case, the court of appeals majority and the trial court both delved into the nuances of patent law in making their decisions. The court of appeals, although it iterated that the Federal

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claim; (2) the federal issue is disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not upset the balance of federal and state interests), to *Christianson v. Colt Industries Operating Corp.,* 486 U.S. 800, 808-09 (1988)(holding a patent law issue is substantial where it is a necessary element of the claim).

Circuit's decisions are not binding upon it, nonetheless went on to cite to more than 15 patent law decisions from either the Federal Circuit, its predecessor, the Court of Customs and Patent Appeals, or Supreme Court decisions arising from Federal Circuit decisions. *Minton,* 301 S.W.3d at 702-715. The parties have also argued at length over the nuances of federal patent law in their arguments over the substance of this case, each citing more than 30 cases from those same courts. On the other hand, no state law cases were cited by either court or either party in arguing the patent law issues.

This case meets the "substantiality" prong as initially defined in *Christianson* and carried forward in *Grable.* Again, the Attorneys' Motion for Summary Judgment was limited to the application of the on-sale bar and its experimental use exception. The success of Minton's claims succeeds or fails solely on the basis of the application and construction of federal patent law to his claim of infringement. There is no alternative theory of recovery. As such, the issue of patent law presented here is substantial.

IV. Application of exclusive federal jurisdiction to this case does not disturb the balance of state and federal concerns.

A. Congress has thoroughly established and recently confirmed that there is a strong interest in establishing and maintaining the uniform interpretation of federal patent laws.

> The broad theme of the [Federal Courts Improvement Act enacting Section

> 1295(a)(1)] – increasing nationwide uniformity in certain fields of national law—is epitomized here in the field of patent law.

Aero Jet-General Corp. v. Machine Tool Works, 895 F.2d 736, 744 (Fed. Cir. 1990).

i. Not only did Congress give federal courts exclusive jurisdiction over patent law cases, but it also created a special nationwide court of appeals to hear all appeals in patent law cases.

Congress has long made clear its intent that maintaining a uniform, nationwide body of patent law is an important public policy. Because of the importance of national uniformity when it comes to patent law issues, Congress gave federal courts *exclusive* jurisdiction over patent cases. 28 U.S.C. § 1338(a). By contrast, Congress elected to allow state courts to exercise concurrent jurisdiction over trademark cases. *Id.*

Further, the importance of the federal policies involving patents is such that Congress also created a special *nationwide* court of appeals - the Federal Circuit - to hear all appeals in patent cases, but not trademark cases. 28 U.S.C. 1295 (a)(1). "The Congressional policy underlying Section 1295(a)(1) was to ensure uniform resolution of patent law disputes." *DSC Communs. Corp., Inc. v. Pulse Communs., Inc.,* 170 F.2d 1354, 1359 (Fed. Cir. 1999).

Congress did so because of the unique importance of the federal policies involving patents:

> [The federal circuit court of appeals] will provide nationwide uniformity in patent law, will make the rules applied in patent litigation more predictable and will eliminate the expensive, time-consuming, and unseemly forum-shopping that characterizes litigation in the field.

Machine Tool Works, 895 F.2d at 744, quoting H.R. Rep. No. 312, 97th Cong., 1st Sess. 41, p. 20 (1981).

It is cases under *patent* law – not cases involving other federal questions such as federal trademark law – over which Congress vested *both* the federal district courts and the Federal Circuit with *exclusive* jurisdiction. As to trademarks, the federal courts have concurrent jurisdiction with the state courts. As to copyrights, the lower federal courts have exclusive jurisdiction, but Congress vested the Federal Circuit Court of Appeals no exclusive jurisdiction over trademark and copyright cases. The clearly expressed will of Congress as to the unique importance of uniform, nationwide, federal determination of patent law issues should be respected.

Not only did Congress provide that the Federal Circuit is to have exclusive nationwide appellate jurisdiction over patent law, but it limited the Federal Circuit's jurisdiction to specific subject matters. The Federal Circuit is limited to hearing cases in the areas of patent, trademark, and copyright law, and certain other very narrowly defined areas of federal law. 28 U.S.C. § 1295. This lack of diversity of the Federal

Circuit's docket allows the justices of the Federal Circuit to be more familiar and comfortable with patent law than other state or federal courts. *See also,* Craig A. Nard, *Toward a Cautious Approach to Obeisance: The Role of Scholarship in Federal Circuit Patent Law Jurisprudence,* 39 Hous. L. Rev. 667, 683 (2002) (discussing the specialized nature of patent law and the fact that "the Federal Circuit is more familiar and comfortable with patent law").

This limitation of the Federal Circuit's docket further emphasizes the substantial federal issue of patent law and Congress' intent to maintain a federal body of patent law. Likewise, because federal district courts have exclusive jurisdiction over patent law cases, those judges have substantial experience in patent issues, more so than their state court counterparts. Just as was pointed out in *Air Measurement Tech.,* litigants are able to benefit from the federal judges who are more experienced and familiar with the highly technical and scientific nature of patent law issues and provide consistent, uniform patent law that can be applied uniformly across the country. *Air Measurement Tech.,* 504 F.3d at 1272.

In *Kansas v. Marsh*, 548 U.S. 163, 183, 126 S.Ct. 2516, 165 L.Ed. 2d 429 (2006)*,* this Court explained why it has the ability to review decisions from state courts regarding federal law: "Our principal responsibility under current practice, however, and a primary basis for the Constitution's allowing us to be accorded jurisdiction to review state-court decisions, see Art. III, §2, Cls. 1 and 2, is to ensure the integrity and uniformity of federal law."

This Court should leave intact the clear and direct federal precedent from the Federal Circuit Court of Appeals, the court that Congress intended to have nationwide exclusive jurisdiction to determine patent matters. This Court should not thwart Congress's intent to have a nationwide uniform field of law relating to patent issues and create unnecessary state-federal conflict.

ii. Through the recently passed America Invents Act, Congress has strengthened its policy that patent law remain a federal law issue that is restricted to being decided exclusively in federal courts.

Many sections of the America Invents Act ("AIA") went into effect in September 2011. These include amendments to sections 1338 and 1295, both of which address federal jurisdiction over patent law claims, and the addition of section 1454, which provides additional guidance regarding removal in cases where patent law issues are raised. Until the recent enactment of the AIA, patent laws had remained largely unchanged since the last major reforms were enacted more than fifty years ago, although amendments had been discussed, proposed, and studied for at least the past decade. These specific jurisdictional statutes which are relevant to the case at hand were largely spurred on by this Court's decision in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.* 535 U.S. 826, 122 S.Ct. 1889 (2002). *Holmes* held that a compulsory counterclaim which raises a patent law issue was insufficient to invoke federal exclusive jurisdiction. *Id.* at 830. This is because a counterclaim did not fall under the concept of the "well-pleaded complaint." *Id.*

Now, Congress has made clear that even a compulsory counterclaim is sufficient to confer exclusive federal jurisdiction. Addressing the *Holmes* decision, Congress amended 28 U.S.C.A. §1454 to state:

> (a) In general. – A civil action in which **any party** asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where the action is pending.

Additionally, § 1295 was amended expressly to include any compulsory counterclaims arising under patent law within the exclusive jurisdiction of the Federal Circuit. 28 U.S.C. § 1295.

Admittedly, § 1454 and § 1295 do not apply to the case at hand. For one, these amendments did not go into effect until this case was well in the appellate stages. Second, a counterclaim is not at issue here. However, §1454 and the other amendments made by Congress through the AIA are instructive on the basis that it is yet another statement by Congress of the importance of maintaining a uniform body of patent law.

B. The Attorneys' "sky is falling" approach to the federalism analysis is simply incorrect; Minton is not arguing that any issue of patent law is sufficient to open the "arising under" door.

The Attorneys bring a "sky is falling" approach to the federalism analysis in this case. They allege that the "Federal Circuit's broad sweep of legal malpractice cases into federal court" will not only affect those cases that involve issues of patent law, but of any federal law.[9]

The Attorneys have no support for such an argument. There is no empirical data to support their argument that the decisions in *Air Measurement Tech.* and *Immunocept* have opened the floodgates to allow all sorts of embedded federal question cases into federal courts. The Attorneys again overly rely upon the Fifth Circuit's decision in *Singh* in this respect. *Singh* specifically limits itself to *trademark* law in the context of legal malpractice and, in fact, acknowledges the importance of patent law:

> Nor does [the holding in *Air Measurement Tech.*] regarding malpractice in a patent suit directly apply to this case, which involves malpractice in a **trademark** suit.
>
> It is possible that the federal interest in patent cases is sufficiently more substantial, such that it might justify federal jurisdiction. But we need not decide the question before the Federal Circuit, because

[9] *See,* Petition for Writ of Certiorari, pp. 16-17.

> it is not before us. We conclude only that jurisdiction does not extend to malpractice claims involving trademark suits like this one.

Singh, 538 F.3d at 340 (emphasis added). The Attorneys then argue that this is incorrect, by saying that the standard should be the same as for trademark and patent issues, because "the only difference between them is that federal court jurisdiction is exclusive for patent matters but not for trademark matters."[10] This is an incredible understatement of the difference in the federal concern for patent law issues compared to trademark issues, which is evidenced in the very fact that Congress deemed the difference important enough to warrant exclusive jurisdiction only in patent law issues and the establishment of a separate Federal Circuit Court of Appeals to hear patent law appeals.[11]

The Attorneys' "sky is falling" approach further ignores the fact that federal courts already have diversity jurisdiction over legal malpractice cases. 28 U.S.C. § 1332(a); *See also, Kovacs v. Chesley,* 406 F.3d 393 (6th Cir. 2005)(finding federal diversity jurisdiction applied to a legal malpractice claim).

Nor is there any support for the Attorneys' argument that state concerns will be harmed by application of exclusive federal jurisdiction to the case at hand. The state concern in regulating attorneys' behavior is one of ethical concerns, rather than a concern regarding the substantive issues in the case. There is no allegation in this case that the Attorneys

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[10] *Petition,* p. 19, N1.
[11] *See,* p. 17-20, *supra.*

acted unethically or violated any state bar rule governing the conducts of attorneys. Rather, the allegations of legal malpractice at issue here are ones of substantive patent law claims or defenses that should have been made in the Patent Infringement Case. In any event, state bar violations are governed by state bar rules, not the courts where the case is pending.

Minton is not arguing that just any issue of patent law, or any other issue of federal law, would meet the "substantiality" standard sufficient to open the "arising under" door. For that matter, neither did the Federal Circuit in *Air Measurement Tech.*, in which it stated:

> Our decision today follows our precedent. Post *Christianson*, we have held that patent infringement presents a substantial question of federal patent law conferring 'arising under' jurisdiction.

Air Measurement Tech., 504 F.3d at 1269. (emphasis added). This follows other decisions as well, in which federal courts have found exclusive jurisdiction did not lie where the patent law was more tangential than a determination of whether infringement did or did not occur. For instance, courts have declined to find the issue substantial where the malpractice allegation was based on a missed deadline. *See, e.g., 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."). Here, the only disputed issue is

whether the exception to the on-sale bar rule applied. This amounts to an issue of substantive patent law, more than a missed deadline for filing a patent application.

As stated by the Texas Supreme Court, the opinion issued in this case "should only be construed as conferring exclusive federal patent jurisdiction based upon the specific facts of this case. In the future, just as Minton has done, any state litigant asserting a legal malpractice action to recover for damages resulting from his patent attorney's negligence in patent prosecution or litigation must also satisfy all four elements of the *Grable* test to place his claim under exclusive federal jurisdiction." *Minton,* 355 S.W.3d at 646.

C. Only one state supreme court has found that applying federal exclusive jurisdiction to state legal malpractice claims in a situation similar to this would upset the balance of federalism concerns, whereas many state and federal courts have found otherwise.

The Attorneys again overstate their argument in portraying a portrait of decisions in federal and state courts that they claim "wildly conflict."[12] The Attorneys are incorrect in stating that some courts have followed the *Grable* standard, while others have followed the reasoning in *Air Measurement Tech.* and *Immunocept.* The two standards are not contradictory, nor are they even two standards – both *Air Measurement Tech.* and *Immunocept* apply the *Grable* test in reaching their

[12] Petition, p. 18.

decisions. *See, Air Measurement Tech.,* 504 F.3d at 1272 (finding that the patent law issue is disputed, that it is substantial as it is a necessary element of the plaintiff's case, and that it survives the federalism analysis because patent infringement justifies "resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues."); and, *Immunocept,* 504 F.3d at 1285-86 (also applying the *Grable* analysis).

The Attorneys' contention that the state and federal decisions made in the five years since the *Air Measurement Tech.* and *Immunocept* decisions are inconsistent is misplaced. For instance, the Attorneys cite *Magnetek, Inc. v. Kirkland v. Kirkland and Ellis, L.L.P.,* 954 N.E.2d 803, 811-812 (Ill. App. Ct. 2011) as "holding that the *Grable* standard applies," rather than the claimed "Federal Circuit" standard. This is an incorrect statement of the facts of the case in *Magnetek.* As discussed above, the *Magnetek* court found that no disputed issue of patent law existed because the factual issue of the case – patent infringement – had already been decided by another court, which declared the exact same patent was invalid under identical facts. *See, Magnetek,* 954 N.E.2d at 820-21, referring to *Nilssen v. Osram Sylvania, Inc.,* 504 F.3d 1223 (Fed.Cir. 2007). Because the case had already been fought and decided, the issue was not "disputed" as required for exclusive federal jurisdiction.

The Attorneys again overstate the holding in *Singh,* which expressly limits itself to *trademark* cases and states that the federal interest in patent law cases may be heightened in comparison. *See* p. 22-23*, supra;* and, *Singh,* 538 F.3d at 340. The same court that

decided *Singh*, the Fifth Circuit, then confirmed that the federal interest in the area of patent law is in fact heightened in comparison to trademark law. In *USPPS, Ltd. v. Avery Dennison Corp.,* 647 F.3d 274, 281-282 (5th Cir. 2011), the court declined to simply adopt and blindly follow the Federal Circuit's decisions in *Air Measurement Tech.* and *Immunocept*:

> It therefore seems clear that, were we to merely apply the Federal Circuit's case law to this appeal, our inquiry would be at an end. Two complications preclude us from that simple resolution, however. First, our Circuit has expressed some skepticism of Air Measurement Technologies, see *Singh*, 538 F.3d at 340, and second, we must address USPPS's contention that the prior panel's decision on the merits at the motion-to-dismiss stage constitutes the "law of the case" that jurisdiction is proper before this court.

USPPS, 647 F.3d at 281. The Court then goes on to find the federal interest is higher in *USPPS* because of the substantial issue of patent law involved:

> *Singh* expressly "decline[d] to follow or extend" *Air Measurement Technologies* and offered two reasons for doing so. *Id.* First, because the Federal Circuit "did not consider the ... federal interest and the effect on federalism" in its opinion. *Id.* Second, because *Air Measurement Technologies* was a patent case, we suggested without expressing an opinion that "[i]t is possible that the federal interest in patent cases is sufficiently more substantial, such that it might justify federal jurisdiction," especially

in light of the fact that patent cases—unlike trademark cases—are subject to the exclusive jurisdiction of the federal courts under § 1338(a). *Id.*

We are now squarely faced with the question of whether this state-law tort claim presenting questions of patent law involves a sufficiently substantial federal interest to permit federal jurisdiction over a state-law tort. We hold that it does.

Our decision is guided by both (1) the strong federal interest in the "removal [of] non-uniformity in the patent law" that *Immunocept* explains exclusive federal jurisdiction was intended to ensure, 504 F.3d at 1285, and (2) our holding in *Scherbatskoy* [*v. Halliburton Co.,* 125 F.3d 288, 291 (5th Cir. 1997)]. In *Scherbatskoy,* we ordered a breach of contract case transferred to the Federal Circuit after determining that "resolution of the [plaintiffs'] substantive claim implicates the federal patent laws" because "determining whether [the defendant] infringed the [plaintiffs'] patents is a necessary element to recovery." *Id.* The opinion offers no further analysis of the federalism question, but it is nevertheless binding on us. We see no basis for finding any less of a federal interest in patent law in the present case than in *Scherbatskoy.* In so holding, we conform both to *Singh*'s requirement of balancing the federal and state interests involved and *Scherbatskoy*'s implicit recognition of the special federal interest in patent law.

Id. at 281-282.

The Attorneys can cite to only one state supreme court which has found that applying federal exclusive jurisdiction to state legal malpractice claims would upset the balance of federalism concerns. *See, New Tek Manufacturing, Inc. v. Beehner, 270 Neb. 264, 702 N.W.2d 336 (2005).* That decision has since been criticized by other courts for finding the issue of patent law involved was not "substantial" and application of exclusive federal jurisdiction would upset the federalism balance. *See* p. 16, *supra; See also, Premier Networks, Inc., v. Stadheim and Grear, Ltd.,* 395 Ill. App. 3d 629, 636 (2009); *Landmark Screens, L.L.C. v. Morgan, Lewis & Bockius, L.L.P.,* 183 Cal.App.4th 238, 249-50, 107 Cal.Rptr.3d 373,381-82 (2010), reh'g denied (Apr. 28, 2010), review denied (July 14, 2010), cert. denied, 131 S. Ct. 1472, 179 L. Ed. 2d 300 (2011)(declining to follow *New Tek* and stating, "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.").

Conversely, numerous courts have followed the holdings of *Air Measurement Tech.* and *Immunocept*; federal courts have denied motions to remand state legal malpractice claims stemming from underlying patent litigation and state courts have dismissed such actions, holding Section 1338 jurisdiction existed. *See, e.g.*, *Tomar Elecs., Inc. v. Watkins*, No. 2:09-cv-00170-PHX-ROS, 2009 WL 2222707, at *1B2 (D. Ariz. July 23, 2009) (order on motion to remand)(holding federal

courts possessed exclusive Section 1338 jurisdiction over state law legal malpractice stemming from patent infringement suit); *see also, e.g.*, *LaBelle v. McGonagle*, No. 07-12097-GAO, 2008 WL 3842998, at *2B4 (D. Mass. Aug. 15, 2008)(opinion and order, not reported) (same, stemming from negligent failure to file patent application); *Touchcom, Inc. v. Bereskin & Parr,* No. 1:07CV114 (JCC), 2008 U.S. Dist.LEXIS 112100 (E.D. Va., Feb. 4, 2008)(federal court jurisdiction arising from patent legal malpractice claim); *Byrne v. Wood*, *Herron & Evans, LLP*, No. 2: 08-102-DCR, 2008 WL 3833699, at *4B5 (E.D. Ky. Aug. 13, 2008)(mem. op. and order, not reported)(holding federal courts possessed exclusive Section 1338 jurisdiction over state legal malpractice claim stemming from patent infringement suit); *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 93 Cal. Rptr. 3d 220, 228B29 (Cal. Ct. App. 2009)(holding federal courts possessed exclusive Section 1338 jurisdiction over state law claims stemming from opposing attorney's alleged action in obtaining patent reexamination); *TattleTale Portable Alarm Sys. v. Calfee, Halter & Griswold, L.L.P.*, No. 08AP-693, 2009 WL 790314, at *4B5 (Ohio Ct. App. Mar. 26, 2009) (holding federal courts possessed exclusive Section 1338 jurisdiction over state law legal malpractice claim stemming from failure to pay patent maintenance fees or to seek revival of patent); *Premier Networks, Inc. v. Stadheim and Grear, Ltd.,* 395 Ill. App. 3d 629, 918 N.E.2d 1117 (Ill. App. Ct. 2009), appeal denied, 236 Ill. 2d 545, 930 N.E.2d 416 (2010) (holding as a matter of first impression in Illinois that because the issues of legal malpractice were necessarily "inextricably bound to determinations of substantive issues of patent law," exclusive federal jurisdiction was proper.); *Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar &*

Christensen, P.A., 2009 WL 5185770 (D. Minn. Dec. 22, 2009)(order on motion to remand finding removal of the action proper because plaintiffs' legal malpractice action would require the resolution of substantial questions of federal patent law).

State and Federal courts have also differentiated non-patent law cases in denying motions for removal or granting motions for remand in state legal malpractice claims on the basis that there is a stronger public policy interest in uniformity of federal patent law than in other areas. *See, e.g., Singh,* 538 F.3d at 338; *Walker v. Dwoskin,* CIV. 3:09CV00004, 2009 WL 366387 (W.D. Va. Feb. 12, 2009)(reversing removal of state legal malpractice claim involving an underlying federal employment discrimination case and differentiating the case from *Immunocept,* stating "Because of the strong policy considerations weighing in favor of uniform interpretation of the federal patent laws, courts are more willing to hold that state law claims necessarily involving the resolution of federal patent law issues give rise to federal question jurisdiction."); *Caldera Pharmaceuticals, Inc. v. Regents of Univ. of Cal.*, 205 Cal. App. 4th 338, 368, 140 Cal. Rptr. 3d 543, 567 (Cal. Ct. App. 2012)(Reversing the state court's finding of lack of jurisdiction in breach of contract claims over patent licensing agreement and stating: "Nor is it an instance where proving malpractice requires proving infringement, the first categorical of federal exclusivity. (citing, *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.,* 631 F.3d 1367 (Fed.Cir.2011); and *Air Measurement Tech. v. Akin Gump Strauss Hauer*, 504 F.3d 1262 (Fed.Cir.2007)).

The only other support the Attorneys argue for their "sky is falling" argument that the *Air*

Measurement Tech. and *Immunocept* decisions have wreaked havoc on the federal question doctrine are a single federal district court case, *Roof Technical Services v. Hill,* 679 F.Supp.2d 749 (N.D.Texas 2010), and a dissent by two justices in the Federal Circuit case of *Byrne v. Wood, Herron & Evans, L.L.P.,* No. 2011-1012 (Fed. Cir. Mar. 22, 2012).

Roof Technical Services is easily distinguished from the case at hand. The federal concern of patent infringement, which involves the application of significant subjective patent law, such as the experimental use doctrine, was not present in the *Roof Technical Services* case. In fact, in that case, the allegations were that the attorney had not followed applicable regulations in submitting a patent application, did not timely correct those deficiencies, thereby abandoning it, did not revive the application after abandoning it, did not inform the plaintiffs that the application had been abandoned, ignored the plaintiffs' requests for information about the status of the application, gave the plaintiffs incorrect and incomplete information when he did update them, and did not cooperate with the plaintiffs in explaining to the Patent and Trademark Office (PTO) that the delay was unintentional. 679 F.Supp.2d at 750-751. These are issues relating to the attorney's behavior in failing to meet deadlines and to inform clients. These are not issues of substantive patent law, which is the only issue here.

As for the dissent in *Byrne v. Wood, Herron & Evans, L.L.P.,* No. 2011-1012 (Fed. Cir. Mar. 22, 2012), that is a dissent by only two of the sixteen justices sitting on the Federal Circuit Court of Appeals. The petition for rehearing *en banc* was considered by twelve

of the sixteen justices on the court, and a *per curiam* order denying the petition was issued. Only two of those twelve who directly considered the petition for rehearing *en banc* dissented. Three justices concurred in the decision to deny the petition for rehearing *en banc* and pointed out that the dissenting opinion minimized the substantial federal interest in federal adjudication of the patent law issues in these cases. In their words:

> State 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. Denying federal jurisdiction over these cases would allow different states to reach different conclusions as to the requirements for federal patent law in the context of state malpractice. 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.

Byrne, 2011-1012. (Dyk, J. concurring).

CONCLUSION

This Court should deny the Petition for Writ of Certiorari because this case meets the standard for federal exclusive jurisdiction set forth by *Grable* and *Christianson.* The only disputed issue in this case is the application of the experimental use exception to the on-sale bar doctrine. This issue is substantial as it is a necessary element of Minton's claim of legal malpractice. Application of exclusive federal jurisdiction does not disturb the careful balance of federal and state concerns but instead respects the federal interest of maintaining a uniform body of patent law without disturbing Texas legal malpractice law.

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