

No. _____

IN THE
Supreme Court of the United States

XITRONIX CORPORATION,
Petitioner,

v.

KLA-TENCOR CORPORATION, DBA KLA-TENCOR, INC.,
Respondent.

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), this Court held that “the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present.” *Id.* at 174. Petitioner filed a *Walker Process* suit against Respondent, alleging that Respondent violated the antitrust laws by fraudulently obtaining a patent. After the District Court granted summary judgment to Respondent, Petitioner appealed. The Federal Circuit ruled that it lacked jurisdiction over the appeal, and transferred it to the Fifth Circuit. The Fifth Circuit then ruled that the Federal Circuit had exclusive jurisdiction over the appeal, and transferred it back to the Federal Circuit. The Federal Circuit then affirmed the District Court’s summary judgment decision, despite its own precedent holding that it lacked jurisdiction.

The question presented is:

Does appellate jurisdiction over *Walker Process* claims lie in the regional circuits, or in the Federal Circuit?

CORPORATE DISCLOSURE STATEMENT

Petitioner, Xitronix Corporation, has no outstanding shares or debt securities in the hands of the public, and it does not have a parent company. No publicly held company has a 10% or greater ownership interest in Petitioner.

STATEMENT OF RELATED CASES

This petition seeks review of a final judgment by the Federal Circuit. It is related to a petition currently pending before this Court, which seeks review of the Fifth Circuit's judgment transferring this case to the Federal Circuit. *See* Petition for Certiorari, *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-1170 (U.S. filed Mar. 8, 2019) (seeking review of Fifth Circuit's decision in *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-50114).

TABLE OF CONTENTS

QUESTION PRESENTED i

CORPORATE DISCLOSURE STATEMENT ii

STATEMENT OF RELATED CASES iii

TABLE OF AUTHORITIES vi

PETITION FOR WRIT OF CERTIORARI 1

OPINIONS BELOW 1

JURISDICTION 1

STATUTORY PROVISION INVOLVED 1

INTRODUCTION 2

STATEMENT OF THE CASE 5

REASONS FOR GRANTING THE WRIT 13

I. THE CIRCUIT SPLIT IS
UNTENABLE. 13

 A. The Court Should Resolve the
 Circuit Split Between the Fifth
 Circuit and the Federal Circuit. 13

 B. There Is Widespread Confusion On
 An Issue of National Importance. 19

II. THE FIFTH CIRCUIT, NOT THE FEDERAL CIRCUIT, HAS JURISDICTION.....	24
CONCLUSION	30
Appendix A	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , 767 F. App’x 1008 (Fed. Cir. 2019).....	1a
Appendix B	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , 757 F. App’x 1008 (Fed. Cir. 2019).....	3a
Appendix C	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , 916 F.3d 429 (5th Cir. 2019).....	8a
Appendix D	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , 882 F.3d 1075 (Fed. Cir. 2018)	38a
Appendix E	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , 892 F.3d 1194 (Fed. Cir. 2018)	50a
Appendix F	
<i>Xitronix Corp. v. KLA-Tencor Corp.</i> , Cause No.: A-14-CA-01113-SS, 2016 WL 7626575 (W.D. Tex. Aug. 26, 2016).....	70a

TABLE OF AUTHORITIES

CASES

<i>Christianson v. Colt Industries Operating Corp.</i> , 486 U.S. 800 (1988)..... <i>passim</i>	
<i>Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing</i> , 545 U.S. 308 (2005)	29
<i>Gunn v. Minton</i> , 568 U.S. 251 (2013)	6, 7, 12, 15, 29
<i>Illinois Tool Works, Inc. v. Independent Ink, Inc.</i> , 547 U.S. 28 (2016).....	26
<i>In re Lipitor Antitrust Litigation</i> , 855 F.3d 126 (3d Cir. 2017)	10, 19, 20, 22
<i>MDS (Canada) Inc. v. Rad Source Technologies, Inc.</i> , 720 F.3d 833 (11th Cir. 2013).....	10, 21, 22
<i>Nobelpharma AB v. Implant Innovations, Inc.</i> , 141 F.3d 1059 (Fed. Cir. 1998)	6
<i>Parker Drilling Management Services, Ltd. v. Newton</i> , 139 S. Ct. 914 (2019).....	14
<i>Perry v. Merit Systems Protection Board</i> , 137 S. Ct. 1975 (2017).....	23
<i>Seed Co. Ltd. v. Westerman</i> , 832 F.3d 325 (D.C. Cir. 2016).....	10, 20
<i>Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.</i> , 382 U.S. 172 (1965)	2, 24, 25, 26, 27

STATUTES

28 U.S.C. § 1254(1).....	1
28 U.S.C. § 1295	15
28 U.S.C. § 1295(a)(1)	1, 2
28 U.S.C. § 1331	15, 29
28 U.S.C. § 1338	15

PETITION FOR WRIT OF CERTIORARI

Xitronix Corporation petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The decision of the Federal Circuit affirming the District Court (Pet. App. 1a-2a) is reported at 767 F. App'x 1008. The decision of the Federal Circuit accepting jurisdiction over this case (Pet. App. 3a-7a) is reported at 757 F. App'x 1008. The decision of the Fifth Circuit (Pet. App. 8a-37a) transferring this case to the Federal Circuit is reported at 916 F.3d 429. The decision of the Federal Circuit (Pet. App. 38a-49a) transferring this case to the Fifth Circuit is reported at 882 F.3d 1075. The opinion dissenting from the Federal Circuit's denial of rehearing en banc (Pet. App. 50a-69a) is reported at 892 F.3d 1194. The summary judgment decision of the Western District of Texas (Pet. App. 70a-93a) is reported at 2016 WL 7626575.

JURISDICTION

The judgment of the Federal Circuit was entered on May 23, 2019. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

28 U.S.C. § 1295(a)(1) provides:

(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, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, 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 or plant variety protection.

INTRODUCTION

This case presents the ultimate circuit split: A split between two circuits deciding the same question in the same case.

Petitioner Xitronix Corporation sued Respondent KLA-Tencor Corporation, alleging that KLA-Tencor violated federal antitrust law by fraudulently obtaining a patent. *See Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172, 174 (1965) (“[T]he enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present.”). The District Court granted summary judgment to KLA-Tencor.

Xitronix initially appealed to the Federal Circuit. The Federal Circuit transferred the case to the Fifth Circuit. It held, in a published, precedential decision, that the Federal Circuit lacked jurisdiction over the appeal because the suit was not a “civil action arising under ... any Act of Congress related to patents.” 28 U.S.C. § 1295(a)(1).

The Fifth Circuit then transferred the case back to the Federal Circuit. Expressly disagreeing with the

Federal Circuit, it held, in a published, precedential decision, that the Federal Circuit had exclusive jurisdiction over the appeal because the suit *was* a “civil action arising under ... any Act of Congress related to patents” under § 1295(a)(1). Xitronix filed a petition for certiorari challenging that decision, which is currently pending before this Court. Petition for Certiorari, *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-1170 (U.S. filed Mar. 8, 2019).¹

After Xitronix filed its petition, the Federal Circuit agreed to exercise jurisdiction over the appeal—but not because it agreed with the Fifth Circuit. To the contrary, the Federal Circuit stated that the Fifth Circuit’s analysis of Supreme Court precedent was “incorrect[]” and “untenable.” Pet. App. 4a. But the Federal Circuit concluded that the Fifth Circuit’s order met the minimal threshold of being “plausible” and therefore should be accepted as law of the case. Pet. App. 7a. It then affirmed the District Court’s grant of summary judgment—notwithstanding its own precedential decision establishing that it lacked jurisdiction to do so.

There is now binding precedent in both circuits holding that this appeal must be transferred to the other circuit. Worse yet, the Federal and Fifth Circuit’s opinions are written broadly enough such that

¹ For the Court’s convenience, Xitronix is submitting this petition as a separate, stand-alone document, with a full recitation of the procedural history and the arguments for certiorari. As such, portions of this petition are repetitive of Xitronix’s prior petition.

each circuit will now require a large category of appeals to be transferred to the other circuit. This situation is untenable. This Court granted certiorari in a virtually identical procedural posture in *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988)—there, too, the Federal Circuit transferred an appeal to a regional circuit, the regional circuit transferred it back, and the Federal Circuit heard the appeal on the merits despite disagreeing with the transfer decision. The Court should grant certiorari in this case as well.

Even beyond the conflict between the Fifth Circuit and Federal Circuit, there is broad confusion among the circuits as to the scope of the Federal Circuit's exclusive jurisdiction. This confusion is harmful to the administration of justice. Litigation over where to litigate wastes the time of both litigants and courts, especially where, as here, the outcome of the litigation over where to litigate depends on where the issue is in fact litigated. Only this Court can resolve that confusion and set a clear jurisdictional rule.

On the merits, this Court should hold that the regional courts of appeals have jurisdiction over appeals in *Walker Process* cases. *Walker Process* suits arise under the antitrust laws, not the patent laws, and any embedded issues of patent law in such cases do not justify sending them to the Federal Circuit. The Fifth Circuit's proposed rule, which would require case-by-case assessments to determine which circuit has jurisdiction, will yield nothing but uncertainty and more circuit splits like this one.

Because the Federal Circuit lacked jurisdiction over this appeal, its judgment should be reversed.

STATEMENT OF THE CASE

Petitioner Xitronix Corporation and Respondent KLA-Tencor Corporation are competitors in the “optical inspection” market. Pet. App. 9a. Optical inspection technology is used for quality control in the production of semiconductor wafers. *Id.*

Xitronix filed this *Walker Process* suit against KLA-Tencor, alleging that KLA-Tencor committed an antitrust violation by, *inter alia*, fraudulently obtaining U.S. Patent No. 8,817,260. Pet. App. 11a-12a. The ’260 patent is a continuation of an earlier patent, which is in turn a continuation of U.S. Patent No. 7,362,441. Pet. App. 10a, 12a. In an earlier lawsuit between the parties, a federal district court entered a final judgment invalidating the claims of the ’441 patent. Pet. App. 10a-11a. In this *Walker Process* suit, Xitronix alleges that instead of appealing that judgment, KLA-Tencor prosecuted and eventually obtained, in the ’260 patent, claims that were either identical to, or broader than, the invalidated claims of the ’441 patent. Pet. App. 74a-75a. Xitronix further alleges that KLA-Tencor fraudulently obtained the ’260 patent via material false statements and omissions, in violation of its duty of candor before the Patent Office. Pet. App. 15a, 78a.

The District Court granted summary judgment to KLA-Tencor, ruling that KLA-Tencor had made no affirmative misrepresentations or deliberate omissions to the Patent Office. Pet. App. 81a-91a. It further ruled that even if KLA-Tencor did make misrepresentations or omissions, they were not material to the Patent Office’s decision to issue the patent. Pet. App. 91a-92a.

Xitronix appealed the District Court’s ruling to the Federal Circuit. The Federal Circuit sought supplemental briefing on whether the case should be transferred to the Fifth Circuit. Initially, both parties took the position that the Federal Circuit had jurisdiction, in reliance on Federal Circuit case law holding that the Federal Circuit had jurisdiction over *Walker Process* appeals. See Letter from Counsel for Xitronix Corp. at 3-4, Fed. Cir. Dkt. 49; Supp. Br. of KLA-Tencor at 5, Fed. Cir. Dkt. 50; *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

In a published, precedential decision, however, the Federal Circuit ruled that it lacked jurisdiction over the appeal and transferred it to the Fifth Circuit. Pet. App. 38a-49a. The Federal Circuit applied the test of *Gunn v. Minton*, 568 U.S. 251 (2013). In *Gunn*, this Court held that a legal malpractice claim arising out of alleged errors in prosecuting a patent suit was properly brought in state court, rather than federal court. The Court held that the plaintiff’s claim did not “aris[e] under the any Act of Congress relating to patents” for purposes of federal subject-matter jurisdiction. *Id.* at 257 (citing 28 U.S.C. § 1338(a)). The Court explained that the legal malpractice claim arose under state law, not federal law, and did not fall within the “special and small category of cases” in which federal courts should exercise arising-under jurisdiction over state-law claims. *Id.* at 258 (internal quotation marks omitted). The Court acknowledged that the malpractice claim contained an embedded, disputed question of patent law—*i.e.*, whether the client would have won the patent

suit if the attorney had made the right argument. *Id.* at 259. Nonetheless, this Court concluded that the embedded patent issue was not sufficiently important “to the federal system as a whole,” and that sending the case to state court would not unduly disrupt the “balance of federal and state judicial responsibilities.” *Id.* at 260-64 (internal quotation marks omitted).

The Federal Circuit held that “in light of the Supreme Court’s guidance and rationale in *Gunn*,” the Federal Circuit lacked jurisdiction. Pet. App. 43a. It concluded that Xitronix’s suit arose under the Sherman Act, not the Patent Act, and did not fall within the narrow category of non-patent claims over which the Federal Circuit nonetheless had appellate jurisdiction. The court noted that Xitronix’s case hinged on the allegation that KLA-Tencor made false statements to the Patent Office, and “[t]here is nothing unique to patent law about allegations of false statements.” *Id.* The court acknowledged that there was an “underlying patent issue in this case,” but nonetheless held that it did not warrant the exercise of jurisdiction because that issue was “only relevant to determine if KLA intentionally made misrepresentations.” Pet. App. 44a. The court recognized that prior Federal Circuit panels had exercised jurisdiction over *Walker Process* claims (which is why Xitronix originally took the position that the Federal Circuit had jurisdiction), but it held that “[t]o the extent our prior precedent could be interpreted contrary to *Gunn*, the Supreme Court rendered that interpretation invalid.” Pet. App. 47a. The court also stated that “[d]ecisions from our sister circuits confirm the correctness of our decision today.”

Id. It relied on cases from the Third, Fifth, Eleventh, and D.C. Circuits, holding that the regional circuits have jurisdiction over appeals in non-patent cases raising embedded issues of patent law. Pet. App. 47a-48a.

KLA-Tencor filed a petition for rehearing en banc. Xitronix opposed the petition, accepting the Federal Circuit's analysis of its own jurisdiction over *Walker Process* cases post-*Gunn*. The Federal Circuit denied rehearing en banc by a 10-2 vote, over the dissents of Judge Newman and Judge Lourie. Pet. App. 51a. Judge Newman published an opinion dissenting from denial of rehearing en banc. She emphasized "the importance of this decision to the judicial structure of patent adjudication, and the future of a nationally consistent United States patent law." Pet. App. 53a. She expressed "concern for the conflicts and uncertainties created by this unprecedented change in jurisdiction" Pet. App. 54a. Judge Newman concluded that Supreme Court and Federal Circuit precedent supported the Federal Circuit's exercise of jurisdiction. Pet. App. 58a-65a. She also took the view that the panel's decision misconstrued opinions from other regional circuits. Pet. App. 65a-68a.

Following the denial of rehearing en banc, the case was transferred to the Fifth Circuit. In the Fifth Circuit, the parties' positions on the jurisdictional question were consistent with the positions they had taken at the rehearing stage in the Federal Circuit: Xitronix argued that the Fifth Circuit had jurisdiction, while KLA-Tencor argued that the Federal Circuit had jurisdiction.

In a published, precedential decision, the Fifth Circuit held that the Federal Circuit had exclusive jurisdiction, and transferred the case back to the Federal Circuit. Pet. App. 8a-37a. The Fifth Circuit recognized that the Federal Circuit's decision was the law of the case. Thus, under *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 819 (1988), the Fifth Circuit could not transfer the case back to the Federal Circuit unless it found that the Federal Circuit's decision was not even "plausible." Pet. App. 18a. Applying that standard, it found that the Federal Circuit's decision was implausible, thus requiring the case to be transferred back. *Id.*

The Fifth Circuit relied on *Christianson*, a case that had arisen in a similar procedural posture: the plaintiff had filed an antitrust claim raising patent issues, the Federal Circuit transferred the case to the Seventh Circuit, and the Seventh Circuit transferred the case back to the Federal Circuit. Pet. App. 19a, 21a. In *Christianson*, this Court stated: "[A] claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories." 486 U.S. at 810. On the facts of *Christianson*, this Court held that the Seventh Circuit had jurisdiction because patent law was not essential to the plaintiff's antitrust theories. *Id.* at 811-12. The Fifth Circuit distinguished *Christianson*, reasoning that patent law was essential to Xitronix's *Walker Process* claim, thus requiring the case to be transferred back to the Federal Circuit. Pet. App. 22a, 36a-37a. The Fifth Circuit held that *Gunn* was irrelevant to the question before it because *Gunn*

concerned only the allocation of jurisdiction between state courts and federal courts, and “*Gunn* gave no indication that it meant to alter *Christianson* or the allocation of cases among the circuit courts.” Pet. App. 24a.

The court then addressed the Federal Circuit’s reasoning, holding that it “depended on several premises that we find implausible.” Pet. App. 25a. The Fifth Circuit disagreed with the Federal Circuit’s assessment that the validity of the patent was not in issue, holding that “if this litigation determines that KLA defrauded the PTO in obtaining the ’260 patent, collateral estoppel principles would furnish a readymade inequitable conduct defense to any potential infringer whom KLA might sue.” Pet. App. 26a. The Fifth Circuit also concluded that the Federal Circuit had misread its own pre-*Gunn* cases. Pet. App. 26a-27a.

The Fifth Circuit distinguished cases from other circuits that had exercised jurisdiction over non-patent cases. It acknowledged that the Third Circuit resolved a *Walker Process* appeal in *In re Lipitor Antitrust Litig.*, 855 F.3d 126 (3d Cir. 2017), but explained that *Lipitor* “involved non-patent antitrust theories,” and therefore was appropriately decided by the regional circuit. Pet. App. 28a. It noted that *Seed Co. Ltd. v. Westerman*, 832 F.3d 325 (D.C. Cir. 2016) addressed a legal malpractice claim concerning the unsuccessful prosecution of a patent, and was thus irrelevant to jurisdiction over *Walker Process* appeals. Pet. App. 28a. It stated that *MDS (Canada) Inc. v. Rad Source Technologies, Inc.*, 720 F.3d 833 (11th Cir. 2013), a

breach of contract claim that turned on an infringement issue, “provides perhaps the strongest support” for the Federal Circuit’s transfer decision. Pet. App. 28a. But it distinguished *MDS* on the ground that it involved an expired rather than valid patent, and “did not address whether the *Walker Process* element of fraud on the PTO implicates federal patent law.” Pet. App. 29a-30a.

The Fifth Circuit concluded that even if *Gunn*’s test applied, the appeal “presents a substantial question” of patent law for purposes of that test because it had “the potential to render [a] patent effectively unenforceable and to declare the PTO proceeding tainted by illegality.” Pet. App. 30a-31a. It further observed that Xitronix’s suit “can be adjudicated only with reference to patent law.” Pet. App. 31a. It again expressed doubt that *Gunn* was relevant to the Federal Circuit’s jurisdiction, offering textual and policy arguments why *Gunn*’s standard should not govern the allocation of cases among the circuits. Pet. App. 32a-37a.

The court concluded: “We undertake the preceding analysis with respect for our judicial colleagues and gratitude for the litigants’ patience over the long pendency of this appeal. We nevertheless cannot conclude that the Federal Circuit’s decision to transfer this case to us was plausible, given the Supreme Court’s and Congress’s decisions to the contrary.” Pet. App. 37a. It therefore transferred the case back to the Federal Circuit. Xitronix filed a petition for certiorari challenging the Fifth Circuit’s transfer order, which remains pending before this Court. Petition for Certiorari, *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-1170 (U.S. filed Mar. 8, 2019).

After Xitronix filed its petition, the Federal Circuit issued a non-precedential order accepting jurisdiction over this appeal, finding that the Fifth Circuit’s “ultimate conclusion that we have jurisdiction is not ‘implausible.’” Pet. App. 4a.² In reaching this conclusion, the Federal Circuit made clear that it disagreed with the Fifth Circuit’s reasoning. The Federal Circuit found that the Fifth Circuit’s order “incorrectly” applied the test of *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988). Pet. App. 4a. The Federal Circuit also found the Fifth Circuit’s analysis of *Gunn v. Minton*, 568 U.S. 251 (2013), to be “untenable.” Pet. App. 4a. And it found that the Fifth Circuit “misreads our decision in *Nobelpharma AB v. Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).” Pet. App. 5a.

Nonetheless, the Federal Circuit found that “[d]espite these and other flaws, the Transfer Order’s conclusion that we have jurisdiction is not implausible.” Pet. App. 6a. The Federal Circuit noted that “[t]he Court’s decision in *Gunn* could be read to imply that whether the patent question at issue is substantial depends on whether the patent is ‘live’ such that the resolution of any question of patent law is not ‘merely hypothetical.’” Pet. App. 6a. “Here, the underlying patent has not expired, and the resolution of the fraud question could affect its enforceability.” Pet. App. 6a.

² Xitronix filed a supplemental brief in this Court addressing the Federal Circuit’s transfer order. See Supplemental Brief of Petitioner, *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-1170 (U.S. filed Mar. 21, 2019).

The Federal Circuit again went out of its way to say that it *disagreed* with this theory: “While it is not implausible to reach this conclusion, we reject the theory that our jurisdiction turns on whether a patent can still be asserted. Under this logic, cases involving *Walker Process* claims based on expired patents would go to the regional circuits while those with unexpired patents would come to us, despite raising the same legal questions.” Pet. App. 6a-7a. Nonetheless, it found the theory plausible: “Nevertheless, the fact that the underlying patent in this case has not expired and the fact that any decision could have effects on enforceability is a plausible reason for us to accept jurisdiction.” Pet. App. 7a. Thus, it “accept[ed] the transfer” and stated it would “resolve this case on the merits.” Pet. App. 7a.

On May 23, 2019, the Federal Circuit affirmed the District Court in an unpublished judgment that contained no reasoning. Pet. App. 1a-2a.

REASONS FOR GRANTING THE WRIT

I. THE CIRCUIT SPLIT IS UNTENABLE.

A. The Court Should Resolve the Circuit Split Between the Fifth Circuit and the Federal Circuit.

To state the obvious, there is a circuit split between the Fifth and Federal Circuits. The Federal Circuit held that it lacked jurisdiction over this appeal, while the Fifth Circuit held that the Federal Circuit had exclusive jurisdiction over this appeal. The Federal Circuit agreed to exercise jurisdiction—but continued to stand by its precedential decision, which held that it

lacked jurisdiction. A split this clear—even with only one appellate court on each side of the split—is, standing alone, a sufficient basis for a grant of certiorari. *See, e.g., Parker Drilling Mgmt. Servs., Ltd. v. Newton*, 139 S. Ct. 914 (2019) (granting certiorari to resolve split between Fifth and Ninth Circuits).

But this is no ordinary circuit split. There is now a precedential Federal Circuit decision holding that this case must be in the Fifth Circuit, and a precedential Federal Circuit decision holding that this case must be in the Federal Circuit. And not only this case: the reasoning of the Fifth and Federal Circuits makes clear that a broad category of cases will fall into the same appellate limbo. The Federal Circuit’s opinion appears to hold that all *Walker Process* appeals should proceed in the regional circuits. The Fifth Circuit’s opinion is broad as well. The Fifth Circuit distinguished *Gunn* on the basis that this case involves a still-valid patent. Pet. App. 29a. Thus, at a minimum, the Fifth Circuit’s reasoning would require transferring all standalone *Walker Process* claims involving still-valid patents to the Federal Circuit. But the Fifth Circuit expressed doubt that *Gunn* was relevant to appellate jurisdiction, and appeared to endorse the rule that *any* “standalone *Walker Process* claim” without alternative “non-patent theories,” whether they involve a valid or an invalid patent, belongs in the Federal Circuit. Pet. App. 36a-37a. Under that rule, for *all* standalone *Walker Process* claims brought in Texas, Louisiana, and Mississippi, the Federal Circuit holds that the Fifth Circuit has jurisdiction, and the Fifth Circuit holds that the Federal Circuit has jurisdiction.

Moreover, the Fifth Circuit and Federal Circuit disagree on the basic question of whether this Court's decision in *Gunn* is relevant to appellate jurisdiction. In *Gunn*, this Court held that a state court had jurisdiction over an attorney malpractice claim that raised an embedded question of patent law. It held that the malpractice claim did not "aris[e] under" federal patent law, and therefore did not fall within federal district courts' exclusive jurisdiction under 28 U.S.C. § 1338. This Court applied the test traditionally used to decide whether federal courts have arising-under jurisdiction under 28 U.S.C. § 1331. 568 U.S. at 257. It concluded that federal courts lacked jurisdiction because the patent-law question was not "substantial," and was "capable" of being resolved in state court "without disrupting the federal-state balance approved by Congress." *Id.* at 258.

The Federal Circuit held that *Gunn*'s analysis applies to the appellate jurisdiction inquiry. It observed that the statutory language of 28 U.S.C. § 1338, which governs original jurisdiction over patent cases, and 28 U.S.C. § 1295, which governs appellate jurisdiction over patent cases, is "indistinguishable." Pet. App. 47a. By contrast, the Fifth Circuit found "compelling reasons to think that [*Gunn*] did not" change the "scope of the Federal Circuit's jurisdiction." Pet. App. 32a. It observed that *Gunn* addressed the jurisdiction of district courts, rather than of appellate courts, and therefore "disagree[d] that the Supreme Court inserted *sub silentio* such a nettlesome issue" into the "allocation of cases between the circuit courts." Pet. App. 32a-33a.

Thus, the Federal Circuit thinks that *Gunn* provides the test for appellate jurisdiction, while the Fifth Circuit does not. As a result, in *any* non-patent case raising an embedded patent-law question—whether a *Walker Process* claim, or otherwise—the Fifth Circuit and Federal Circuit disagree on what test to apply to determine appellate jurisdiction.

This situation will create untenable practical problems—which will not be resolved by the Federal Circuit’s decision to exercise jurisdiction under protest. Going forward, in all *Walker Process* cases from the Federal Circuit, the filing of a notice of appeal will inevitably lead to either one or multiple transfers. If an appeal is filed in the Fifth Circuit, the court will be bound by its precedential decision to transfer the appeal to the Federal Circuit. Meanwhile, if an appeal is filed in the Federal Circuit, the court will be bound by its precedential decision to transfer the case to the Fifth Circuit. The Fifth Circuit will be bound by its precedential decision to hold that the transfer order is so implausible that the case must be transferred back to the Federal Circuit. Only then, assuming a future Federal Circuit panel follows the panel’s unpublished order here finding that the Fifth Circuit’s order is “plausible,” can the case be decided. The result will be ironic. In the interest of respecting the Federal Circuit’s expertise over patent litigation, cases will be transferred to the Federal Circuit—which, according to the Federal Circuit’s own expert judgment, should not be decided in the Federal Circuit.

And that is the *best-case* scenario. In this case, the Federal Circuit panel issued a non-precedential

decision holding that it could disregard binding circuit precedent and exercise jurisdiction over the appeal. If a future Federal Circuit panel takes a different view and deems the Fifth Circuit's transfer order "implausible" in view of Federal Circuit precedent, the case will ping-pong between the circuits forever.

This Court has previously granted certiorari in similar circumstances. In *Christianson*, a plaintiff filed an antitrust claim that presented an embedded issue of patent law. After the plaintiff obtained a final judgment in its favor, the defendant appealed to the Federal Circuit. 486 U.S. at 806. The Federal Circuit issued an unpublished order transferring the appeal to the Seventh Circuit. *Id.* The Seventh Circuit, in a published opinion, transferred the case back. *Id.* The Federal Circuit then issued a published decision holding that the Seventh Circuit had appellate jurisdiction, but nonetheless decided the case in the "interest of justice." *Id.* at 807 (quotation marks omitted). This Court granted certiorari to resolve the "peculiar jurisdictional battle": "Each court has adamantly disavowed jurisdiction over this case. Each has transferred the case to the other." *Id.* at 803. The Court ultimately concluded that the Seventh Circuit had jurisdiction because the plaintiff's complaint included antitrust theories that did not require adjudication of any patent questions: "The patent-law issue, while arguably necessary to at least one theory under each claim, is not necessary to the overall success of either claim." *Id.* at 810. This Court attempted to ward off such "perpetual game[s] of jurisprudential ping-pong" by holding that lower courts should

“adher[e] strictly to principles of law of the case”: “Under law-of-the-case principles, if the transferee court can find the transfer decision plausible, its jurisdictional inquiry is at an end.” *Id.* at 818-19. Unfortunately, in this case, that failsafe did not work: the Fifth Circuit deemed the Federal Circuit’s decision implausible, thus creating another circuit split. The Federal Circuit then affirmed on the merits—while making clear that it adhered to its prior precedential decision. As a result, like in *Christianson*, there is a square circuit split that only this Court can resolve.

One final word about the question presented. When this case reached the Fifth Circuit, the Federal Circuit’s decision was the law of the case. Thus, the precise question resolved by the Fifth Circuit was whether the Federal Circuit’s transfer decision was *implausible*. Likewise, when the case was transferred back to the Federal Circuit, the Federal Circuit decided whether the Fifth Circuit’s transfer order was *implausible*. But in this Court, the question presented is not whether either court’s decision was implausible; rather, the Court must decide the ultimate question of which court has appellate jurisdiction. *Christianson* makes clear that this is the proper inquiry. In *Christianson*, this Court rejected the argument that it should merely consider the plausibility of the later-decided transfer decision. As relevant here, it observed that while one circuit must treat a sister circuit’s decision as the law of the case, “law of the case cannot bind this Court in reviewing decisions below.” *Id.* at 817. To the contrary, “[a] petition for writ of certiorari can expose the entire case to review.” *Id.*

Thus, this petition for certiorari exposes the entire case to review. The Court need not decide whether one decision or the other was “plausible”; instead, the Court should simply decide the jurisdictional question without putting a thumb on the scale.

B. There Is Widespread Confusion On An Issue of National Importance.

Even beyond the square split between the Fifth and Federal Circuit, there is widespread national confusion over the scope of the Federal Circuit’s jurisdiction in non-patent cases presenting embedded issues of patent law. The Fifth Circuit and Federal Circuit each cited three post-*Gunn* appellate decisions from other regional circuits. The Federal Circuit thought all three cases “confirm the correctness” of its decision to transfer the case to the Fifth Circuit, Pet. App. 47a, while the Fifth Circuit cited all three cases in transferring the case back. Pet. App. 27a-28a. The only thing clear from these decisions is that litigants in such cases will have no idea where to appeal.

In *In re Lipitor Antitrust Litigation*, 855 F.3d 126 (3d Cir. 2017), the Third Circuit held that it had jurisdiction to hear an appeal in an antitrust case raising patent-law issues. The plaintiff alleged that the defendant had fraudulently procured a patent, had engaged in other anticompetitive conduct related to the patent system, and had engaged in certain other anticompetitive acts. *Id.* at 145. The Third Circuit held that whether the plaintiff’s patent theories were sufficiently substantial to warrant transferring the case to the Federal Circuit was “open to debate following *Gunn v. Minton.*” *Id.* at 146. But the court held that it

“need not definitively address the substantiality of plaintiffs’ [patent theories] in light of *Gunn*.” *Id.* It explained that “even assuming that these theories do present substantial questions of patent law,” “plaintiffs could obtain relief on their section 2 monopolization claims by prevailing on an alternative, non-patent-law theory,” which implied that the antitrust case did not “arise under” the patent laws. *See id.* The Federal Circuit thought *Lipitor* supported transferring the case, pointing to the Third Circuit’s observation that whether *Walker Process* claims are “substantial” for jurisdictional purposes is “open to debate following *Gunn v. Minton*.” Pet. App. 48a (quoting *Lipitor*, 855 F.3d at 145-46). The Fifth Circuit cited *Lipitor* in transferring the case back, observing that the “case involved non-patent antitrust theories, ... so the *Christianson* rule clearly allocated it to the regional circuit.” Pet. App. 28a.

In *Seed Co. Ltd. v. Westerman*, 832 F.3d 325 (D.C. Cir. 2016), the D.C. Circuit exercised jurisdiction over a legal malpractice claim concerning the unsuccessful prosecution of a patent. Like the Federal Circuit, but unlike the Fifth Circuit, the D.C. Circuit concluded that *Gunn*’s standard governed appellate jurisdiction. *Id.* at 331. It reasoned that the case “involve[d] no forward-looking questions about any patent’s validity, but instead solely concern[ed] whether unsuccessful patent applicants can recover against their attorneys.” *Id.* The Federal Circuit stated that this reasoning supported transferring the case to the Fifth Circuit. Pet. App. 48a. The Fifth Circuit, by contrast, held that *Seed Co.* “sheds no light on whether cases solely

alleging fraud on the PTO no longer belong in the Federal Circuit.” Pet. App. 28a.

In *MDS (Canada) Inc. v. Rad Source Techs., Inc.*, 720 F.3d 833 (11th Cir. 2013), the Eleventh Circuit exercised jurisdiction over a breach of contract appeal which turned on whether one of the contracting parties had infringed the patent. Applying *Gunn*, the Eleventh Circuit reasoned that “[b]ecause this question of patent infringement is heavily fact-bound, our resolution of this question is unlikely to control any future cases.” *Id.* at 842. It explained that “[b]oth the highly specialized nature of patent claims and the niche market for blood irradiator devices suggest that the resolution of this issue is unlikely to impact any future constructions of claims.” *Id.* The Federal Circuit concluded that these considerations supported transferring the case to the Fifth Circuit. Pet. App. 48a. The Fifth Circuit acknowledged that *MDS* “provides perhaps the strongest support for [the Federal Circuit’s] decision to transfer this case.” Pet. App. 28a. It nonetheless distinguished *MDS* on the ground that “the patent at issue in *MDS* was expired,” and “*MDS* did not address whether the *Walker Process* element of fraud on the PTO implicates federal patent law.” Pet. App. 29a-30a.

As these cases—and the Fifth and Federal Circuit’s varying interpretations of these cases—illustrate, the jurisdictional inquiry is unclear in *every* circuit. The circuits disagree on the basic question of whether *Gunn*’s test applies to appellate jurisdiction: The Federal, D.C., and Eleventh Circuit have answered yes, the Fifth Circuit has answered no, and the Third

Circuit has deemed the issue “open to debate.” *Lipitor*, 855 F.3d at 146. Moreover, the Eleventh Circuit’s decision in *MDS* introduces yet another complicating factor. The Eleventh Circuit exercised jurisdiction based on its analysis of the precise *issues* that were presented. It concluded that because the specific infringement issue before the court was “heavily fact-bound,” and because the specific patented technology was in a “niche market,” a regional circuit could exercise jurisdiction without disrupting the patent system. 720 F.3d at 842. No other circuit has deemed the precise legal issues, or the nature of the patented technology, to be relevant to the jurisdictional inquiry. Thus, the circuits disagree on the basic question of whether courts should be looking to the factual and legal issues in the case in deciding which court has jurisdiction.

This uncertainty will lead to two bad outcomes. The first will be more cases like this one: because the law is so unclear on where appeals should be filed, there will inevitably be more instances in which cases are transferred back and forth between regional circuits and the Federal Circuit.

The risk of this scenario is mitigated by law-of-the-case principles, which require courts to respect transfer decisions so long as they are “plausible.” But that opens the door to the second bad outcome: appellate forum-shopping. Suppose a litigant in a *Walker Process* case, or similar non-patent case, really wants to be in a regional circuit. Ironically, the best way to achieve that outcome may be to notice an appeal to the Federal Circuit. Guided by its decision in this

proceeding, the Federal Circuit may transfer the case to the regional circuit, and the regional circuit will be obliged to defer to that decision so long as it is “plausible.” Conversely, suppose a litigant really wants to be in the Federal Circuit. The litigant’s best chance might be to file the appeal in the regional circuit and hope that the court follows the transfer analysis in the Fifth Circuit’s decision below, and that the Federal Circuit then deems the other court’s decision sufficiently “plausible.” This type of forum-shopping should not occur. Although a certain amount of forum-shopping is inevitable at the *trial* court level, it is not supposed to happen at the *appellate* court level—the selection of the proper appellate court is supposed to be a ministerial step. The bizarre reverse-psychology forum-shopping that may occur—in which litigants have an incentive to deliberately file their appeals in disfavored circuits—is especially incongruous.

This Court’s guidance is urgently needed to resolve the confusion in this area. Litigation over where to litigate is wasteful and unedifying, and litigants need clear rules. Indeed, the need for clear rules is sufficiently pressing that this case would have been certworthy even before the Fifth Circuit initiated this jurisdictional battle. This Court has recently granted certiorari to resolve a dispute over where a case should be litigated, even in the absence of a circuit conflict. *See Perry v. Merit Sys. Prot. Bd.*, 137 S. Ct. 1975, 1983 (2017) (granting certiorari to resolve whether certain types of federal employee appeals should be filed in district court or Federal Circuit, but noting that D.C. Circuit and Federal Circuit had reached the same

conclusion on that question). Similarly, even before the Fifth Circuit's decision, Judge Newman filed a dissent from denial of rehearing en banc attesting to the importance of the question presented. Judge Newman pointed to "the importance of this decision to the judicial structure of patent adjudication, and the future of a nationally consistent United States patent law." Pet. App. 53a. While Xitronix respectfully disagrees with Judge Newman's view that the Federal Circuit had jurisdiction, Judge Newman's opinion illustrates that the question presented was sufficiently important to warrant Supreme Court review even before the Fifth Circuit ruled. The fact that the Fifth Circuit subsequently created a direct circuit split makes the need for immediate review even more urgent.

II. THE FIFTH CIRCUIT, NOT THE FEDERAL CIRCUIT, HAS JURISDICTION.

Finally, this case warrants review because the Fifth Circuit's transfer order is wrong, and the Federal Circuit lacked jurisdiction to issue a decision on the merits. This Court should announce a clear rule: appeals in *Walker Process* claims go to the regional circuit, not the Federal Circuit.

Walker Process claims are antitrust claims, not patent claims. Indeed, in *Walker Process*, this Court held that the antitrust claim could go forward precisely because it did *not* arise under the patent laws. The defendant argued that the antitrust claim was "barred by the rule that only the United States may sue to cancel or annul a patent." 382 U.S. at 175. In response, this Court emphasized that the plaintiff

“counterclaimed under the Clayton Act, not the patent laws.” *Id.* at 176. Thus, “[w]hile one of its elements is the fraudulent procurement of a patent, the action does not directly seek the patent’s annulment.” *Id.*

Both *Christianson* and *Gunn* contemplate that some non-patent claims might nonetheless “arise under” the patent laws for jurisdictional purposes. But in both *Christianson* and *Gunn*, this Court held that the claims at issue did *not* arise under the patent laws. And the reasoning of both *Christianson* and *Gunn* supports Xitronix’s proposed rule.

In *Christianson*, this Court held that an antitrust claim that raised an embedded issue of patent law should go to the regional circuit, not the Federal Circuit. It applied the principle that if “on the face of a well-pleaded complaint there are ... reasons completely unrelated to the provisions and purposes of the patent laws why the plaintiff may or may not be entitled to the relief it seeks, then the claim does not ‘arise under’ those laws.” 486 U.S. at 810 (quotation marks and brackets omitted) (ellipsis in original).

Under that standard, *Walker Process* claims do not “arise under” the patent laws. To prove a *Walker Process* claim, the plaintiff must prove not only that the defendant committed fraud on the Patent Office, but also “the other elements necessary to” a claim under Section 2 of the Sherman Act. *Walker Process*, 382 U.S. at 174. In *Walker Process*, this Court emphasized that establishing antitrust liability requires proving monopolization of a relevant market, which goes beyond merely proving that the patentee procured a patent by fraud. This Court explained:

To establish monopolization or attempt to monopolize a part of trade or commerce under § 2 of the Sherman Act, it would then be necessary to appraise the exclusionary power of the illegal patent claim in terms of the relevant market for the product involved. Without a definition of that market there is no way to measure Food Machinery's ability to lessen or destroy competition. It may be that the device—knee-action swing diffusers—used in sewage treatment systems does not comprise a relevant market. There may be effective substitutes for the device which do not infringe the patent.

Walker Process, 382 U.S. at 177-78; *see also Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 547 U.S. 28, 45 (2006) (holding that a “patent does not necessarily confer market power upon the patentee.”). Whether such a “relevant market” exists is a pure issue of antitrust law. Thus, Xitronix “may or may not be entitled to the relief it seeks,” *Christianson*, 486 U.S. at 810, for antitrust reasons having nothing to do with patent law.

The Fifth Circuit ruled that *Christianson* required transferring this case to the Federal Circuit, on the basis that this case “presents a standalone *Walker Process* claim.” Pet. App. 36a. In the Fifth Circuit's view, *Walker Process* claims go to the regional circuit only if they are grouped with antitrust theories unrelated to patent law. But nothing in *Christianson* imposes this limit on the jurisdiction of regional circuits. Moreover, the Fifth Circuit's proposed rule would yield significant uncertainty, forcing litigants to parse complaints to determine whether *Walker Process*

allegations are sufficiently “standalone.” Rather than sending some *Walker Process* claims to the regional circuit and others to the Federal Circuit, the Court should apply a single bright-line rule.

Gunn similarly supports sending *Walker Process* claims to the regional circuits. In *Gunn*, this Court held that patent issues embedded in legal malpractice claims are not “substantial in the relevant sense”: while they may be “significant to the particular parties in the immediate suit,” they lack “importance ... to the federal system as a whole.” 568 U.S. at 260. The same is true in *Walker Process* claims. To prove such a claim, the plaintiff must show that the patentee made false statements to the Patent Office. But as the Federal Circuit pointed out, “[t]here is nothing unique to patent law about allegations of false statements.” Pet. App. 43a. And while “a determination of the alleged misrepresentations to the PTO will almost certainly require some application of patent law,” *id.* at 36a-37a, this subsidiary question is no more “substantial” than the subsidiary patent-law question necessary to resolve the malpractice case in *Gunn*.

In reaching a contrary conclusion, the Fifth Circuit emphasized that the patent-law “[i]nequitable conduct” doctrine “resembles the fraud element of *Walker Process*.” Pet. App. 26a. Consequently, it held that “if this litigation determines that KLA defrauded the PTO in obtaining the ’260 patent, collateral estoppel principles would furnish a readymade inequitable conduct defense to any potential infringer whom KLA might sue.” *Id.* The Federal Circuit took a contrary view of the collateral-estoppel consequences of a ruling

in Xitronix’s favor, concluding that such a ruling would bind only the parties and would not apply to any other potential infringers. Pet. App. 45a (“[E]ven if the result of this case is preclusive in some circumstances, the result is limited to the parties and the patent involved in this matter.”). Regardless of which court is correct on this issue, any potential collateral-estoppel consequences of a ruling in Xitronix’s favor do not warrant sending the case to the Federal Circuit. A patent issue is not “substantial” merely because it may affect the outcome of hypothetical future patent litigation.

Likewise, regional circuits are capable of resolving *Walker Process* appeals without disrupting the balance between the Federal Circuit and regional circuits approved by Congress. See *Gunn*, 568 U.S. at 258. Even if *Walker Process* appeals are heard by regional circuits, the Federal Circuit will still resolve the overwhelming majority of patent-law issues. And regional courts of appeals, which decide cases in myriad areas of law, are perfectly capable of resolving the occasional patent issue—federal district courts, after all, do so all the time. Even if a regional circuit handles a patent-law issue clumsily, the Federal Circuit can always issue a subsequent decision clarifying the law. Such Federal Circuit decisions would be binding precedent in federal district court, so the precedential effect of a prior patent-law decision by a regional circuit would be subject to check. And in the unlikely event that a circuit split arises between a regional circuit and the Federal Circuit on a question of patent law, this Court can of course grant certiorari. Meanwhile,

sending *Walker Process* claims to the Federal Circuit would force that court to resolve antitrust issues with which it has no routine familiarity. There is no basis for believing that sending such cases to the Federal Circuit would improve the quality of judicial decision-making.

Finally, this Court's decisions in *Gunn* and *Christianson* suggested that some cases that do not arise under the Patent Act may nonetheless fall within the federal district courts' and Federal Circuit's arising-under jurisdiction, respectively. In reaching that conclusion, *Gunn* and *Christianson* relied on a line of cases similarly holding that, in certain narrow circumstances, federal courts have arising-under jurisdiction of state-law claims under 28 U.S.C. § 1331. See *Gunn*, 568 U.S. at 258; *Christianson*, 486 U.S. at 808-09. But in *Gunn*, this Court noted this line of cases had caused confusion, comparing the case law to a Jackson Pollock canvas. 568 U.S. at 258.

In *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308 (2005), Justice Thomas stated that he would be "willing to consider" "limiting § 1331 jurisdiction to cases in which federal law creates the cause of action pleaded on the face of the plaintiff's complaint." *Id.* at 320 (Thomas, J., concurring). He pointed out that "[j]urisdictional rules should be clear," and "trying to sort out which cases fall within the smaller ... category may not be worth the effort it entails." *Id.* at 321 (Thomas, J., concurring). To the extent Justice Thomas or other members of the Court were inclined to limit the Federal Circuit's jurisdiction to cases that actually arise under the Patent Act, this case would be an appropriate vehicle.

CONCLUSION

The petition for a writ of certiorari should be granted. This Court may wish to consider consolidating this petition with *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-1170, which seeks review of the Fifth Circuit's transfer order.

Respectfully submitted,

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APPENDIX

1a

Appendix A

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
For the Federal Circuit**

XITRONIX CORPORATION,
Plaintiff-Appellant

v.

KLA-TENCOR CORPORATION, DBA KLA-
TENCOR, INC., A DELAWARE CORPORATION,
Defendant-Appellee

2016-2746

Appeal from the United States District Court for
the Western District of Texas in No. 1:14-cv-01113-SS,
Judge Sam Sparks.

JUDGMENT

Ross Spencer Garsson, Dickinson Wright PLLC,
Austin, TX, argued for plaintiff-appellant. Also
represented by MICHAEL S. TRUESDALE, Law Office of
Michael S. Truesdale, PLLC, Austin, TX.

2a

AARON GABRIEL FOUNTAIN, DLA Piper US LLP,
Austin, TX, argued for defendant-appellee. Also
represented by BRIAN K. ERICKSON, JOHN GUARAGNA.

THIS CAUSE having been heard and considered, it is
ORDERED and ADJUDGED:

Per Curiam (Moore, Mayer, and Hughes, *Circuit
Judges*).

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

May 23, 2019

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

3a

Appendix B

NOTE: This order is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

XITRONIX CORPORATION,
Plaintiff-Appellant

v.

**KLA-TENCOR CORPORATION, DBA KLA-
TENCOR, INC., A DELAWARE CORPORATION,**
Defendant-Appellee

2016-2746

Appeal from the United States District Court for
the Western District of Texas in No. 1:14-cv-01113-SS,
Judge Sam Sparks.

SUA SPONTE

Before MOORE, MAYER, and HUGHES, *Circuit Judges*.
PER CURIAM.

ORDER

The Fifth Circuit has transferred to us this *Walker Process* appeal. *Xitronix Corp. v. KLA-Tencor Corp.*, No. 18-50114, 2019 WL 643220 (“Transfer Order”). As the Supreme Court explained in *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 819 (1988), if a transferee court can find the transfer decision “plausible,” it should accept jurisdiction. We apply that rule here. While we do not agree with some of the legal analysis in the Transfer Order, we nevertheless conclude its ultimate conclusion that we have jurisdiction is not “implausible.”

As an initial matter, we note that the Transfer Order incorrectly suggests that the jurisdictional analysis under 28 U.S.C. § 1338(a) considers “whether *all* claims in the plaintiff’s well-pleaded complaint necessarily depended on the resolution of a substantial question of patent law.” Transfer Order 5 (citing *Christianson*, 486 U.S. at 810–11). As *Christianson* itself recognized, jurisdiction exists under § 1338(a) where “patent law is a necessary element of *one of the well-pleaded claims.*” 486 U.S. at 809 (emphasis added). The cited analysis in *Christianson* instead made clear that patent law must be “essential” to each *theory* of a claim in order for § 1338(a) to be implicated. *Christianson*, 486 U.S. at 810–11.

The Transfer Order also suggests that the Court’s decision in *Gunn v. Minton*, 568 U.S. 251 (2013), is inapplicable to the jurisdictional analysis in this case. That proposition is untenable. In *Gunn* the Court considered the meaning of the phrase “any civil action arising under any Act of Congress relating to patents”

as it appears in § 1338(a). *Id.* at 257. Here, we consider the meaning of the phrase “any civil action arising under . . . any Act of Congress relating to patents” as it appears in 28 U.S.C. § 1295(a)(1). It is a fundamental canon of statutory construction that words used in different parts of the same statute are generally presumed to have the same meaning. *See, e.g., IBP, Inc. v. Alvarez*, 546 U.S. 21, 22 (2005); *Reiche v. Smythe*, 80 U.S. 162, 165 (1871). Unlike in *Wachovia Bank v. Schmidt*, 546 U.S. 303 (2006), cited in the Transfer Order, this is not a case in which a term is being used in two very different legal contexts. Instead both uses of the phrase appear in Part IV of Title 28 and serve to define the jurisdiction of particular federal courts. Additionally, while the Fifth Circuit suggests that the 2011 amendments to § 1295 indicate that the two provisions should not be construed together, those amendments in fact suggest the opposite. Section 19 of the Leahy-Smith America Invents Act, PL 112-29, September 16, 2011, 125 Stat 284, amended both § 1295(a)(1) and § 1338(a). It revised § 1295(a)(1) to parallel § 1338(a) while expanding Federal Circuit jurisdiction to cover compulsory counterclaims, a matter not at issue in this case. In light of the clear parallel language in the two provisions and their shared purposes and statutory history, we must respectfully reject the Fifth Circuit’s suggestion that *Gunn* is inapplicable.

The Fifth Circuit also misreads our decision in *Nobelpharma AB v. Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998). The question of whether we have exclusive jurisdiction over a matter and the question of

whether we apply “Federal Circuit law” or regional circuit law to a question before us are related but distinct. See *In re Deutsche Bank Tr. Co. Americas*, 605 F.3d 1373, 1377 (Fed. Cir. 2010) (explaining that “[i]n deciding which law to apply, we consider several factors including: the uniformity in regional circuit law, the need to promote uniformity in the outcome of patent litigation, and the nature of the legal issue involved” (citation omitted)); *FilmTec Corp. v. Hydranautics*, 67 F.3d 931, 935 (Fed. Cir. 1995) (“Unless a procedural matter is *importantly related* to an area of this court’s exclusive jurisdiction, . . . we will usually be guided by the views of the circuit in which the trial court sits . . .” (emphasis added)). In short, in *Nobelpharma* we considered whether the issue on appeal “clearly *involves*” our jurisdiction, not whether the issue would give rise to jurisdiction.

Despite these and other flaws, the Transfer Order’s conclusion that we have jurisdiction is not implausible. The Court’s decision in *Gunn* could be read to imply that whether the patent question at issue is substantial depends on whether the patent is “live” such that the resolution of any question of patent law is not “merely hypothetical.” See *Gunn*, 568 U.S. at 261. Here, the underlying patent has not expired, and the resolution of the fraud question could affect its enforceability. *Walker Process* fraud and inequitable conduct are fraternal twins, such that conclusions as to *Walker Process* fraud would likely resolve questions as to the enforceability of the patent. See *Nobelpharma AB*, 141 F.3d at 1070 (“Simply put, *Walker Process* fraud is a more serious offense than inequitable conduct.”).

Under this interpretation of *Gunn*, therefore, we would have jurisdiction.

While it is not implausible to reach this conclusion, we reject the theory that our jurisdiction turns on whether a patent can still be asserted. Under this logic, cases involving *Walker Process* claims based on expired patents would go to the regional circuits while those with unexpired patents would come to us, despite raising the same legal questions. Nevertheless, the fact that the underlying patent in this case has not expired and the fact that any decision could have effects on enforceability is a plausible reason for us to accept jurisdiction.

Thus, we accept the transfer and will resolve this case on the merits. No further briefing will be permitted, and a new oral argument will be set by forthcoming order.

IT IS ORDERED THAT:

The mandate of this court issued on June 22, 2018 is recalled, and the appeal is reinstated. No additional briefing is permitted. Oral argument will be scheduled.

FOR THE COURT

March 14, 2019

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

8a

Appendix C

**IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT**

No. 18-50114

XITRONIX CORPORATION,

Plaintiff - Appellant

v.

KLA-TENCOR CORPORATION,
doing business as KLA-Tencor,
Incorporated, a Delaware Corporation,

Defendant – Appellee

FILED February 15, 2019

Appeal from the United States District Court
for the Western District of Texas

Before JOLLY, DENNIS, and HIGGINSON, Circuit
Judges.

STEPHEN A. HIGGINSON, Circuit Judge:

The substantive issue in this appeal is whether
a jury should hear Xitronix Corporation's claim that

KLA-Tencor Corporation violated the Sherman Act's prohibition of monopolies by obtaining a patent through a fraud on the U.S. Patent and Trademark Office ("PTO"). What must first be decided, however, is whether we can reach that issue despite the Federal Circuit's exclusive jurisdiction over cases arising under federal patent law. That court transferred this case to us, but we find it implausible that we are the proper court to decide this appeal. With respect, therefore, we transfer it to the U.S. Court of Appeals for the Federal Circuit.

I

This is the third round of litigation between Plaintiff-Appellant Xitronix Corporation and Defendant-Appellee KLA-Tencor Corporation ("KLA"), competitors in the "semiconductor wafer optical inspection market." Optical inspection technology is used for quality control in the production of semiconductor wafers, which are essential components of circuits in computers and other electronic devices. We understand from the parties that an optical inspection device employs two lasers, a "pump" beam and a "probe" beam, in tandem. The pump beam heats the surface of a semiconductor sample. The probe beam, in turn, detects changes in the semiconductor surface. The device converts the changes detected by the probe beam into an electrical signal, which it then measures. The device can thereby precisely observe the composition of the semiconductor sample, helping manufacturers ensure that their processes are working as intended.

Litigation began in 2008 with Xitronix seeking a declaratory judgment against KLA. According to Xitronix, KLA was and is the dominant player in the semiconductor optical inspection market, with approximately eighty-percent market share. KLA had examined the technology that Xitronix was then bringing to market and amended a pending patent application to cover Xitronix's technology. This application resulted in the issuance of U.S. Patent 7,362,441 ("the '441 patent"). In this first lawsuit, Xitronix sought a declaration of non-infringement and of the '441 patent's invalidity.

In November 2010, a jury entered a verdict in Xitronix's favor. When the district court entered final judgment in January 2011, it explained that the central issue at trial was the wavelength of the probe beam used by Xitronix. The claims of the '441 patent at issue in the case specified a wavelength between 335 and 410 nanometers (nm) and said that such wavelength "is selected to substantially maximize the strength of the output signals corresponding to the modulated optical reflectivity response."¹ The probe beam in Xitronix's device was fixed at a wavelength of 373 nm, putting it and KLA's patent squarely in conflict. The jury found that Xitronix's technology infringed one claim of KLA's '441 patent but that this claim was anticipated by prior art: the "Therma-Probe" device and an earlier patent, the '611 or "Alpern" patent. The jury also found three

¹ U.S. Patent No. 7,362,441 (issued April 22, 2008).

other claims of KLA's '441 patent invalid due to obviousness. The district court ruled that ample evidence supported the jury's findings. It identified two additional pieces of prior art, Batista and Mansanares: "[E]ach and every element of the asserted claims were present in the combination of prior art Therma-Probe, Batista, Mansanares, and the '611 [Alpern] patent." The district court also ruled one of the claims invalid as indefinite. KLA did not appeal the judgment in the '441 litigation.

In March 2011, Xitronix commenced the second suit, bringing business tort claims against KLA for publicly accusing Xitronix of patent infringement. The district court, which remanded the case to Texas state court, later explained that the state district court ruled in favor of KLA "for unspecified reasons." Neither party advises that this second litigation has any bearing on the present appeal.

B

The present case began in December 2014. Xitronix alleged a single *Walker Process* claim: monopolization through use of a patent obtained by fraud on the PTO.² The patent purportedly resulting

² *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172, 174 (1965) ("[T]he enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present.") A showing of fraud on the PTO requires "(1) a false representation or deliberate omission of a fact material to patentability, (2) made with the intent to deceive the patent examiner, (3) on which the examiner justifiably relied in granting the patent, and (4) but for which misrepresentation or deliberate

from KLA's fraud on the PTO is U.S. Patent No. 8,817,260 ("the '260 patent"). It is a continuation of an earlier patent, the '486 patent, which was itself a continuation of the '441 patent at issue in the parties' first litigation. KLA filed the application that yielded the '260 patent in November 2009, U.S. Application No. 12/616,710,³ a year before the jury entered its verdict invalidating the '441 patent. The litigation of '441 and the prosecution of '260 unfolded in tandem. It is KLA's representations to the PTO concerning the '441 litigation while conducting the '260 prosecution that are at issue here.

In February 2010, KLA submitted an Informational Disclosure Statement ("IDS") with sixty works potentially containing relevant prior art. This IDS included the key sources on which the jury would invalidate the '441 patent later that year as well as summary judgment briefing from the litigation. In August 2010, the PTO examiner, Layla Lauchman, initialed and signed the IDS, thereby acknowledging these sources. On November 5, 2010, the jury returned its verdict invalidating the '441 patent. On November 18, Michael Stallman, KLA's patent

omission the patent would not have been granted." *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1364 (Fed. Cir. 1998). "To establish the antitrust portion of a *Walker Process* allegation, a plaintiff must show that the defendant held monopoly power in the relevant market and willfully acquired or maintained that power by anticompetitive means." *Delano Farms Co. v. Calif. Table Grape Comm'n*, 655 F.3d 1337, 1351 (Fed. Cir. 2011) (citing *C.R. Bard*, 157 F.3d at 1367-68).

³ For simplicity's sake, we use "260" to identify this application.

prosecution attorney, submitted the jury's verdict in the '441 litigation to the PTO and sought to explain its meaning. He acknowledged an Office Action of August 18 that rejected the claims in the '260 application on the grounds of "non-statutory obviousness-type double patenting" in view of the '441 patent.⁴ This means that, as of 2010, the PTO saw claims in the '260 application as obvious in light of claims later invalidated in the '441 litigation. Stallman responded to this rejection by agreeing to a "terminal disclaimer" of the claims in the pending '260 application.⁵

⁴ Patent law guards against attempts to obtain multiple patents for the same invention. To that end, the PTO issues "double patenting rejections" in two forms. One is a "statutory" rejection, which reflects a judgment that a patent holder is trying to patent the same invention again. The other is a "non-statutory" rejection, which is "based on a judicially created doctrine grounded in public policy and which is primarily intended to prevent prolongation of the patent term by prohibiting claims in a second patent *not patentably distinct* from claims in a first patent." Manual of Patent Examination Procedure § 804 (emphasis added). "A rejection for obvious-type double patenting means that the claims of a later patent application are deemed obvious from the claims of an earlier patent." *Quad Envtl. Techs. Corp. v. Union Sanitary Dist.*, 946 F.2d 870, 873 (Fed. Cir. 1991).

⁵ A terminal disclaimer "relinquishes a terminal part of the time span of the patent right in the patent as a whole." 1 Moy's Walker on Patents § 3:68 (4th ed., 2017). "[A] terminal disclaimer is a strong clue that a patent examiner and, by concession, the applicant, thought the claims in the continuation lacked a patentable distinction over the parent." *SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1168 (Fed. Cir. 2018). That said, the Federal Circuit's cases "foreclose the inference that filing a terminal disclaimer functions as an admission regarding the patentability of the resulting claims." *Id.* at 1167.

The district court entered final judgment in the '441 litigation on January 31, 2011. On February 2, Lauchman issued a Notice of Allowability as to the '260 patent application predicated on the terminal disclaimer to which KLA had agreed. On February 10, Stallman filed another IDS, bringing the final judgment in the '441 litigation and the district court's accompanying order to the PTO's attention. He submitted a Request for Continued Examination as well.

The PTO did not act on the application again for two years, by which time a new examiner, Willie Merrell, was handling it. His initials, dated July 12, 2013, appear on the IDS from February 2011 containing the final judgment and related documents, suggesting he had seen and considered the references. In an Office Action dated July 25, 2013, Merrell rejected much of the '260 application. He did so without reference to the final judgment in the '441 litigation, to the PTO's prior non-statutory double patenting rejection, or to the materials on which the judgment in the '441 litigation was based. Instead, he conducted a novel analysis based on other prior art further afield.

Despite this rejection, the '260 patent did eventually issue. Xitronix's claims concern the actions by KLA making that possible. Stallman filed a response to Merrell in October 2013. The remarks in that filing are one basis for the fraud element of Xitronix's *Walker Process* claim. Merrell responded in January 2014, standing by his previous rejection. Stallman responded in March 2014 with more remarks—another filing central to Xitronix's *Walker Process* claim. A Notice of Allowability soon issued,

in which Merrell briefly explained that KLA's arguments "have been fully considered and are persuasive." The '260 patent issued in August 2014, and Xitronix's *Walker Process* suit followed that December.

Xitronix alleged that KLA's procurement of the '260 patent impeded its ability to finance its entrance into the market for optical inspection technology. At summary judgment, the litigation focused on whether Xitronix had created issues of material fact as to two elements of fraud on the PTO: whether KLA had made material misrepresentations or omissions to the PTO, and whether those were a but-for cause of the '260 patent's issuance. The district court found that Stallman's remarks in his October 2013 and March 2014 filings were confined to those pieces of prior art specifically addressed by Merrell in previous Office Actions and contained no broader misrepresentations. To the extent Stallman mischaracterized the prior art, the district court reasoned, this was permissible attorney argument, not fraud. Stallman was free to make such argument, and the examiner was free to reject it, because Stallman had submitted all relevant materials from the '441 litigation already.

The district court also found no but-for causation. Notably, it was not because the court viewed the '441 and '260 patents as dissimilar, such that the former would not control the latter. Indeed, the court saw them as similar. Rather, it saw the PTO as making a fully conscious and informed choice. Granting summary judgment to KLA, the district court wrote:

Although Xitronix has repeatedly argued that the examiner was unaware of the jury verdict and final judgment invalidating the claims at issue, the Court suspects the examiner was in fact aware of the Court's holding but chose to ignore it. It would not be the first time the PTO, an administrative agency, overrode a final judgment of an Article III court, and it will likely not be the last.

That is, according to the district court, it could not be said that the PTO relied upon, and was thus defrauded by, KLA's alleged misrepresentations; rather, the PTO had a mind of its own. The district court's grant of summary judgment to KLA brought the case to a close, precipitating this appeal.

C

Xitronix's appeal went originally to the Federal Circuit. Before oral argument in the case, the panel of that court ordered briefing on transferring the case to our court for lack of jurisdiction. *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1076 (Fed. Cir. 2018). The parties, who agreed that the case belonged in the Federal Circuit, spent the bulk of oral argument on the subject and briefed the issue further afterwards.⁶ Despite the parties' consensus, the panel was not persuaded, ruling based on *Gunn v. Minton*, 568 U.S. 251 (2013), that it lacked jurisdiction. Following the transfer order, KLA petitioned for en banc

⁶ Oral Argument, *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075 (Fed. Cir. 2018) (No. 16-2746).

rehearing,⁷ which the Federal Circuit rejected by a vote of ten to two. *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194 (Fed. Cir. 2018). Judge Pauline Newman dissented from that ruling, taking the panel to task for initiating “a vast jurisdictional change for the regional circuits as well as the Federal Circuit.” *Id.* at 1196.

II

“Federal courts are courts of limited jurisdiction,” possessing “only that power authorized by Constitution and statute.” *Kokonnen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994). “The requirement that jurisdiction be established as a threshold matter ‘spring[s] from the nature and limits of the judicial power of the United States’ and is ‘inflexible and without exception.’” *Steel Co. v. Citizens for a Better Env’t*, 523 U.S. 83, 94–95 (1998) (quoting *Mansfield, C. & L. M. Ry. Co. v. Swan*, 111 U.S. 379, 382 (1884)). Consequently, “[w]e must always be sure of our appellate jurisdiction and, if there is doubt, we must address it, *sua sponte* if necessary.” *Casteneda v. Falcon, Jr.*, 166 F.3d 799, 801 (5th Cir. 1999).

III

Under the law that prevailed for many years, it was clear that a standalone *Walker Process* claim such as

⁷ Notwithstanding its initial position, Xitronix opposed KLA’s en banc petition, now agreeing with the panel that the case did not implicate the Federal Circuit’s exclusive jurisdiction. Response of Plaintiff-Appellant Xitronix Corporation to Petition for Panel Rehearing and Rehearing En Banc, *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194 (Fed. Cir. 2018) (No. 16-2746).

this would belong in the Federal Circuit. *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988); *Ritz Camera & Image, LLC v. SanDisk Corp.*, 700 F.3d 503 (Fed. Cir. 2012). The parties have not identified any case that involved solely *Walker Process* claims and that was decided by a circuit court other than the Federal Circuit. Indeed, the last *Walker Process* case decided by the Fifth Circuit was in 1975, before the Federal Circuit was created. *See Becton, Dickinson, & Co. v. Sherwood Med. Indus., Inc.*, 516 F.2d 514 (5th Cir. 1975); Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127(a), 96 Stat. 25, 37 (1982).

The Federal Circuit nevertheless transferred the case to us, based on a jurisdictional analysis that we must accept if it is at least “plausible.” *See Christianson*, 486 U.S. at 819. The Federal Circuit transferred the case because it understood *Gunn v. Minton*, 568 U.S. 251 (2013), to change the law governing the allocation of cases between it and the regional circuits. There are compelling reasons to think that *Gunn* did not, but the answer to this question is not determinative here. Under any reading of *Gunn*, we deem it implausible that we can decide this appeal.

A

The Federal Circuit has “exclusive jurisdiction of an appeal from a final decision of a district court of the United States . . . in any civil action arising under . . . any Act of Congress relating to patents or plant variety protection.” 28 U.S.C. § 1295(a)(1). Before 2011, the statute read differently, conferring exclusive

jurisdiction “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.” Section 1338(a), in turn, gave district courts “original jurisdiction of any civil action arising under any Act of Congress relating to patents,” among other subjects. *Id.* § 1338(a).

The Supreme Court construed the earlier version of the statute in *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988). *Christianson* is the primary guide to our decision here because it furnished several rules that control the present case. *Christianson* was a former employee of Colt, the famous gunmaker, and had gone into business selling M-16 replacement parts. *Id.* at 804. Colt was telling customers that *Christianson* was illegally misappropriating its trade secrets, leading *Christianson* to sue both for tortious interference with business relations and for violations of the Sherman Act. *Id.* at 805. *Christianson* argued that Colt could not claim trade-secret protection because its patents were invalid, and indeed, the district court invalidated nine Colt patents. *Id.* at 806.

The Supreme Court had to decide whether the appeal belonged in the Seventh Circuit or the Federal Circuit. *Id.* at 806–07. Appeal had been taken to the Federal Circuit, which transferred it to the Seventh Circuit, and that court then transferred it back. *Id.* Under protest, the Federal Circuit then decided the case in the “interest of justice.” *Id.* at 807.

With the Federal Circuit’s jurisdictional statute, § 1295, tied to § 1338, the Court had to construe the

latter provision. 486 U.S. at 807. It noted that § 1338 contained an “arising under” formulation quite like the federal-question statute, § 1331, and was therefore susceptible to a complication that has bedeviled the latter statute: what to do with causes of action not created by federal law that nevertheless turn on substantial questions of federal law? The Federal Circuit’s equivalent dilemma was deciding what to do with causes of action not created by federal patent law that nevertheless implicate it.

The Court noted that federal-question jurisdiction had long included state claims turning on substantial federal questions. 486 U.S. at 808; *see Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804 (1986); *Franchise Tax Bd. of Cal. v. Constrn. Laborers Vacation Trust*, 463 U.S. 1 (1983); *Gully v. First Nat’l Bank in Meridian*, 299 U.S. 109 (1936). The Court then announced the following rule:

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.

486 U.S. at 809.

That did not resolve the case before it, however, because not all of Christianson’s claims depended on

resolving substantial questions of patent law. 486 U.S. at 810–11. Consequently, the Court held that lower courts should determine whether *all* claims in the plaintiff’s well-pleaded complaint necessarily depended on the resolution of a substantial question of federal patent law. *Id.* “[A] claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories.” *Id.* at 810. Accordingly, Christianson’s case did not belong in the Federal Circuit.

The Court also addressed the “peculiar jurisdictional battle” between the Seventh and Federal Circuits. 486 U.S. at 803. As noted, the Federal Circuit had the case first but transferred it. *Id.* at 817. This ruling was the law of the case, from which the Seventh Circuit departed. *Id.* This was not impermissible: “A court has the power to revisit prior decisions of its own or of a coordinate court in any circumstance, although as a rule courts should be loath to do so in the absence of extraordinary circumstances, such as where the initial decision was clearly erroneous and would work a manifest injustice.” *Id.* (quotation omitted). Receiving the case again, the Federal Circuit disputed it had jurisdiction but decided the case anyway. The Court ruled that this was error. *Id.* at 818. But if the Federal Circuit erred by deciding the case, how then to bring this interminable “game of jurisdictional ping-pong,” *id.*, to a close? The Court gave the following guidance: “Under law-of-the-case principles, if the transferee court can find the transfer decision

plausible, its jurisdictional inquiry is at an end.” *Id.* at 819 (emphasis added).

Following *Christianson*, the Federal Circuit has regularly exercised jurisdiction over *Walker Process* claims. See, e.g., *Ritz Camera & Image*, 700 F.3d at 506; *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1072–73 (Fed. Cir. 1998). In so doing, and vital to our analysis here, the Federal Circuit has been clear in its view that “the determination of fraud before the PTO necessarily involves a substantial question of patent law.” *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1330 n.8 (Fed. Cir. 2008) (“*Cipro*”) (citing *Christianson*, 486 U.S. at 808), *abrogated on other grounds by F.T.C. v. Actavis, Inc.*, 570 U.S. 136 (2013).

Other circuits have decided *Walker Process* cases, it should be said. Such cases have ended up in the regional circuits because of the line drawn in *Christianson*: cases depending *solely* on patent theories go to the Federal Circuit; cases not so dependent stay in the regional circuits. See, e.g., *In re Lipitor Antitrust Litig.*, 855 F.3d 126, 146 (3rd Cir. 2017); *In re DDAVP*, 585 F.3d 677, 685 (2nd Cir. 2009); *Kaiser Found. Health Plan, Inc. v. Abbott Labs., Inc.*, 552 F.3d 1033, 1041–42 (9th Cir. 2009).

B

The foregoing is the backdrop to *Gunn v. Minton*, on which the Federal Circuit relied here. See *Xitronix*, 882 F.3d at 1077. The present question is whether, and how, *Gunn* altered the landscape just described.

Gunn called for the Supreme Court to decide whether a state-law legal malpractice case arising from a patent infringement suit could be brought only in federal court. 568 U.S. at 253–56. Minton, a developer of software for trading securities, had hired Gunn, a patent lawyer, to sue NASDAQ and others for infringing Minton’s patent. *Id.* at 253–54. In the infringement case, the federal court had granted summary judgment against Minton, declaring his patent invalid. *Id.* at 254. Minton then sued Gunn for legal malpractice, arguing that Gunn had failed to raise a key argument in a timely manner. *Id.* at 255. The state district court ruled for the lawyer. *Id.* On appeal, Minton made a novel argument: though he had filed the suit in state court, federal courts had exclusive jurisdiction because the suit raised a substantial question of federal patent law. *Id.* A divided Texas court of appeals disagreed, but a divided Texas Supreme Court ruled that Minton was right. *Id.* at 255–56.

The United States Supreme Court reversed, holding that the case could be brought in state court. The Court noted that both the federal-question statute, § 1331, and the district courts’ patent jurisdiction statute, § 1338, were implicated. 568 U.S. at 257. The Court then applied a four-factor test that it had developed over the years to decide federal-question issues. “[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.* at 258 (citing

Grable & Sons Metal Prods. Inc. v. Darue Eng. & Manuf., 545 U.S. 308, 314 (2005)).

The Court acknowledged that Minton’s lawsuit against Gunn necessarily raised the disputed issue of Gunn’s handling of a patent case. 568 U.S. at 259. It focused on the third and fourth parts of the test, and there it found the case lacking. “The substantiality inquiry under *Grable* looks . . . to the importance of the issue to the federal system as a whole.” *Id.* at 260. The patent issue in Gunn and Minton’s case was “backward-looking,” “merely hypothetical,” and not likely to “change the real-world result of the prior federal patent litigation.” *Id.* at 261. As such, it had no importance for the federal system writ large.⁸ The Court emphasized that it would upset the balance between state and federal judiciaries to move such legal malpractice cases exclusively into federal court, given the states’ “special responsibility for maintaining standards among members of the licensed professions.” *Id.* at 264 (quotation omitted).

Gunn gave no indication that it meant to alter *Christianson* or the allocation of cases among the circuit courts. There was no occasion for it, because the case was appealed from a state’s highest court. On the contrary, the centrality of the Federal Circuit to

⁸ In *Grable*, by contrast, a state quiet-title action turned on the Internal Revenue Code provision governing the notice that the IRS must provide to delinquent taxpayers before seizing their property. 545 U.S. at 310–11. This implicated “the Government’s ‘strong interest’ in being able to recover delinquent taxes through seizure and sale of property,” making the case suitable for resolution in a federal forum. *Gunn*, 568 U.S. at 260–61.

patent adjudication was a premise of *Gunn*'s reasoning. 568 U.S. at 261–62. Against the argument that state-court adjudication of the patent issue in *Gunn* would undermine the uniformity of federal patent law, the Court said that “Congress ensured such uniformity” by vesting exclusive appellate jurisdiction in the Federal Circuit. *Id.*

C

Since *Gunn*, the Federal Circuit has incorporated a substantiality inquiry into determinations of its own jurisdiction. *See, e.g., Neurorepair, Inc. v. The Nath Law Group*, 781 F.3d 1340, 1345–49 (Fed. Cir. 2015); *Jang v. Boston Sci. Corp.*, 767 F.3d 1334, 1336–38 (Fed. Cir. 2014). In this case, the court acknowledged that the case would require applying patent law but disputed the case's substantiality. 882 F.3d at 1078. “Patent claims will not be invalidated or revived based on the result of this case,” and “the result [of the case] is limited to the parties and the patent involved in this matter.” *Id.* at 1078. It viewed any threat to the uniformity of patent law as insubstantial. *Id.*

The court's reasoning depended on several premises that we find implausible. First, the court said that there was no dispute about the validity of the patent at issue. 882 F.3d at 1078. In her dissent from denial of rehearing, Judge Newman responded that this was “a puzzling statement, for that is the dispute.” 892 F.3d at 1199. A finding of fraud on the PTO would render KLA's '260 patent effectively unenforceable in future cases. *See C.R. Bard*, 157 F.3d at 1367 (“Fraud in obtaining a United States patent is a classical ground of invalidity or unenforceability of the patent.”).

Inequitable conduct is a defense to a claim of patent infringement that bars enforcement of the patent. *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011) (en banc). Inequitable conduct resembles the fraud element of *Walker Process*, in that it requires proof of misrepresentation, scienter, and a showing of materiality or causation. *Id.* at 1290. Over time, it has evolved to be “virtually congruent with intentional fraud under *Walker Process*.” J. Thomas Roesch, *Patent Law and Antitrust Law: Neither Friend nor Foe, but Business Partners*, 13 Sedona Conf. J. 95, 100 (2012). Consequently, if this litigation determines that KLA defrauded the PTO in obtaining the '260 patent, collateral estoppel principles would furnish a readymade inequitable conduct defense to any potential infringer whom KLA might sue. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 330–34 (1971).

Next, the Federal Circuit read its precedent predating *Gunn* in a manner at odds with our reading of that caselaw. In *Nobelpharma*, a *Walker Process* case, the en banc Federal Circuit said that “[w]hether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws is one of those issues that clearly involves our exclusive jurisdiction over patent cases.” 141 F.3d at 1067. The Federal Circuit distinguished *Nobelpharma* here, reasoning that *Nobelpharma* was not deciding the venue of the appeal, but whether to apply regional circuit or Federal Circuit precedent to various issues. 882 F.3d at 1078–79. This distinction strikes us as

immaterial. The tests for both questions turn on the Federal Circuit's exclusive jurisdiction over a given issue. It does not matter that *Nobelpharma* analyzed its jurisdiction for one purpose rather than the other.

The court also sought to distinguish *Cipro*, a *Walker Process* case transferred from the Second to the Federal Circuit. 544 F.3d at 1323. Accepting the transfer, the Federal Circuit observed that "the determination of fraud before the PTO necessarily involves a substantial question of patent law." *Id.* at 1330 n.8 (citing *Christianson*, 468 U.S. at 808). The court distinguished *Cipro* here because, as a transferred case, the Second Circuit's jurisdictional analysis had only to meet the *Christianson* plausibility standard. But the Federal Circuit in *Cipro* stated its unqualified agreement with the Second Circuit's analysis, making no reference to plausibility.

We note one more case indicating that, before *Gunn*, the Federal Circuit understood fraud on the PTO to present a substantial question of federal patent law implicating its exclusive jurisdiction. In *Ritz Camera & Image*, an interlocutory appeal arose from a suit in the Northern District of California about the standing of certain plaintiffs to bring a *Walker Process* action. 700 F.3d at 505. Like the present case, this appeal presented solely a *Walker Process* issue, and the Federal Circuit did not even pause to consider its jurisdiction.

Another basis for the Federal Circuit's transfer decision is its interpretation of post-*Gunn* decisions from other circuit courts. The court cited *In re Lipitor*

from the Third Circuit, which resolved a *Walker Process* claim in 2017. 882 F.3d at 1079 (citing *In re Lipitor*, 885 F.3d at 146). That case involved non-patent antitrust theories, however, so the *Christianson* rule clearly allocated it to the regional circuit. 855 F.3d at 146. Another case was *Seed Co. Ltd. v. Westerman*, 832 F.3d 325 (D.C. Cir. 2016), a legal malpractice case concerning the unsuccessful prosecution of a patent. Not being a *Walker Process* case, *Seed Co.* sheds no light on whether cases solely alleging fraud on the PTO no longer belong in the Federal Circuit. The court also cited one of our decisions, in which the court understood us to hold that we “had appellate jurisdiction in a case involving a state law claim based on fraud on the PTO.” 882 F.3d at 1080 (citing *USPPS, Ltd. v. Avery Dennison Corp.*, 541 F. App’x 386, 390 (5th Cir. 2013)). On the contrary, *USPPS* involved fraud claims against a business and its lawyers following a failed patent prosecution, but it did *not* involve fraud on the PTO itself. 541 F. App’x at 388–90.

Finally, the panel relied on an Eleventh Circuit case, *MDS (Canada) Inc. v. Rad Source Techs., Inc.*, 720 F.3d 833 (11th Cir. 2013), that provides perhaps the strongest support for its decision to transfer this case to us. *MDS* was a breach of contract action concerning a licensing agreement between Nordion and Rad Source. Rad Source had three patents for blood irradiation devices, which it licensed to Nordion, such that Nordion would market and sell Rad Source’s RS 3000 device. *Id.* at 838. After a falling out, Rad Source began to develop a new product based on the same patents, the RS 3400, which it would sell

independently of Nordion. *Id.* at 840. Litigation ensued, with Nordion alleging that Rad Source had breached their agreement by independently developing a product covered by one of the patents subject to the license agreement. *Id.* at 840. This injected an infringement issue into the case. During the litigation, Nordion learned that Rad Source had allowed that patent to lapse. *Id.* at 840–41. This gave Nordion an additional breach of contract theory. *Id.*

The Eleventh Circuit ruled that it, and not the Federal Circuit, had jurisdiction over the appeal. 720 F.3d at 841. It reasoned that the case presented claims under state contract law and thus that the district court had exercised diversity jurisdiction, not original jurisdiction by virtue of a federal question or a federal patent issue. *Id.* There was a question of patent infringement in the case, but, like the patent issues in *Gunn*, it was backward-looking and insubstantial because it indisputably concerned a since-expired patent. *Id.* at 842–43. Therefore, the issue was not substantial enough to implicate the district court’s “arising under” patent jurisdiction. *Id.* The court then proceeded to resolve the patent infringement issue. *Id.* at 846–48.

In the present case, the Federal Circuit noted the Eleventh Circuit’s substantiality analysis in *MDS* and said that it “confirm[ed] the correctness of [their] decision” to transfer the case. 882 F.3d at 1079–80. Judge Newman pointed out two distinctions: first, that the patent at issue in *MDS* was expired, whereas KLA’s patent in the present case remains operative; and

second, that *MDS* did not address whether the *Walker Process* element of fraud on the PTO implicates federal patent law. 892 F.3d at 1201. As such, it is only so helpful in figuring out whether *Gunn* requires the present case to be transferred away from the Federal Circuit.

D

To reject the Federal Circuit’s transfer decision, we must not only disagree with its reasoning; we must find it implausible. We do not take this step lightly. With due regard for our colleagues on a coordinate court, we nevertheless conclude that it is implausible for us to resolve this appeal.

The initial question is whether *Gunn* meant to change the Federal Circuit’s jurisdiction, in addition to changing district courts’ jurisdiction. Assuming that it did, we think that this appeal presents a substantial question in the sense that the Supreme Court has articulated. Under *Gunn*, “[t]he substantiality inquiry. . . [looks] to the importance of the issue to the federal system as a whole.” 568 U.S. at 260. The Court in *Gunn* relied on two examples: *Grable*, 545 U.S. 308, and *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921). *Grable* concerned the validity of a foreclosure and sale by the IRS of a delinquent taxpayer’s property. 545 U.S. at 315. *Smith* concerned the constitutionality of certain federal bonds, challenged by a shareholder seeking to block a company from buying them. 255 U.S. at 201. Both cases put the legality of a federal action in question, in a manner that would have broader ramifications for the legal system. By contrast, *Gunn*, as a legal

malpractice case, entailed a “merely hypothetical,” “backward-looking” review of a lawyer’s conduct regarding a now-invalid patent. 568 U.S. at 261. Nothing broader was at stake. *Gunn* also perceived no precedential or preclusive implications if a state court resolved the case.

This case concerns a patent that is currently valid and enforceable, issued following a PTO proceeding heretofore viewed as lawful. This litigation has the potential to render that patent effectively unenforceable and to declare the PTO proceeding tainted by illegality. This alone distinguishes the present case from *Gunn*.⁹ The adjudication of this *Walker Process* claim also implicates the interaction between the PTO and Article III courts. The district court’s acerbic statements about the PTO at summary judgment point to the complexity of relations between proceedings in federal court and before the PTO.

Moreover, the fraud element of Xitronix’s claim can be adjudicated only with reference to patent law. *Walker Process* requires showing that a given statement or omission was “material to patentability.” *C.R. Bard, Inc.*, 157 F.3d at 1364. Here, that requires reference to the bases of the ’441 patent’s

⁹ The Federal Circuit reasoned that any result would be “limited to the parties and patent involved in this matter.” 882 F.3d at 1078. That may prove to be true, but it is also likely true of many patent cases. If this consideration alone sufficed to remove a case from the Federal Circuit’s exclusive jurisdiction, there is no telling where the line should properly be drawn.

invalidation (anticipation, obviousness, and indefiniteness), the significance of non-statutory double patenting rejections, the nature of prior art analysis by patent examiners, and more. Xitronix's theories of fraud also put certain rules in issue. For example, Xitronix bases some of its theories on the regulations governing patent practitioners' duties of candor to the PTO. *See* 37 C.F.R. §§ 1.56, 10.85 (2013), 11.301. This case therefore has the potential to set precedent on the precise scope of those duties. *Compare KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1576 (Fed. Cir. 1985), *with Young v. Lumenis, Inc.*, 492 F.3d 1336, 1349 (Fed. Cir. 2007). Such precedent can profoundly affect the future conduct of practitioners before the PTO. *Cf. Therasense*, 649 F.3d at 1289–90 (explaining the ways that the inequitable conduct doctrine had altered patent practitioners' behavior in PTO proceedings). To the extent we or other circuit courts differ from the Federal Circuit on these matters, we risk confusion for current practitioners and forum-shopping by future litigants.

The foregoing assumes that *Gunn* changed the scope of the Federal Circuit's jurisdiction, but there are compelling reasons to think that it did not. *Gunn* concerned the district courts' jurisdictional statute, § 1338, not the Federal Circuit's jurisdictional statute, § 1295. The Supreme Court never said it was changing the Federal Circuit's caseload. It spoke only to the allocation of cases between the state and federal systems, not to the allocation of cases between the circuit courts. The Court has said elsewhere of

Congress that it does not “hide elephants in mouseholes.” *Whitman v. Am. Trucking Ass’n*, 531 U.S. 457, 468 (2001). We may say the same of the Court. The elephant in the room, as it were, is the propensity of this jurisdictional issue, if left variable, to consume time, expense, judicial resources, and legal certainty. This propensity is well known from the history of federal-question jurisprudence, and excising it has been the Court’s aim in *Gunn*, *Grable*, and other decisions.¹⁰ Given that history, we therefore disagree that the Supreme Court inserted *sub silentio* such a nettlesome issue into more cases than before.

The four-factor test applied in *Gunn* was developed to sort cases between state and federal courts, and it is not a tool for the task of sorting cases between the circuits. *See Gunn*, 568 U.S. at 258 (“[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3)

¹⁰ The Wright & Miller treatise describes the “centrality” requirement—“the requirement that the federal law injected by the plaintiff’s well-pleaded complaint be sufficiently central to the dispute to support federal question jurisdiction”—as “the most difficult problem in determining whether a case arises under federal law for statutory purposes.” Wright, Miller, et al., *Federal Practice & Procedure* § 3562 (3d ed., 2018). “This problem has attracted the attention of such giants of the bench as Marshall, Waite, Bradley, the first Harlan, Holmes, Cardozo, Frankfurter, and Brennan. It has been the subject of voluminous scholarly writing. Despite this significant attention, however, no single rationalizing principle will explain all of the decisions on centrality.” *Id.* *See also Grable*, 545 U.S. at 321 (Thomas, J., concurring) (wondering if this inquiry “may not be worth the effort it entails”).

substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.”) (citing *Grable*, 545 U.S. at 314). As noted, substantiality concerns “the importance of the issue to the federal system as a whole.” *Gunn*, 568 U.S. at 260. That concern, however, does not exist once the choice is between two federal circuit courts. The formulation could be tweaked to reflect the patent-specific context, but *Gunn* did not tell us to do so and thereby displace *Christianson*’s time-tested rule. The fourth element is even less suited to the task of sorting cases between the circuits. The choice between circuits for a given appeal is irrelevant to the congressionally-approved balance of state and federal judiciaries. This is not to say that the *Gunn–Grable* framework could not be adapted to the present task, but the fact that adaptation would be necessary militates against overreading *Gunn*.

Perhaps the strongest point in favor of incorporating *Gunn* into cases like this one is that *Christianson* linked § 1295 to § 1338 and § 1331. *Gunn* construed the latter two statutes together, so, under *Christianson*, *Gunn*’s holdings arguably are automatically incorporated into § 1295. When *Christianson* was decided, § 1295 referred to § 1338 expressly. By the time of *Gunn*, § 1295 had been amended to stand on its own; the phrase “any civil action arising under . . . any Act of Congress relating to patents” replaced the reference to § 1338. It is therefore not automatic that a change to § 1338 entails a change to § 1295.

To be sure, § 1295 retains the “arising under” formulation in common with the other two statutes, and the Supreme Court prefers to construe like text alike. It has refused to give identical terms the same meaning, however, when contexts and considerations differ. *See, e.g., Wachovia Bank v. Schmidt*, 546 U.S. 303, 315–17 (2006) (declining to read the term “located” in venue and subject-matter jurisdiction rules *in pari materia* because the rules serve purposes that are too different). Different considerations, including constitutional and statutory imperatives, attend the sorting of cases between state and federal systems and among the federal circuits. All the federalism concerns associated with the former have no bearing on the latter, as explained. With those set aside, the interests of uniformity and competent application of the law, which failed to carry the day in *Gunn*, 568 U.S. at 261–63, are left as determinative concerns.¹¹

¹¹ We recognize that not all view these interests as worthwhile or as achieved in practice by exclusive Federal Circuit jurisdiction. For instance, uniformity maintained by a single court is the inverse of percolation across multiple courts, a feature of our judiciary we venerate. *See* Hon. Diane P. Wood, *Keynote Address: Is It Time to Abolish the Federal Circuit’s Exclusive Jurisdiction in Patent Cases?* 13 Chi.-Kent J. Intell. Prop. 1, 10 (2013) (advocating “‘wide open spaces’ for development of patent law, allowing new ideas to percolate and grow”); *see also* Paul R. Gugliuzza, *Patent Law Federalism*, 2014 Wisc. L. Rev. 11, 37–42 (questioning “the assumption that exclusive patent jurisdiction, coupled with the centralization of appeals in the Federal Circuit, provides legal uniformity”); *id* at 49 (suggesting “legal uniformity may not be as critical to the patent system as is assumed”). But we take uniformity and competence through specialization to be Congress’s aims in centralizing exclusive jurisdiction in the

It would be quite reasonable to have a system that imposes different restrictions at the entrance to the federal system and at the fork in the road leading to different circuits. The exclusionary *Gunn–Grable* test, screening out most potential cases at the entrance, protects federal district courts from overload and reflects constitutional respect for state courts and state prerogatives. As to those cases that do make it into the federal system, preservation of uniformity comes to the fore, furthered by *Christianson*'s inclusionary test for routing appeals to the Federal Circuit. Such a test also promotes judicial economy by simplifying the jurisdictional inquiry and avoiding the jurisdictional ping-pong that *Christianson* aimed to end.

Supposing *Gunn* did not change the inquiry, the answer to the present question is simple and settled. According to *Christianson*, the Federal Circuit's jurisdiction includes "cases in which a well-pleaded complaint establishes . . . 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." 486 U.S. at 809. Patent law is a necessary element of *Walker Process* claims. See *Ritz Camera & Image*, 700 F.3d at 506; *Cipro*, 544 F.3d at 1330 n.8. Because this case presents a standalone *Walker Process* claim, there are no non-patent theories in the case that would

Federal Circuit, hence we must adhere to that choice in our analysis here.

37a

divert it to our court. Consequently, it belongs in the Federal Circuit.

IV

We undertake the preceding analysis with respect for our judicial colleagues and gratitude for the litigants' patience over the long pendency of this appeal. We nevertheless cannot conclude that the Federal Circuit's decision to transfer this case to us was plausible, given the Supreme Court's and Congress's decisions to the contrary. Accordingly, IT IS ORDERED that this case is TRANSFERRED to the United States Court of Appeals for the Federal Circuit.

38a

Appendix D

United States Court of Appeals
for the Federal Circuit

XITRONIX CORPORATION,
Plaintiff-Appellant

v.

KLA-TENCOR CORPORATION, DBA KLA-
TENCOR, INC., A DELAWARE CORPORATION,
Defendant-Appellee

2016-2746

Appeal from the United States District Court for
the Western District of Texas in No. 1:14-cv-01113-SS,
Judge Sam Sparks.

MICHAEL S. TRUESDALE, Law Office of Michael
S. Truesdale, PLLC, Austin, TX, argued for plaintiff-
appellant.

AARON GABRIEL FOUNTAIN, DLA Piper US
LLP, Austin, TX, argued for defendant-appellee. Also
represented by BRIAN K. ERICKSON, JOHN GUARAGNA.

Before MOORE, MAYER, and HUGHES, *Circuit Judges*.

MOORE, *Circuit Judge*.

ORDER

The only asserted claim in the underlying case is a *Walker Process* monopolization claim based on alleged fraud on the United States Patent and Trademark Office (“PTO”). Both parties assert that the Federal Circuit has appellate jurisdiction over this case. We disagree. We therefore transfer the case to the United States Court of Appeals for the Fifth Circuit, which has appellate jurisdiction over cases from the District Court for the Western District of Texas.

BACKGROUND

This appeal arises from a single cause of action filed in the United States District Court for the Western District of Texas: a *Walker Process* monopolization claim under § 2 of the Sherman Act and §§ 4 and 6 of the Clayton Act based on the alleged fraudulent prosecution of a patent.¹ J.A. 29, 63. Xitronix stated the Federal Circuit had jurisdiction over this appeal pursuant to 28 U.S.C. § 1295(a)(1) and *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067–

¹ In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, the Supreme Court held that enforcement of a patent procured by fraud on the PTO may be a federal antitrust violation under the Sherman Act, provided all other elements necessary to such a claim are present. 382 U.S. 172, 176–77 (1965).

68 (Fed. Cir. 1998), and KLA-Tencor (“KLA”) did not dispute this assertion.

Before oral argument, we asked the parties to show cause why we should not transfer this case to the United States Court of Appeals for the Fifth Circuit for lack of jurisdiction. The parties filed supplemental briefs, asserting that the Federal Circuit has appellate jurisdiction over this case. The briefs did not address the impact of the Supreme Court’s decision in *Gunn v. Minton*, 568 U.S. 251 (2013). At oral argument, we ordered another round of supplemental briefing to address jurisdiction and, in particular, *Gunn v. Minton*.

DISCUSSION

This court has jurisdiction over the appeal of a final decision of a district court “in any civil action arising under . . . any Act of Congress relating to patents or plant variety protection.” 28 U.S.C. § 1295(a)(1). Interpreting nearly identical language in a previous version of our jurisdictional statute, the Supreme Court stated our jurisdiction extends “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.” *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988) (emphasis added); *see also Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 834 (2002) (By using “arising under” in our jurisdictional statute, “Congress

referred to a well-established body of law that requires courts to consider whether a patent-law claim appears on the face of the plaintiff's well-pleaded complaint.”), *superseded in part by statute*, Leahy-Smith America Invents Act § 19(b), Pub. L. No. 112-29, 125 Stat. 284 (2011) (amending 28 U.S.C. § 1295(a)(1) to add compulsory patent counterclaims).

In holding that our jurisdiction extends to cases in which patent law is a necessary element of one of the well-pleaded claims, the Supreme Court explained that the well-pleaded complaint rule “focuses on claims, not theories, . . . and just because an element that is essential to a particular theory might be governed by federal patent law does not mean that the entire monopolization claim ‘arises under’ patent law.” *Christianson*, 486 U.S. at 811. In that case, the Court held that the Federal Circuit did not have jurisdiction over the asserted monopolization claim because it was based on several alleged theories, and only in one of those theories was “the patent-law issue [] even arguably essential.” *Id.*

More recently, in *Gunn*, the Supreme Court held that a state law claim alleging legal malpractice in the handling of a patent case does not “aris[e] under” federal patent law for purposes of exclusive federal jurisdiction under 28 U.S.C. § 1338(a). 568 U.S. at 258. Like the language of our jurisdictional statute, § 1338(a) states that federal district courts “shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.” 28 U.S.C. § 1338(a); *compare* § 1338(a), *with* § 1295(a)

("[T]he Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a final decision of a district court . . . in any civil action arising under . . . any Act of Congress relating to patents or plant variety protection."). The state malpractice claim necessarily required application of patent law, creating a patent law "case within a case," and the patent issue was actually disputed by the parties. *Gunn*, 568 U.S. at 259. However, the Supreme Court held that "the federal issue in this case is not substantial" when analyzed with respect to the federal system as a whole. *Id.* at 260. The resolution of the patent "case within a case" would have no effect on "the real-world result of the prior federal patent litigation," and allowing the state court to resolve the underlying patent issue would not undermine the uniform body of patent law because "federal courts are of course not bound by state court case-within-a-case patent rulings." *Id.* at 261–62. Even if a novel question of patent law arose in such a situation, it would still "at some point be decided by a federal court in the context of an actual patent case, with review in the Federal Circuit," and even if the state court's adjudication was "preclusive under some circumstances, the result would be limited to the parties and patents that had been before the state court." *Id.* at 262–63. The Supreme Court explained, "the possibility that a state court will incorrectly resolve a state claim is not, by itself, enough to trigger the federal courts' exclusive patent jurisdiction, even if the potential error finds its root in a misunderstanding of patent law." *Id.* at 263.

The complaint in this case alleges that KLA “engaged in exclusionary conduct by fraudulently prosecuting to issuance the [’]260 patent” and its conduct “was and is specifically intended to monopolize and destroy competition in the market.” J.A. 63. It alleges KLA intentionally made false representations to the PTO on which the examiner relied during prosecution. On the face of the complaint, no allegation establishes “that federal patent law creates the cause of action.” *Christianson*, 486 U.S. at 809. The only question is whether the monopolization allegation “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.” *Id.* Applying the well-pleaded complaint rule, in light of the Supreme Court’s guidance and rationale in *Gunn*, we hold that it does not.

There is nothing unique to patent law about allegations of false statements. Indeed, in responding to the court’s order to show cause, the parties both cited portions of the complaint that focus on fraud and misrepresentation, not patent law. *See, e.g.,* Xitronix Supp. Br. (Sept. 26, 2017) at 4–5 (“KLA-Tencor affirmatively (and repeatedly) misrepresented the patentability of the claims it sought, including making false representations about what was taught by the relevant prior art.”); KLA Supp. Br. (Sept. 26, 2017) at 8–9 (“KLA’s prosecution and procurement of the [’]260 patent was undertaken in bad faith in order to monopolize the . . . market.”). We acknowledge that a determination of the alleged

misrepresentations to the PTO will almost certainly require some application of patent law. For instance, the complaint alleges that KLA's attorney "failed to map" a one-to-one relationship between claim 1 of the '260 patent and another patent claim that had previously been held invalid. J.A. 42–43. An evaluation of that allegation may require analysis of the claims and specifications and may require application of patent claim construction principles. But consistency with the federal question jurisdiction statute requires more than mere resolution of a patent issue in a "case within a case." *See Gunn*, 568 U.S. at 257, 262–64; *Christianson*, 486 U.S. at 808–09. Something more is required to raise a substantial issue of patent law sufficient to invoke our jurisdiction under 28 U.S.C. § 1295(a)(1). *See Gunn*, 568 U.S. at 264.

The underlying patent issue in this case, while important to the parties and necessary for resolution of the claims, does not present a substantial issue of patent law. *See id.* at 263–64. There is no dispute over the validity of the claims—patent law is only relevant to determine if KLA intentionally made misrepresentations. Patent claims will not be invalidated or revived based on the result of this case. Because Federal Circuit law applies to substantive questions involving our exclusive jurisdiction, the fact that at least some *Walker Process* claims may be appealed to the regional circuits will not undermine our uniform body of patent law. *See Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1368 (Fed. Cir. 2002) ("Federal Circuit law

applies to causes of action within the exclusive jurisdiction of the Federal Circuit.”); *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1371 (Fed. Cir. 1994) (Deference to regional circuit law “is inappropriate when an issue involves substantive questions coming exclusively within our jurisdiction, the disposition of which would have a direct bearing on the outcome.” (internal citations and quotation marks omitted)). As in *Gunn*, even if the result of this case is preclusive in some circumstances, the result is limited to the parties and the patent involved in this matter. 568 U.S. at 263.

The parties argue that although the cause of action does not arise directly from Title 35, the *Walker Process* claim at issue is one in which patent law is a necessary element of the claim, citing *Nobelpharma* and *In re Ciprofloxacin Hydrochloride Antitrust Litigation*, 544 F.3d 1323 (Fed. Cir. 2008) (“*Cipro*”). In *Nobelpharma*, we held that we apply Federal Circuit law, not regional circuit law, to *Walker Process* claims. 141 F.3d at 1068. We reasoned:

Whether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws is one of those issues that clearly involves our exclusive jurisdiction over patent cases. It follows that whether a patent infringement suit is based on a fraudulently procured patent impacts our exclusive jurisdiction.

Id. at 1067. This passage does not stand for the proposition that the Federal Circuit retains exclusive

jurisdiction of *Walker Process* claims. We made these statements in the context of determining whether regional circuit or Federal Circuit law applies to *Walker Process* claims, not whether we have jurisdiction over any such claims. We further indicated that our “conclusion applies equally to all antitrust claims *premised on the bringing of a patent infringement suit.*” *Id.* at 1068 (emphasis added). Immediately following the remarks cited by the parties, we reasoned that because *Walker Process* claims are “*typically* raised as a counterclaim by a defendant in a patent infringement suit,” and “[b]ecause *most* cases involving these issues will therefore be appealed to this court,” we should decide such claims as a matter of Federal Circuit law. *Id.* at 1067–68 (emphases added). While we recognized in *Nobelpharma* that most *Walker Process* claims will be appealed to the Federal Circuit due to the natural connection of such claims to our exclusive jurisdiction over patent infringement claims, we did not hold that all *Walker Process* claims must be appealed to this court.

In *Cipro*, we explained in a footnote that the *Walker Process* claim at issue in that case was “subject to exclusive federal court jurisdiction under 28 U.S.C. § 1338(a) because the determination of fraud before the PTO necessarily involves a substantial question of patent law.” 544 F.3d at 1330 n.8 (citing *Christianson*, 486 U.S. at 808). The *Cipro* appeal was originally transferred to the Federal Circuit from the Second Circuit. *Ark. Carpenters Health & Welfare Fund v. Bayer AG*, 604 F.3d 98,

103 n.10 (2d Cir. 2010). We were not performing a de novo analysis of jurisdiction in that case; we were merely accepting a transfer from another circuit court. *Christianson*, 486 U.S. at 819 (“Under law-of-the-case principles, if the transferee court can find the transfer decision plausible, its jurisdictional inquiry is at an end.”). Jurisdiction was not disputed in *Cipro*, and the quotation in footnote 8 is the extent of the analysis regarding jurisdiction.

Both *Nobelpharma* and *Cipro* were decided before the Supreme Court decided *Gunn*. To the extent our prior precedent could be interpreted contrary to *Gunn*, the Supreme Court rendered that interpretation invalid. While the parties argue *Gunn* is inapplicable because it concerns district court jurisdiction over state claims, the indistinguishable statutory language of §§ 1295 and 1338 requires our careful consideration of *Gunn* in interpreting our jurisdictional statute. “[W]e have no more authority to read § 1295(a)(1) as granting the Federal Circuit jurisdiction over an appeal where the well-pleaded complaint does not depend on patent law, than to read § 1338(a) as granting a district court jurisdiction over such a complaint.” *Christianson*, 486 U.S. at 814 (citing *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897)); see also *id.* at 808–09 (noting “linguistic consistency” with the statute for a district court’s federal question jurisdiction demands a similar application for the Federal Circuit’s “arising under” jurisdiction).

Decisions from our sister circuits confirm the correctness of our decision today. The Third

Circuit recently called into question whether we have exclusive jurisdiction over all *Walker Process* claims in light of *Gunn. In re Lipitor Antitrust Litig.*, 855 F.3d 126, 146 (3d Cir. 2017). While recognizing that *Walker Process* claims have been “considered by courts to present a substantial question of patent law,” the “substantiality of these theories may be open to debate following *Gunn v. Minton*.” *Id.* at 145–46 (citing *Nobelpharma* and *Cipro*). In a case involving a legal malpractice action arising out of an unsuccessful application for a patent, the D.C. Circuit, citing *Gunn*, held that it had appellate jurisdiction because the case “involve[d] no forward-looking questions about any patent’s validity, but instead solely concern[ed] whether unsuccessful patent applicants can recover against their attorneys.” *Seed Co. Ltd. v. Westerman*, 832 F.3d 325, 331 (D.C. Cir. 2016). The Eleventh Circuit held that a contract claim with an underlying patent infringement issue did not implicate exclusive Federal Circuit jurisdiction due to the fact-bound nature of the question, the small likelihood that the issue would impact future cases, and the weak interest of the government in federal adjudication. *MDS (Can.) Inc. v. Rad Source Techs., Inc.*, 720 F.3d 833, 843 (11th Cir. 2013). And the Fifth Circuit held that it had appellate jurisdiction in a case involving a state law claim based on fraud on the PTO because the underlying fraud allegation “d[id] not cause the underlying hypothetical patent issues to be of substantial importance to the federal system as a whole” as required by *Gunn. USPPS, Ltd. v. Avery Dennison Corp.*, 541 F. App’x 386, 390 (5th Cir. 2013).

49a

Section 1295 defines the boundaries of our judicial influence. “The limits upon federal jurisdiction, whether imposed by the Constitution or by Congress, must be neither disregarded nor evaded.” *Owen Equip. & Erection Co. v. Kroger*, 437 U.S. 365, 374 (1978). We decline the parties’ invitation to so broadly read our grant of jurisdiction under 28 U.S.C. § 1295.

Accordingly,

IT IS ORDERED THAT:

The case is transferred to the United States Court of Appeals for the Fifth Circuit.

FOR THE COURT

February 9, 2018
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

50a

Appendix E

**United States Court of Appeals
for the Federal Circuit**

XITRONIX CORPORATION,
Plaintiff-Appellant

v.

**KLA-TENCOR CORPORATION, DBA KLA-
TENCOR, INC., A DELAWARE CORPORATION,**
Defendant-Appellee

2016-2746

Appeal from the United States District Court for
the Western District of Texas in No. 1:14-cv-01113-SS,
Judge Sam Sparks.

**ON PETITION FOR PANEL REHEARING AND
REHEARING EN BANC**

MICHAEL S. TRUESDALE, Law Office of Michael S.
Truesdale, PLLC, Austin, TX, filed a response to the
petition for plaintiff-appellant.

AARON GABRIEL FOUNTAIN, DLA Piper US LLP, Austin, TX, filed a petition for panel rehearing and rehearing en banc for defendant-appellee. Also represented by BRIAN K. ERICKSON, JOHN GUARAGNA.

Before PROST, *Chief Judge*, NEWMAN, MAYER¹, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES, and STOLL, *Circuit Judges*.

NEWMAN, *Circuit Judge*, dissents from the denial of the petition for rehearing en banc.

LOURIE, *Circuit Judge*, dissents from the denial of the petition for rehearing en banc without opinion.

PER CURIAM.

ORDER

Appellee KLA-Tencor Corporation filed a petition for panel rehearing and rehearing en banc. A response to the petition was invited by the court and filed by appellant Xitronix Corporation. The petition for rehearing and response were first referred to the panel that heard the appeal, and thereafter, to the circuit judges who are in regular active service. A poll was requested, taken, and failed.

Upon consideration thereof,

IT IS ORDERED THAT:

¹ Circuit Judge Mayer participated only in the decision on the petition for panel rehearing.

52a

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on June 22, 2018.

FOR THE COURT

June 15, 2018

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

United States Court of Appeals
for the Federal Circuit

XITRONIX CORPORATION,
Plaintiff-Appellant

v.

KLA-TENCOR CORPORATION, DBA KLA-
TENCOR, INC., A DELAWARE CORPORATION,
Defendant-Appellee

2016-2746

Appeal from the United States District Court for
the Western District of Texas in No. 1:14-cv-01113-SS,
Judge Sam Sparks.

NEWMAN, *Circuit Judge*, dissenting from denial of the
petition for rehearing en banc.

I write because of the importance of this decision to
the judicial structure of patent adjudication, and the
future of a nationally consistent United States patent
law.

In this case, the complaint states that the asserted
violation of patent law may support violation of
antitrust law—a *Walker Process* pleading based on

charges of fraud or inequitable conduct in prosecution of the patent application in the Patent and Trademark Office.¹ The three-judge panel assigned to this appeal held that the Federal Circuit does not have jurisdiction, did not reach the merits, and transferred the appeal to the Fifth Circuit.² This jurisdictional ruling is contrary to the statute governing the Federal Circuit, and contrary to decades of precedent and experience. Nonetheless, the en banc court now declines to review this panel ruling.

I write in concern for the conflicts and uncertainties created by this unprecedented change in jurisdiction of the Federal Circuit and of the regional courts of appeal. With the panel's unsupported ruling that the Supreme Court now places patent appeals within the exclusive jurisdiction of the regional circuits when the pleading alleges that the patent issue may lead to a non-patent law violation, we should consider this change en banc.

¹ In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, the Supreme Court held that the use of a patent obtained through intentional fraud on the USPTO to create or preserve a monopoly may expose the patent holder to antitrust liability. 382 U.S. 172, 176–77 (1965). This court has summarized that: “In order to prevail on a *Walker Process* claim, the antitrust-plaintiff must show two things: first, that the antitrust-defendant obtained the patent by knowing and willful fraud on the patent office and maintained and enforced the patent with knowledge of the fraudulent procurement; and second, all the other elements necessary to establish a Sherman Act monopolization claim.” *TransWeb, LLC v. 3M Innovative Proprs. Co.*, 812 F.3d 1295, 1306 (Fed. Cir. 2016).

² *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075 (Fed. Cir. 2018) (“Transfer Order”).

The District Court’s Decision was Limited to Patent Issues³

The district court received a complaint for “*Walker Process* antitrust claims based on KLA’s alleged fraudulent procurement of a patent.” Dist. Ct. Dec. at *1. Xitronix alleged that the “entire prosecution” of the patent was tainted by fraud or inequitable conduct in the Patent and Trademark Office. J.A. 54 (¶111); J.A. 63 (¶145).

The panel now rules that the appealed issues of fraud and inequitable conduct in obtaining the patent do “not present a substantial issue of patent law,” Transfer Order, 882 F.3d at 1078, and therefore that the jurisdiction of the Federal Circuit, 28 U.S.C. § 1295(a)(1), does not apply to this appeal. The panel states: “The underlying patent issue in this case, while important to the parties and necessary for resolution of the claims, does not present a substantial issue of patent law,” and that “[s]omething more is required to raise a substantial issue of patent law sufficient to invoke our jurisdiction.” Transfer Order, 882 F.3d at 1078. We are not told what that “[s]omething more” might be.

Neither party had questioned our appellate jurisdiction. The panel raised the question sua sponte, and now holds that a Supreme Court decision on state court malpractice jurisdiction, *Gunn v. Minton*, 568 U.S. 251 (2013), removed Federal Circuit jurisdiction of *Walker Process* patent appeals.

³ 2016 WL 7626575 (W.D. Tex. Aug. 26, 2016) (“Dist. Ct. Dec.”).

If the issues of inequitable conduct or fraud in procuring the patent are no longer deemed to be a substantial issue of patent law, the court should speak en banc. Here, the district court reviewed the patent prosecution, including the references and other information relevant to examination for patentability; reviewed the applicant's arguments, the examiner's responses, and the examiner's reasoning in allowing the claims; and reviewed information from the concurrent infringement litigation. Dist. Ct. Dec. at *5–8. The district court wrote a detailed opinion, concluding that fraud or inequitable conduct in patent prosecution had not been shown. *Id.* at *9. This is the issue on appeal—the only issue. Xitronix argues on this appeal that the district court erred in its analysis and conclusion, and that the patent is invalid or permanently unenforceable.

The panel holds that patent validity and enforceability are not substantial questions of patent law, and therefore this case does not arise under the patent law. The panel removes the Federal Circuit from jurisdiction over appeals of *Walker Process* claims, and challenges Federal Circuit jurisdiction of all appeals where the complaint includes non-patent issues. This is a vast jurisdictional change for the regional circuits as well as the Federal Circuit.

The Federal Circuit Jurisdictional Statute

28 U.S.C. § 1295(a)(1). The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court . . . in any civil action

arising under . . . any Act of Congress relating to patents or plant variety protection.

The Supreme Court has summarized that for the purpose of “desirable uniformity [] Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases, observing that increased uniformity would ‘strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.’” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996) (quoting H.R. Rep. No. 97–312, pp. 20–23 (1981)).

Precedent has construed the clause “civil action arising under . . . any Act of Congress relating to patents,” for the creation of the Federal Circuit as a national court raised occasional questions of appellate jurisdiction, as the courts sought to implement the legislative purpose. Precedent considered specific circumstances as they arose: for example, when the district court action included issues in addition to patent issues and the patent issues were not appealed; when the patent issue arose only by counterclaim; when the patent issue arose in a contract dispute; when the patent issue arose in connection with various antitrust claims; when the patent issue arose in a state court action; when the patent issue was later removed from the complaint; when the patent issue arose in a malpractice action.

Thus, we and the Supreme Court and the regional circuits have considered the boundaries of “civil action arising under . . . any Act of Congress relating to patents,” across an array of diverse circumstances.

Those boundaries produced helpful guidance in special or complex cases. However, the present case is simple, for the issue of fraud or inequitable conduct in prosecution of the patent application, the foundation of *Walker Process* jurisprudence, is cemented in its jurisdictional path to the Federal Circuit. If that path is to be changed, such change warrants en banc action.

Supreme Court and Federal Circuit Precedent are Contravened by the Panel Decision

The Supreme Court reviewed Federal Circuit jurisdiction early in our existence, in a case where the Seventh Circuit and the Federal Circuit each “adamantly disavowed jurisdiction” and insisted that the other was the correct appellate body. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 803 (1988). In *Christianson*, a former employee of Colt asserted Clayton Act and Sherman Act violations by Colt as well as tortious interference with business relationships; the employee requested damages and injunctive and equitable relief. An antitrust allegation related to patent validity. The district court decided for the former employee on both the antitrust and tortious interference claims, and Colt appealed to the Federal Circuit. We held that we did not have jurisdiction because the case did not arise under the patent law, and transferred the appeal to the Seventh Circuit.

The Seventh Circuit stated that the Federal Circuit was “clearly wrong,” and transferred the appeal back to us. The Federal Circuit then decided the appeal “in the interests of justice,” while protesting that we lacked jurisdiction. *Christianson*, 486 U.S. at 806–07. The Supreme Court then stepped in, and held that the case

did not arise under the patent law, and that the appeal belonged in the Seventh Circuit. The Court observed that the phrase “arising under” the patent law “mask[ed] a welter of issues regarding the interrelation of federal and state authority and the proper management of the federal judicial system.” *Id.* at 808 n.2 (quoting *Franchise Tax Bd. of Cal. v. Constr. Laborers Vacation Tr. for S. Cal.*, 463 U.S. 1, 8 (1983)).

The Court defined “arising under” patent law as requiring:

a well-pleaded complaint [that] establishe[s] either that federal patent law create[s] 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 was a necessary element of one of the well-pleaded claims.

Id. at 809. This standard has guided ensuing jurisdictional determinations.

As applied to the case at bar, it is not disputed that patent law is a “necessary element” of the antitrust claim, for without determination that a patent was obtained by fraud or inequitable conduct, there can be no antitrust violation. While “a claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories,” *id.* at 810, Xitronix alleged a theory of antitrust violation based solely on patent law. And, as Xitronix states, its purpose is to invalidate the patent or render it unenforceable. However, the panel rules that in *Gunn v. Minton*, 568

U.S. 251 (2013), the Supreme Court changed Federal Circuit jurisdiction such that only the regional circuits now have jurisdiction over *Walker Process* appeals.

Gunn did not make the jurisdictional change ascribed to it. In *Gunn* the Court held that the appeal of a state law attorney malpractice case was properly in the state court, although the malpractice charge related to a patent issue. The Court observed that the patent had been invalidated ten years earlier, and described the patent aspect as “hypothetical” because whatever the attorney’s malfeasance, there could be no rights in this long-dead patent. *Id.* at 261 (“No matter how the state courts resolve that hypothetical ‘case within a case,’ it will not change the real-world result of the prior federal patent litigation. Minton’s patent will remain invalid.”).

In this context of federal-state authority, *Gunn* discussed the requirements for federal “arising under” jurisdiction. The Court stated, “a case can ‘arise under’ federal law in two ways. Most directly, a case arises under federal law when federal law creates the cause of action asserted.” *Id.* at 257 (internal alteration omitted). Even where federal law does not create the cause of action, “federal 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.* at 258.

Gunn explained that the substantiality inquiry looks “to the importance of the issue to the federal system as a whole,” *id.* at 260, and that when the claim

“finds its origins in state rather than federal law,” it must be “capable of resolution in federal court without disrupting the federal-state balance approved by Congress.” *Id.* at 258. The Court’s discussion of federal-state balance shows the ill fit between *Gunn* and the panel’s application of *Gunn* to remove the jurisdiction of the Federal Circuit over the issues of fraud and inequitable conduct in patent prosecution when an antitrust violation is asserted in the complaint.

I agree that “[w]hile not perfectly translatable to the question before us, the[] guideposts [of *Gunn*] are helpful.” *Madstad Eng’g, Inc. v. USPTO*, 756 F.3d 1366, 1370 (Fed. Cir. 2014). In *Madstad*, this court considered how adjudication of the constitutional challenge to the America Invents Act would affect the “balance [of] matters committed to the jurisdiction of this court and those committed to the regional circuits.” *Id.* at 1371. The court stated that the “balance would be upset by placing jurisdiction over interpretations of the AIA and an assessment of its constitutional validity in the hands of any circuit other than this one.” *Id.* The same applies here, as the panel upsets the balance established by Congress and moves to the regional circuits the issue of fraud or inequitable conduct in the PTO.

The case at bar is not a “hypothetical ‘case within a case,’” as in *Gunn*, 568 U.S. at 261. The adjudication of fraud in procuring the patent in the PTO is a substantial issue of patent law. The panel states that *Gunn* requires moving the appeal to the Fifth Circuit because in the case at bar “[t]here is no dispute over the validity of claims.” Transfer Order, 882 F.3d at

1078. This is a puzzling statement, for that is the dispute: Xitronix states that a finding of fraud or inequitable conduct will “result in the ’260 patent claims being rendered collaterally invalid and/or unenforceable.” Reh’g Resp. Br. 9. The dispute is indeed over the validity and enforceability of the patent. The Court did not obliterate this jurisdiction of the Federal Circuit in *Gunn*’s resolution of state court malpractice jurisdiction.

I turn briefly to Federal Circuit precedent, for this court has traditionally resolved antitrust aspects of *Walker Process* appeals when raised in conjunction with patent prosecution in the PTO.

The Panel Rejects Federal Circuit Precedent

In *Nobelpharma AB v. Implant Innovations, Inc.*, the en banc court considered the question of whether Federal Circuit or regional circuit law should apply to the fraudulent “procuring or enforcing” aspect of a *Walker Process* claim. 141 F.3d 1059, 1068 (Fed. Cir. 1998).⁴ We held that: “Whether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws is one of those issues that clearly involves our exclusive jurisdiction over patent cases.” *Id.* at 1068. The en banc court further explained that “we hereby change our precedent and hold that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of

⁴ This section of *Nobelpharma* was “considered and decided unanimously by an *in banc* court.” 14 F.3d 1068 n.5.

its immunity from the antitrust laws is to be decided as a question of Federal Circuit law.” *Id.*

The panel’s ruling contradicts this en banc holding; this alone requires en banc attention, for precedent may not be changed by a panel, see *South Corp. v. United States*, 690 F.2d 1368, 1370 n.2 (Fed. Cir. 1982) (en banc).

In re Ciprofloxacin Hydrochloride Antitrust Litigation was a transfer to the Federal Circuit from the Second Circuit, because “the determination of fraud before the PTO necessarily involves a substantial question of patent law.” 544 F.3d 1323, 1330 & n.8 (Fed. Cir. 2008), *abroated on other grounds by FTC v. Actavis*, 570 U.S. 136, 146–47, 160 (2013). Although there were also non-patent issues in this litigation, the Second Circuit and Federal Circuit agreed that the patent issues were substantial and that the action arose under the patent law, placing jurisdiction in the Federal Circuit.

The panel now announces that *Nobelpharma* and *Ciprofloxacin* were rendered “invalid” by *Gunn*. Transfer Order, 882 F.3d at 1079. *Gunn*, a malpractice case on the question of state-federal authority for attorney discipline, made no such dramatic holding pertaining to patent jurisdiction, even in dictum. The panel’s discard of decades of precedent requires more than silent inference from unrelated situations.

Other rulings on our jurisdiction are in tension with the panel’s decision. In *Jang v. Boston Scientific Corporation*, 767 F.3d 1334, 1337 (Fed. Cir. 2014), an action for breach of contract, this court was clear in its

rejection of the concept that *Gunn* had broadly deprived the Federal Circuit of jurisdiction: “Here, by contrast [with *Gunn*], the disputed federal patent law issues presented by Jang’s well-pleaded complaint are substantial and neither entirely backward-looking nor hypothetical. In addition to infringement, the court may be called upon to determine the extent to which validity is made relevant to the resolution of the breach-of-contract claim by the language of the contract itself.” *Id.* at 1337. This court deemed patent validity a “substantial” issue of patent law and explained that appeal of the breach of contract claim was properly to the Federal Circuit:

Permitting regional circuits to adjudicate questions of patent validity, for example, could result in inconsistent judgments between a regional circuit and the Federal Circuit, resulting in serious uncertainty for parties facing similar infringement charges before district courts within that regional circuit. Maintaining Federal Circuit jurisdiction over such contractual disputes to avoid such conflicting rulings is important to “the federal system as a whole” and not merely “to the particular parties in the immediate suit.”

Id. at 1338 (quoting *Gunn*, 568 U.S. at 260).

By further example, in *Vermont v. MPHJ Technology Investments, LLC*, this court observed that the substantial question of patent law present in a challenge to a Vermont consumer protection law was not like the malpractice issue in *Gunn*, a “‘backward-looking . . . legal malpractice claim’ that would be

unlikely to have any ‘preclusive effect’ on future patent litigation.” 803 F.3d 635, 646 (Fed. Cir. 2015) (quoting *Gunn*, 568 U.S. at 261, 263). Such distinction from *Gunn* also applies to the case at hand.

The panel’s ruling directly contradicts the court’s prior holdings. A contradictory ruling by the panel is improper, for “[t]his court has adopted the rule that prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned *in banc*.” *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988). In the vast number of cases that have raised non-patent issues along with patent issues, no precedent of the Supreme Court or the Federal Circuit supports the panel’s ruling on the panel’s facts.

The Panel Also Misconstrues Regional Circuit Jurisdictional Rulings

The panel also cites decisions of other circuits to support transfer of this appeal to the Fifth Circuit. None of these cases, not their holdings nor their procedural postures nor their reasoning, supports this transfer.

In re Lipitor Antitrust Litigation, 855 F.3d 126 (3d Cir. 2017), dealt with the antitrust aspects of reverse-payments between the patent owner and generic producers of the patented drug. The panel states that the retention of jurisdiction in the Third Circuit supports removal of the instant appeal from Federal Circuit jurisdiction. Transfer Order, 882 F.3d at 1079. The *Lipitor* litigation raised several antitrust aspects unrelated to patent law. *See* 855 F.3d at 146 (“Here,

plaintiffs could obtain relief on their section 2 monopolization claims by prevailing on an alternative, non-patent-law theory”). The Third Circuit distinguished this case from the Second Circuit’s transfer to the Federal Circuit, stating: “But unlike the *Lipitor* and *Effexor* appeals before us, the appeal transferred from the Second Circuit to the Federal Circuit involved stand-alone *Walker Process* claims.” *Id.* at 148 (referencing *In re Ciprofloxacin*). The Third Circuit observed that “*Actavis* teaches that reverse-payment antitrust claims do not present a question of patent law” and found patent law was not “necessary for relief on every theory of liability supporting an antitrust claim.” *Id.* at 146 (citing 570 U.S. at 156–58). The court further stated that “courts must look to the monopolist’s conduct taken as a whole rather than considering each aspect in isolation.” *Id.* at 147 (quoting *LePage’s Inc. v. 3M*, 324 F.3d 141, 162 (3d Cir. 2003)). Finding “patent-law related theories” to be but “aspects of an overall monopolistic scheme,” the Third Circuit concluded that appellate jurisdiction was properly found in that court. *Id.* at 147, 152.

In contrast, here Xitronix presented no “alternative, non-patent-law theory” for its antitrust claim. *Lipitor*, 855 F.3d at 146. The only basis of Xitronix’s claim was the asserted fraud or inequitable conduct in the PTO. The *Lipitor* ruling does not support divesting the Federal Circuit of jurisdiction over appeals where the potential antitrust issue necessarily turns on finding fraud or inequitable conduct in patent prosecution in the PTO.

The panel also cites a Fifth Circuit case in purported support of this jurisdictional change. In *USPPS, Ltd. v. Avery Dennison Corp.*, 541 F. App'x 386 (5th Cir. 2013) the issue was breach of fiduciary duty, where a patent applicant sued its licensee and attorneys on various grounds. There was no issue of fraud or inequitable conduct in prosecution of the patent application. The appeal bounced from the Fifth Circuit to the Federal Circuit to the Supreme Court, back to the Federal Circuit, and then back to the Fifth Circuit, which ruled that any patent aspects were “hypothetical” because resolution of the breach of fiduciary duty question would not affect the validity or enforceability of any patent. *Id.* at 389–90. Although the panel cites this case as an example of regional circuit jurisdiction of fraud in the PTO, there was no issue of fraud in the PTO; the asserted fraud was common law fraud based on contract and fiduciary relationships.

The panel further cites *MDS (Canada) Inc. v. Rad Source Technologies, Inc.*, 720 F.3d 833 (11th Cir. 2013), for the proposition that the regional circuit had jurisdiction of the appeal of a “contract claim with an underlying patent infringement issue.” *Transfer Order*, 882 F.3d at 1080. In that contract dispute, the court stated that the case was for breach of a license agreement, and that the question of infringement was not substantial because the patent had expired and “resolution of this issue is unlikely to impact any future constructions of claims.” *MDS*, 720 F.3d at 842. The circuit construed the contract and the licensed patents, considered the asserted breaches such as failure to pay

the maintenance fees, and certified other contract issues to the Florida Supreme Court. The appeal before us is not such a complex case—the appeal turns on the issue of patent prosecution conduct in the PTO, for which appellate jurisdiction is in this court.

Another regional circuit case on which the panel relies is *Seed Co. Ltd. v. Westerman*, a malpractice case that was appealed to the D.C. Circuit. 832 F.3d 325 (D.C. Cir. 2016). The asserted malpractice was the attorney’s failure to successfully prosecute an application before the PTO. The panel correctly states that the D.C. Circuit had “appellate jurisdiction because the case ‘involve[d] no forward looking questions about any patent’s validity, but instead solely concern[ed] whether unsuccessful patent applicants can recover against their attorneys.’” Transfer Order, 882 F.3d at 1079 (quoting *Seed*, 832 F.3d at 331). The Federal Circuit had several years earlier reviewed the patent questions in *Seed*, in an interference proceeding. As in *Gunn*, no patent rights were involved in or affected by this malpractice action. This case does not support the panel’s holding that the Federal Circuit does not have jurisdiction over cases based on fraud or inequitable conduct in the PTO.

Until today, there has been stability in the jurisdictional path of *Walker Process* appeals. No precedent deprives the Federal Circuit of jurisdiction of appeals that turn on issues of fraud or inequitable conduct in patent prosecution. These issues are not only substantial, but because they determine patent enforceability and validity, they are fundamental.

To summarize why en banc review of this panel decision is appropriate and necessary:

1) The panel, at its own initiative, raised the question of our jurisdiction of *Walker Process* appeals. Although supplemental briefing was requested of the parties, the ramifications of this jurisdictional change were not exposed in public debate.

2) Precedent is contrary to the panel's rejection of this appeal. Neither *Gunn* nor any other precedent supports the panel's ruling that claims turning on patent invalidity and unenforceability due to fraud or inequitable conduct in patent prosecution do not "arise under" the patent law.

3) The reason for formation of the Federal Circuit as a national court was to stabilize the patent law and provide uniformity throughout the nation. Patent prosecution is a complex and specialized interaction between inventors and examiners. This ruling will require each regional circuit to review patent prosecution in the PTO, creating regional precedent and forum-shopping.

4) Appellate review of cases that arise under the patent law is our assignment and our obligation. The Supreme Court did not silently divest this court of the jurisdiction that was established in 1982.

If the court now wishes to remove itself from jurisdiction of cases that may involve issues in addition to patent issues, we should make this change en banc. From the court's denial of en banc rehearing, I respectfully dissent.

70a

Appendix F

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

XITRONIX CORPORATION,
Plaintiff,

-vs-

CAUSE NO.:
KLA-TENCOR CORPORATION, A-14-CA-01113-SS
Defendant. |

O R D E R

BE IT REMEMBERED on the 7th day of April 2016, the Court held a hearing in the above-styled cause, and the parties appeared by and through counsel. Before the Court are Defendant KLA-Tencor Corporation (KLA)'s Motion for Summary Judgment [#56], Plaintiff Xitronix Corporation (Xitronix)'s Response [#57] in opposition, KLA's Reply [#58] in support, Xitronix's Memorandum [#71] in opposition, KLA's Memorandum [#73] in support, and KLA's Notice of Supplemental Authority [#77]. Having considered the documents, the file as a whole, and the governing law, the Court now enters the following opinion and order.

Background

This case involves *Walker Process* antitrust claims based on KLA's alleged fraudulent procurement of a patent. KLA is the assignee of the following related

patents: (1) United States Patent No. 8,817,260 (the '260 Patent); (2) United States Patent No. 7,646,486 (the '486 Patent); and (3) United States Patent No. 7,362,441 (the '441 Patent). The '260 Patent is a continuation of the '486 Patent, which is a continuation of the '441 Patent, which itself was a continuation of an earlier patent, United States Patent No. 7,126,690 (the '690 Patent). The patented technology involves a system which provides high resolution, non-destructive evaluation of semiconductor wafers as they pass through various semiconductor manufacturing stages.

Xitronix's *Walker Process* claims represent the third installment in a trilogy of lawsuits between the parties. In this lawsuit, Xitronix alleges KLA, after having its previous patent (the '441 Patent) declared invalid in a final judgment after a trial on the merits in this Court, obtained a new patent (the '260 Patent) covering the same technology through fraudulent representations and omissions about the state of the prior art. According to Xitronix, KLA's fraudulent procurement of the '260 Patent "was, and is, specifically intended to monopolize and destroy competition in the market for dopant activation metrology, a market currently valued at approximately \$650 million." Compl. [#1] ¶12. Xitronix represents KLA's Therma-Probe 680 and Xitronix's XP700 system are the only two products in the market, and KLA, by obtaining the '260 Patent, has the power to exclude Xitronix from manufacturing or selling its product. *Id.* ¶ 13.

Before turning to the substance of KLA's present motion for summary judgment, the Court provides a brief description of the parties' litigious history.

I. The First Two Lawsuits

First, in September 2008, Xitronix sued KLA in this Court, asserting a declaratory judgment of non-infringement with respect to the '441 Patent and its parent, the '690 Patent. *See* Compl. [#1] ¶ 1, *Xitronix Corp. v. KLA-Tencor Corp.*, No. 1:08-CV-723-SS (W.D. Tex. Jan. 31, 2011) (the First Lawsuit). KLA had apparently informed Xitronix through numerous letters of its belief Xitronix was engaged in ongoing infringement of KLA's patents, prompting Xitronix to respond with its non-infringement suit. *Id.* at 4–9. In November 2010, the parties tried the case to a jury, which returned a verdict finding Xitronix had infringed claim 7 of the '441 Patent but had not infringed any other claims. Order of Jan. 31, 2011 [#210] at 1, the First Lawsuit. The jury also found, however, that claim 7 of the '441 Patent was invalid as anticipated by prior art. *Id.* at 1–2. The jury further found all of the asserted claims—claims 7, 9, 11, and 12—of the '441 Patent were invalid due to obviousness. *Id.* at 2. Post-trial, the Court ordered the parties to brief whether the claims at issue were also invalid due to indefiniteness, and the Court ultimately held the claims were indefinite. *Id.* at 3, 5–9. Additionally, the Court held there was ample evidence to support the jury's verdict of invalidity based on anticipation and obviousness. *Id.* at 10–12. KLA did not appeal the final judgment.

Second, in March 2011, Xitronix filed another lawsuit against KLA in state court, alleging business-tort claims for damages under Texas law arising from KLA's publicized patent-infringement allegations, which was subsequently removed by KLA to this Court. *See* Notice Removal [#1], *Xitronix Corp. v. KLA-Tencor Corp.*, No. 1:11-CV-358-SS (W.D. Tex. July 7, 2011) (the Second Lawsuit). Xitronix's state law claims were based on KLA's conduct in and surrounding the First Lawsuit, including: "(1) KLA's alleged knowing false statements of infringement of the '411 Patent by Xitronix; and (2) KLA's alleged bad faith use of litigation to impair Xitronix's business operations." Order of July 7, 2011 [#16] at 2, the Second Lawsuit. Xitronix moved to remand, and the Court granted the motion because the only substantial question of patent law (which Xitronix alleged provided the basis for removal) was already decided in the First Lawsuit. *Id.* On remand, the state court, according to Xitronix's allegations, granted summary judgment in favor of KLA for unspecified reasons, and on appeal, the Third District Court of Appeals of Austin affirmed the summary judgment on res judicata grounds, holding Xitronix's antitrust claims arose out of the same nucleus of operative facts underlying its claims in the First Lawsuit. Compl. [#1] ¶ 34. The Supreme Court of Texas denied Xitronix's petition for review of that decision. *Xitronix Corp. v. KLA-Tencor Corp.*, No. 14-0736 (Tex. Feb. 27, 2015), *available at* <http://www.txcourts.gov/supreme/orders-opinions/2015/february/february-27-2015/>.

II. The Current Lawsuit

In the current lawsuit, Xitronix asserts *Walker Process* antitrust claims based on KLA's alleged fraudulent procurement of the '260 Patent. KLA obtained the '260 Patent over a period of years involving back-and-forth exchanges with the PTO. KLA filed its patent application for the '260 Patent on November 11, 2009, and on February 7, 2011, approximately one week after the Court's entry of the final judgment in the First Lawsuit but before being informed of the final judgment, the examiner allowed KLA's pending claims in the '260 Patent, claims which Xitronix contends are essentially identical to the invalidated patent claims of the '441 Patent.¹ *See* Resp. [#57] at 8.

On February 10, 2011, KLA's patent prosecution attorney, Michael Stallman, did not allow the '260 Patent to proceed to issuance, and instead submitted a request for a continued examination (RCE) of the '260 Patent and an information disclosure statement (IDS) listing an "Executed ORDER from the United States District Court for the Western District of Texas, Austin Division, Case No. A-08-CA-723-SS,

¹ On July 29, 2015, KLA disclaimed—without explanation—the relevant '260 Patent claims with the PTO. Reply [#17-1] Ex. 1 (Disclaimer of Claims 1, 3, 4, and 5 of the '260 Patent). As this Court previously held, though “there would appear to be no threat of ongoing harm, [] liability and damages must still be litigated.” Order of Aug. 24, 2015 [#20] at 14.

dated January 31, 2011, 13 pages in length.”² Mot. Summ. J. [#56-3] Ex. 3 (IDS) at 94. Xitronix faults Stallman for failing to explain to the examiner how this Court’s January 31, 2011 Order related to the then-pending ’260 Patent; how the then-pending claims were identical to, or broadened from, claims in the ’441 Patent held invalid as a final judgment in the First Lawsuit; and how, as a result, the then-pending claims were unpatentable. *Id.* Xitronix also faults Stallman for failing to inform the PTO that KLA did not appeal the final judgment in the First Lawsuit. *Id.*

On July 12, 2013, a newly appointed examiner initialed the final judgment in the First Lawsuit and Xitronix’s litigation briefs as “considered.” IDS at 94. On July 25, 2013, the examiner issued an initial rejection of the claims in the continuing ’260 Patent application. Resp. [#57-9] Ex. 9 (July 25, 2013 Office Action) at 3–8. The examiner concluded the claims were obvious over other art, specifically “Rosencwaig in view of Opsal.” *Id.* at 6. Opsal disclosed a Therma Probe system for evaluating semiconductor samples, while Rosencwaig disclosed a similar device for evaluating biological samples, leading the examiner to conclude it would have been obvious to use the wavelengths disclosed in Rosencwaig to evaluate semiconductor samples. *Id.*

² Stallman previously disclosed the jury verdict to the PTO on November 18, 2010, and argued against the jury’s findings. Resp. [#57-7] Ex. 7 (Amendment in Response to Non-Final Office Action) at 5.

at 6–9. The examiner further rejected the term “optimize” in the claims as indefinite, and instead interpreted the claims as using the term “maximize.” *Id.* at 2.

On October 8, 2013, Stallman amended claims 3 and 10 to change the term “optimize” to “maximize.” Resp. [#57-10] Ex. 10 (Oct. 8, 2013 Amendment) at 2–3, 5. Stallman also responded to the examiner’s initial rejection of the claims based on “Rosencwaig in view of Opsal,” arguing the claims were not obvious over prior art. In doing so, Stallman made the following statement, which Xitronix insists constitutes a material misrepresentation in light of the final judgment in the First Lawsuit:

“As discussed below, the prior art fails to teach [the 360 to 410 nm] wavelength range for use in semiconductor samples when performing modulated optical reflectivity measurements.”

Id. at 6. Stallman proceeded to discuss the Rosencwaig, Opsal, Alpern and Borden prior art references. *Id.* at 6–8.

On January 2, 2014, the examiner accepted Stallman’s amendments to claims 3 and 10, but nevertheless issued a final rejection of the claims, again concluding the claims were unpatentable as obvious over Rosencwaig and Opsal. Resp. [#57-11] Ex. 11 (Jan. 2, 2014 Office Action) at 5–12.

On March 12, 2014, Stallman submitted another RCE of the ‘260 Patent. He canceled the “device” claims 1 through 5 in favor of the method claims 6 to 12, and substituted the term “silicon semiconductor

sample” for the term “semiconductor sample” in method claim 6. Resp. [#57] Ex. 12 (Mar. 12, 2014 Amendment) at 2–4. Stallman again responded to the examiner’s “obviousness” rejection, asserting the following statements which Xitronix claims constitute material misrepresentations because they directly contradict the final judgment in the First Lawsuit:

“As discussed below, the prior art fails to teach a method of analyzing silicon semiconductor samples using [the 360 to 410 nm] wavelength range.”

“The first point to note is that none of the prior art related to measuring the modulated reflectivity on silicon semiconductor samples taught the claimed probe beam wavelength of 360 to 410 nm.”

“To combat this omission the examiner relies on a single patent to Rosencwaig that relates to the measurement of the biological tissue.”

“However, . . . one skilled in the art . . . would not assume that the methods described in Rosencwaig would be suitable for such samples, particularly when the prior art relating to semiconductor samples teach different wavelengths.”

“[A]mended method claim 6 is not taught or suggested by a combination of Rosencwaig and Opsal.”

Id. at 4–6.

Upon review, the examiner found Stallman's arguments "persuasive" and concluded "the prior art of record fails to disclose or render obvious a method for evaluating a silicon semiconductor sample . . . wherein the wavelength is between 360 and 410 nm." Resp. [#57] Ex. 13 (April 22, 2014 Notice of Allowability) at 3. The '260 Patent ultimately issued on August 26, 2014.

In support of its *Walker Process* claims, Xitronix contends Stallman repeatedly represented to the examiner that the prior art relating to semiconductor samples did not teach the 360 to 410 nm wavelength range, an argument previously rejected by the jury and this Court in the First Lawsuit. Moreover, Xitronix claims Stallman deliberately omitted material facts by failing to disclose that KLA did not appeal the judgment in the First Lawsuit and by failing to explicitly tell the examiner the claims presented in the '260 Patent mirror the claims invalidated in the First Lawsuit. But for these affirmative misrepresentations and deliberate omissions, Xitronix argues, the examiner would not have allowed the patent.

KLA moves for summary judgment, arguing Xitronix cannot establish two elements of a *Walker Process* claim: (1) Stallman made affirmative misrepresentations or deliberate omissions in prosecuting the '260 Patent, and (2) the '260 Patent would not have issued but for Stallman's alleged misrepresentations and omissions. The parties fully briefed the motion, and it is now ripe for the Court's consideration.

Analysis

I. Legal Standard

Summary judgment shall be rendered when the pleadings, the discovery and disclosure materials on file, and any affidavits show there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(a); *Celotex Corp. v. Catrett*, 477 U.S. 317, 323–25 (1986); *Washburn v. Harvey*, 504 F.3d 505, 508 (5th Cir. 2007). A dispute regarding a material fact is “genuine” if the evidence is such that a reasonable jury could return a verdict in favor of the nonmoving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). When ruling on a motion for summary judgment, the court is required to view all inferences drawn from the factual record in the light most favorable to the nonmoving party. *Matsushita Elec. Indus. Co. v. Zenith Radio*, 475 U.S. 574, 587 (1986); *Washburn*, 504 F.3d at 508. Further, a court “may not make credibility determinations or weigh the evidence” in ruling on a motion for summary judgment. *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000); *Anderson*, 477 U.S. at 254–55.

Once the moving party has made an initial showing that there is no evidence to support the nonmoving party’s case, the party opposing the motion must come forward with competent summary judgment evidence of the existence of a genuine fact issue. *Matsushita*, 475 U.S. at 586. Mere conclusory allegations are not competent summary judgment evidence, and thus are insufficient to defeat a motion for summary judgment. *Turner v. Baylor Richardson*

Med. Ctr., 476 F.3d 337, 343 (5th Cir. 2007). Unsubstantiated assertions, improbable inferences, and unsupported speculation are not competent summary judgment evidence. *Id.* The party opposing summary judgment is required to identify specific evidence in the record and to articulate the precise manner in which that evidence supports his claim. *Adams v. Travelers Indem. Co. of Conn.*, 465 F.3d 156, 164 (5th Cir. 2006). Rule 56 does not impose a duty on the court to “sift through the record in search of evidence” to support the nonmovant’s opposition to the motion for summary judgment. *Id.*

“Only disputes over facts that might affect the outcome of the suit under the governing laws will properly preclude the entry of summary judgment.” *Anderson*, 477 U.S. at 248. Disputed fact issues that are “irrelevant and unnecessary” will not be considered by a court in ruling on a summary judgment motion. *Id.* If the nonmoving party fails to make a showing sufficient to establish the existence of an element essential to its case and on which it will bear the burden of proof at trial, summary judgment must be granted. *Celotex*, 477 U.S. at 322–23.

II. Application

To prevail on a *Walker Process* claim, a plaintiff must show: (1) a false representation or deliberate omission of a fact material to patentability, (2) made with the intent to deceive the patent examiner, (3) on which the examiner justifiably relied in granting the patent, (4) but for which misrepresentation or deliberate omission the

patent would not have been granted (“but-for” materiality), and (5) the “necessary additional elements” of an underlying antitrust violation. *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1069–70 (Fed. Cir. 1998); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1364 (Fed. Cir. 1998). The party asserting fraud on the PTO must show by clear and convincing evidence there was an intentional misrepresentation or a withholding of a material fact from the PTO. *Vandenberg v. Dairy Equip. Co.*, 740 F.2d 1560, 1568 (Fed. Cir. 1984).

KLA argues it is entitled to summary judgment because Xitronix cannot show—as the Federal Circuit requires—that (1) the ’260 Patent was obtained through affirmative misrepresentations or deliberate omissions, and (2) the ’260 Patent would not have issued but for Stallman’s alleged misrepresentations or omissions. The Court considers each of these arguments in turn.

A. Affirmative Misrepresentations or Deliberate Omissions

Xitronix presents two theories for fraud on the PTO: (1) Stallman made affirmative misrepresentations to the PTO regarding the status of the prior art, and (2) Stallman deliberately failed to inform the examiner of the significance of the relationship between the pending claims of the ’260 Patent and the invalidated claims of the ’441 Patent.

i. Affirmative Misrepresentations

Xitronix's first theory for fraud on the PTO is that Stallman made an affirmative misrepresentation regarding the status of the prior art. Two filings by Stallman are at issue: his proposed amendment on October 8, 2013, and his RCE of the '260 Patent on March 12, 2014. To determine whether a genuine issue of material fact exists as to whether Stallman's remarks constitute affirmative misrepresentations, the Court must determine (1) whether the remarks were inaccurate, and (2) whether any inaccurate remarks were factual or constituted attorney argument. *See WesternGeco L.L.C. v. ION Geophysical Corp.*, No. 4:09-cv-1827, 2012 WL 567430, at *18 (S.D. Tex. Feb. 21, 2012) (discussing whether alleged material misrepresentations constituted inequitable conduct).

In his initial rejection of '260 Patent claims, the examiner explained the claims are unpatentable as obvious over Rosencwaig and Opsal. In response, Stallman filed a proposed amendment on October 8, 2013, in which he stated:

“As discussed below, the prior art fails to teach [the 360 to 410 nm] wavelength range for use in semiconductor samples when performing modulated optical reflectivity measurements.”

Oct. 8, 2013 Amendment at 6.

Xitronix claims this is an affirmative misrepresentation of material fact, because it directly contradicts the final judgment in the First Lawsuit which invalidated the same claims in the '441 Patent

based on a finding of obviousness. However, when read in the context of Stallman's subsequent statements, the Court finds this statement does not constitute a misrepresentation, but instead an accurate description of the four prior art references—Rosencwaig, Opsal, Alpern, and Borden—which served as the basis of the examiner's initial rejection of '260 Patent.

For instance, following this statement, Stallman introduced Rosencwaig and Opsal as the relevant prior art under discussion, and proceeded to explain how the Rosencwaig and Opsal references do not disclose the invention. *Id.* at 7–8. Stallman concluded the section by stating,

“Based on the above, it is respectfully submitted that independent claims 1 and 6 are not obvious based on *a combination of Rosencwaig and Opsal.*”

Id. at 8 (emphasis added).

Stallman then addressed two other prior art references, Alpern and Borden, and concluded:

“[N]either Alpern nor Borden overcome the deficiencies of the primary references in rendering obvious applications' invention as defined by the claims.”

Id.

The fact that Stallman addressed Alpern and Borden separately suggests his earlier statement—that “the prior art fails to teach [the 360 to 410 nm] wavelength range for use in semiconductor samples

when performing modulated optical reflectivity measurements”—referred only to Rosencwaig and Opsal and not all the prior art in the world. Moreover, the examiner subjectively understood it as such, because in his January 2, 2014 Office Action, the examiner wrote, “[Stallman] appears to argue that reference Rosencwaig doesn’t teach the claimed probe wavelength range.” Jan. 2, 2014 Office Action at 6. Had the examiner understood Stallman’s statement to refer to all prior art references, he would not have limited his response regarding the obviousness of the pending claims to one prior art reference.

Stallman’s remarks in the RCE filed on March 12, 2014 are substantially similar to the remarks contained in the amendment filed on October 8, 2013:

“As discussed below, the prior art fails to teach a method of analyzing silicon semiconductor samples using [the 360 to 410 nm] wavelength range.”

“The first point to note is that none of the prior art related to measuring the modulated reflectivity on silicon semiconductor samples taught the claimed probe beam wavelength of 360 to 410 nm.”

Id. at 4.

Although these statements appear broad when read in isolation, Stallman made the following statements which suggest these remarks—when read in context—refer only to Rosencwaig and Opsal, and not all prior art:

“To combat this omission the examiner relies on a single patent to *Rosencwaig* that relates to the measurement of the biological tissue.”

“[O]ne skilled in the art . . . would not assume that *the methods described in Rosencwaig* would be suitable for such samples, particularly when the prior art relating to semiconductor samples teach different wavelengths.”

“*Based on the above*, it is respectfully submitted that amended method claim 6 is not taught or suggested by *a combination of Rosencwaig and Opsal*.”

Id. at 4–6 (emphasis added). Stallman addressed the Alpern and Borden references separately, which again confirms his previous statements referred only to Rosencwaig and Opsal.

However, even assuming these statements misstated the state of the prior art, Stallman’s remarks may fairly be viewed as attorney argument and not factual misrepresentations. The law prohibits a prosecuting attorney from misrepresenting material facts; it does not prevent an attorney from making arguments in favor of patentability. Indeed, where a prior art reference has been submitted to the examiner, the examiner is free to reach his own conclusion and does not have to solely rely on the prosecuting attorney’s arguments. *See Young v. Lumenis, Inc.*, 492 F.3d 1336, 1348 (Fed. Cir. 2007); *Innogenics v. Abbott Laboratories*, 512 F.3d 1363, 1379 (Fed. Cir. 2008). For instance, in *Young*, an

attorney prosecuting a patent made three misstatements regarding prior art, but the Federal Circuit nevertheless concluded these misstatements were not affirmative misrepresentation of material fact, because the examiner “had the [prior art reference] to refer to during the reexamination proceeding and initially rejected claim 1 based on that reference.” *Id.* at 1349. According to the Federal Circuit, the prosecuting attorney “argued against the rejection, and the examiner was free to reach his own conclusions and accept or reject [the attorney’s] arguments.” *Id.* Because the misstatements “consist[ed] of attorney argument and an interpretation of what the prior art discloses,” they did not constitute affirmative misrepresentations of material fact. *Id.*

In *Innogenetics*, the plaintiff sought to patent a method for genotyping the hepatitis C virus. 512 F.3d at 1368. Prior to applying for the patent in the United States, the plaintiff filed for a patent in the European Patent Office (EPO), and identified a prior art reference, the Cha PCT application, as the “closest prior art.” *Id.* at 1378. Upon review, the EPO concluded certain claims in the pending patent were not novel in light of the Cha PCT application. *Id.* at 1379. The plaintiff thereafter amended the claims with a disclaimer that they were “amended to disclaim the teaching of [the Cha PCT application].” *Id.* In applying for an U.S. patent, the plaintiff submitted as prior art references to the PTO both the Cha PCT application and an internal search report which marked the Cha PCT application as

“problematic” for the EPO. *Id.* Nevertheless, in his accompanying prior art statement, the prosecuting attorney stated “the references do not relate to the invention and, therefore, further discussion of the same is not necessary.” *Id.* The Federal Circuit concluded the prosecuting attorney’s statement did not constitute a material omission or misrepresentation. *Id.* Because the Cha PCT application “had been submitted for the patent examiner to examine herself, [the examiner] was free to accept or reject the patentee’s arguments distinguishing its invention from the prior art.” *Id.*

Stallman’s statements regarding the state of prior art—even if construed as misstatements—were made after the final judgment in the First Lawsuit had been submitted to the examiner in an IDS less than two weeks after it was entered and more than three years before the patent ultimately issued. As in *Young* and *Innogentics*, the prior art was disclosed to the examiner, who was then free to reach his own conclusions and either accept or reject Stallman’s arguments. Unlike *Young*, the initial rejection of the ’260 Patent was not expressly based on the allegedly misrepresented prior art reference. However, by initialing the IDS, the examiner indicated he considered the final judgment prior to reaching his ultimate conclusion. The examiner therefore was not required to rely on Stallman’s characterization of the relevant prior art, but instead could accept or reject his remarks upon independent review of the final judgment.

Based on the foregoing, the Court concludes Xitronix has failed to show a fact issue exists as to whether Stallman's remarks constituted affirmative misrepresentations of material facts.

ii. Deliberate Omission

Xitronix's second theory for fraud on the PTO is that Stallman had a duty to not only disclose the final judgment and related litigation materials, but also (1) to inform the examiner that KLA did not appeal the final judgment in the First Lawsuit, and (2) to affirmatively explain the effect of the final judgment in the First Lawsuit on the then-pending '260 Patent claims.

As to Xitronix's first—somewhat ambiguous—argument, the judgment in this case became final when it was entered on January 31, 2011. An appeal of this judgment would not have automatically stayed the Court's holding. *See Arnold v. Garlock, Inc.*, 278 F.3d 426, 438–442 (5th Cir.2001) (applying a four-part test to determine whether a discretionary stay pending appeal should be granted). As such, Stallman had no duty to inform the examiner of the legal truism that the Court's judgment was final and enforceable when it was entered on January 31, 2011.³

As to Xitronix's second argument, it is undisputed that Stallman disclosed the final judgment and all other

³ Moreover, KLA never threatened to enforce the patent at issue, and as of July 29, 2015, there was decidedly no threat of ongoing harm, since KLA disclaimed the relevant claims of the '260 Patent with the PTO. *See supra* Background at 4 n.1.

relevant litigation materials from the First Lawsuit. On January 31, 2011, the examiner considered Stallman's submission of the jury's finding of obviousness. IDS at 27. On February 7, 2011, the examiner allowed the claims in the '260 Patent over the jury's finding of obviousness. IDS at 19. Three days later, Stallman submitted a RCE of the '260 Patent and an IDS listing the "Executed ORDER from the United States District Court for the Western District of Texas, Austin Division, Case No. A-08-CA-723-SS, dated January 31, 2011, 13 pages in length" and other litigation materials. *Id.* at 94. On July 12, 2013, the examiner initialed the IDS, indicating he considered the final judgment in the First Lawsuit, as well as Xitronix's litigation briefs on these issues. *Id.* On July 25, 2013, the examiner rejected the pending claims of the '260 Patent, concluding certain claims were obvious over Rosencwaig in view of Opsal. July 25, 2013 Office Action at 3-8.

In *C.R. Bard*, the defendant made a similar argument in asserting defenses of fraud and inequitable conduct against the plaintiff's infringement suit. 157 F.3d at 1364. Although the plaintiff disclosed a bulk price quotation to the PTO, the defendant argued the plaintiff should have flagged this document and described its significance to the examiner, "lest it be overlooked in the volume of paper." *Id.* at 1366. The Federal Circuit disagreed, finding "these documents, all in the prosecution history, are easily read" and concluding there was no evidence of material withholding or provision of false information supporting a claim of fraud. *Id.*

As in *C.R. Bard*, this is not a case where the pertinent prior art reference is buried in a mound of information submitted to the PTO. Rather, the IDS identifying the final judgment listed only five items, all of which related to the First Lawsuit. Moreover, the examiner's initials on the IDS "compel the presumption 'that the examiner did consider the reference.'" *Molins POLC v. Textron, Inc.*, 48 F.3d 1172, 1184 (Fed. Cir. 1995); *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1304 (Fed. Cir. 2008) (noting the PTO is "a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents."). Xitronix has failed to proffer sufficient evidence creating a fact issue as to whether the examiner adequately considered the Court's final judgment in the First Lawsuit.⁴

⁴ Xitronix also argues Stallman's amendment of the '260 Patent claims to change the term "optimize" to "maximize" in response to the examiner's suggestion constitutes a fraudulent omission, because "Stallman never pointed out or informed the examiner that the Court had held this same language indefinite in a judgment that became law of the case." Resp. [#57] at 19. Five pages of the order entered contemporaneously with the final judgment in that case were devoted to explaining the Court's conclusion that some claims of the '441 patent were invalid because the phrase "substantially maximize the strength of the output signal" was indefinite. Order of Jan. 31, 2011 [#210] at 5-9, the First Lawsuit. The examiner indicated he considered the final judgment and related litigation materials a mere two weeks before the July 25, 2013 Office Action. Without more evidence to

The examiner in this case was “fully apprised” of the final judgment in the First Lawsuit and “able to consider it and any potential effects it may have on the patentability of the claims before issuing” the July 25, 2013 Office Action. *See Young*, 492 F.3d at 1349. “The essence of the duty of disclosure is to get relevant information before an examiner in time for him to act on it.” *Id.* at 1349. That occurred here: Stallman disclosed the final judgment to the examiner with ample time for him to consider its relevance and effect on the then-pending ’260 Patent claims.

Based on the foregoing, the Court concludes Xitronix has failed to show a fact issue exists as to whether Stallman’s remarks constituted deliberate omissions.

B. “But-For” Materiality

Xitronix argues the ‘260 Patent would not have issued but for Stallman’s misrepresentations and omissions. Even assuming Stallman’s remarks constituted affirmative misrepresentations, Xitronix has failed to proffer any meaningful evidence suggesting these misrepresentations qualify as material under the “but-for” standard, especially when the final judgment was conspicuously disclosed to the examiner with ample time for the examiner to consider it and either accept or reject Stallman’s arguments regardking the state of the prior art.

overcome the presumption the examiner did in fact consider these documents, the Court is not inclined to assume the examiner simply missed the relevance of five pages of the order entered contemporaneously with the final judgment.

Xitronix has likewise failed to proffer any meaningful evidence suggesting an explicit description of the significance of the final judgment to the examiner would have altered his ultimate decision to issue the '260 Patent. Although Xitronix has repeatedly argued that the examiner was unaware of the jury verdict and final judgment invalidating the claims at issue, the Court suspects the examiner was in fact aware of the Court's holding but chose to ignore it.⁵ It would not be the first time the PTO, an administrative agency, overrode a final judgment of an Article III court, and it will likely not be the last. Because Stallman's alleged misrepresentations and deliberate omissions do not satisfy the but-for materiality standard, they cannot serve as the predicate act for *Walker Process* fraud.

Conclusion

Xitronix has failed to show a fact issue exists as to whether Stallman made fraudulent representations and omissions. Xitronix has further failed to show the '260 Patent would not have issued but for Stallman's alleged fraudulent representations and omissions. That the examiner reached a different

⁵ Indeed, a Xitronix email dated February 8, 2011 acknowledges that it is not altogether clear the PTO would have reconsidered its decision and disallowed the '260 Patent even after the Court's contrary ruling in the final judgment was disclosed. Mot. Summ J. [#56-8] Ex. 7 (Xitronix Email February 8, 2011) at 3 (“[G]iven the Examiner’s apparent non-concern for the Court’s invalidity holdings, it is not unfathomable that the Examiner would provide a second notice of allowance even after the Order and Judgment were properly provided.”).

93a

conclusion than the jury regarding the claims at issue does not give rise to *Walker Process* fraud. As a result, KLA's motion for summary judgment is GRANTED.

Accordingly,

IT IS ORDERED that Defendant KLA-Tencor Corporation's Motion for Summary Judgment [#56] is GRANTED.

SIGNED this 26th day of August 2016.

/s/

SAM SPARKS
UNITED STATES DISTRICT JUDGE