

No. 20-_____

IN THE
Supreme Court of the United States

RICK C. SASSO, M.D.,
Cross-Petitioner,
v.

WARSAW ORTHOPEDIC, INC., MEDTRONIC, INC.,
MEDTRONIC SOFAMOR DANEK, INC.,
Cross-Respondents.

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

**CONDITIONAL CROSS-PETITION
FOR A WRIT OF CERTIORARI**

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QUESTION PRESENTED

Cross-respondents present a question in the opening petition, No. 20-1284, that has an antecedent jurisdictional question:

Whether this is a case “arising under” federal patent laws under 28 U.S.C. § 1338(a) within the Federal Circuit’s jurisdiction under 28 U.S.C. § 1295(a)(1) when cross-respondents chose not to remove an earlier, underlying state court breach-of-contract case and instead litigated for four years in state court and then, on the eve of the state court jury trial after discovery closed, filed this federal declaratory judgment action claiming that inoperative contractual language transformed this breach-of-contract claim into a patent case within the exclusive jurisdiction of the federal courts?

PARTIES TO PROCEEDING

Cross-petitioner Rick C. Sasso, M.D. was defendant in the district court and appellee in the Federal Circuit. Cross-respondents Warsaw Orthopedic, Inc., Medtronic, Inc., and Medtronic Sofamor Danek, Inc., were plaintiffs in the district court and appellants in the Federal Circuit.

RELATED PROCEEDINGS

Warsaw Orthopedic, Inc. v. Sasso, N.D. Ind., No. 3:18-cv-437 (opinion and order entered January 31, 2019; judgment entered February 4, 2019).

Warsaw Orthopedic, Inc. v. Sasso, Fed. Cir., No. 19-1583 (opinion and judgment issued October 14, 2020; mandate issued Nov. 20, 2020).

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CONDITIONAL CROSS-PETITION FOR A WRIT OF CERTIORARI

Rick C. Sasso, M.D., respectfully cross-petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit. If the Court grants the petition in *Warsaw Orthopedic, Inc. v. Sasso*, No. 20-1284, it should also grant this cross-petition. If the Court denies the petition in No. 20-1284—as we respectfully submit it should—this cross-petition should also be denied.

OPINIONS BELOW

The opinion of the court of appeals (App. 1-16) is reported at 977 F.3d 1224. The district court's opinion (App. 17-27) is unreported but available at 2019 WL 428574 and 2019 U.S. Dist. LEXIS 17539. The references to "Pet." and "App." refer to the petition for a writ of certiorari and the appendix in No. 20-1284. All material required by this Court's Rule 14.1(i) has been reproduced in the appendix to that petition. *See* Sup. Ct. R. 12.5.

JURISDICTION

The Federal Circuit claimed jurisdiction under 28 U.S.C. § 1295(a)(1) and issued judgment on October 14, 2020. The petition for a writ of certiorari in No. 20-1284 was filed on March 12, 2021 and placed on this Court's docket March 17, 2021. This conditional cross-petition is being timely filed pursuant to Rule 12.5 of the Rules of this Court. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Relevant statutory provisions are reproduced in the appendix (App. 28).

STATEMENT OF CASE

The three Medtronic corporations—Warsaw Orthopedic, Inc., Medtronic, Inc., and Medtronic Sofamor Danek, Inc. (collectively “Medtronic”)—together manufacture and sell medical devices and instruments for use in spine surgery. (C.A. App. 20). Warsaw Orthopedic, Inc. is an Indiana corporation with its principal place of business in Warsaw, Indiana. (Id.)

Sasso grew up in Warsaw, Indiana, and graduated from Wabash College in 1982, and the Indiana University School of Medicine in 1986. (C.A. App. 148). He is a board certified orthopedic surgeon who specializes in treatment of the spine and has lived and worked in Indiana for his entire medical career. (C.A. App. 147-48). He did his own spine surgery design and development work, beginning in the nineties while doing spine surgery fellowships in the United States and abroad. (C.A. App. 148).

A. Sasso and Medtronic enter into the Screw Delivery Agreements.

On November 1, 1999, the parties entered a purchase agreement for a Sasso-invented screw delivery system. (C.A. App. 284-293). Medtronic agreed to pay a 5% royalty to Sasso on sales if the medical devices sold were covered by a valid claim of an issued patent and 2.5% if they were not. (C.A. App. 286-287, § 4(B)(ii)).

This agreement was superseded weeks later by the operative December 1999 Screw Delivery Agreement. (C.A. App. 302-311). Section 4(B) of the December 1999 agreement provided Medtronic would pay Sasso for the rights to his “Invention” and the “Intellectual Property Rights” as follows:

A contingency payment in the amount of two and one-half (2-1/2%) of the worldwide Net Sales of the Medical Device. . . . The contingency payment is payable to Dr. Sasso until expiration of the last to expire of the patent(s) included in the Intellectual Property Rights, or seven (7) years from the Date of First Sale of the Medical Device, if no patent(s) issue.

(C.A. App. 305).

Section 7, titled “Term of Agreement” described the duration of the contract as follows:

Unless sooner terminated, this Agreement shall expire upon the last to expire of the patents included in the Intellectual Property Rights, or if no patent application(s) issue into a patent having valid claim coverage of the Medical Device, then seven (7) years from the Date of First Sale of the Medical Device.

(C.A. App. 306).

On November 23, 1999, Sasso as a sole inventor, filed for patent protection on a “Screw Delivery System and Method.” (C.A. App. 165). The application was assigned to Medtronic for prosecution. (C.A. App. 296; 304). Based on the application, the United States Patent and Trademark Office (“USPTO”) issued Patent No. 6,287,313 (“313 patent) to Medtronic on September 11, 2001, and its continuation, Patent No. 6,562,046 (“046 patent) on May 13, 2003. (C.A. App. 606-620; 621-635). In 2002, Medtronic began making payments under the operative Screw Delivery Agreement on certain products it sold and paid limited royalties through 2018. (C.A. App. 1454). By 2012, its internal royalty records stated, “Life of Patent,

Patented 9/11/2001.” (C.A. App. 1855). Medtronic paid all maintenance fees for both the ‘313 and ‘046 patents. (C.A. App. 1527-1535).

B. Sasso and Medtronic enter into the Vertex Agreement, not at issue in this case.

In July 2001, the parties entered into the Vertex Agreement. (C.A. App. 152-154; 196-207). Section 4(B) of the agreement provided Medtronic was to pay Sasso a royalty payment in the amount of two percent (2%) of the Net Sales of the Medical Device. (C.A. App. 152-153). In Medtronic’s complaint, at footnote 1, Medtronic wrote “Medtronic does not include the previously remanded [Vertex] claims in this declaratory judgment complaint out of respect for this Court’s previous remand of those claims . . .” (C.A. App. 20, n.1). Medtronic never added the Vertex claims to this case.

C. Sasso sues Medtronic for breach of the Vertex Agreement in state court and Medtronic removes it, but the district court remands the case with its holding contained in the docketed transcript.

On August 29, 2013, Sasso sued Medtronic in state court for breach of the Vertex Agreement. (App. 17). Medtronic removed the action to federal court, contending that the claim fell within the federal courts’ exclusive jurisdiction over patent claims. (C.A. App. 846-850). Though the claim itself was for breach of the Vertex Agreement, Medtronic argued it depended on the scope of the patents covering the invention, so it supposedly arose under federal patent law. Sasso moved to remand the action back to state court. (C.A. App. 853-861).

The district court remanded “for the reasons stated in open court on February 24, 2014” and docketed the transcript of the remand hearing. (C.A. App. 885; C.A. App. 863-884). Judge Robert Miller began the hearing by informing counsel that he had read the briefs and if he were deciding on the briefs he would grant the motion to remand. (C.A. App. 865). Specifically, he ruled “federal courts don’t have subject-matter jurisdiction over suits involving patent licensing agreements” unless all four factors of *Gunn v. Minton*, 568 U.S. 251, 258 (2013) are met, namely, the federal patent 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. (C.A. App. 865). He held, “this case falls short on three of the four prongs.” *Ibid.*

Judge Miller explained, “[W]e’re dealing with a contract case in which the court, whether federal or state, has to...determine the intent of the contracting parties. . . . [C]onstruction seems likely to be based on the contractual language. . . . [1] patent law isn’t necessarily raised by the complaint. . . . Patent construction is even less of an important part of this case than it was in the legal malpractice suit at issue in *Gunn* . . . [2] the issue is not substantial in the sense that that term is used in *Gunn* and *Grable*. What these contracting parties intended has no impact whatsoever on federal patent law, the validity of these patents, or whether anybody is infringing these patents. [3] Finally, given how little affect the issues of the case will have on federal patent law . . . , an exercise of federal jurisdiction over a suit filed in an Indiana court concerning a contract between Indiana citizens would disrupt the federal/state balance embodied in federal law.” (C.A. App. 866-867).

Judge Miller confirmed with Medtronic that “nobody’s arguing invalidity” because “Medtronic isn’t going to argue its own patent is invalid,” and Medtronic agreed. (C.A. App. 873-874).¹

D. Sasso amends his complaint to add claims for recovery under the first and second Screw Delivery Agreements and the parties litigate all issues in state court for four years.

On June 6, 2014, Sasso amended his complaint to add breach of contract on the two Screw Delivery Agreements. (C.A. App. 40). Medtronic had the option to remove the Screw Delivery Agreement breach-of-contract claim to federal court but elected not to do so.

On October 3, 2016, Medtronic filed a motion for summary judgment and a motion to dismiss for lack of subject matter jurisdiction with the state court. (C.A. App. 927-930; 962-984). In the supporting memorandum on subject matter jurisdiction, Medtronic stated, “Dr. Sasso has asserted claims under Counts III, IV, and VII that are contrary to the terms of the relevant agreements and can be disposed of by application of state law of contract interpretation.” (C.A. App. 967). Sasso agreed as to the matters at issue, “[T]he issues of the Screw Delivery System

¹ This is an important admission even though it concerned only the Vertex patents. Medtronic acknowledged making the admission in the complaint (C.A. App. 19, ¶ 8) even though now it belittles Judge Miller’s remand as making a “one sentence order remanding the case.” (Pet. 6). As Judge Miller’s docketed interrogation presumes, there is a reasonable expectation that a patent owner will not seek to invalidate the claims of any of its patents, especially after paying all maintenance fees to keep them in force. (C.A. App. 1453).

Agreements are defined by the language of those agreements. What are the ‘Medical Device[s]’ subject to royalty payments under the agreements? What is ‘the Invention?’” (C.A. App. 1187). Sasso specifically argued that he would be entitled to recover on the agreements regardless of whether the patents covered Medical Devices because that was the plain language of the Screw Delivery Agreements. (C.A. App. 1187, 1200-1201).

In January 2017, the state court denied Medtronic’s motions. (C.A. App. 1286; 1289-1290). The state court found that the first Screw Delivery Agreement (which tiered royalties based on claim coverage) was superseded by the second (which did not) and that issues of fact, none involving any patent issues, prevented the entry of summary judgment for Medtronic. (C.A. App. 1286). The state court also denied the motion to dismiss for lack of subject matter jurisdiction, holding, “The various counts of the Plaintiff’s Amended Complaint(s) should be resolved by contractual interpretation based upon state law principles.” (C.A. App. 1290).

In March 2017, Sasso filed the Third Amended Complaint. (C.A. App. 147-302). Paragraph 106 stated an alternative claim for *quantum meruit* also known as unjust enrichment, not in the previous complaint. (C.A. App. 175). In July 2017, Medtronic responded to the Third Amended Complaint. (C.A. App. 1295-1349). Medtronic did not raise invalidity of the ‘313 or ‘046 patent as an affirmative defense. (C.A. App. 1343).

In June 2017, Medtronic moved to bifurcate the state court trial. (C.A. App. 1351). Sasso objected and stated, “There is no requirement – as detailed in the plaintiff’s summary judgment response – in the

December 1999 Screw Delivery Agreement that the Court determine the scope of any claim of the patents transferred by Dr. Sasso.” (C.A. App. 1412; *see also* C.A. App. 1421).

Notwithstanding Sasso’s repeated assertions that the Screw Delivery Agreement did not require adjudication of patent coverage, in August 2017, Medtronic moved for entry of a case management order to include *Markman* discovery and a hearing and argued that Sasso alleged that he was entitled to royalties because of patent coverage. (C.A. App. 1429). The state court entered a case management order without *Markman* procedures setting a trial to begin on November 1, 2018. (C.A. App. 1446-1447). Fact discovery closed on April 2, 2018. (Id.)

E. After discovery closes in state court, Medtronic moves to continue the trial to explore new never pleaded patent issues and after its motion to continue is denied, Medtronic files this action, and Sasso moves for abstention.

On April 16, 2018, Medtronic filed “Defendants’ Motion to Amend Case Management Order” seeking to continue the trial setting to explore patent validity and coverage issues Medtronic was raising for the first time. (C.A. App. 1679-1695). Notwithstanding Sasso’s consistent repeated assertion that he did not need to prove patent coverage or validity to recover under the operative Screw Delivery Agreement, Medtronic began the motion, “Neither party disputes that the Plaintiff’s prayer for royalties requires him to prove that patent claims cover Medtronic products.” (C.A. App. 1679). On May 1, 2018, just before the hearing on its motion for continuance, Medtronic filed two *ex parte* requests with the USPTO for

reexamination of the Screw Delivery patents it had owned for nearly twenty years, seeking to invalidate some of the claims. (C.A. App. 328-585).

On May 4, 2018, the state court denied Medtronic's motion to continue and kept the trial scheduled for November 1, 2018. (C.A. App. 1701).

On June 8, 2018, Medtronic filed this action in the Northern District of Indiana. (C.A. App. 17). On August 10, 2018, Sasso filed a motion to abstain and supporting memorandum. (C.A. App. 806-810; 811-836). Sasso again asserted, "Recovery under the plain language of the Screw Delivery Agreement does not turn on the validity of either the '313 patent or the '046 patent." (C.A. App. 808). In briefing, Sasso explained the contrived nature of Medtronic's position. (C.A. App. 1835-1840). Medtronic never raised invalidity as an affirmative defense in the state court action. (Id.)

F. The state trial court enters orders which eliminate the allegedly disputed patent issues identified in Medtronic's complaint, holds a month-long jury trial resulting in damages for breach of the Vertex and the operative Screw Delivery Agreement, and the district court dismisses this case without prejudice, which the Federal Circuit affirms.

Before trial of the state court case, on September 13, 2018, after holding a hearing, the state court ruled that the "valid claim coverage" phrase in the "term" section, Section 7, did not control either the amount of money to be paid or the length of the payments to be made:

The plain and unambiguous language of Section 4(B) states that Dr. Sasso is to be paid “until expiration of the last to expire of the patent(s) included in the Intellectual Property Rights, or seven years from the Date of First Sale of the Medical Device, if no patent(s) issue.” *The amount of money to be paid under the Agreement and the term depend on the issuance of patents and their expiration, not their validity.* Patent No. 6,287,313 (“313 patent”) or 6,562,046 (“046 patent”) issued and have not expired.

(C.A. App 1868-1869) (emphasis supplied). The state court also issued an order on that date excluding Medtronic’s untimely identified witnesses and “evidence related to the defense of patent invalidity.”² (C.A. App 1871).

The state court held a month long jury trial ending on November 28, 2018, and entered final judgment in favor of Sasso the next day. (C.A. App. 1911-1917). The final judgment was affirmed by the Indiana Court of Appeals on December 4, 2020. *See Warsaw Orthopedic, Inc. v. Sasso*, 162 N.E.3d 1 (Ind. Ct. App. 2020), *trans. pending* (Ind. filed March 3, 2021).

Judge Jon DeGuilio of the Northern District of Indiana held this case until after the state court trial, essentially staying it so it could be tried in state court, and then dismissed without prejudice based on principles of abstention. (App. 17-27). Twenty months later, the Federal Circuit affirmed, holding abstention

² This order specifically excluded Dr. John Liu as a witness. Liu’s report itself was an exhibit to Medtronic’s complaint. (C.A. App. 717-759).

appropriate so Indiana courts could decide the state-law contract issues. (App. 1-16).

G. After the state court trial, in March 2019, Sasso files a new state court action for recovery of continuing royalties on the Vertex and Screw Delivery Agreements, which Medtronic immediately removes, and which the district court remands in March 2020.

After the state court trial, Sasso filed a new state court case requesting an audit of post-2017 sales. (Pet. 33). Medtronic removed it. On March 4, 2020, Judge DeGuilio, the same judge who issued the without prejudice dismissal order here, remanded the case for lack of jurisdiction under 28 U.S.C. § 1338(a). *Sasso v. Warsaw Orthopedic*, No. 3:19-cv-298 JD, 2020 U.S. Dist. LEXIS 37365 (N.D. Ind. 2020).

REASONS FOR GRANTING THE CROSS PETITION

If the Court grants the petition for a writ of certiorari in No. 20-1284, the following dicta in the Federal Circuit opinion should be vacated:

Applying the standards of precedent, the issues of validity and claim scope are well pleaded in this declaratory complaint, are actually disputed, are substantial to the federal system as a whole, and the federal-state balance would not be disrupted by the district court's exercise of declaratory jurisdiction.

(App. 10).

Medtronic's federal complaint was based upon two false narratives. First, Medtronic alleged in the complaint the phrase "valid claim coverage" in Section

7 of the Screw Delivery Agreement put validity and claim coverage of the '313 and '046 patents at issue in this breach-of-contract dispute. (C.A. App. 18-19; 27-28; 30-31). It did not. The parties replaced a November 1999 Agreement that tiered royalties at 5% and 2.5% based on whether a valid claim covered a royalty bearing product to a second final agreement that provided for 2.5% royalties without regard to patent coverage. (C.A. App. 163-167; 1286). After the filing of Medtronic's action, Sasso obtained a state court summary judgment ruling conclusively determining under state law contract principles that nothing in the Screw Delivery Agreement dispute turned on the phrase "valid claim coverage," consistent with the prior arguments of both sides. (C.A. App. 1868-1869). The Indiana Court of Appeals affirmed this determination. *Warsaw Orthopedic, Inc.*, 162 N.E.3d at 7. Second, Medtronic's complaint alleged that Sasso argued he was entitled to recover under the operative Screw Delivery Agreement because certain claims of the '313 and '046 patents did cover the products for which he sought royalties. (C.A. App. 18-19; 27-28; 30-31). Sasso did not claim that his right to royalties under the operative Screw Delivery Agreement was dependent on patent coverage. Sasso always maintained the operative Screw Delivery Agreement provided royalties based on the definitions of the agreement and the course of dealing of the parties. (C.A. App. 1187 (11/7/16); 1412 (06/27/17); 1449-1450 (07/02/18); 1834-1840 (08/31/18)).

Medtronic's complaint also omitted material facts before the state court. First, the federal complaint omitted Medtronic's failure to ever plead any of the patent claims of the '313 patent or '046 patent was invalid. Medtronic answered the Third Amended Complaint without asserting such an affirmative

defense. (C.A. App. 1340-1343). The state court, in addition to finding the phrase “valid claim coverage” irrelevant to the dispute, held Medtronic to litigation of what was pleaded and argued in motion practice through the close of discovery with an order excluding Medtronic’s late raised defense. (C.A. App. 1871). Second, the federal complaint omitted Sasso allegations of both breach of contract and, alternatively, *quantum meruit*. (C.A. App. 175). Both claims were at issue in state court, but not in Medtronic’s Complaint.

These false narratives and omissions were apparent from the materials Sasso tendered to the district court in support of the motion for abstention, but the numbered paragraphs of Medtronic’s complaint alleged, at length, that § 1338(a) jurisdiction existed for what Medtronic had alleged. (C.A. App. 21-23). Citing *Sinochem Int’l Co. Ltd. v. Malaysia Int’l Shipping Corp.*, 549 U.S. 422, 431 (2007) and other relevant cases, U.S. District Judge DeGuilio prudently sidestepped the false narratives and omissions by assuming without deciding jurisdiction and then dismissing Medtronic’s action without prejudice. (App. 20-21, 27). He wisely saw the absence of any legitimate purpose to a false characterization of the nature of a state court contract dispute, first to avoid pretrial rulings that negated the very reason for the federal case, and then to set up a collateral attack should Medtronic lose the state court appeal. He dismissed on abstention grounds because Medtronic was appealing, and if it prevailed, there could be in the future a legitimate purpose for the matters alleged in Medtronic’s complaint.

In essence, the Federal Circuit did the same. It affirmed the dismissal on abstention grounds so the

state court contract interpretation issues could be decided by the state court, as they must be to meet the fourth prong of the test for § 1338(a) jurisdiction. State courts, not federal patent courts, decide issues of contract interpretation to preserve the federal-state balance approved by Congress. See *Gunn*, 568 U.S. at 258; *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 261 (1979). If the Indiana state appellate court had reversed the trial court, thrown out the jury verdict, and allowed Medtronic's new and late raised contract interpretation defense, then potentially there could be jurisdiction for Medtronic's complaint. Hence, the dismissal was without prejudice, so that the issues could be raised if the contract required them to be. That is the gist of the Federal Circuit affirmance.

The Federal Circuit's finding of 28 U.S.C. § 1295 ("§ 1295") jurisdiction and the district court's assumption of § 1338(a) jurisdiction are dicta. *Sinochem Int'l*, 549 U.S. at 431 ("Jurisdiction is vital only if the court proposes to issue a judgment on the merits")³ Neither the district court nor the Federal Circuit addressed the merits. The dismissal without prejudice allowed Medtronic to refile, if it chose, the exact same action the following day. With that understanding, the Federal Circuit's dicta were not supported by the record, so that if this Court does grant No. 20-1284, it should reconsider and vacate the jurisdictional dicta.

³ Medtronic vehemently argues otherwise from the "Question Presented" forward (Pet. i), yet does not address *Sinochem* anywhere in its petition. That is the reason for this conditional cross appeal, to preserve the ability to demonstrate that Medtronic's complaint does not give rise to § 1295 jurisdiction should this Court grant Medtronic's confusing petition.

Medtronic’s complaint, *with its exhibits*, demonstrate an absence of subject matter jurisdiction.

A. Medtronic’s complaint, which is not the equivalent of the state court complaint, does not meet three of the four *Gunn* factors.

For exclusive jurisdiction to exist under 28 U.S.C. § 1338(a) and consequently 28 U.S.C. § 1295(a), patent issues must be: (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. *Gunn* at 258. Unless each element exists, there is no § 1338(a) jurisdiction—federal courts do not have exclusive jurisdiction over all “questions in which a patent may be the subject of the controversy.” *Id.* at 264. The possibility a state court will incorrectly resolve patent issues in a state lawsuit is not enough to trigger patent jurisdiction.⁴ *Id.* at 263.

Medtronic’s complaint here is not the same as Sasso’s state court complaint, whether or not they are

⁴ In Medtronic’s complaint and its petition here, Medtronic ignores this Court’s holding that state courts may consider patent issues when all four factors are not met. In the complaint, it asked for federal intervention in part because the state court would not conduct *Markman* hearings, citing *Gunn*, 568 U.S. at 262. (C.A. App. 23, ¶ 20). In its petition, Medtronic complains, on the other hand, that the state court entered a claim construction order. (Pet. 34). Medtronic drafted the order of which it now complains. (C.A. App. 1878-1880). This Court’s statement in *Gunn* to “hew closely to pertinent federal precedents” – set forth in Medtronic’s complaint (C.A. App. 23) – was intended to urge state courts in cases like the Indiana action, where there was no § 1338(a) jurisdiction, to consider federal patent procedures in their own cases.

labeled “mirror” actions. Medtronic’s complaint alleges a dispute that “may hinge” on proving patent validity and claim coverage. (C.A. App. 18). Sasso’s complaint alleges a dispute that did not, as he stated over and over to both the state and federal courts. Medtronic’s alleged dichotomy that because the Federal Circuit found jurisdiction here, the state court system must not have it there (Pet. p.2, 20, 23-24, 30), is false.⁵ If these two separate actions are considered the same, as Medtronic’s petition assumes, any state court contract defendant could create dual litigation and delay case resolution for years by including false allegations in a federal declaratory judgment complaint.

Because Medtronic’s “well pleaded” complaint alleged its own contractual interpretation and its own characterization of what the parties believed must be proven to recover, the Medtronic complaint is materially different than the state court complaint and must be analyzed on its own. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988) (“Under the well-pleaded complaint rule . . . whether a claim ‘arises under’ patent law ‘must be determined from what necessarily appears in the plaintiff’s statement of his or her own claim in the bill or declaration, unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose.”); see also *Lab Corp. of America Holdings v. Metabolite Labs, Inc.*, 599 F.3d 1277, 1281 (Fed. Cir. 2010)(citing *Christianson* at

⁵ If Medtronic had used the removal statutes, instead of filing a separate case on the eve of trial after the close of discovery to raise a new defense, the federal courts could have analyzed the same action as the state courts. Medtronic avoided this analysis with its separate case.

809). The Federal Circuit correctly recognized that it was analyzing Medtronic's complaint independently. (App 10). Medtronic's arguments in its petition do not.

B. Validity and claim scope are not “necessarily raised” in Medtronic’s complaint.

The Federal Circuit never found that issues of validity and claim scope were “necessarily raised”; instead Judge Newman found they were “well pleaded” based upon the false narrative alleged in Medtronic's complaint that Sasso contended his entitlement to payment depended on proof of valid claim coverage. But Medtronic did attach the actual Screw Delivery Agreement to its complaint. (C.A. App. 302-311). When compared to the earlier superseded agreement also attached to Medtronic's complaint (C.A. App. 284-293), the second Screw Delivery Agreement reasonably states, as the trial court later found and the Indiana Court of Appeals affirmed, “[T]he royalty rate was lowered from 5% to 2.5%, but it was no longer contingent on the Medical Device being covered by a valid claim of an issued patent.” *Warsaw Orthopedic*, 162 N.E.3d at 7. In other words, the entire premise of Medtronic's petition to this Court—that Sasso was required to prove valid claim coverage to recover royalties – is based upon a world that does not exist. The Indiana courts have decided under state law principles, that nothing in the dispute requires the resolution of a single issue of patent law.

While Medtronic pleaded the Screw Delivery Agreement payments were contingent on the Medical Device being covered by a valid claim of an issued patent, the language of the agreement attached to the complaint, even without court rulings on contract construction—which now have been affirmed on

appeal—demonstrates an alternative route to recovery under the agreement not involving patent issues. This negates the “necessarily raised” element. *See, Christianson* at 810 (“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.”). Because the ‘313 and ‘046 patents issued, Sasso potentially could show payments were due until the patents expired without regard to validity or coverage, even though the numbered paragraphs of Medtronic’s complaint claimed differently.

In *Sasso v. Warsaw Orthopedic, Inc.*, Northern District of Indiana, 2020 U.S. Dist LEXIS 37365 *4, Judge DeGuilio found just that. He remanded the second state court action Sasso filed for post-2017 royalties, finding that patent issues were not “necessarily raised” in the operative Screw Delivery Agreement, whether Medtronic’s contract interpretation was accepted or not. “Deciding whether patent law is necessarily raised does not require a court to adjudicate any non-patent theories to see if the plaintiff will prevail on those bases; the inquiry looks to the ‘well pleaded complaint, not the well-trying case.’” *Id.* at 4 (*citing Christianson*, 486 U.S. at 814).

Medtronic also attached to its complaint the Third Amended Complaint in the state court case, the actual operative complaint in the Indiana state court when Medtronic filed this action. (C.A. App. 147-302). Paragraph 106 states an alternative claim for *quantum meruit* also known in Indiana law as unjust enrichment. (C.A. App. 175). While Medtronic’s complaint only expressed issues on the wording of the agreement, recovery under principles of unjust enrichment or *quantum meruit* – alternative theories in the state court action – are potential theories of

recovery that do not require patent issues to be decided and thus are fatal to § 1338(a) and § 1295(a) subject matter jurisdiction determinations. *See Inspired Development Group LLC v. Inspired Prods. Group LLC*, 938 F.3d 1355, 1362 (Fed.Cir.2019).

“Well pleaded” is not equivalent to “necessarily raised” so the Federal Circuit’s cursory analysis of jurisdiction is deficient. These two complaint exhibits, showing alternative theories of recovery for the Screw Delivery System dispute where patent law is not essential, eliminate § 1338(a) and § 1295(a) jurisdiction. *Christianson*, 486 U.S.at 810.

C. Patent issues are not “substantial.”

Also attached to Medtronic’s complaint were Medtronic’s *ex parte* requests for reexamination of the Screw Delivery patents Medtronic was granted and had owned for nearly twenty years, in which Medtronic sought to invalidate some of the claims. (C.A. App. 328-585). In his January 31, 2019, without prejudice dismissal order, Judge DeGuilio stated:

Medtronic also turned to the United State Patent and Trademark Office and took the unusual position that its own patents are invalid. In response, the patent office apparently invalidated the patents in relevant part. That action is not relevant here, but it could call into question whether any patent issues are “substantial” in the sense required to invoke federal patent jurisdiction. *See Gunn v. Minton*, 568 U.S. 252, 260, 133 S. Ct. 1059, 185 L.Ed. 2d 72 (2013) (holding that “substantial” refers to “the importance of the issue

to the federal system as a whole,” not its role in the immediate case).

(App. 18-19 n. 3).

Because Judge DeGuilio was assuming subject matter jurisdiction without deciding it, he simply called the “substantial” issue “into question.” In the subsequent remand order, Judge DeGuilio did find that the filing of the *ex parte* reexamination petitions eliminated any possible “substantial” patent issues:

In addition, there has been a development since the state case was filed that independently precludes jurisdiction in this case: Medtronic petitioned the patent office to invalidate the relevant claims of its own patents, which the patent office did. Thus, there is no longer any dispute about the validity of those patent claims. To the extent Dr. Sasso’s claims require the patent claims to be valid, the patent office has already decided that they are not. For the same reason, patent questions are not “substantial” in the relevant sense. Medtronic is not going to file infringement suits on patent claims it asked to invalidate, so a decision in this case would not control any other cases, and allowing this suit to proceed in state court would not create any risk of inconsistent judgments.

Warsaw Orthopedic, 2020 U.S. Dist LEXIS 37365, *5.

This finding is important to the analysis of “substantial” in two ways. First, it is a persuasive analysis of the exact patent issues raised by Medtronic in this case by the same district court judge who utilized his discretion to dismiss this case without prejudice.

Medtronic was not seeking *ex parte* reexamination to better fit the patent claims to newly found prior art; it was taking the “unusual” position of invalidating its own patent with its own prior art. The *ex parte* reexamination exhibits to Medtronic’s complaint negate the existence of any system-wide patent issues, as Judge DeGuilio intimated in footnote 3 of the dismissal order here.

Judge DeGuilio was perhaps understated when he called the *ex parte* reexamination petitions “unusual.” Judge DeGuilio’s predecessor, Judge Miller, with respect to the Vertex patents at issue in the 2014 remand hearing, confirmed “Medtronic isn’t going to argue its own patent is invalid,” and Medtronic agreed. (C.A. App. 873-874). Medtronic could have disclaimed any claim at any time after the ‘313 and ‘046 patents issued with a simple notice filing to the USPTO, but did not. 35 U.S.C § 253(a) (“A patentee . . . may . . . make disclaimer of any complete claim.”). Instead, Medtronic put together hundreds of pages of materials, including affidavits of physician witnesses not identified in the state court case, filed them in its own *ex parte* proceeding at the USPTO, and then attempted to introduce into evidence all the hearsay documents as public documents in the state court trial. The very purpose of the *ex parte* reexaminations was to manufacture unopposed evidence to circumvent the case management orders of the state court.⁶

Second, Judge DeGuilio in the second case on post-2017 royalties already has remanded all ongoing claims for both Vertex and Screw Delivery to the

⁶ Sasso pointed out the improper nature of the reexamination petitions to the district court in arguing for abstention. (C.A. App. 1844-1846).

Indiana state courts. An order remanding a case to the state court from which it was removed “is not reviewable on appeal or otherwise.” 28 U.S.C. § 1447(d). There will be no federal adjudication of Vertex or the Screw Delivery System issues in the future. The federal court system will not hear any future issues of this dispute. It is a state court contract case.

D. The patent issues Medtronic seeks to litigate in its complaint do upset the federal state balance.

For over 100 years, this Court has recognized state court jurisdiction over contract cases involving patents. *E.g.*, *Aronson*, 440 U.S. at 261; *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1919). And Congress has set out a public policy with the removal statutes creating quick and binding determinations of subject matter jurisdiction so that cases may be decided on the merits. The appellate review bar of 28 U.S.C. § 1447(d) was included “to prevent delay in the trial of remanded cases by protracted litigation of jurisdictional issues.” *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 650 (2006) (Scalia, J., concurring).

Failing to remove the amended complaint after the first remand, raising subject-matter jurisdiction years later, and then collaterally attacking adverse decisions of the state court with a federal lawsuit upsets that balance. State courts are charged with interpretation of contracts so that the rejection by a state court of a contractual interpretation assumed otherwise in a federal complaint should doom the federal filing.

In essence, with the filing of this action and now a prolonged appeal of a without prejudice dismissal all the way to this Court, Medtronic is asking for “do-over” of the litigation it lost in state court, but this time under rules it dictates. Its contract interpretation is to be taken as a given, even though it was rejected and affirmed on appeal in the state court. Its failure to plead invalidity⁷ and to timely disclose witnesses is to be excused. And the mooted patent issues to be litigated—“valid claim coverage” of the expired ‘313 and ‘046 patents—will be ones Medtronic knows it cannot lose. Medtronic’s nonsensical “do-over” request, blithely ignoring the jury verdict and final judgment entered by the Indiana state court system and affirmed on appeal, upsets the federal state balance in many different ways.

The Federal Circuit was not politely suggesting Indiana courts vacate the Screw Delivery part of the jury verdict to force Sasso to file a new federal “patent” case using Medtronic’s rejected interpretation of the Screw Delivery Agreement. The Federal Circuit used abstention, to allow Indiana courts to make these state law decisions, to prevent upset of the federal state balance from taking place.

⁷ An issued patent is presumed valid and invalidity must be pleaded as an affirmative defense. 35 U.S.C. § 282(a) and (b). When pled, it must be proven by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95-98 (2011).

CONCLUSION

This is a conditional cross-petition. Sasso believes that the District Court appropriately used discretion given by *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995) and *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491 (1942) to dismiss Medtronic's declaratory judgment complaint and the Federal Circuit correctly affirmed the without prejudice dismissal. If, and only if, this Court accepts No. 20-1284 should this Court decide whether to vacate the Federal Circuit's jurisdictional dicta used to reach its decision.

Respectfully submitted,

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