

No. 20-1452

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In the  
**Supreme Court of the United States**

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RICK C. SASSO, M.D.,

*Cross-Petitioner,*

v.

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

*Cross-Respondents.*

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

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**BRIEF IN OPPOSITION**

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May 17, 2021

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## QUESTION PRESENTED

Federal courts have *exclusive* jurisdiction over all cases arising under federal patent law; that jurisdiction is exclusive of state courts, which are *explicitly prohibited* from adjudicating such cases. Medtronic brought this suit in federal court seeking a declaration that its products were not covered by valid patent claims and thus it did not owe Sasso damages. The district court assumed it had exclusive jurisdiction to hear Medtronic’s claims, but “abstain[ed]” from resolving them—deferring instead to a “mirror image” Indiana state-court proceeding Sasso had brought against Medtronic, in which the state trial court essentially held a patent infringement trial, addressing, *inter alia*, issues of claim construction and PTO cancellation of the same patent claims. On appeal, the Federal Circuit went further: It explicitly *held* in a precedential opinion that the district court had exclusive jurisdiction, such that the Federal Circuit (and not the Seventh Circuit) had exclusive appellate jurisdiction. Nevertheless, the Federal Circuit held the district court could properly “abstain” from resolving the parties’ federal patent-law dispute in deference to the ongoing state-court proceedings. Medtronic filed a petition for certiorari in No. 20-1284 to review that latter holding.

Sasso has now filed a conditional cross-petition presenting the following question:

Whether the Federal Circuit correctly found that the federal courts have exclusive federal jurisdiction over the present dispute because it necessarily raises substantial issues of federal patent law.

**CORPORATE DISCLOSURE STATEMENT**

Cross-respondents are subsidiaries of Medtronic plc. No other publicly held company owns 10% or more of cross-respondents' stock.

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## INTRODUCTION

The Federal Circuit committed a single, indefensible error below in inexplicably holding that the federal courts could properly abstain from exercising their *exclusive* jurisdiction over a patent-based dispute in favor of a “mirror image” suit pending in a state court that—by definition—had *no* jurisdiction. That abstention holding squarely contradicts this Court’s settled precedent, basic legal principles, and the very essence of what it means to have *exclusive* jurisdiction in the first place. The federal courts’ exclusive jurisdiction over patent cases is exclusive of state courts. For the reasons given by Medtronic in its petition in No. 20-1284, this Court should grant review and reverse that obvious error.

With no plausible defense for the Federal Circuit’s unfounded abstention holding, Sasso tries instead to change the subject. After first waiving his right to respond to the petition in No. 20-1284 (and responding only at this Court’s request), he now files a conditional cross-petition, asking the Court to consider reviewing not only the Federal Circuit’s abstention holding but also what he misleadingly calls its “jurisdictional dicta”—that is, its clear and entirely correct *holding*, on which its appellate jurisdiction depended, that the federal courts had exclusive jurisdiction over this patent-intensive dispute.

The Federal Circuit concisely and properly determined that this dispute falls within the federal courts’ exclusive jurisdiction (and that the Federal Circuit, not the Seventh Circuit, had appellate jurisdiction) because the dispute necessarily raised substantial issues of federal patent law. Nothing in

Sasso's convoluted and complicated critique of the court of appeals' jurisdictional analysis below is persuasive. The certworthy issue in this case at this juncture is simple and straightforward: Exclusive means exclusive, so finding exclusive federal jurisdiction and then abstaining in deference to state-court proceedings is indeed a walking contradiction. While this Court will eventually need to provide further guidance to state courts that improperly exercise jurisdiction over patent disputes, that is not the problem here. The mistake that merits correction here is simply that the Federal Circuit recognized the federal courts' exclusive jurisdiction only to fail to exercise it. This Court should thus grant the petition in No. 20-1284 and deny this conditional cross-petition.

#### **STATEMENT OF THE CASE**

##### **A. Sasso Sues Medtronic on Patent-Based Claims in Indiana State Court.**

1. Medtronic is a leading medical technology company that provides healthcare products, services, and solutions for doctors and patients around the globe. As part of its research and development process, Medtronic regularly works with doctors and surgeons to develop new medical devices to treat a wide variety of health conditions.

In 1998, Medtronic began working with Sasso on a system to anchor and align screws and plates in the cervical spine during surgery. *See Warsaw Orthopedic, Inc. v. Sasso*, 162 N.E.3d 1, 6, 8 (Ind. Ct. App. 2020), *transfer denied* (Ind. May 13, 2021). The resulting product became known as the Vertex System. *Id.* at 8.

In 2001, Medtronic and Sasso signed an agreement known as the “Vertex Agreement,” under which Sasso gave Medtronic his rights in the Vertex system and associated intellectual property. *Id.* at 8-9.<sup>1</sup> In exchange, Medtronic agreed to pay Sasso a 2% royalty on net sales of the relevant “Medical Device” for eight years from the first commercial sale of that device, or “if the Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights” provided in the agreement, then for the life of the patent. *Id.* at 9. In 2002, the U.S. Patent and Trademark Office (“PTO”) issued Patent No. 6,485,491 (“the ’491 patent”), naming Sasso among its inventors and Medtronic as the assignee. *Id.* at 9-10.

Medtronic and Sasso partnered on another spinal-surgery invention involving a facet screw delivery system. *Id.* at 6. In December 1999, Medtronic and Sasso entered into a second agreement, the “Facet Screw Agreement,” governed by Tennessee law, under which Sasso gave Medtronic ownership rights to the screw delivery system and associated intellectual property in exchange for a 2.5% royalty on net sales of that device. *Id.* at 6-7.<sup>2</sup>

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<sup>1</sup> The Indiana Court of Appeals, and Medtronic’s petition in No. 20-1284, mistakenly dated this agreement to 1999. *Warsaw*, 162 N.E.3d at 8; Pet.5; see C.A.App.196. “Pet.” refers to the petition in No. 20-1284; “Pet.App.” to the petition appendix in No. 20-1284; and “Cross-Pet.” to the cross-petition here.

<sup>2</sup> Sasso refers to this agreement as the “December 1999 Screw Delivery Agreement” or just “Screw Delivery Agreement.” See Cross-Pet.2. The agreement was signed in November 1999, see Pet.5; C.A.App.50, but entered into force on December 1, 1999,

Section 7 of the Facet Screw Agreement, titled “Term of Agreement,” provided that the agreement “shall expire upon the last to expire of the patents included in 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.” *Id.* at 7; *see* Pet.App.3. The agreement further provided that Medtronic was “free to continue manufacturing, marketing and selling Medical Device(s) after expiration of this Agreement without further payment to Dr. Sasso.” 162 N.E.3d at 7. The Facet Screw Agreement defined “Medical Device” as “any device, article, system, apparatus or product including the Invention,” and defined the “Invention” as “any product, method or system relating to a facet screw instrumentation and a headless facet screw fixation system as described in Schedule A.” *Id.* at 6-7 nn.4, 6.

In September 2001, the PTO issued Patent No. 6,287,313 (“the ’313 patent”), with Sasso as the sole inventor and Medtronic as the assignee. *Id.* at 7. The PTO later issued a continuation of the ’313 patent as Patent No. 6,562,046 (“the ’046 patent”). Pet.App.3.

2. In August 2013, Sasso sued Medtronic in Indiana state court, claiming that Medtronic had breached the Vertex Agreement by failing to pay him the full royalties he was owed under that agreement. Pet.App.17. Medtronic removed the action to federal district court, explaining that Sasso’s claims were

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*see* C.A.App.302. It superseded an earlier agreement signed on November 1, 1999. *Warsaw*, 162 N.E.3d at 6.

subject to exclusive federal jurisdiction because they arose under federal patent law. Pet.App.17-18; *see* 28 U.S.C. §1338. The district court responded with a one-sentence order remanding the case back to Indiana state court. C.A.App.885. Medtronic had no opportunity to seek appellate review of that remand order, because “[a]n 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).<sup>3</sup>

3. After the case was remanded to state court, Sasso amended his complaint to add new claims alleging that Medtronic also breached the Facet Screw Agreement. Pet.App.18; *see* Pet.App.3 & n.3. Despite having accepted payments under that agreement for years without complaint, Sasso asserted for the first time that the ’313 and ’046 patents have valid claims that cover numerous other Medtronic products, and that he was accordingly entitled to royalties on all of those products for the life of those patents. *See* C.A.App.49-53, 62-63.

Medtronic moved to dismiss for lack of subject matter jurisdiction, explaining that Sasso’s new claims (like his old claims) were subject to exclusive federal jurisdiction because they necessarily raised substantial and disputed questions of federal patent law—including the proper construction of the ’313 and ’046 patents. C.A.App.962-82. The Indiana trial court denied the motion, relying largely on the fact that the

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<sup>3</sup> It is not clear why Sasso devotes more than a page to the details of what was at issue at that juncture and the district court’s oral reasons for its *unappealable* one-sentence order, which is not at issue here. *See* Cross-Pet.5-6 & n.1.

district court had previously remanded the case to state court (before Sasso added his new Facet Screw Agreement claims). C.A.App.1289-90; *see* Pet.App.18.

The state trial court proceeded to preside over a case that was indistinguishable from routine federal patent litigation—except that it took place in an Indiana state court. To pursue his theory that he was entitled to additional royalties because the '313 and '046 patents covered various Medtronic products, Sasso took extensive discovery regarding what those patents' claims covered, including a Rule 30(b)(6) deposition of Medtronic that was almost entirely devoted to that topic. *See* C.A.App.785-98. Sasso's expert reports likewise offered detailed opinions on claim coverage, including claim charts showing in detail how (in their view) each element of the relevant patent claims appeared in Medtronic products. *See* C.A.App.639-672. The state trial court likewise treated the litigation as a patent case, even going so far as to issue a *Markman* order construing disputed terms in the patent claims at issue. C.A.App.1878-80 (“The Court recognizes that claim construction is a matter of law reserved for the Court, not the jury.... Accordingly, the Court construes the disputed terms as follows[.]” (citing *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996))); *cf.* Cross-Pet.8 (stating that the state court “entered a case management order without *Markman* procedures,” but ignoring the subsequent *Markman* order).

**B. Medtronic Files This Action Invoking Exclusive Federal Jurisdiction, but the District Court Abstains.**

1. Shortly after receiving Sasso's expert reports disclosing his broad construction of the patent claims at issue, Medtronic filed a declaratory judgment action in the U.S. District Court for the Northern District of Indiana, to obtain *definitive* rulings on the construction and validity of the relevant claims of the '313 and '046 patents—as only a *federal court should* be able to provide—and a declaration that Medtronic did not breach the Facet Screw Agreement because the '313 and '046 patents do not contain any valid claim covering any of Medtronic's products. C.A.App.17-32; *see* Pet.App.4-5. As the district court and both parties recognized at the time, those declaratory judgment claims presented the “mirror image” of Sasso's state-court claim. Pet.App.19; *see* Sasso.C.A.Br.28. In an effort to obtain a federal forum to consider these federal patent claims, Medtronic also took the extraordinary step of filing requests with the PTO for *ex parte* reexaminations of its *own* patents, specifically some of the claims of the '313 and '046 patents, on the ground that those claims were invalid under Sasso's construction. Pet.App.8; *see* C.A.App.332-33.

Sasso filed a motion asking the district court to abstain from hearing Medtronic's claims or stay its proceedings until the completion of the state-court action. Specifically, he argued that the district court lacked jurisdiction over Medtronic's claims; that it should abstain from hearing Medtronic's claims under *Colorado River Water Conservation District v. United*

*States*, 424 U.S. 800 (1976), which permits a federal court in exceptional circumstances to abstain in favor of a parallel state proceeding; and that Medtronic's claims were barred by the *Rooker-Feldman* doctrine, which bars litigants from seeking appellate review of a state-court judgment in a federal district court, see *Rooker v. Fidelity Trust Co.*, 263 U.S. 413 (1923); *D.C. Court of Appeals v. Feldman*, 460 U.S. 462 (1983). C.A.App.806-35.

2. Meanwhile, the Indiana trial court proceeded to hold what was in effect a patent infringement trial before a jury on Sasso's claims against Medtronic. Throughout that trial, from his opening statement on, Sasso made clear that the issue of patent claim scope was critical to his case. See, e.g., C.A.App.1947 (presenting Sasso's view of the key "elements" of claim 26 of the '313 patent). Sasso presented testimony from two experts on issues of patent law, including one whose entire testimony related to patent claim coverage. See C.A.App.1972-2050, 2059. And Sasso himself testified that the invention he assigned to Medtronic under the Facet Screw Agreement was covered by claim 26 of the '313 patent, which he described as "incredibly broad" and "really really broad." C.A.App.2125; see Pet.App.4. Federal courts handling patent cases are quite familiar with the risks of broadening claims to assert infringement at the cost of the claims' validity. See, e.g., *Bayer CropScience AG v. Dow AgroSciences LLC*, 728 F.3d 1324, 1330 (Fed. Cir. 2013). State courts are obviously less familiar with that tension, and here despite allowing Sasso's testimony about the "really really broad" claims, the state court precluded Medtronic from arguing that any patent claim with the breadth that Sasso asserted



would be invalid. Pet.App.4. The state court maintained that ruling even after the PTO, shortly before the state-court trial ended, issued notices of intent to cancel (*i.e.*, invalidate) the relevant claims. See Notice of Intent to Issue Ex Parte Reexamination Certificate, No. 90/014,131 (Nov. 26, 2018); Notice of Intent to Issue Ex Parte Reexamination Certificate, No. 90/014,171 (Nov. 20, 2018). And it maintained that ruling even in the face of Sasso’s closing argument, in which Sasso told the jury that the ’313 patent “is in force today”—despite the PTO’s notices of intent to cancel the relevant claims. Tr.Vol.12 at 40, *Warsaw*, 162 N.E.3d 1.

The trial ended with the state court delivering detailed jury instructions on patent law and patent claim coverage (including four pages borrowed from the Federal Circuit Bar Association pattern instructions), as well as its own construction of the relevant terms in the ’313 patent claims. C.A.App.2141-45. Those instructions informed the jury, *inter alia*, that it would “need to understand the role of patent claims” to decide the case; that it would “need to understand what each claim covers in order to decide whether ... there is claim coverage for any Medtronic devices”; that it was the state trial court’s role “to define the terms of the claims,” and that the jury was required to apply the state trial court’s definitions. C.A.App.2141-42. The trial court also elaborated on the distinction between product claims and process claims, the distinction between independent and dependent claims, and the effects of those distinctions on patent coverage. C.A.App.2143-45.

Based on the state court's extensive instructions on federal patent-law issues, and its construction of the relevant patent claims, the jury found that Medtronic had breached both the Vertex Agreement and the Facet Screw Agreement, and awarded Sasso over \$112 million in damages. Pet.App.4; Pet.App.19. The state court entered judgment in accordance with that verdict. Pet.App.19.<sup>4</sup> Shortly thereafter, the PTO issued the reexamination certificates canceling the relevant claims, making those patent claims invalid *ab initio*. Pet.App.8; *see Fresenius USA Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

3. After the state-court trial concluded, Sasso returned to the federal district court and requested leave to submit supplemental briefing on the effect of the state-court judgment. Pet.App.19; *see* C.A.App.1906-08. The district court granted Sasso's request, and *sua sponte* asked the parties to address an additional issue that Sasso had never raised: whether the court should abstain from hearing Medtronic's claims for declaratory relief under the *Wilton-Brillhart* doctrine, as an exercise of its discretion under the Declaratory Judgment Act. Pet.App.19-20.

After receiving the parties' supplemental briefs, the district court chose to "abstain," and dismissed the action under the *Wilton-Brillhart* doctrine.

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<sup>4</sup> Sasso subsequently filed a follow-on action in state court seeking to compel an audit and recover additional damages. Medtronic removed that action to federal court, and the district court again remanded in an unpublished and unappealable order. *Sasso v. Warsaw Orthopedic, Inc.*, 2020 WL 1043104 (N.D. Ind. Mar. 4, 2020); *see* Cross-Pet.11.

Pet.App.20-21. The court assumed for purposes of its decision that Medtronic’s claims (and Sasso’s mirror-image state-court claims) did arise under federal patent law, and so that federal courts had exclusive jurisdiction over those claims. Pet.App.20-21. Nevertheless, the district court concluded that “a declaratory judgment would serve no legitimate purpose here” in light of the state trial court decision and ongoing state-court appeals. Pet.App.20, Pet.App.22-23.

The district court acknowledged Medtronic’s argument that a federal court with exclusive jurisdiction cannot abstain in favor of a state court that lacks jurisdiction. Pet.App.24. But it rejected that argument, holding that rule applied only to *Colorado River* abstention and not to *Wilton-Brillhart* abstention. Pet.App.24-26. Instead, the district court held, “[t]he existence of exclusive federal jurisdiction” was at most a “relevant factor to consider” under *Wilton* and *Brillhart* in deciding whether to abstain in favor of state court proceedings that *lacked* jurisdiction. Pet.App.25 n.5.

**C. The Federal Circuit Holds There Is Exclusive Federal Patent-Law Jurisdiction Over the Dispute but Nevertheless Approves Abstention.**

1. Medtronic appealed the district court’s decision to the Federal Circuit. In response, Sasso urged the Federal Circuit to dismiss the appeal, arguing that neither the district court nor the Federal Circuit had jurisdiction because Medtronic’s claims did not arise under the federal patent laws. Pet.App.9. In the alternative, he argued that even assuming the district

court had exclusive jurisdiction over the parties' dispute, it was nevertheless correct to abstain in light of the mirror image Indiana proceedings.

In a precedential decision, the Federal Circuit began by squarely rejecting Sasso's jurisdictional argument and request to dismiss the appeal, holding that Medtronic's claims arose under the federal patent laws and therefore were within the district court's exclusive original jurisdiction and the Federal Circuit's own exclusive appellate jurisdiction. Pet.App.9-10. By federal law, the federal district courts have exclusive original jurisdiction of "any civil action arising under any Act of Congress relating to patents," 28 U.S.C. §1338(a), and the Federal Circuit has corresponding exclusive jurisdiction of any "appeal from a final decision of a district court ... in any civil action arising under ... any Act of Congress relating to patents," 28 U.S.C. §1295(a)(1). Pet.App.9 n.4. That exclusive jurisdiction, the Federal Circuit explained, extends not only to cases where federal patent law creates the underlying right of action, but also to cases in which federal patent-law issues are "(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." Pet.App.9 (quoting *Gunn v. Minton*, 568 U.S. 251, 258 (2013)).

Applying that standard, the Federal Circuit held, "the issues of validity and claim scope" presented in Medtronic's claims were "well-pleaded in this declaratory complaint, are actually disputed, are substantial to the federal system as a whole, and the federal-state judicial balance would not be disrupted

by the district court's exercise of declaratory jurisdiction." Pet.App.10. The parties' dispute was therefore "within the district court's jurisdictional authority," and the Federal Circuit had jurisdiction to hear Medtronic's appeal. Pet.App.10. As the Federal Circuit's opinion makes clear, its holding that the claims here arose under the federal patent laws was critical to its ability to consider and decide the appeal; otherwise, the Federal Circuit would have lacked jurisdiction and would have been required to dismiss the appeal (as Sasso requested) or transfer it to the Seventh Circuit. Pet.App.9-10; *see* 28 U.S.C. §1631 (authorizing transfer).

2. Despite correctly holding that the parties' dispute arose under the federal patent laws, such that the district court had exclusive jurisdiction to adjudicate it, the Federal Circuit nevertheless concluded that the district court did not abuse its discretion by "abstaining" in favor of the state-court proceedings—proceedings in which the courts necessarily *lacked jurisdiction*. Pet.App.10-16.

The Federal Circuit recognized that abstention in general "is an extraordinary and narrow exception to the duty of a District Court to adjudicate a controversy properly before it," and is appropriate "only in the exceptional circumstances where the order to the parties to repair to the state court would clearly serve an important countervailing interest." Pet.App.11-12 (quoting *Colorado River*, 424 U.S. at 813). Moreover, the Federal Circuit acknowledged that courts applying *Colorado River* abstention have uniformly held that "a federal proceeding should not be stayed in favor of a state proceeding when the federal

proceeding includes a claim over which federal courts have exclusive jurisdiction.” Pet.App.12; see *Cottrell v. Duke*, 737 F.3d 1238, 1248 (8th Cir. 2013).

Yet, despite recognizing that uniform precedent, the Federal Circuit dismissed it as inapplicable on the theory that the district court here applied the *Wilton-Brillhart* standard rather than *Colorado River*. Pet.App.12. The Federal Circuit did not attempt to explain why dismissing a claim over which the district court had *exclusive* jurisdiction in deference to *ultra vires* state-court proceedings would ever be appropriate under *Wilton* and *Brillhart* or any other species of abstention. Nor did it explain how, given its conclusion that the patent-law claims at issue were subject to exclusive federal court jurisdiction, “the claims of all parties in interest can satisfactorily be adjudicated in the state court proceeding,” as required by *Wilton* and *Brillhart*. Pet.App.13 (brackets omitted) (quoting *Wilton v. Seven Falls Co.*, 515 U.S. 277, 283 (1995)); see *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 495 (1942). Tellingly, the Federal Circuit did not point to any cases in the history of federal courts in which a federal court with exclusive jurisdiction had nevertheless found it proper to abstain in favor of state court proceedings that (by virtue of the exclusive federal jurisdiction) lacked jurisdiction.

3. The Federal Circuit’s decision did not go unnoticed. Less than two months later, the Indiana Court of Appeals affirmed the Indiana trial court’s \$112 million judgment for Sasso, rejecting the argument that the state trial court lacked subject-matter jurisdiction because the federal courts have

exclusive jurisdiction over this patent dispute. Despite recognizing that the Federal Circuit had reached the exact opposite conclusion, and had held that the federal courts *do* have exclusive jurisdiction over this dispute, the Indiana Court of Appeals discounted that jurisdictional holding in light of the Federal Circuit's abstention holding, concluding that the Federal Circuit's ultimate decision to approve abstention "weigh[ed] against a finding of exclusive federal jurisdiction." *Warsaw*, 162 N.E.3d at 16. The Indiana Supreme Court recently denied review and left the Court of Appeals decision as the final word of the Indiana courts.

#### **REASONS FOR DENYING THE CROSS-PETITION**

The Federal Circuit's abstention decision is irreconcilable with the basic concept of what it means for a federal court to have *exclusive* jurisdiction. That exclusive federal jurisdiction is exclusive of state-court jurisdiction. Thus, a federal court with exclusive jurisdiction abstaining in favor of state-court proceedings is a contradiction in terms, and was unheard-of until the decision below. That holding cannot be reconciled with this Court's clear precedents or with common sense, and plainly warrants correction by this Court, whether by summary reversal or by plenary review. Pet.19-34.

Sasso's cross-petition, by contrast, challenges the one thing that the Federal Circuit plainly got *right*: the federal courts have jurisdiction because this is, by any measure, a patent case. What Sasso calls "jurisdictional dicta" is the Federal Circuit's explicit and common-sense holding that this dispute falls

within federal patent-law jurisdiction. Cross-Pet.24; see Cross-Pet.11, 14.

Sasso's contrary arguments are misguided on every level. The Federal Circuit's explicit jurisdictional decision was plainly a *holding*, not dicta, and was necessary as a matter of law in order for the Federal Circuit to enter its judgment affirming the district court in the first place (rather than granting Sasso's request to dismiss the appeal and/or transferring the appeal to the Seventh Circuit). And the Federal Circuit's explicit jurisdictional holding was plainly correct, properly applying each of the *Gunn* factors to find that this quintessential patent-law dispute is subject to exclusive federal patent-law jurisdiction. While the Indiana courts have reached the opposite conclusion, and this Court should provide clarity to *state* courts improperly exercising jurisdiction over patent suits, the better vehicle for providing that clarity is a state-court case in which non-existent jurisdiction has been improperly exercised. The problem here is very nearly the opposite: *federal* courts declining to exercise their *exclusive* jurisdiction. The Federal Circuit recognized its exclusive jurisdiction and yet refused to exercise it in deference to pending state-court litigation over the same claims. That is the holding that is anomalous, unprecedented, and contrary to the basic notion of exclusive jurisdiction. That is the holding that merits correction by this Court.

#### **I. The Federal Circuit's Explicit Jurisdictional Holding Was Not "Jurisdictional Dicta."**

To begin with, Sasso is plainly wrong to describe the Federal Circuit's express jurisdictional holding as



“jurisdictional dicta”—a phrase that appears never to have before been used by this Court or any other federal court. As the Federal Circuit explained, its determination that this dispute satisfies all four of the *Gunn* factors (and therefore arises under federal patent law) was strictly necessary not only to the district court’s exclusive original jurisdiction *but also to the Federal Circuit’s own appellate jurisdiction*. Pet.App.9-10 & n.4; *see* 28 U.S.C. §1295(a)(1). Without that determination, any appeal from the district court’s order would “lie[] in the Seventh Circuit, not the Federal Circuit”—as Sasso himself argued below. Pet.App.9. In other words, without the Federal Circuit’s determination that this dispute satisfies the *Gunn* factors and thus arises under federal patent law, the Federal Circuit would have granted Sasso’s request to dismiss the appeal and the last word of the Federal Circuit’s opinion would have been “dismissed” or “transferred,” not “affirmed.” Pet.App.16.

Sasso’s only contrary argument is well wide of the mark. Relying on *Sinochem*—a case the Federal Circuit itself never mentioned—he claims the Federal Circuit’s jurisdictional holding must be dicta because “[j]urisdiction is vital only if the court proposes to issue a judgment on the merits.” Cross-Pet.14 (quoting *Sinochem Int’l Co. v. Malaysia Int’l Shipping Corp.*, 549 U.S. 422, 431 (2007)). But the Federal Circuit plainly *did* issue a judgment on the merits of *the appeal*, as evidenced by the fact that it did not dismiss the appeal as Sasso requested or transfer it to the Seventh Circuit, but rather *affirmed* the district court’s judgment. Nor was there any alternative non-jurisdictional-yet-still-non-merits basis for the

Federal Circuit to exercise appellate jurisdiction. *Sinochem's* holding that a court may choose among non-merits reasons for *dismissing* a case is thus wholly irrelevant, which presumably explains why the Federal Circuit never cited it.

Because the Federal Circuit's determination that this dispute arises under federal patent law, and therefore was within its own appellate jurisdiction (and the district court's exclusive jurisdiction), was "necessary to th[e] result" that the Federal Circuit reached, it by definition cannot be "mere *obiter dicta*." *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 66-67 (1996); see, e.g., *Burnham v. Superior Court of Cal.*, 495 U.S. 604, 613 n.2 (1990) (plurality opinion) (determinations that provide "exclusive basis for the judgment" are not dicta). The finding of exclusive federal jurisdiction was essential to the Federal Circuit's appellate jurisdiction and thus was a holding. Its further holding that despite that exclusive federal jurisdiction, the district court could abstain in deference to proceedings in a state court that lacks jurisdiction is the key question that warrants review and correction by this Court.

## **II. The Federal Circuit's Finding Of Exclusive Federal Jurisdiction Over This Dispute Was Plainly Correct.**

After mischaracterizing the Federal Circuit's jurisdictional holding as mere dicta, Sasso resorts to an equally mistaken attack on its reasoning. As the Federal Circuit correctly recognized, an action arises under the federal patent laws—and is therefore subject to exclusive federal jurisdiction—if a federal patent-law 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.” Pet.App.9 (quoting *Gunn*, 568 U.S. at 258). Sasso challenges three of those four factors, conceding that the federal patent-law issues of the validity and scope of the patent claims at issue are “actually disputed” here. Cross-Pet.17-23. Sasso’s arguments on the remaining three factors are entirely unpersuasive.

**A. The Federal Circuit Correctly Held That This Dispute Necessarily Raises Federal Patent-Law Issues.**

First, the Federal Circuit correctly determined that the dispute here necessarily raises federal patent-law issues—which is why the “mirror image” state-court trial on Sasso’s claims proceeded for all practical purposes like a patent infringement trial. *See supra* pp.8-10. Sasso begins with the confusing and self-refuting assertion that the Federal Circuit “never found that [federal patent-law] issues of validity and claim scope were ‘necessarily raised’” in this dispute, and instead found only that they were “well pleaded.” Cross-Pet.17. But as the Federal Circuit correctly explained, whether an issue is “necessarily raised” *depends* on whether “a well-pleaded complaint establishes that ... patent law is a *necessary element* of one of the well-pleaded claims.” Pet.App.9-10 (quoting *NeuroRepair, Inc. v. Nath Law Grp.*, 781 F.3d 1340, 1344 (Fed. Cir. 2015)); *see Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)). Thus, what is “necessarily raised” is judged by the well-pleaded claims. And as the court further correctly held, “the issues of validity and claim

scope are well-pleaded in this declaratory complaint” precisely because they are necessary to resolve the underlying claims. Pet.App.10. Sasso’s suggestion that the Federal Circuit somehow missed the “necessarily raised” inquiry by focusing on what was well-pleaded is incoherent.

Sasso concedes that the federal patent-law issues of validity and claim scope were *in fact* raised in Medtronic’s well-pleaded complaint. Cross-Pet.17. He argues, nonetheless, that they were not “*necessarily*” raised—i.e., not *necessary* to be decided—because (Sasso says) he could somehow recover the royalties he demands under the Facet Screw Agreement even if the patents here are invalid and/or did not cover the devices at issue. Cross-Pet.17-18. That makes no sense. As the Federal Circuit recounted, under the Facet Screw Agreement, “if no patent application(s) issue into a patent having *valid* claim *coverage* of the Medical Device,” then Sasso is only entitled to quarterly royalty payments for seven years after the first sale of that device—a period that expired long ago. Pet.App.3 (emphasis added); *see* Pet.App.6-8. The royalties Sasso can recover and the current disputes thus necessarily depend on whether the patents here were both “*valid*” and “*covered*” the devices at issue. The parties’ dispute necessarily thus raises the federal patent-law issues of validity and claim scope. Pet.App.9-10; *see, e.g., Jang v. Boston Sci. Corp.*, 767 F.3d 1334, 1336 (Fed. Cir. 2014) (finding the “necessarily raised” element met where the “right to relief on the contract claim as asserted in the complaint depends on an issue of federal patent law”).

None of Sasso’s counterarguments is persuasive. Sasso relies heavily on the royalty provision of the Facet Screw Agreement, noting that it provided for a 2.5% royalty without regard to patent coverage. Cross-Pet.2-3, 11-12, 17. But the provision setting the “[t]erm” of the agreement explicitly *does* depend on “valid claim coverage.” Pet.App.3, 6-8 (emphasis added).<sup>5</sup> That means that the applicability of the agreement depended on (1) construing the claims and determining whether they cover Medtronic’s products, and (2) determining the validity of the patent and the claims as so construed.

Sasso also relies on the Indiana trial and appellate courts’ decisions in the parallel state-court litigation, arguing they show that Sasso was not required to prove validity and claim coverage in order to recover. Cross-Pet.17-18; *see* Cross-Pet.9-10. But those mirror-image proceedings quickly devolved into patent proceedings that underscored that the parties’ royalty dispute is necessarily a dispute about claim-

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<sup>5</sup> Sasso notes throughout his petition that Medtronic did not raise invalidity as an *affirmative defense* in the state-court action. Cross-Pet.7, 9, 12-13, 23 & n.7. That is because invalidity was *not* an “affirmative defense” at all, at least to the extent Sasso and the state courts persisted in the fiction that his state-court action was not a patent action; instead, *Sasso* was required to prove “valid claim coverage,” as an element of his causes of action, to recover the royalties he sought under the terms of the Facet Screw Agreement. Pet.App.3; *see* Pet.App.6-8. Ironically, Sasso bases his contrary argument solely on *federal* law, *see* Cross-Pet.23 n.7—which governs the substantive federal patent-law issues of validity and claim scope, but not the procedural question of how those issues should be raised in a state court proceeding such as Sasso’s—precisely because the action should not have been there in the first place.

scope and patent-validity. The mere possibility that a state court could decide a case on some non-patent ground (such as procedural default or some contract-law defense) is not enough to defeat exclusive federal jurisdiction. Indeed, it is telling that even the Indiana appellate court did not find that the “mirror image” dispute failed to *necessarily* raise any federal patent-law question. *See Warsaw*, 162 N.E.3d at 14 (assuming that this requirement was met).

Sasso turns next to the district court’s unpublished remand order rejecting Medtronic’s effort to remove Sasso’s later follow-on action seeking an audit and additional damages as supporting the idea that patent issues were not “*necessarily* raised.” Cross-Pet.18 (emphasis added); *see supra* p.10 n.4. That unpublished and unappealable district court order was issued before the Federal Circuit’s decision here, and hardly suggests the Federal Circuit erred. On the contrary, the district court presumably would have reached a different outcome on the remand issue if it had had the benefit of the Federal Circuit’s jurisdictional holding (and was not befuddled by its erroneous abstention holding). Moreover, the remand order was presumably premised at least in part on the connection between the follow-on action and the earlier state-court action that should never have been allowed to proceed in the first place. Regardless, the (unreviewable) district court errors on removal further demonstrate Medtronic’s need for this declaratory judgment action to obtain dispositive federal review of the federal patent-law issues presented.

Sasso notes that his third amended complaint in the Indiana action added an alternative *quantum*

*meruit* claim, and suggests that this alternative claim did not turn on patent-law issues. Cross-Pet.18-19; *see* Cross-Pet.7, 13. The complaint devoted a single sentence to that claim, alleging that Medtronic was “unjustly enriched by the assignment of [the ’313 and ’046 patents] by Dr. Sasso.” C.A.App.175. To the extent that claim relies on the theory that Sasso benefited Medtronic by enabling Medtronic to develop the patents at issue (and it is unclear on what else it could rely), it raises even more directly the same issues of patent validity and scope, which are necessary to determine the extent of any benefit conferred by the assignment of those patents. Regardless, even if there were not exclusive federal jurisdiction over that separate and alternative *quantum meruit* claim, it would not eliminate the exclusive federal jurisdiction over the other claims in the Indiana litigation or the claims asserted in this action, which do necessarily raise federal patent-law issues. *See Gunn*, 568 U.S. at 258 (recognizing exclusive federal jurisdiction over any “claim” that meets the *Gunn* factors). A plaintiff cannot defeat exclusive federal jurisdiction over a complaint that necessarily raises federal issues simply by adding one claim that arises under state law. Thus, as the Federal Circuit correctly recognized, both the state-court proceedings and Medtronic’s declaratory judgment claims necessarily raise federal patent-law issues of validity and claim scope, and they readily satisfy the first *Gunn* factor.<sup>6</sup>

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<sup>6</sup> In his background section—but not his argument section—Sasso suggests that Medtronic agreed his claims “can be disposed of by application of state law.” Cross-Pet.6 (quoting

**B. The Federal Circuit Correctly Held That The Federal Patent-Law Issues Here Are Substantial.**

The Federal Circuit likewise correctly determined that the federal patent-law issues here “are substantial to the federal system as a whole.” Pet.App.10; *see Gunn*, 568 U.S. at 260. As the Federal Circuit has previously explained, claims raising issues of patent validity and claim scope satisfy the substantiality requirement because they implicate “the real world potential for subsequently arising infringement suits affecting other parties.” *Jang*, 767 F.3d at 1337. Claim construction will likely have, for example, estoppel effects for future patent-infringement suits against third parties. *E.g.*, *Nestle USA, Inc. v. Steuben Foods, Inc.*, 884 F.3d 1350, 1351 (Fed. Cir. 2018). Because the potential for repeating federal patent-law issues involving the same patents raise “the potential of conflicting rulings,” maintaining exclusive federal jurisdiction (and ultimately exclusive Federal Circuit appellate jurisdiction) over those issues “is important to ‘the federal system as a whole’ and not merely ‘to the particular parties in the immediate suit.’” *Jang*, 767 F.3d at 1338 (quoting *Gunn*, 568 U.S. at 260).

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C.A.App.967). Not so. As the cited page shows, Medtronic argued that “patent law is in fact necessary to [Sasso’s] claims”—but that several of his claims *also* independently failed on state-law grounds. C.A.967. A claim that necessarily raises federal patent-law issues does not escape exclusive federal jurisdiction just because it may also be meritless for other reasons. *See Gunn*, 568 U.S. at 258.



Sasso's counterarguments are again unpersuasive. Relying on the district court's decision below (which explicitly reserved the question), and the district court's unappealable order in Sasso's follow-on audit action, Sasso asserts that the patent issues here are not substantial because the patent claims at issue have been cancelled.<sup>7</sup> Cross-Pet.19-20. Once again, those unpublished district court decisions were issued without the benefit of the Federal Circuit's decision below, and hardly suggest that the Federal Circuit erred. On the contrary, the Federal Circuit was fully aware that the claims at issue had been cancelled, Pet.App.8, and correctly concluded that fact did not affect the substantiality inquiry. If anything, the intersection between the effects of cancellation and claims raised in Medtronic's declaratory judgment complaint implicates an even more fundamental question about the federal patent "system as a whole," which further *supports* the Federal Circuit's conclusion. After all, the legal rules governing the interactions between PTO reexaminations and patent litigation are *federal* rules. *See Fresenius*, 721 F.3d 1330. The proper application of those federal rules

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<sup>7</sup> Sasso inexplicably suggests that Medtronic's *ex parte* reexamination requests were an "improper" attempt to "manufacture unopposed evidence" for the state court proceeding. Cross-Pet.21 & n.6. On the contrary, they were an entirely proper (and successful) attempt to obtain confirmation in a federal forum that any patent claims with the broad scope Sasso asserted were necessarily void. *See supra* pp.7, 10. Of course, to the extent that federal courts are much more familiar with the sometimes-complicated interrelationships between patent litigation and simultaneous PTO proceedings, that is just one more reason why federal jurisdiction is exclusive.

concerning the effect of PTO cancellation is yet another issue of federal patent law with *systemic* implications.

In any event, the Federal Circuit in *Jang* rejected precisely the same argument that Sasso makes here: that the “cancellation of the claims in issue means the question of patent validity as it relates to the public at large can no longer be said to be ‘substantial.’” 767 F.3d at 1338. As *Jang* explained, jurisdiction depends on “the facts as they existed at the time the complaint ... was filed,” and so any subsequent cancellation is simply irrelevant to the *Gunn* inquiry. *Id.* Because the cancellation here “did not take place until long after the complaint had been filed,” it cannot deprive the federal courts of their exclusive jurisdiction over this dispute. *Id.*<sup>8</sup>

Alternatively, Sasso argues that the issues here are not substantial because the district court (incorrectly) remanded his follow-on audit action to state court, and so “all ongoing claims” related to this dispute are currently before the Indiana courts. Cross-Pet.21-22. But that just underscores the basic problem here that claims that the Federal Circuit found to be within the exclusive jurisdiction of the federal courts are proceeding in state court. In all events, the jurisdictional analysis, again, looks to the

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<sup>8</sup> Notably, Sasso’s contrary view leaves him in the exceptionally odd position of arguing that the federal courts lack jurisdiction over this dispute because the patent claims at issue are invalid, but that he should still keep the millions of dollars in royalties that the Indiana courts awarded him based in part on the validity of those now-cancelled patents. *See supra* p.10; *see also* Cross-Pet.23 (claiming it would be unfair to try this case in federal court because Medtronic “knows it cannot lose” on the issue of valid claim coverage).

facts as they exist when the complaint is filed, not subsequent remand orders in other actions. *Jang*, 767 F.3d at 1338.

**C. The Federal Circuit Correctly Held That Federal Adjudication Would Not Upset The Federal-State Balance.**

For similar reasons, the Federal Circuit likewise correctly concluded that “the federal-state judicial balance would not be disrupted by the district court’s exercise of declaratory jurisdiction.” Pet.App.10. Issues of patent validity and claim scope fall into the heartland of the area that Congress intended to reserve for exclusive federal jurisdiction (and exclusive Federal Circuit appellate jurisdiction) precisely to ensure uniformity in the application of the federal patent laws. And unlike in *Gunn*, where the “special responsibility” of states for “maintaining standards among members of the licensed professions” weighed heavily against hearing a legal malpractice claim in federal court, there is no overwhelming Indiana interest here in adjudicating a contract governed by Tennessee law. 568 U.S. at 264 (quoting *Ohralik v. Ohio State Bar Ass’n*, 436 U.S. 447, 460 (1978)).

Sasso has no serious response. He notes that state courts can often have jurisdiction over contract cases involving patents—where those cases do not necessarily raise any substantial issue of federal law. Cross-Pet.22. But where, as here, the claims at issue turn on substantial federal questions, federal jurisdiction is both appropriate and exclusive. 28 U.S.C. §1338(a); *Gunn*, 568 U.S. at 257-58.

Sasso next asserts that remand orders are unappealable. Cross-Pet.22. But no one said otherwise. Medtronic is not seeking to appeal a remand order; it is asking the federal courts to adjudicate a declaratory action within their exclusive federal patent-law jurisdiction and to refrain from the incoherent practice of acknowledging exclusive federal jurisdiction and then deferring to pending state-court proceedings. The fact that remand orders are unappealable is neither relevant nor contested.

Sasso concludes with a grab bag of grievances, faulting Medtronic for not seeking to remove Sasso's state-court case yet again after Sasso amended his complaint; for continuing to press the Indiana courts' lack of subject-matter jurisdiction even after the case was remanded; for invoking the federal courts' exclusive jurisdiction over this dispute through a declaratory judgment action; for seeking this Court's review of the Federal Circuit's inexplicable abstention ruling; and for a variety of other purported misdeeds. Cross-Pet.22-23. Those complaints are not only meritless, but entirely unrelated to the issue at hand. The only relevant question under the final *Gunn* factor is whether federal courts can properly adjudicate contract claims that necessarily raise substantial questions of federal patent law without upsetting the federal-state balance. As the Federal Circuit has held multiple times before, and held once again below, the answer is yes. Pet.App.10; see *Jang*, 767 F.3d at 1336-38. That holding is eminently correct, and plainly does not warrant further review.

### III. The Cross-Petition Does Not Merit This Court's Review.

The fundamental problem with the decision below is straightforward: as other courts have recognized, “[e]xclusive means exclusive.” *Am. Energy Corp. v. Rockies Express Pipeline LLC*, 622 F.3d 602, 605 (6th Cir. 2010) (Sutton, J.). Once the Federal Circuit correctly recognized that this dispute was subject to exclusive federal jurisdiction (and thus it had appellate jurisdiction), both this Court’s clear precedent and basic legal principles should have prevented it from allowing the district court to abstain in favor of proceedings in state courts that by definition had no jurisdiction to resolve the dispute. Pet.19-33. Whether by summary reversal or plenary review, this Court should correct that inexplicable and unjustifiable abstention holding by granting the petition in No. 20-1284.

By contrast, there is no corresponding need to grant review of the Federal Circuit’s (correct) jurisdictional holding. That unremarkable holding properly applied the *Gunn* factors and reached the inescapable result: the dispute here, which necessarily raises substantial federal patent-law issues, can only be heard in federal court. Nothing would be gained from this Court’s review and reaffirmation of that straightforward jurisdictional analysis. And this Court need not review that “predicate” decision in order to correct the glaring error in the Federal Circuit’s abstention holding.

That is not to deny that this Court’s guidance is needed to prevent *state* courts from improperly exercising jurisdiction over patent suits. This case

provides the perfect example: The Indiana appellate court's decision to proceed in the "mirror image" state suit here, in open disagreement with the Federal Circuit's (correct) jurisdictional analysis, creates a conflict over the proper *Gunn* analysis as to the same basic dispute and demonstrates that there is ongoing confusion in some state courts over the proper application of the *Gunn* factors. *Warsaw*, 162 N.E.3d at 14-16; *see Gunn*, 568 U.S. at 258 (explaining that "the canvas" of this "unruly doctrine" resembles "one that Jackson Pollock got to first"). But the proper vehicle for providing clarity to state courts improperly exercising jurisdiction over exclusively federal claims would plainly be a case arising out of the state courts. Now that the Indiana Supreme Court has denied review, Medtronic plans to file a petition for certiorari squarely raising the proper analysis of the *Gunn* factors in this dispute and in royalty disputes more broadly. The problem here, however, is different and very nearly the opposite of state courts improperly usurping federal jurisdiction: Here, a federal court that has acknowledged exclusive federal jurisdiction over this dispute has nonetheless permitted abstention in deference to proceedings in a state court that, by definition, lacks jurisdiction. That is incoherent, and is the only issue presented in this federal case that warrants this Court's review or summary correction.

**CONCLUSION**

For the foregoing reasons, this Court should grant the petition for certiorari in No. 20-1284 and deny Sasso's cross-petition for certiorari here.

Respectfully submitted,

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May 17, 2021