

No. 17-1483

IN THE
Supreme Court of the United States

ALEXSAM, INC.,
Petitioner,

v.

WILDCARD SYSTEMS, INC., eFUNDS CORPORATION,
AND FIDELITY NATIONAL INFORMATION SYSTEMS, INC.,
Respondents.

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

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Petitioner asserted a breach-of-contract claim in state court that required analyzing whether Petitioner's patents covered transactions that had not previously been adjudicated under a license agreement. Respondents filed a counterclaim challenging the validity of the licensed patents, as contemplated by the license agreement, and removed the case to federal court.

The question presented is:

Whether the district court properly exercised jurisdiction over this action based on its conclusion that 28 U.S.C. § 1454(a), which states that federal courts have jurisdiction over a "civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents," creates federal jurisdiction over Respondents' patent-invalidity counterclaim.

PARTIES TO THE PROCEEDING BELOW

Petitioner Alexsam, Inc., was the plaintiff and counterclaim-defendant below.

Respondents Wildcard Systems, Inc., eFunds Corporation, and Fidelity National Information Services, Inc., were defendants and counterclaim-plaintiffs below.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, undersigned counsel states that WildCard Systems, Inc., eFunds Corporation, and Fidelity National Information Services, Inc., have no parent corporations and that no public companies own more than ten percent (10%) of those companies' stock.

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INTRODUCTION

Respondents WildCard Systems, Inc., eFunds Corporation, and Fidelity National Information Services, Inc., submit this brief in opposition to the petition for a writ of certiorari filed by Alexsam, Inc.

Contrary to Alexsam’s argument, the district court properly exercised jurisdiction over Alexsam’s breach-of-contract claim and Respondents’ counterclaim for patent invalidity. Under the amendments enacted as part of the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011), federal courts have jurisdiction over a “civil action in which *any party* asserts a claim for relief arising under any Act of Congress relating to patents.” 28 U.S.C. § 1454(a) (emphasis added). Alexsam cannot plausibly argue that a patent-invalidity counterclaim does not arise under an “Act of Congress relating to patents.” Accordingly, the district court properly exercised jurisdiction over this civil action pursuant to § 1454(a).

Moreover, separate and apart from the invalidity counterclaim, Alexsam’s breach-of-contract claim itself created federal jurisdiction because it necessarily raised disputed and substantial patent issues capable of resolution in federal court without disrupting the federal-state balance. These disputes related to whether Alexsam’s licensed patents cover new transactions that were not previously at issue, and thus were not backward looking like the patent issues in *Gunn v. Minton*, 568 U.S. 251, 261 (2013). This Court need not reach this alternative basis for federal jurisdiction, however, if it agrees that

Respondents' patent-invalidity counterclaim invoked federal jurisdiction under 28 U.S.C. § 1454(a).

Because the district court properly exercised jurisdiction over this civil action, both as a matter of statute and under this Court's "arising under" jurisprudence, Alexsam's petition should be denied.

I. STATEMENT OF THE CASE

A. Factual Background

Alexsam Sued WildCard, and the Parties Executed the Settlement and License Agreement.

In 2003, Alexsam sued several defendants, including WildCard, in *Alexsam, Inc. v. Datastream Card Svc, et al.*, No. 2:03-cv-337 (E.D. Tex. 2003). AppxS065 ¶ 10.¹ Alexsam asserted that WildCard and others had infringed Alexsam's U.S. Patent Nos. 6,000,608 ("the '608 patent") and 6,189,787 ("the '787 patent"), both relating to financial business processes for the activation and reloading of prepaid debit cards (collectively, the "Alexsam Patents"). *Id.*; AppxS065-S068 ¶¶ 10, 15, 17.

WildCard and Alexsam resolved the 2003 lawsuit by executing a Settlement and License Agreement ("SLA") in July 2005. AppxS018-S029. The SLA

¹ References to "Appx_" are to the appendix bound together with Alexsam's petition; references to "FC.Appx_" are to the appendix filed in the Federal Circuit.

granted WildCard (now FIS)² a license to practice the Alexsam Patents in exchange for specified royalties and a lump-sum payment. AppxS021-S022 §§ 3-4; AppxS023 § 6.

The SLA stated that it would remain in effect for the life of the Alexsam Patents with two possible exceptions. First, the SLA would terminate if “the claims of the [Alexsam Patents] are held Invalid or unenforceable by a court of competent jurisdiction . . .” (the “Invalidity Clause”). AppxS024-S025 § 11. Second, the SLA would terminate if either party committed an alleged breach and, after the other party gave written notice of the breach, the alleged breaching party failed to cure within 90 days (the “Termination Clause”). *Id.*

Alexsam Terminated the SLA After a Disagreement Arose as to Whether the SLA Required FIS to Pay Royalties on Certain Disputed Transactions.

From 2005-2007, the parties performed their obligations under the SLA without dispute. In 2008, however, after FIS acquired eFunds, a disagreement arose as to whether certain FIS transactions fell within the scope of the Alexsam Patents and the SLA (the “Disputed Transactions”). FC.Appx0549 ¶¶ 5-6; FC.Appx0556-0557. Specifically, in an October 2008 letter, Alexsam asserted that FIS was required to pay

² eFunds acquired WildCard in 2005 and FIS acquired eFunds in 2007. FIS is therefore successor-in-interest to eFunds and WildCard. See FC.Appx0548 ¶ 3; FC.Appx0577 ¶ 2. For simplicity, these entities will be referred to as “FIS” unless otherwise specified.

royalties on the Disputed Transactions. FC.Appx0549 ¶ 6; FC.Appx0556-0557. FIS responded by letter in January 2009, setting out in detail why the Disputed Transactions were not covered by the Alexsam Patents or the SLA. FC.Appx0550 ¶¶ 7-8; FC.Appx0559-0561. Consistent with these positions, FIS steadfastly refused to pay any royalties for the Disputed Transactions at any time throughout the parties' relationship. FC.Appx0550 ¶ 8; FC.Appx0559-0561; FC.Appx0578¶¶ 7-8.

In August 2009, Alexsam sent FIS a letter invoking the SLA's Termination Clause and formally providing notice of an alleged breach—specifically, the failure to pay royalties for the Disputed Transactions. FC.Appx0550-0551 ¶ 10; FC.Appx0563-0564. FIS acknowledged receipt of the Notice Letter but continued to deny that royalties were required on the Disputed Transactions and continued to refuse to tender any such payments. FC.Appx0550-0552 ¶¶ 10-13; FC.Appx0578 ¶¶ 7-8.

In December 2009, Alexsam sent FIS a termination notice unequivocally terminating the SLA:

[FIS] failed to cure the breach described in the August 10 letter. The [SLA], under its terms, has thus ended on the 91st day after receipt of the August 10 notice. Please give notice of the termination to any third party the rights of which this termination has affected.

FC.Appx0572; *see also* FC.Appx0552 ¶ 14. Following termination, FIS continued to deny that it had ever

breached the SLA such that Alexsam would have had a proper basis to terminate, and FIS never retracted its position or tendered any royalty payments for any Disputed Transactions. FC.Appx0550-0552 ¶¶ 10, 13, 16, 17; FC.Appx0578 ¶¶ 5-8. Although FIS continued to tender checks to Alexsam for non-Disputed Transactions between 2010 and early 2015, Alexsam refused to accept these payments.³ FC.Appx0031; FC.Appx0578-0579 ¶¶ 5-11. Indeed, Alexsam continued to refer to the SLA as having been terminated in the parties' sparse post-termination correspondence. *See, e.g.*, FC.Appx0593 (November 24, 2010 e-mail by Alexsam's then-counsel referring to "Alexsam's termination for breach").

Alexsam Waited More than Five Years Before Bringing Suit.

By terminating the SLA (albeit wrongfully), Alexsam regained the ability to bring a patent-infringement suit against Respondents. But any such plan was undermined by this Court's decision in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and the Federal Circuit's ensuing decisions addressing patent eligibility under 35 U.S.C. § 101. These decisions collectively called into question the validity of so-called "business method" patents like the Alexsam Patents. *See* FC.Appx0540-0541. In fact, nearly a year before this Court's *Alice* decision, one of the two Alexsam Patents (the '608 patent) only narrowly avoided being held invalid in *Alexsam, Inc.*

³ In May 2015—just weeks before filing the complaint—Alexsam cashed four of FIS's previously tendered payments for non-Disputed Transactions and the remaining payments remained unclaimed. FC.Appx0031; FC.Appx0578-0579 ¶¶ 9-11.

v. IDT Corp., 715 F.3d 1336 (Fed. Cir. 2013) (“*IDT*”). In a dissent, Judge Mayer stated that he would hold the ’608 patent invalid because it discloses “nothing more than the ‘abstract idea’ that it is less expensive and more efficient to activate pre-paid cards on the point-of-sale devices used to process credit cards.” *Id.* at 1349 (Mayer, J., dissenting).

Thus, Alexsam’s strange decision to bring a state-law action for breach of an agreement that Alexsam *itself* unequivocally terminated more than five years earlier may be explained by its desire to avoid federal court at all costs to evade review under the new *Alice* standard.

B. Procedural History

Alexsam’s Action for Breach of Contract.

On June 12, 2015, Alexsam sued Respondents for breaching the already-terminated SLA. *See* AppxS008-S017. Alexsam asserted claims for breach of contract and breach of the implied covenant of good faith and fair dealing, each arising from Respondents’ refusal to account for and pay royalties on the Disputed Transactions. AppxS013-S015 ¶¶ 20-36.

Respondents’ Counterclaim of Patent Invalidity.

Respondents answered the complaint and asserted defenses and counterclaims. *See* AppxS046-S082. Respondents asserted that Alexsam could not recover under the SLA because (i) Alexsam had terminated the SLA; (ii) even if the SLA were still in effect, the Disputed Transactions did not infringe the

Alexsam Patents and therefore were not covered by the SLA; and (iii) the Alexsam Patents were invalid. AppxS055-S062. Respondents also asserted counterclaims, including a counterclaim seeking a declaration that the Alexsam Patents are invalid.⁴ AppxS072-S077. After filing their answer, Respondents filed a notice of removal based on federal-question jurisdiction. Appx0033-0041. Once in federal court, Alexsam filed a Motion to Dismiss and a Motion to Sever and Remand. FC.Appx0055.

Alexsam's Motion to Dismiss Respondents' Invalidity Counterclaim.

In its Motion to Dismiss, Alexsam argued, relying on the SLA, that Respondents' invalidity counterclaim was barred by *res judicata*. See Appx0011-0014. Alexsam further argued that, because the SLA allegedly precluded Alexsam from suing Respondents for infringement, there was no "case or controversy" sufficient to warrant a declaration as to invalidity. See Appx0015.

In denying Alexsam's motion, the trial court held that a determination of the SLA's preclusive effect was premature at the pleadings stage. Appx0012-0014. The trial court observed that the SLA's Invalidity Clause showed that the parties intended invalidity to remain an open issue. Appx0014. The trial court also found that, because a declaration that the Alexsam Patents are invalid would be a basis to find the SLA was terminated under the Invalidity Clause, a live controversy on the validity of the

⁴ FIS's other counterclaims, AppxS071-S072; AppxS077-S078, were dismissed on procedural grounds. See FC.Appx0013-0014.

Alexsam Patents existed, and declaratory relief was available independent of any threat of an infringement suit. Appx0014-0016.

Alexsam's Motion to Sever and Remand.

After denying Alexsam's Motion to Dismiss Respondents' invalidity counterclaim, the trial court then held that Respondents' invalidity counterclaim and patent-related defenses arose under federal patent law and thus were sufficient to confer federal subject-matter jurisdiction:

Defendant's invalidity counterclaim as well as its patent-related affirmative defenses, including non-infringement, require the [trial court] to determine whether the [Alexsam Patents] are valid . . . as well as to apply patent claim terms to the [Disputed Transactions] to determine if they are subject to the [SLA]. Accordingly, Defendants have properly removed the instant action to [federal court] as arising under patent law

Appx0020; *see also* Appx0015 ("Defendants have brought their invalidity claims as compulsory counterclaims to [Alexsam]'s breach of contract suit . . .").

Two other courts reached the same conclusion in cases filed by Alexsam. *See Alexsam, Inc. v. Green Dot Corp.*, No. 2:15-cv-05742-CAS-PLA, 2015 WL 6520917, at *4 (C.D. Cal. Sept. 28, 2015) ("*Green Dot*") ("[A]ny determination of whether the Agreement was breached will require the Court to interpret the '608

and ‘787 patents to determine if defendants’ products in fact infringe on the patents.’”) (FC.Appx0609); *Alexsam, Inc. v. MasterCard Int’l Inc.*, No. 1:15-cv-02799-ILG-SMG, Doc. 31 (Order) at 1 (E.D.N.Y. Nov. 4, 2015) (“*MasterCard*”) (“It is not apparent at this stage that plaintiff can prove its claims without reference to the scope of its patents, given the ambiguous nature of the provisions in the License Agreement.”) (FC.Appx0602).

The trial court also denied Alexsam’s request to sever and separately remand its contract claims. Appx0020-0021; Appx0023-24. The court held that “[Alexsam]’s breach of contract claims and [Respondents]’ invalidity counterclaim clearly form part of the same case or controversy,” and the contract claims did not “raise a ‘novel or complex issue of State law’ nor does it ‘substantially predominate’” over the invalidity counterclaim. Appx0021 (quoting 28 U.S.C. § 1367(c)). Accordingly, the trial court denied Alexsam’s Motion to Sever and Remand the state-law claims, holding that supplemental jurisdiction was proper so that the contract claims and the invalidity counterclaim could be tried together. *Id.*

Respondents’ Motion for Summary Judgment.

After establishing federal jurisdiction and engaging in discovery, Respondents filed a Motion for Partial Summary Judgment, arguing that Alexsam unequivocally terminated the SLA in 2009 and could not recover any royalties allegedly incurred after the termination date. *See, e.g.*, FC.Appx0523-0525. Respondents further argued that, because Alexsam

terminated the SLA by at least December 2009 and did not file this lawsuit until June 2015, any claim Alexsam might have had for pre-termination royalties was barred by Florida's applicable five-year statute of limitations. FC.Appx0535-0536.

The trial court agreed with these arguments, holding that, as a matter of law, Alexsam terminated the SLA in 2009, such that Alexsam could no longer recover any royalties, either pre- or post-termination. See FC.Appx0020-0036. The court rejected Alexsam's argument that its termination of the SLA was ineffective because Alexsam could not establish that Respondents committed a breach on which termination could properly be based. See FC.Appx0028-0030. The trial court explained that the absence of a predicate breach by Respondents could only render Alexsam's termination *wrongful*, not *ineffective*. FC.Appx0029 ("Proof that an actual breach occurred, however, is not required for the termination to be effective."); see also FC.Appx0030 ("The fact that the termination may have been improper does not negate the fact of termination." (quoting *Lougas v. Sophia Enters., Inc.*, 117 So. 3d 839, 841 n.1 (Fla. 4th Dist. Ct. App. 2013))). Therefore, the trial court entered judgment in Respondents' favor on all Alexsam's claims. FC.Appx0036. Thereafter, only Respondents' invalidity counterclaim remained pending. *Id.*

In light of its conclusion that the SLA had been terminated, the trial court declined to retain jurisdiction over Respondents' invalidity counterclaim. AppxS0006-S0007. The trial court therefore dismissed Respondents' invalidity

counterclaim without prejudice, *id.*, and entered a final judgment in Respondents' favor on all claims asserted by Alexsam, Appx0025-0026.

Alexsam's Appeal to the Eleventh Circuit, Then to the Federal Circuit.

Alexsam filed a notice of appeal improperly directed to the Eleventh Circuit. FC.Appx0151-0152. Respondents promptly moved to transfer the appeal to the Federal Circuit pursuant to 28 U.S.C. § 1631. FC.Appx0236-0269. Respondents explained that, under 28 U.S.C. § 1295, the Federal Circuit had exclusive jurisdiction over appeals like this one that arise from a case in which the primary claims necessarily raise disputed, substantial patent issues or in which a party has asserted a compulsory counterclaim arising under patent law. FC.Appx0256-0266. Alexsam opposed transfer with many of the same arguments presented in its Petition here.

After considering the parties' arguments, the Eleventh Circuit held that Respondents' invalidity counterclaim was compulsory because it "bears a logical relationship" to the claims in Alexsam's complaint, Appx0031, and that the invalidity arguments in the underpinning counterclaim "directly implicate patent law," Appx0032. The Eleventh Circuit thus concluded that the Federal Circuit has exclusive jurisdiction over this action. *Id.*

In its appeal to the Federal Circuit, Alexsam argued that the district court improperly exercised jurisdiction over this case, which instead should have

remained in state court. Alexsam raised many of the same jurisdictional arguments it does here. After full briefing and oral argument, the Federal Circuit issued a per curiam order, summarily affirming the judgment of the district court.

Alexsam then filed the Petition for Writ of Certiorari that is at issue here.

II. REASONS FOR DENYING THE PETITION

Certiorari is not warranted here because the district court properly exercised jurisdiction over Alexsam's breach-of-contract claim and Respondents' patent-invalidity counterclaim for two independent reasons.

First, Respondents' invalidity counterclaim created federal jurisdiction under § 1454(a), which states that federal courts have jurisdiction over a "civil action in which *any party* asserts a claim for relief arising under any Act of Congress relating to patents." 28 U.S.C. § 1454(a) (emphasis added). Because Respondents' patent-invalidity counterclaim clearly arises under federal patent law, the district court properly exercised jurisdiction over the case, including supplemental jurisdiction over Alexsam's state-law claim for breach of contract.

Second, although this Court need not reach the district court's alternative basis for federal jurisdiction, Alexsam's breach-of-contract claim *itself* created federal jurisdiction because it necessarily raised disputed and substantial patent issues capable of resolution in federal court without disrupting the federal-state balance. Specifically, Alexsam's contract

claim raised forward-looking patent issues, not backward-looking patent issues like those in *Gunn*.

Because the district court properly exercised federal jurisdiction based on two separate and independent grounds, and because Alexsam has not shown any legal error or abuse of discretion in the lower courts' exercise of jurisdiction, this Court should deny certiorari.

A. The District Court Properly Exercised Jurisdiction Under 28 U.S.C. § 1454(a)

1. In Enacting the AIA, Congress Made Clear that Patent-Related Counterclaims to a State-Law Cause of Action Invoke Federal Jurisdiction

Before the AIA, it was well established that “a counterclaim—which appears as part of the defendant’s answer, not as part of the plaintiff’s complaint—cannot serve as the basis for ‘arising under’ jurisdiction.” *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002). In enacting the AIA, however, Congress amended 28 U.S.C. §§ 1338 and 1295(a)(1) and added 28 U.S.C. § 1454 to make clear that a patent-related counterclaim to a state-law cause of action will give rise to federal jurisdiction. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, 125 Stat. 284 (2011).

Prior to the AIA, § 1338(a) originally read:

The district courts shall have original jurisdiction of any civil action arising under

any Act of Congress relating to patents
Such jurisdiction shall be exclusive of the
courts of the states in patent . . . cases.

28 U.S.C. § 1338(a) (1999) (effective Nov. 29, 1999, to
Sept. 15, 2011). Post-AIA, this provision was amended
to read:

The district courts shall have original
jurisdiction of any civil action arising under
any Act of Congress relating to patents *No
State court shall have jurisdiction over any
claim for relief arising under any Act of
Congress relating to patents*

28 U.S.C. § 1338(a) (effective Sept. 16, 2011)
(emphasis added).

Prior to the AIA, § 1295(a)(1) originally read:

(a) The United States Court of Appeals for the
Federal Circuit shall have exclusive
jurisdiction—

(1) of an appeal from a final decision of a
district court of the United States . . . if the
jurisdiction of that court was based, in whole or
in part, on section 1338 of this title

28 U.S.C. § 1295(a)(1) (2011) (effective Jan. 4, 2011,
to Sept. 15, 2011). Post AIA, this section was amended
to read:

(a) The United States Court of Appeals for the
Federal Circuit shall have exclusive
jurisdiction—

(1) of an appeal from a final decision of a district court of the United States . . . in any civil action arising under, *or in any civil action in which a party has asserted a compulsory counterclaim arising under*, any Act of Congress relating to patents

28 U.S.C. § 1295(a)(1) (effective Sept. 16, 2011) (emphasis added).

The AIA also added a new removal provision, § 1454(a), which reads:

(a) In general. A civil action in which *any party asserts a claim for relief arising under any Act of Congress relating to patents* . . . may be removed to [federal] district court

28 U.S.C. § 1454(a) (effective Sept. 16, 2011) (emphasis added).

Collectively, Congress referred to these changes as the “*Holmes Group* fix” because they were aimed at abrogating the jurisdictional ruling in *Holmes Group*:

Subsection (a) through (d) enact the so-called *Holmes Group* fix (H.R. 2955, 109th Congress), which the House Judiciary Committee reported favorably in 2006. The Committee Report accompanying H.R. 2955 (House Rep. 109–407), which we reaffirm, explains the bill’s reasons for abrogating *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), and more fully precluding

state court jurisdiction over patent legal claims.

H.R. Rep. No. 112-98, pt. 1, at 54, 81 (2011); *see also Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 644 (Fed. Cir. 2015) (explaining that these amendments were intended to vest federal courts with “jurisdiction over claims arising under the patent laws *even* when asserted in counterclaims”), *cert. denied*, 136 S. Ct. 1660 (2016); *In re Rearden LLC*, 841 F.3d 1327, 1331-32 (Fed. Cir. 2016) (explaining the effect of the AIA amendments on the Federal Circuit’s jurisdiction); *see also* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 539-40 (2012).

As is evident in the post-AIA provisions, whether a patent-related counterclaim is permissive or compulsory may affect the Federal Circuit’s jurisdiction under 28 U.S.C. § 1295(a)(1), but it does not affect a district court’s jurisdiction under 28 U.S.C. § 1338(a) or the removal authority provided in 28 U.S.C. § 1454(a). As the Federal Circuit explained in *Microsoft*:

[N]othing in the text of section 1338 suggests that Congress conditioned its grant of jurisdiction to the District Court on the compulsory or permissive nature of the counterclaim. 28 U.S.C. § 1338(a). Nor would the distinction make sense in disputes before the District Court, which has “original jurisdiction of *any* civil action,” § 1338(a) (emphasis added), regardless of the counterclaim status, Fed.R.Civ.P. 13(a)–(b)

(permitting parties to file compulsory *and* permissive counterclaims before the District Court).

Microsoft Corp. v. GeoTag, Inc., 817 F.3d 1305, 1313 (Fed. Cir.), *cert. denied sub nom. GeoTag, Inc. v. Google Inc.*, 137 S. Ct. 313 (2016); *see also Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 558 (2005) (“We must not give jurisdictional statutes a more expansive interpretation than their text warrants, but it is just as important not to adopt an artificial construction that is narrower than what the text provides.” (citing *Finley v. United States*, 490 U.S. 545, 549, 556 (1989) (superseded by statute (28 U.S.C. § 1367))).

Thus, Respondents will address the compulsory nature of their patent-invalidity counterclaim only to assist this Court in determining the Federal Circuit’s jurisdiction, *not* that of the district court, whose jurisdiction does not depend on whether the invalidity counterclaim is compulsory or permissive. *Microsoft*, 817 F.3d at 1313.

2. Respondents Asserted a Counterclaim for a Declaratory Judgment of Invalidity, Which Arises Under an Act of Congress Relating to Patents

There is no dispute that Respondents asserted a counterclaim for a declaratory judgment that the Alexsam Patents are invalid. AppxS072-S077; *see also* Pet. 10 (Alexsam admitting that Respondents “raised Declaratory Judgment counterclaims for . . .

Invalidity of the Patents . . .”). Thus, the only remaining question is whether this counterclaim arises under an “Act of Congress relating to patents.” 28 U.S.C. § 1454(a). If it does, then federal jurisdiction clearly exists under § 1454(a).

It is axiomatic that patent-invalidity claims arise under federal patent law. *See, e.g., Gunn*, 568 U.S. at 257 (“[A] case arises under federal law when federal law creates the cause of action asserted.”); *see also Mims v. Arrow Fin. Servs., LLC*, 565 U.S. 368, 377 (2012) (“[T]here is no serious debate that a federally created claim for relief is generally a ‘sufficient condition for federal-question jurisdiction.’” (quoting *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 317 (2005))); *St. Paul Plow-Works v. Starling*, 127 U.S. 376, 378 (1888) (“[W]e have no doubt that a case in which the validity and the infringement of a patent are controverted is a ‘case touching patent-rights,’ and therefore within the appellate jurisdiction of this court” (citation omitted)); *Online Res. Corp. v. Joao Bock Transaction Sys., LLC*, 808 F.3d 739, 742 (8th Cir. 2015) (“[I]ssues of . . . validity . . . present sufficiently substantial questions of federal patent law to support [federal jurisdiction].” (quoting *Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 599 F.3d 1277, 1283 (Fed. Cir. 2010))).

Indeed, Respondents’ counterclaim for patent invalidity was expressly premised on the federal statute governing the patentability of inventions, i.e., “35 U.S.C. § 100 *et seq.*, including, but not limited to, those set forth in 35 U.S.C. §§ 101, 102, 103, 112, and/or 135(b)” AppxS073 ¶ 31. This places

Respondents' invalidity counterclaim among the "vast bulk of suits that arise under federal law." *Gunn*, 568 U.S. at 257. As explained in *Gunn*, "[m]ost directly, a case arises under federal law when federal law creates the cause of action asserted." *Id.* (citing *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) ("A suit arises under the law that creates the cause of action.")).

Alexsam purports to challenge whether Respondents' invalidity counterclaim arises under federal patent law. *See, e.g.*, Pet. 20-27. Although Alexsam's arguments consist mostly of inapposite principles of law, Respondents will nevertheless address each argument in turn.

3. Respondents' Counterclaim for a Declaratory Judgment of Patent Invalidity Raises a Justiciable Controversy

Alexsam argues that Respondents' counterclaim for patent invalidity was improper because there was no case or controversy warranting such a claim under the Declaratory Judgment Act. *See* Pet. 21-23. According to Alexsam, "by entering into the SLA, Alexsam agreed to forebear raising infringement against Respondents. Therefore, there was no basis for Respondents to assert invalidity as a counterclaim because there was no threat of infringement claims asserted by Alexsam." Pet. 24. This same argument, however, has been rejected by this Court.

The Declaratory Judgment Act provides that "[i]n a case of actual controversy within its jurisdiction . . .

any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a) (2010). This Court has explained that the phrase “‘case of actual controversy’ in the Act refers to the type of ‘Cases’ and ‘Controversies’ that are justiciable under Article III.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126-27 (2007). “Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* at 127 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

It is well settled that a counterclaim for a declaratory judgment of patent invalidity is a justiciable controversy when asserted in response to a claim for royalties under a patent license agreement, even if the license agreement is still in force. *See id.* at 130-31, 137. In *MedImmune*, for example, the Court concluded that a declaratory-judgment action by a patent licensee was proper even though the licensee was paying royalties and the patentee would have been unable to obtain any judgment of infringement. *Id.* at 137. Similarly, in *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 571 U.S. 191, 201-03 (2014), the Court observed that a declaratory-judgment action was constitutionally permissible even though an infringement counterclaim by the patentee was foreclosed by the continued existence of a license.

A case or controversy *certainly* exists where—as here—the licensee has steadfastly refused to pay the disputed royalties, thus exposing itself to potential liability for breach of contract or patent infringement. *See MedImmune*, 549 U.S. at 128 (“There is no dispute that these standards [for finding a substantial controversy] would have been satisfied if petitioner had taken the final step of refusing to make royalty patents under the . . . license agreement.”); *accord Adenta GmbH v. OrthoArm, Inc.*, 501 F.3d 1364, 1369-70 (Fed. Cir. 2007) (finding an invalidity counterclaim proper where the licensee had refused to pay royalties on certain disputed products and the patentee sued for breach of contract).

A justiciable controversy can also exist even where the licensee has continued to pay the disputed royalties under protest, such that there is no immediate threat of liability for breach. *MedImmune*, 549 U.S. at 137 (“We hold that petitioner was not required, insofar as Article III is concerned, to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.”); *Medtronic*, 571 U.S. at 197-98 (affirming that an action for declaratory judgment of noninfringement arose under federal patent law because, if the licensee had stopped paying royalties, the licensor “could terminate the license and bring an ordinary federal patent law action for infringement”); *accord Altvater v. Freeman*, 319 U.S. 359 (1943).

Alexsam argues that *MedImmune* does not give licensees “automatic grounds to raise invalidity in response to a breach of contract claim” without an

“independent basis.” Pet. 19. But in *MedImmune*—just like here—the license agreement itself provided the necessary basis for a declaratory-judgment action. It defined “Licensed Products” as a specified antibody, “the manufacture, use or sale of which . . . would, if not licensed under th[e] Agreement, infringe one or more claims . . . which have neither expired *nor been held invalid by a court or other body of competent jurisdiction . . .*” 549 U.S. at 121 (alteration in original) (emphasis added) (citation omitted). This Court held that this was a sufficient basis for the licensee to bring a declaratory-judgment action for invalidity, without having to breach or terminate the agreement. *Id.* at 137. Here, as in *MedImmune*, the SLA specifically states that the agreement will terminate if “the claims of the [Alexsam Patents] are held Invalid or unenforceable by a court of competent jurisdiction . . .” AppxS024-025 § 11. The SLA thus clearly provides a basis for Respondents’ counterclaim of patent invalidity.

Even if it were true that “there was no threat of infringement claims asserted by Alexsam,” Pet. 24, this has no bearing on whether an invalidity counterclaim arises under patent law for the purpose of § 1454(a). In *Commil*, this Court emphasized that “invalidity is not a defense to infringement, it is a defense to liability.” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015). Here, Respondents asserted a counterclaim of invalidity not as a defense to infringement but to disprove *liability* under the SLA for any allegedly unpaid royalties for the

Disputed Transactions.⁵ This counterclaim was proper because, as the district court correctly held, “the [SLA] itself contains a clause providing for termination of the Agreement should the claims of the Licensed Patents be held invalid or unenforceable by a court of competent jurisdiction.” Appx0014.

4. Res Judicata Is Irrelevant to the Question of Federal Jurisdiction Under 28 U.S.C. § 1454(a)

Alexsam next contends that, under the doctrine of res judicata, Respondents “should also have been barred from raising invalidity, because it . . . was raised and relinquished in the Prior Litigation.” Pet. 24. Whether a claim is barred by res judicata, however, has nothing to do with whether it arises under federal law, and thus has no bearing on the trial court’s subject-matter jurisdiction. *See Exxon Mobil Corp. v. Saudi Basic Indus. Corp.*, 544 U.S. 280, 293 (2005) (“Preclusion, of course, is not a jurisdictional matter.”); *Smalls v. United States*, 471 F.3d 186, 189 (D.C. Cir. 2006) (“[T]he defense of res judicata, or claim preclusion, while having a ‘somewhat jurisdictional character,’ does not affect the subject matter jurisdiction of the district court.” (quoting *SBC Commc’ns Inc. v. FCC*, 407 F.3d 1223, 1229-30 (D.C. Cir. 2005))); *EEOC v. Children’s Hosp. Med. Ctr. of N. Cal.*, 719 F.2d 1426, 1430 (9th Cir. 1983) (en banc) (“[R]es judicata is an affirmative defense under the rules of civil procedure.

⁵ When Alexsam filed suit, its patents had not expired and Alexsam conceded before the Federal Circuit that a successful invalidity counterclaim would have limited FIS’s liability. Appellant’s Principal Br. 25

Fed.R.Civ.P. 8(c). It is not a jurisdictional doctrine.”) (*overruled on other grounds as recognized by Prudential Ins. Co. v. Lai*, 42 F.3d 1299 (9th Cir. 1994)).

The trial court correctly rejected Alexsam’s res judicata argument as premature. *See* Appx0012-0014. On the merits, Respondents likewise would have prevailed on this issue. FIS was not involved in the 2003 litigation and thus had no opportunity to conduct discovery on validity issues in that case. *See Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1370 (Fed. Cir. 2001). Accordingly, the SLA’s release does not apply to FIS, as the parent of Wildcard, AppxS023-S024 § 9, and res judicata would not apply to prevent FIS from defending itself in this case.

**5. Alexsam Cannot Explain Why
28 U.S.C. § 1454(a) Does Not Apply
Here**

Alexsam acknowledges—as it must—that § 1454(a) provides that counterclaims raising “issues of patent infringement or invalidity can serve as a basis for removal jurisdiction.” Pet. 25-26. But Alexsam incorrectly contends that § 1454(a) does not apply here because Respondents’ invalidity counterclaim allegedly was not compulsory. Pet. 26 (“The hallmark of a compulsory counterclaim is that it will be lost if not raised. Respondents’ invalidity counterclaim did not have to be raised here.” (citation omitted)). Alexsam also argues that § 1454(a) does not apply because “Respondents’ counterclaims arose out of the SLA, not the patent laws, so the applicability of 28 U.S.C. § 1338(a) is in question.” *Id.*

These arguments are both irrelevant and legally incorrect. First, § 1454(a) does not require a “compulsory counterclaim,” as Alexsam erroneously contends. It requires only a “claim for relief arising under any Act of Congress relating to patents.” 28 U.S.C. § 1454(a). The requirements for stating a “claim for relief” are defined in Fed. R. Civ. P. 8(a), and nowhere does this rule require a claim or counterclaim to be “compulsory.”⁶

Second, Alexsam’s argument that “Respondents’ counterclaims arose out of the SLA, not the patent laws,” is illogical. A legal cause of action arises under either a state or federal statute or under common law; it does not “arise” from a private agreement between two parties. In other words, private parties cannot create a cause of action that does not already exist somewhere in the law. *See Gunn*, 568 U.S. at 257 (“[A] case arises under federal law when federal law creates the cause of action asserted.”); *Alexander v. Sandoval*, 532 U.S. 275, 286-87 (2001) (observing that private rights of action must be created by statute or common-law courts). Here, Respondents’ patent-invalidity counterclaim clearly arose under federal patent laws, not the SLA. *Gunn*, 568 U.S. at 257 (citing *Am. Well Works*, 241 U.S. at 260 (“A suit arises under the law that creates the cause of action.”)).

As a fallback, Alexsam argues that, even if Respondents’ counterclaim provided a proper basis

⁶ To be clear, Respondents’ invalidity counterclaim is compulsory, as explained in Section II.B.2, *infra*. But whether or not it is compulsory does not affect the district court’s jurisdiction under § 1338(a) or its removal authority under § 1454(a).

for removal, the district court nonetheless erred by declining to remand Alexsam's state-law claims under 28 U.S.C. § 1454(d). Pet. 26. But Alexsam fails to show any error by the district court. *See City of Chicago v. Int'l Coll. of Surgeons*, 522 U.S. 156, 172-73 (1997) (noting that 28 U.S.C. § 1367(a) both "authorize[s] the district courts to exercise supplemental jurisdiction" and "confirms the discretionary nature of supplemental jurisdiction").

Here, the district court correctly held that "Plaintiff's breach of contract claims and Defendants' invalidity counterclaim clearly form part of the same case or controversy." Appx0021. Moreover, the contract claims did not raise a "novel or complex issue of State law," nor did they "substantially predominate" over Respondents' invalidity counterclaim. *Id.* (quoting 28 U.S.C. § 1367(c)). Nor is Alexsam correct that the district court was obligated to sever and remand simply because FIS prevailing on the invalidity counterclaims would not have completely eliminated the need to assess coverage under the SLA. Pet. 26 (citing *Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co.*, 112 F.3d 1561, 1567-68 (Fed. Cir. 1997)). Invalidating the Alexsam Patents would have terminated the SLA, meaningfully limiting the scope of Alexsam's claims by precluding any *prospective* liability. Alexsam's reliance on *Studiengesellschaft*, a case in which enforcement of a license was "not contingent upon validity of the patent which defines the subject matter of the license," *id.* at 1567, is therefore misplaced.

B. The Federal Circuit Properly Exercised Jurisdiction over Alexsam’s Appeal

1. Compulsoriness of Respondents’ Counterclaim Is Relevant Only to the Federal Circuit’s Jurisdiction, Not the District Court’s

It is not clear whether Alexsam is challenging the Federal Circuit’s jurisdiction under 28 U.S.C. § 1295(a)(1), separate and apart from its challenge to the district court’s jurisdiction.⁷ But because the Petition discusses at length whether Respondents’ invalidity counterclaim was compulsory or permissive—an issue relevant *only* to whether Alexsam’s appeal should have been heard by the Eleventh Circuit or the Federal Circuit (*see supra* Section II.A.1)—Respondents will address this issue out of an abundance of caution.

2. Respondents’ Invalidity Counterclaim Is Compulsory

A counterclaim is compulsory if it “arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim.” Fed. R. Civ. P. 13(a)(1)(A); *see also In re Rearden*, 841 F.3d at 1332. Courts construe “transaction or occurrence” liberally, consistent with the fundamental purpose of Rule 13 to promote efficiency and encourage parties to bring all factually overlapping claims in a single lawsuit. *See, e.g., Warshawsky & Co. v. Arcata Nat’l Corp.*, 552 F.2d 1257, 1261 (7th Cir. 1977) (“The purpose of [Rule 13(a)] is to prevent multiplicity of actions and to

⁷ Alexsam does not cite § 1295(a)(1) in its Petition.

achieve resolution in a single lawsuit of all disputes arising out of common matters.” (citing *S. Const. Co. v. Pickard*, 371 U.S. 57, 60 (1962)). The term “transaction” contemplates “a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship.” *Id.* (citing *Moore v. N.Y. Cotton Exch.*, 270 U.S. 593, 610 (1926)); see also 6 Charles Alan Wright & Arthur R. Miller, *Federal Practice & Procedure* § 1410 (3d ed. 2010) (“The hallmark of [the logical-relationship test] is its flexibility. Basically, it allows the court to apply Rule 13(a) to any counterclaim that from an economy or efficiency perspective could be profitably tried with the main claim.”).

Based on these principles, the Federal Circuit has relied on the following analysis for determining whether a counterclaim is compulsory:

“[O]ur court has utilized three tests to determine whether the ‘transaction or occurrence’ test of Rule 13(a) is met: (1) whether the legal and factual issues raised by the claim and counterclaim are largely the same; (2) whether substantially the same evidence supports or refutes both the claim and the counterclaim; and (3) whether there is a logical relationship between the claim and the counterclaim.”

In re Rearden, 841 F.3d at 1332 (alteration in original) (quoting *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1325 (Fed. Cir. 2008)). For the “logical relationship” prong, “absolute identity of

factual backgrounds” is not necessary. *Vermont*, 803 F.3d at 644 (citation omitted). Rather, if there is enough of a relationship between two claims to make trying them together economical and fair, the claims are compulsory under Rule 13. *Id.*

Here, Alexsam’s contract claims and Respondents’ patent-invalidity counterclaim bear a logical relationship due at least to a substantial overlap in background facts. The claims involve the same parties and their longstanding disputes about the Alexsam Patents. *See, e.g., Critical-Vac Filtration Corp. v. Minuteman Int’l, Inc.*, 233 F.3d 697, 700-01 (2d Cir. 2000) (finding antitrust counterclaims compulsory because an “obvious ‘logical relationship’” existed between them and patent-infringement claims), *cert. denied*, 532 U.S. 1019 (2001); *Destiny Tool v. SGS Tools Co.*, 344 F. App’x 320, 323 (9th Cir. 2009) (same); *see also Baker v. Gold Seal Liquors, Inc.*, 417 U.S. 467, 469 n.1 (1974). Because of this factual overlap, the invalidity counterclaim helped put Alexsam’s ill-fated contract claims in context—shedding light on Alexsam’s desire to resurrect the SLA in order to obtain royalties for patents whose validity had been called into serious doubt.

Perhaps most straightforwardly, the claims bear a logical relationship because, as Alexsam conceded in its briefing below, “invalidity was . . . a defense to liability for breach under the SLA.” Appellant’s Principal Br. 26; *see also id.* (“[I]nvalidity could have limited the amount of royalties owed . . .”). That the same facts used to establish one claim could directly affect the recovery in the other is a particularly clear and direct example of the sort of “logical relationship”

that makes a counterclaim compulsory. *Cf. Harris v. Steinem*, 571 F.2d 119, 123 (2d Cir. 1978) (“[P]recise identity of issues and evidence between claim and counterclaim is not required.” (citing *Moore*, 270 U.S. at 610)). In fact, Alexsam relied heavily on the obvious logical relationship between the claims in arguing that judgment for Respondents on the SLA claim eliminated the need for a declaration on invalidity. *See* FC.Appx0598 (acknowledging that FIS’s counterclaim was a means “to defeat the SLA”). The trial court thus rightly held that the two claims “clearly form part of the same case or controversy.” Appx0021. Alexsam cannot show any error in this holding.

Moreover, hearing the claims together eliminated the opportunity to gain an advantage by taking inconsistent positions—a significant danger given Alexsam’s conflicting statements on the status of the SLA and other matters throughout this litigation. *See, e.g.*, FC.Appx0033 (the district court chastising Alexsam for attempting to “have its cake and eat it too” by taking inconsistent positions); *see also United States v. Aquavella*, 615 F.2d 12, 22 (2d Cir. 1979) (applying Rule 13(a) involves “considerations of judicial economy and fairness.” (citation omitted)). Hearing the claims together also promoted judicial economy because evidence and expert testimony about the meaning of overlapping terms in the SLA and the Alexsam Patents would have applied to both claims. *Handy v. Shaw, Bransford, Veilleux & Roth*, 325 F.3d 346, 349 (D.C. Cir. 2003) (“[S]eparate parallel proceedings have long been recognized as a judicial inconvenience.” (citation omitted)).

3. The Circuit Courts Applied the Proper Law

Alexsam contends that the circuit courts should have applied Florida law, rather than Federal Circuit law, in analyzing compulsoriness of Respondents' counterclaim. Pet. 29-30 (citing *Montgomery Ward Dev. Corp. v. Juster*, 932 F.2d 1378, 1381 (11th Cir. 1991)). But Federal Circuit law, rather than Florida law, governs whether a claim is compulsory or permissive for jurisdictional purposes under § 1295(a). See *Vermont*, 803 F.3d at 644 n.2. Moreover, the Eleventh Circuit has determined that the apparent four-part test Alexsam cites, Pet. 30, boils down to the same "logical relationship" test applied across federal circuits. See *Juster*, 932 F.2d at 1381 ("[S]ince every compulsory counterclaim must necessarily pass the 'logical relationship' test, it is the test that we will apply . . ."). And this is precisely the test the Eleventh Circuit applied in transferring this appeal. Appx0030-0032.

4. Because Respondents' Invalidation Counterclaim Is Compulsory, the Federal Circuit Properly Exercised Jurisdiction Under 28 U.S.C. § 1295(a)(1)

Section 1295(a)(1), as amended by the AIA, states:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from a final decision of a district court of the United States . . . in any civil action arising under, *or in any civil action in which a party has asserted a compulsory counterclaim arising under*, any Act of Congress relating to patents

28 U.S.C. § 1295(a)(1) (emphasis added).

Because Respondents’ counterclaim for patent invalidity was compulsory—both under the Federal Circuit’s and the Eleventh Circuit’s tests—the Federal Circuit properly exercised jurisdiction over Alexsam’s appeal.

C. Alexsam’s Breach-of-Contract Claim Also Invoked Federal Jurisdiction

1. Federal Jurisdiction Exists Under the *Grable/Gunn* Test

Separate and apart from Respondents’ invalidity counterclaim, Alexsam’s breach-of-contract claim provided an independent basis for federal jurisdiction. Although Alexsam’s contract claims were not created by federal law, they necessarily raised disputed and substantial patent issues capable of resolution in federal court without disrupting the federal-state balance. *See Gunn*, 568 U.S. at 258; *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807-09 (1988) (citing 28 U.S.C. § 1295(a)(1)); *Vermont*, 803 F.3d at 645; *Ayres v. Gen. Motors Corp.*, 234 F.3d 514, 517-18 (11th Cir. 2000). Given the “strong federal interest” in the removal of nonuniformity from patent law and the importance of

benefitting from “judges who are used to handling . . . complicated [patent] rules,” such claims are deemed to arise under patent law for jurisdictional purposes. *USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 279, 282 (5th Cir. 2011) (citation omitted).

In *Gunn*, this Court reaffirmed the existence of a category of state-law claims for which federal “arising under” jurisdiction can be found. 568 U.S. at 258. It condensed its prior decisions on this issue into the following test:

[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.

Id. (citing *Grable*, 545 U.S. at 313-14). Alexsam’s contract claims satisfy this test.

For the “substantial” prong of the *Grable/Gunn* test, the inquiry “looks . . . to the importance of the issue to the federal system as a whole,” not just to the individual case itself. *Id.* at 260. The Court distinguished “substantial” issues from those that are primarily “backward-looking” and “merely hypothetical,” such as certain state-law malpractice claims. *Id.* at 261.

Applying these standards, myriad courts (both before and after *Gunn*) have held that state-law contract claims arise under patent law for jurisdictional purposes when they would, if

successful, require a court to construe claim terms or analyze patent-based issues such as infringement. *See, e.g., Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1337-38 (Fed. Cir. 2014); *Scherbatskoy v. Halliburton Co.*, 125 F.3d 288, 291 (5th Cir. 1997) (holding that breach-of-contract claim raised patent-law issue where defendant failed to pay additional royalties under a license agreement after acquiring a new company because determining whether that company infringed the patents is a necessary element to recovery of additional royalties or a finding of breach); *U.S. Valves, Inc. v. Dray*, 190 F.3d 811, 813-14 (7th Cir. 1999); *see also Green Dot*, 2015 WL 6520917, at *4 (FC.Appx0609); *MasterCard*, No. 1:15-cv-02799, Doc. 31 (Order) at 1-2 (FC.Appx0602).

The same result is warranted here. Alexsam has tacitly conceded that its contract claims necessarily raise patent issues. *See, e.g.,* Pet. 17 (admitting that “an analysis of the claims of [the] patents may be necessary to determine the coverage of a contract”); *see also id.* (admitting that “‘claim scope’ may be necessary to interpret coverage under the SLA”). In other words, “there is no way [Alexsam] can prevail without addressing claim scope.” *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1285 (Fed. Cir. 2007). These issues are also hotly disputed, as demonstrated by the parties’ long-running disagreements on the scope of the Alexsam Patents and whether the Disputed Transactions were covered by the patents under the SLA.

Thus, the parties’ questions on the Alexsam Patents are substantial and have forward-looking, real-world consequences, particularly in light of

Alexsam's involvement in litigations across regional circuits. *See, e.g., Alexsam, Inc. v. Fid. Nat'l Info. Servs., Inc.*, No. 0:16-cv-61909-BB (S.D. Fla. 2016); *Green Dot*, No. 2:15-cv-05742-CAS-PLA (C.D. Cal. 2015); *MasterCard*, No. 1:15-cv-02799-ILG-SMG (E.D.N.Y. 2015); *Alexsam, Inc. v. Gap, Inc.*, No. 2:13-cv-00004-MHS-CMC (E.D. Tex. 2013).

This directly implicates the need for uniformity that the federal patent system is designed to promote. *See Jang*, 767 F.3d at 1337-38. Moreover, as of the time the district court ruled, these issues had not already been decided by a federal court, which weighs in favor of a finding of substantiality. *See id.* at 1337 (“Contract claims based on underlying ongoing royalty obligations, such as the ones at issue here, raise the real world potential for subsequently arising infringement suits affecting other parties.”). The patent issues raised by Alexsam's contract claims are therefore substantial and directly implicate the need for uniformity in patent law.⁸ *Id.* at 1338.

Finally, the issues raised in this lawsuit are capable of resolution in federal court without disrupting the federal-state balance. As the trial court found, Alexsam's contract claims do not “raise a ‘novel or complex issue of State law’ [or] ‘substantially predominate’” over the patent issues, Appx0021 (quoting 28 U.S.C. § 1367(c)), and, indeed, the trial court was able to resolve all of Alexsam's claims based

⁸ Notably, the Federal Circuit has already heard two appeals arising from the Alexsam Patents, demonstrating the substantiality of this litigation within the patent landscape. *See IDT*, 715 F.3d 1336; *Alexsam, Inc. v. Gap, Inc.*, 621 F. App'x 983 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 1177 (2016).

on issues that are well settled under Florida law. *See* FC.Appx0020-0036.

Alexsam's contract claims thus arise under federal patent law for jurisdictional purposes, which provides a separate and independent basis for federal jurisdiction.

2. The "Well-Pleaded Complaint" Rule Does Not Change the Result

Contrary to Alexsam's assertion, the "well-pleaded complaint" rule does not warrant a different result. Alexsam's breach-of-contract complaint refers on its face to the SLA, AppxS013-S014, which grants a license only for certain transactions that were the subject of Alexsam's 2003 infringement suit against WildCard, AppxS019; AppxS021-S022. The question of whether the Disputed Transactions are subject to the SLA, in turn, requires an assessment of whether those transactions fall within the scope of the Alexsam Patents. Alexsam's complaint thus "arises under" the patent law because its breach-of-contract claim necessarily requires the court to decide whether certain transactions would infringe the Alexsam Patents and thus fall within the scope of the SLA.

D. Alexsam's Other Arguments Do Not Warrant Certiorari

1. The 11th Circuit and Federal Circuit Followed Their Precedent

Neither the Eleventh Circuit nor the Federal Circuit ignored their precedents, as Alexsam suggests. Pet. 32-35. Alexsam, citing *MDS (Canada)*

Inc. v. Rad Source Technologies, Inc., 720 F.3d 833, 843 (11th Cir. 2013), contends that the patent-law questions at issue in this case are not substantial, but *MDS* is distinguishable for several reasons. First, the underlying action in *MDS* was filed before the AIA was enacted, and thus was governed by the prior versions of §§ 1338 and 1295(a)(1), and was decided before enactment of 28 U.S.C. § 1454. 720 F.3d at 841. Here, Respondents brought a patent-invalidity counterclaim, which alone raises a federal question sufficient to establish jurisdiction under § 1454. Further, an invalidity ruling here could affect other pending cases involving Alexsam and other parties. This action thus raises a more substantial federal question than in *MDS*, where the Court recognized that the resolution of the infringement claim was unlikely to control any future cases. *Id.* at 842.

The Federal Circuit's decision here is entirely consistent both with its past decisions and with *Gunn*. In *First Data Corp. v. Inselberg*, for example, the parties agreed that the party asserting state-law claims no longer had any ownership interest in the relevant patents and could not obtain any such interest absent relief on their state-law claims. 870 F.3d 1367, 1375 (Fed. Cir. 2017). The Federal Circuit thus held that the patent-infringement and invalidity counterclaims were not ripe, *id.*, not that they could not give rise to federal jurisdiction. *First Data* thus differs from the facts here because Alexsam indisputably owns patents that it contends cover FIS's conduct pursuant to the SLA, which expressly provides an avenue for FIS to challenge the validity of those patents. Moreover, it is undisputed that Alexsam sent notice to FIS that the SLA had

terminated, and thus the threat of potential infringement claims is not contingent upon future events, as was the case in *First Data. Id.*

Alexsam also cites *Xitronix Corp. v. KLA-Tencor Corp.*, a case that involved allegations of false statements in a *Walker Process* monopolization claim. 882 F.3d 1075 (Fed. Cir. 2018). As the Court noted in *Xitronix*, there “is nothing unique to patent law about allegations of false statements,” *id.* at 1077, and expressly distinguished such allegations from a claim of patent validity, *id.* at 1078. Alexsam fails to cite any case holding that a legitimate dispute over patent validity fails to raise a substantial question of patent law.

2. The Decisions Below Do Not Take Away a Patent Licensor’s Ability to Enforce the License Without Relitigating Patent Infringement

Alexsam contends that affirming the decisions below would “foreclose patent licensors from asserting state law claims for breach of contract,” Pet. 12, and “forc[e] the licensor to re-litigate that which they had already negotiated,” Pet. 35. According to Alexsam, this would “doom settlement agreements for patents which include a running royalty as part of the settlement,” Pet. 5, because “[n]o patent holder in his or her right mind would now enter into such an agreement knowing that the licensee could stop paying, wait to be sued, and then renew its assault on the validity of the patents covered by the license,” *id.*

The dire picture Alexsam paints, however, does not match the facts here. Alexsam's complaint does not seek running royalties stemming from a settlement—the parties never litigated infringement of the FIS transactions for which Alexsam now seeks to obtain royalties. Instead, Alexsam's 2003 infringement suit was against WildCard, a company that FIS did not acquire until 2007, years after the WildCard suit was resolved. Alexsam does not dispute that Respondents paid running royalties for the products at issue in the 2003 litigation but contends that a new class of transactions not previously litigated falls within the scope of the Alexsam Patents.

Moreover, numerous cases show that Alexsam's concerns are unfounded because federal courts are properly following *Gunn* and sending cases back to state court where they primarily involve state-law claims. In *University of Florida Research Foundation, Inc. v. Medtronic PLC*, for example, the Federal Circuit held that a complaint seeking an accounting under a license agreement did not create federal court jurisdiction because, in contrast to the facts here, the claim was “not dependent on whether the products as to which that accounting is sought qualify as ‘Licensed Products’ under the license agreement.” No. 2016-2422, 2017 WL 6210801, at *2 (Fed. Cir. Jan. 27, 2017); see also *TransCardiac Therapeutics, Inc. v. Yoganathan*, 15 F. Supp. 3d 1364, 1370-74 (N.D. Ga. 2014) (declining to exercise jurisdiction because complaint raising state breach-of-contract and tortious-interference claims “simply does not involve an actual dispute over [patent] inventorship”).

CONCLUSION

For the foregoing reasons, the Court should deny the petition for certiorari.

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