No. 20-1284

In the
Supreme Court of the United States

WARSAW ORTHOPEDIC, INC., MEDTRONIC, INC., MEDTRONIC SOFAMOR DANEK, INC.,

Petitioners,

v.

RICK C. SASSO, M.D.,

Respondent.

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

REPLY BRIEF FOR PETITIONERS

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REPLY BRIEF

The Federal Circuit in the decision below first recognized that Medtronic's declaratory judgment action implicated the federal courts' *exclusive* jurisdiction over patent disputes, and then permitted abstention in deference to ongoing state-court proceedings involving mirror-image claims. That makes no sense. Exclusive means exclusive, and thus state-court proceedings addressing the same claims are *ultra vires*. Declining to exercise exclusive federal jurisdiction to allow *ultra vires* state-court proceedings to run their course is incoherent and would ultimately increase this Court's workload. Sasso cannot make sense of the Federal Circuit's fundamentally contradictory decision and does not even try. Nor does Sasso identify *any* other case, in the entire history of the federal courts, in which a federal court with exclusive jurisdiction abstained in favor of a competing state-court proceeding. The decision below is at war with the basic notion of exclusive federal jurisdiction. This Court should grant certiorari and reverse.

I. The Federal Circuit Fundamentally Erred By Simultaneously Finding Exclusive Federal Jurisdiction And Abstaining In Favor Of Ongoing State-Court Proceedings.

The Federal Circuit fundamentally erred by abstaining from exercising its *exclusive* federal jurisdiction out of deference to a state-court proceeding with *no* jurisdiction. That result cannot be squared with this Court's precedents or with the very meaning of exclusive jurisdiction.

A. The Decision Below Cannot Be Reconciled With *Wilton* and *Brillhart*, *Colorado River*, or the Basic Notion of Exclusive Federal Jurisdiction.

The Federal Circuit's decision defies both precedent and common sense. Indeed, it squarely contravenes the very precedents on which it primarily relies. Pet.20-25. *Wilton* and *Brillhart* make crystal clear that while a district court enjoys substantial discretion in deciding whether to hear a declaratory judgment action, it cannot exercise that discretion to abstain in favor of an alternative forum that cannot resolve the parties' claims. Instead, the relevant question is whether the dispute "can better be settled in the proceeding pending in the state court.'" *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995) (quoting *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 495 (1942)). Where (as here) the federal courts have *exclusive* jurisdiction over the claims at issue, those claims obviously cannot "better be settled" in a state courts that by definition lack jurisdiction to settle them at all. *Id.*; *see* Pet.20-25.

That anomalous result embraced below is likewise foreclosed by *Colorado River* and its progeny. Pet.26-29. *Colorado River* explicitly notes that abstention in favor of pending state-court proceedings "clearly would have been inappropriate if the state court had no jurisdiction," and this Court's subsequent decisions reiterate that point. *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800, 809 (1976); *see* Pet.27-28. Four circuits have thus expressly held that under *Colorado River*, a federal court with exclusive jurisdiction cannot properly

abstain in favor of concurrent state-court proceedings. Pet.28. Even the Federal Circuit itself recognized that rule in the *Colorado River* context, Pet.App.12—but then deemed it inapplicable in the *Wilton*/*Brillhart* context, despite the latter decisions' explicit focus on whether the claims at issue can better be settled in the pending state proceeding. Pet.29. Thus, the decision contradicts this Court's precedents and the recognition of at least four circuits that exclusive means exclusive.

Sasso has no response. He does not even try to explain how *Wilton* and *Brillhart* could permit federal courts with *exclusive* jurisdiction to abstain in favor of a state court *without* jurisdiction. Sasso likewise makes no attempt to explain how the decision below can be reconciled with the explicit recognition in *Colorado River* and its progeny that abstaining in favor of a court without jurisdiction is nonsensical; in fact, his brief does not discuss or even cite *Colorado River* at all.

Instead, Sasso emphasizes that district courts have significant discretion under the Declaratory Judgment Act, and can abstain even in cases within their exclusive jurisdiction. BIO.13-14. That is undisputed. But while federal courts have discretion to abstain from issuing declaratory judgments for many reasons—from ripeness to mootness and prudential considerations in between—deference to ongoing state proceedings that *cannot* resolve the parties' dispute is not among them. Pet.23-24; *see Wilton*, 585 U.S. at 282-83; *Brillhart*, 316 U.S. at 494-96. Under any species of abstention doctrine, abstention by a court with exclusive jurisdiction in

deference to a court without proper jurisdiction is both incoherent and improper.

Sasso's argument that the decision below does not conflict with other lower-court decisions is mystifying. BIO.14-18. *Every other court* to consider this issue has declined to abstain from hearing a declaratory judgment action within its exclusive jurisdiction because of a competing state-court proceeding. Pet.25; *see* Pet.28-29. Sasso has no response. With the entire corpus of federal-court decisions to draw from, he does not cite a *single* counter-example. The reason is simple: The very nature of exclusive federal jurisdiction makes abstention in deference to ongoing state-court proceedings nonsensical. Indeed, the inevitable consequence of the Federal Circuit's doctrine is to shift responsibility to this Court to vindicate exclusive federal jurisdiction by reviewing *ultra vires* state-court proceedings.

The Federal Circuit's decision also defies Congress' basic judgment in placing some disputes within the federal courts' exclusive jurisdiction. Put simply, "[e]xclusive means exclusive." *Am. Energy Corp. v. Rockies Express Pipeline LLC*, 622 F.3d 602, 605 (6th Cir. 2010) (Sutton, J.). Where Congress has chosen to grant the federal courts exclusive jurisdiction, abstaining from exercising that exclusive jurisdiction in favor of a state court that Congress has deprived of such jurisdiction necessarily contravenes Congress' considered judgment. Pet.29-30. That is especially true in the patent context, where Congress was doubly clear in denying state courts jurisdiction to hear any claim arising under federal patent law. 28 U.S.C. §1338(a). Whatever grounds a district court

may have for abstaining from exercising its exclusive jurisdiction, it cannot be to yield to state-court patent proceedings. Once again, Sasso has no response.

B. There Is No Good Reason to Leave the Federal Circuit's Error Uncorrected.

1. Instead of squarely defending the Federal Circuit's decision, Sasso mischaracterizes it. Initially, he is flat wrong to suggest that the Federal Circuit's explicit jurisdictional holding was "dicta." BIO.19 (citing *Sinochem Int'l Co. v. Malaysia Int'l Shipping Corp.*, 549 U.S. 422 (2007)). On the contrary, as the Federal Circuit explained, its jurisdictional analysis was strictly necessary—not only to the district court's jurisdiction, but to its own appellate jurisdiction. Pet.App.9-10 & n.4. Without that exclusive-jurisdiction holding, the Federal Circuit would have been required to dismiss or transfer the appeal to the Seventh Circuit—as Sasso himself requested. Pet.App.9. Sasso entirely ignores that the Federal Circuit's exclusive jurisdiction finding was necessary to its appellate jurisdiction. Thus, neither the Federal Circuit's exclusive-jurisdiction determination nor its misguided abstention ruling can be dismissed as dicta. *See* Cross-BIO.16-18 (debunking Sasso's "jurisdictional dicta" argument).

2. Sasso next notes that the Federal Circuit properly relied on Medtronic's complaint to find the claims here subject to exclusive federal jurisdiction. BIO.20 (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988)). Quite so. The error in the Federal Circuit's decision came in the next step—when it held that despite that exclusive federal jurisdiction, the district court could nevertheless

abstain in favor of competing mirror-image state-court proceedings. Pet.16-33. Nothing in *that* holding is justified by *Christianson*. On the contrary, the Federal Circuit's error here is simply the converse of its error in *Christianson*: rather than (as in *Christianson*) finding it lacked jurisdiction but proceeding to adjudicate the merits, it found exclusive federal jurisdiction but declined to adjudicate the merits in deference to a court without jurisdiction. Pet.31-32. Both results are equally wrong and both engender jurisdictional conundrums that require this Court's intervention.

3. Rather than defending the Federal Circuit's flawed reasoning, Sasso proceeds to try defending the *district court's* reasoning instead. That misdirection leaves the Federal Circuit's precedential opinion undefended and fails on its own terms.

a. Sasso argues that the district court's decision "was based in part on timing," and the district court properly abstained because Medtronic "filed its declaratory judgment action late." BIO.21. Not so. First, nothing in the district court's decision turned on the timing of Medtronic's complaint (which is why Sasso never cites the district court's opinion in making his "timing" argument). On the contrary, the district court made clear it was *not* "abstaining because one party won a race to the courthouse." Pet.App.25 n.5. Nor can Sasso claim that Medtronic's complaint was time-barred; he argues only that it was late *as compared to* the state litigation. BIO.21-22. But there is no good time to abstain in favor of a state court without jurisdiction. No matter how far along those *ultra vires* proceedings are when the federal court

recognizes its exclusive jurisdiction over the mirror-image dispute, deferring to proceedings that lack proper jurisdiction remains nonsensical. Worse yet, deferring to state-court proceedings that the federal court recognizes implicate exclusive federal jurisdiction essentially forces this Court's hand, as it is then the only federal court that can correct the *ultra vires* state-court proceedings. Although the state courts handling mirror-image claims could still ignore a federal-court decision finding exclusive jurisdiction and exercising it, a federal-court decision to abstain despite an exclusive-jurisdiction determination virtually guarantees that the state courts will forge ahead and leave this Court as the only federal court able to intervene, as this case well illustrates. Thus, in addition to being incoherent, the decisions below improperly shift the lower courts' workload to this Court.

b. Sasso next asserts that the district court properly abstained because Medtronic's complaint served "no legitimate purpose." BIO.23-25. That is question-begging. The legitimate purpose of Medtronic's complaint is obvious: to obtain a definitive ruling on the issues of validity and claim scope presented here from the *only* courts authorized by Congress to resolve those issues, namely the federal courts. *See* Pet.8-9. If the district court had held (instead of just assuming) that *only* federal courts had jurisdiction over this action and its mirror-image state-court counterpart, then it should have been obvious that only the state-court proceedings lacked a legitimate purpose.

c. Abandoning the district court's reasoning (not to mention the Federal Circuit's), Sasso argues that abstention was proper because the declaratory relief Medtronic requested "was irrelevant to the state court dispute." BIO.25-26. That misguided argument is flatly inconsistent with the whole premise of the district court's abstention ruling. If Medtronic's complaint were "irrelevant" to the state-court action, there would be no conceivable reason to abstain from deciding Medtronic's complaint in deference to the state proceedings. The district court's decision is premised on the opposite view—that because Medtronic's complaint presented the "mirror image" of Sasso's state-court claims, Pet.App.19, as even Sasso emphasized below, *see* Sasso.C.A.Br.28, the federal court would abstain in favor of ongoing state-court proceedings covering the same ground.

Sasso nevertheless repeatedly insists that the patent issues of validity and claim scope were irrelevant in the state-court action, because the Indiana courts held Sasso could recover without prevailing on those issues. BIO.25-26; *see* BIO.11-12, 15, 20, 22-23. In particular, Sasso asserts, the language in the Facet Screw Agreement setting a flat 2.5% royalty "without regard to patent coverage" eliminated the issues of patent validity and scope. BIO.11-12. But if that were true (and it is not), then the district court would have never abstained, because that would mean that it—and only it—had those federal-law issues before it. To the extent Sasso's (confused and confusing) argument is that those federal-law issues were not "necessarily raised," the Federal Circuit squarely disagreed, holding instead that the issues of validity and scope were indeed

"necessarily raised" by the parties' controversy, precisely because the *term* of the royalty agreement (wholly apart from the royalty *rate*) depended on whether any patent issued with valid claim coverage of the devices involved. Pet.App.3, 6-8, 9-10. The Federal Circuit's holding that the controversy necessarily raised patent issues is hardly surprising, given that, despite the state-court rulings Sasso highlights, the state proceedings did in fact devolve into a state-court patent trial. *See* Pet.7-11. In any event, Sasso's suggestion that the "mirror image" claims raised in the federal and state proceedings somehow deviated just because the federal and state courts viewed them differently for purposes of the *Gunn* analysis, BIO.25-26, is both wholly unsupported and wholly untenable.

d. Sasso next raises another contention that featured in neither the Federal Circuit's nor the district court's reasoning, contending that Medtronic's complaint was inconsistent with its past performance under the parties' contract. BIO.26-27. That is a (weak) merits argument, not an argument for abstention—which is why neither court below adopted it.

e. Sasso concludes with several pages of argument that the parties' controversy here was not really a patent case, and so the state court properly exercised jurisdiction. BIO.27-30. The district court, however, never reached that issue, and the Federal Circuit squarely rejected Sasso's view. Pet.App.9-10, 20-21. That is for good reason: Sasso's attempt to paint this case and its state-court mirror-image as anything but patent cases blinks reality. Sasso does not

meaningfully dispute that the state proceedings involved substantial discovery on patent issues; that his experts offered detailed opinions on claim coverage; that the state court issued a *Markman*-type order construing disputed terms in the patent claims; that Sasso and his experts testified at trial on patent-law questions including the scope of the patent claims here; and that the court proceeded to give the jury detailed instructions on patent law and patent coverage borrowed from the Federal Circuit Bar Association pattern instructions. Pet.7-11. The record simply belies any effort to portray this case as a run-of-the-mill contract dispute with no significant patent issues.[1]

4. Finally, Sasso claims this case would be a poor vehicle for reviewing "questions of patent law jurisdiction." BIO.30-32. But Medtronic's petition (unlike Sasso's own cross-petition) does not raise any "questions of patent law jurisdiction"; instead, it seeks review of the Federal Circuit's plainly erroneous

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[1] Sasso's complaint that Medtronic drafted the *Markman* order and submitted the patent-law jury instructions that the state court delivered, BIO.28, misses the point entirely. Medtronic made abundantly clear throughout the state proceedings that it objected to the state court's improper exercise of jurisdiction over a patent case, *see* Pet.6-7, and will be seeking certiorari on that issue now that the Indiana proceedings have concluded. Having had its objection to proceeding in state court rejected, Medtronic was not required to unilaterally disarm. In all events, what matters is not which side proposed patent-law instructions but that the state court gave them because they were entirely relevant to the patent trial (improperly) unfolding in state court.

abstention holding. That issue—*i.e.*, the question presented—is clearly and cleanly presented here.

To be sure, the Indiana courts in the "mirror image" case reached the opposite conclusion in applying the *Gunn* factors, in open conflict with the Federal Circuit's jurisdictional analysis here, and Medtronic plans to file a petition for certiorari in the Indiana case squarely raising the proper analysis of the *Gunn* factors in this context. But the proper vehicle for resolving that question, and providing clarity to *state* courts improperly exercising jurisdiction over patent suits, is a state-court case in which non-existent jurisdiction has been improperly exercised. The problem here, by contrast, is very nearly the opposite: *federal* courts correctly recognizing but then declining to exercise their *exclusive* federal jurisdiction. The Federal Circuit's correct jurisdictional analysis here only underscores the incoherence of its abstention holding.

In any event, Sasso's purported vehicle problems are baseless. Sasso complains that the *state* action presents "complex" jurisdictional questions, because (he claims) Medtronic "shift[ed] its case theory" in state court. BIO.30-31. Not so. In fact, as the very page of the record Sasso cites shows, Medtronic has consistently maintained that Sasso's claims necessarily raise issues of patent validity and claim scope (which doom Sasso's claims); it just so happens that they *also* fail on state-law grounds. C.A.App.967; *see* BIO.2-3. The availability of an independent state-law *defense* is no basis for finding a *claim* is not substantially federal in nature. In any event, any complaints Sasso may have about how the state action

was litigated hardly create a vehicle problem for *this* federal case. Although the two cases are mirror images with respect to the patent issues, the abstention issue arises *only* in the federal case.

II. The Consequences Of The Decision Below Warrant Further Review.

The Federal Circuit's precedential decision is not only wrong, but risks serious and widespread consequences that warrant immediate review—a fact that Sasso makes no serious attempt to deny. Pet.33-34. As a doctrinal matter, the decision introduces confusion and disuniformity into what was previously settled law. Pet.33; *see* Pet.20-29. And as a practical matter, the decision below invites both federal abdication and state encroachment in areas, like patent law, that Congress deliberately reserved for exclusive federal adjudication. Worse still, the decision below improperly shifts the workload of ensuring that state courts do not impermissibly exercise exclusive federal jurisdiction to this Court. When a decision recognizes that federal courts have exclusive jurisdiction over a dispute, only to abstain in deference to state proceedings that are by definition *ultra vires*, there are only two possible outcomes: either that *ultra vires* state-court action will go entirely unremedied or this Court will be forced to intervene. If, by contrast, a federal court not only recognizes its exclusive jurisdiction, but exercises it, there is a realistic chance that the state courts will take heed. While there is no guarantee that a state court will yield when exclusive federal jurisdiction is exercised, a federal decision abstaining despite recognizing exclusive federal jurisdiction all but

guarantees that state courts will proceed and create a need for this Court's intervention, as this case well illustrates.

In sum, the decision below sets a dangerous precedent that sends mixed signals to state courts and creates unnecessary work for this Court. It also disregards the basic nature of exclusive jurisdiction. There is no reason for this Court to let this bad precedent stand. This Court should grant review and reverse, either summarily or after plenary review.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

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