

Do Patent-Related Claims Always Belong in Federal Court?

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What I am going to talk about today

- **STATUTORY FRAMEWORK FOR ANALYZING FEDERAL COURT JURISDICTION OVER STATE CLAIMS RELATING TO PATENTS**
- **PROCEDURAL HISTORY OF *GUNN V. MINTON***
- **HOW EMBEDDED QUESTION JURISDICTION SHOULD BE ANALYZED IN THE WAKE OF *GUNN V. MINTON***
- **DON'T GET MAD AT ME IF YOU SOMETIMES END UP IN STATE COURT.**

Scope of Original Jurisdiction under 28 U.S.C. 1331 and 1338

- **1331 PROVIDES: FEDERAL COURTS “SHALL HAVE ORIGINAL JURISDICTION OF ALL CIVIL ACTIONS ARISING UNDER THE CONSTITUTION, LAWS, OR TREATIES OF THE UNITED STATES.”**
- **1338 MAKES THAT GRANT OF ORIGINAL JURISDICTION EXCLUSIVE IF THE ACTION RELATES TO “PATENTS, PLANT VARIETY PROTECTION, OR COPYRIGHTS.”**
- **APPELLATE JURISDICTION FOR ANY CASE WHERE JURISDICTION WAS BASED ON 1338 IS IN THE FEDERAL CIRCUIT.**

“Arising under” can capture state law claims with embedded federal issues

- SOMETIMES A FEDERAL ISSUE EMBEDDED IN A STATE LAW CLAIM IS SUFFICIENT TO COME WITHIN “ARISING UNDER” JURISDICTION
- SCOTUS HAS ALLOWED SUCH JURISDICTION SINCE 1921
- EARLIER BRIGHT-LINE RULE ADVOCATED BY JUSTICE OLIVER WENDELL HOLMES HELD THAT CLAIM “ARISES UNDER” THE LAW THAT CREATES IT
- SCOTUS STRUGGLED WITH DEFINING AN ALL-INCLUSIVE TEST UNTIL *GRABLE* IN 2005.

The *Grable* Test

- **STATE LAW QUIET TITLE CLAIM: DID IRS ACQUIRE VALID TITLE OF REAL PROPERTY BY FORFEITURE SUCH THAT IT COULD CONVEY VALID TITLE.**
- **EMBEDDED FEDERAL ISSUE: WHAT DID THE IRS FORFEITURE STATUTE REQUIRE?**
- **COURT ARTICULATED 4-PART TEST: DOES THE STATE CLAIM (1) NECESSARILY PRESENT A FEDERAL ISSUE; (2) THE FEDERAL ISSUE IS ACTUALLY DISPUTED; (3) THE FEDERAL ISSUE IS SUBSTANTIAL; AND (4) DECIDING THE CASE IN FEDERAL COURT WILL NOT UPEND THE PROPER BALANCE BETWEEN STATE AND FEDERAL COURTS.**

The Federal Circuit extends jurisdiction to legal malpractice claims

- **IN 2007 THE FEDERAL CIRCUIT DECIDED 2 LEGAL MALPRACTICE CASES, *AIR MEASUREMENT* AND *IMMUNOCEPT*.**
- **LEGAL MALPRACTICE CASES ARISING OUT OF UNDERLYING PATENT MATTERS.**
- **FEDERAL CIRCUIT HELD THAT CASE-WITHIN-A-CASE CAUSATION ELEMENT REQUIRED DETERMINATION OF EMBEDDED PATENT ISSUE, SO WITHIN EXCLUSIVE JURISDICTION OF FEDERAL COURTS.**

Along comes *Gunn v. Minton*

- LEGAL MALPRACTICE CASE ARISING OUT OF UNDERLYING PATENT INFRINGEMENT SUIT AGAINST NASDAQ.
- MINTON'S PATENT FOR ONLINE SECURITIES TRADING NETWORK WAS HELD INVALID UNDER ON-SALE BAR.
- MINTON SUED HIS LAWYERS CLAIMING THAT THEY WERE NEGLIGENT IN FAILING TO RAISE EXPERIMENTAL USE EXCEPTION TO THE ON-SALE BAR IN RESPONSE TO NASDAQ'S MOTION TO DISMISS.
- IF EXPERIMENTAL USE EXCEPTION HAD BEEN RAISED TIMELY, MINTON PLEADED, THERE WOULD HAVE BEEN NO DISMISSAL AND NASDAQ WOULD HAVE SETTLED FOR \$100 MILLION.

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Summary judgment and state court appeal in Minton case

- TRIAL COURT GRANTS SUMMARY JUDGMENT THAT MINTON HAS NO EVIDENCE OF EXPERIMENTAL USE OF HIS INVENTION.
- MINTON APPEALS, RAISES JURISDICTION FOR THE FIRST TIME BASED ON *AIR MEASUREMENT*, WHICH HAD JUST BEEN DECIDED.
- FORT WORTH COURT OF APPEALS HOLDS THAT STATE COURTS HAVE JURISDICTION, AFFIRMS THE SUMMARY JUDGMENT ON THE MERITS.
- SUPREME COURT OF TEXAS REVERSES AND HOLDS THAT MINTON'S CLAIMS ARE WITHIN EXCLUSIVE JURISDICTION OF FEDERAL COURTS.
- MINTON FILES CLAIMS FROM SCRATCH IN FEDERAL COURT IN TYLER.

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Appeal to SCOTUS

- THE LAWYER DEFENDANTS (GUNN ET EL.) FILE A CERT. PETITION TO THE SCOTUS ON THE JURISDICTION ISSUE.
- MINTON CASE ONE OF SEVERAL APPEALED TO THE COURT IN THE WAKE OF *AIR MEASUREMENT* AND *IMMUNOCEPT*.
- FEDERAL CIRCUIT HAD SPLIT *EN BANC* ON WHETHER TO REIN IN THE JURISDICTIONAL RULE.
- COURT GRANTED CERT. TO DECIDE WHETHER THE FEDERAL CIRCUIT STANDARD (FOLLOWED BY THE SUPREME COURT OF TEXAS) IMPROPERLY DEPARTED FROM THE *GRABLE* STANDARD.

Gunn v. Minton decision

- **CASE WAS ARGUED JAN. 16, 2013.**
- **OPINION ISSUED FEB. 20, 2013. QUICKEST OPINION IN 2 TERMS.**
- **REVERSED THE SUPREME COURT OF TEXAS AND HELD THAT MINTON'S LEGAL MALPRACTICE CLAIMS BELONG IN STATE COURT.**
- **COURT REITERATED THE GRABLE STANDARD, WITH PARTICULAR REFINEMENT OF SUBSTANTIALITY AND FEDERALISM COMPONENTS.**

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Substantiality is a meaningful element

- **OPINION NOTED THAT THE FIRST TWO ELEMENTS—WAS THE EMBEDDED FEDERAL ISSUE NECESSARY TO THE STATE CLAIM AND ACTUALLY DISPUTED—WERE MET.**
- **FOCUS WAS ON THE SUBSTANTIALITY ELEMENT.**
- **COURT HELD THAT SUBSTANTIALITY OF A FEDERAL ISSUE IS MEASURED WITH RESPECT TO THE INTEREST OF THE FEDERAL GOVERNMENT, NOT ITS SIGNIFICANCE TO THE SPECIFIC CLAIM.**
- **HELD THAT RARELY, IF EVER, COULD A LEGAL MALPRACTICE CASE PRESENT A SUBSTANTIAL FEDERAL ISSUE BECAUSE THE PATENT ISSUE IS HYPOTHETICAL.**

***Gunn v. Minton* narrowed embedded question jurisdiction**

- **OPINION NARROWS PATENT-RELATED JURISDICTION IN 2 WAYS:**
 - (1) REAFFIRMED THAT THE SCOPE OF JURISDICTION IS THE SAME FOR PATENT MATTERS AS FOR ANY OTHER EMBEDDED FEDERAL ISSUE (I.E., “ARISING UNDER” MEANS THE SAME THING IN 1331 AS IN 1338);**
 - (2) REJECTED FEDERAL CIRCUIT STANDARD THAT HAD CONFLATED NECESSITY AND SUBSTANTIALITY ELEMENTS.**
- **FEDERAL CIRCUIT HAD RELIED ON A SOUNDBITE IN *CHRISTIANSON* FINDING QUESTION OF PATENT LAW SUBSTANTIAL “IN THAT PATENT LAW IS A NECESSARY ELEMENT OF THE WELL-PLEADED CLAIMS.”**

What does *Gunn v. Minton* mean for other patent-related claims?

- PATENT ISSUES CAN BE EMBEDDED IN STATE CLAIMS OTHER THAN LEGAL MALPRACTICE, SUCH AS:
 - BREACH OF CONTRACT (*U.S. VALVES V. DRAY*)
 - INJURIOUS FALSEHOOD (*HUNTER DOUGLAS V. HARMONIC*)
 - BUSINESS DISPARAGEMENT (*ADDITIVE CONTROLS V. FLOWDATA*)
- ANALYSIS OF JURISDICTION SHOULD DEPEND ON WHETHER THE FEDERAL ISSUE IS SUBSTANTIAL TO THE FEDERAL GOVERNMENT.
- NOT ENOUGH THAT THE FEDERAL ISSUE IS NECESSARY OR CRITICAL TO THE STATE CLAIM ITSELF.

Hallmarks of substantiality

- **LOOK AT NATURE OF THE FEDERAL ISSUE ITSELF (CONSTITUTIONAL ISSUE MORE SUBSTANTIAL THAN COMMON LAW)**
- **IS FEDERAL ISSUE UNRESOLVED?**
- **DOES THE ISSUE INVOLVE A PURE LEGAL ISSUE OR IS IT “FACT BOUND AND SITUATION SPECIFIC”?**
- **WOULD RESOLUTION OF THE ISSUE IMPLICATE A FEDERAL AGENCY (AND DOES THE AGENCY NEED THE ISSUE RESOLVED)?**
- **WHAT WOULD BE THE REAL WORLD CONSEQUENCE OF THE JUDGMENT?**

Bottom line

- IN THE WAKE OF *GUNN V. MINTON*, MORE PATENT-RELATED CLAIMS ARE GOING TO BE LITIGATED IN STATE COURT RATHER THAN FEDERAL COURT.
- THAT HAD BEEN THE CASE UNTIL FEDERAL CIRCUIT BROADLY EXPANDED ITS ANALYSIS OF JURISDICTION POST CHRISTIANSON.
- EARLY FEDERAL CIRCUIT OPINION OF JURISDICTION:

“CONGRESS WAS NOT CONCERNED THAT AN OCCASIONAL PATENT-LAW DECISION OF A REGIONAL CIRCUIT COURT, OR OF A STATE COURT, WOULD DEFEAT ITS GOAL OF INCREASED UNIFORMITY IN THE NATIONAL LAW OF PATENTS.”

You're Welcome.

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