

No. 20-1452

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

**REPLY IN SUPPORT OF
CONDITIONAL CROSS-PETITION
FOR A WRIT OF CERTIORARI**

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**REPLY IN SUPPORT OF
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Rick C. Sasso, M.D., respectfully files this reply in support of his conditional cross-petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

I. The Federal Circuit’s jurisdictional finding is *dicta* because the basis for affirming was the district court’s use of *Wilton/Brillhart* abstention to avoid ruling on the merits.

“A federal court has leeway to choose among threshold grounds for denying audience to a case on the merits.” *Sinochem Int’l Co. v. Malaysia Int’l Shipping Corp.*, 549 U.S. 422, 431 (2007). In *Sinochem*, this leeway allowed a district court to not decide issues of subject matter and personal jurisdiction before transferring a case on grounds *forum non conveniens*, a non-merits manner of ending that case. Here, the district court chose *Wilton/Brillhart* abstention to dismiss Medtronic’s case without prejudice, and the Federal Circuit affirmed, using leeway to choose which basis of dismissal was most appropriate.

Sinochem further states “Jurisdiction is vital only if the court proposes to issue a judgment on the merits.” *Sinochem Int’l*, 549 U.S. at 431. It follows, then, that jurisdiction is not vital when a court dismisses without prejudice, or affirms such a dismissal. If something is not vital, it does not have controlling importance. Medtronic’s citations to *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 66-67 (1996) and *Burnham v Superior Court of California*, 495 U.S. 604, 613 n.2 (1990) do not show that the Federal Circuit’s jurisdictional finding is not *dicta* here. *Seminole Tribe* merely

discusses *dicta* in the context of *stare decisis*. 517 U.S. at 66-67. *Seminole Tribe*'s characterization of *Burnham* as finding that the "exclusive basis of a judgment is not dicta" supports Sasso. The exclusive basis for the without prejudice dismissal order is *Wilton / Brillhart* abstention, not the presence or absence of subject matter jurisdiction.

Medtronic's claim (BIO 17), without citation, that the Federal Circuit somehow decided on the merits "of the appeal" by affirming the without prejudice dismissal order of the district court is meritless. *See U.S. Phillips Corp v. Windmere Corp.*, 861 F.2d 695, 701-702 (Fed. Cir. 1988) ("our appellate jurisdiction depends upon the nature of the case in the district court and not upon the issues presented to us for review."). In *U.S. Phillips*, the Federal Circuit took jurisdiction of the appeal of an antitrust counterclaim on the basis that the underlying complaint was for patent infringement even though "the appeal present[ed] no questions under the patent laws." *Id.* Here, because the district court found no legitimate purpose to the declaratory judgment action, it assumed without deciding that jurisdiction existed. (App. 21). This assumption was a potential basis for appellate jurisdiction, whether or not there was actually 28 U.S.C. § 1338(a) jurisdiction in the district court.

Finding or not finding subject-matter jurisdiction is never a decision "on the merits" of a dispute. Instead, it is a preliminary decision relating to what tribunal will hear a particular dispute. If the Federal Circuit had dismissed on the absence of subject-matter jurisdiction, the result would have been the same as affirming the abstention decision of the district court. *See Sinochem*, 549 U.S. at 434 (dismissal for *forum non-conveniens* reaches same result whether or not a

determination of jurisdiction is made). In both circumstances, the district court makes no decision on the merits. Any jurisdictional analysis done to avoid ruling on the merits becomes just *dicta* or *obiter dicta* or jurisdictional *dicta*. Ruling either way would not have changed the result of the Federal Circuit.

II. Patent issues were not “necessarily raised” by Medtronic’s complaint.

The state court’s summary judgment order of September 13, 2018 (C.A. App 1868-1869) rendered untrue Paragraphs 2-6, 10, 23, 27, 40, 42-47, 49-50, and 52-53 of Medtronic’s Complaint. (C.A. App. 18, 19, 24, 29, 30-32). Notwithstanding this order, Medtronic calls Sasso “incoherent” (BIO 20-21) and proceeds to argue the contract position it lost before the state trial court using the discredited paragraphs of its complaint. The contract construction alleged in those paragraphs was unanimously rejected again on appeal to a three- judge panel of the Indiana Court of Appeals, and then again by the Indiana Supreme Court, which unanimously denied transfer. *Warsaw Orthopedic, Inc. v. Sasso*, 162 N.E.3d 1 (Ind. Ct. App. 2020), *trans. denied* (Ind. May 13, 2021). Medtronic fails to address this dichotomy.

Moreover, the order accurately recites Medtronic’s position as to the meaning of the December 1999 Agreement prior to its flip flop in April 2018. Medtronic claims (BIO 23-24n.6) that it did not contend that all issues of breach of the December 1999 Agreement could be decided without considering any patent law issues, citing C.A. 967. That page is an introductory page of an October 2016 brief by Medtronic in which it argued the absence of subject matter jurisdiction with respect to the Vertex Agreement (not at issue here) and both Screw Delivery Agreements

– the November 1, 1999 Agreement (C.A. App. 103-112) and the December 1999 Agreement that superseded the first (C.A. App. 121-130). The disputes of the Vertex Agreement and the November 1, 1999 Agreement both had theories of recovery involving patent issues combined with theories that did not. The December 1999 Agreement dispute requires no decisions of patent law to be decided for Sasso to recover.

In a reply brief in support of its state court summary judgment motion, Medtronic titled a section of its brief **“Nothing in the Facet Screw Agreement provides for determining royalty products based on patent coverage”** and argued:

At most, therefore, the '313 and '046 patents are relevant only to the *term* of royalty payments, not the definition of *products* for which royalties are to be paid. Because there is no dispute regarding the term of Medtronic's Facet Screw royalty obligation, the '313 and '046 patents are immaterial to this contract dispute.

(*Warsaw Orthopedic, Inc. et al. v. Sasso*, Indiana Court of Appeals, Case No. 19A-PL-378, Medtronic App., Vol. XI, p.74 (emphasis in the original)).

Medtronic argued and prevailed, in part. When the state court found that the December 1999 Agreement superseded the first, Sasso no longer had any theory to recover 5% royalties if a “Medical Device” was “covered by a valid claim of an issued patent of the Intellectual Property Rights.” (C.A. App. 106-107). Sasso contested that the November 1999 Agreement had been superseded because termination expressly required the mutual written agreement of the parties. (C.A. App. 107). There was no such agreement. The

December 1999 Agreement did not mention the earlier agreement. (C.A. App. 121-130). Nonetheless, Medtronic won and avoided paying a 5% royalty based on patent coverage. Medtronic's argument above summarizes its position that the December 1999 Agreement superseded the earlier one. It was adopted by the state trial court. "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).

Medtronic's claim (BIO 21) that the dispute "quickly devolved into patent proceedings" is both untrue and not relevant to the "necessarily raised" element of 28 U.S.C. § 1338(a) jurisdiction. Medtronic did its best to attempt to create a patent case from a contract case after the close of discovery. But under *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988), jurisdiction is determined from the "well pleaded complaint" not by analyzing discovery responses and slivers of evidence introduced without objection after a month-long jury trial.¹ See *Christianson*, 486 U.S. at 808. "A claim supported by alternative theories in the complaint may not form the basis for 28 U.S.C. § 1338(a) jurisdiction unless patent law is essential to each of those theories." *Christianson*, 486 U.S. at 810. In

¹ Indiana Rules of Evidence 401 and 403 allow a party to object to relevancy of evidence and evidence which is relevant but unfairly prejudicial. If Sasso's use of the '313 patent to describe "the Invention" raised irrelevant or unfairly prejudicial evidence, Medtronic could have objected to limit the evidence, but did not. Sasso did object to introduction of the unopposed *ex parte* USPTO examination with its hearsay affidavits of witnesses not identified during the state court proceeding that would have circumvented the case management order had the evidence been admitted. The exclusion of this evidence was affirmed in the state court appeal.

Christianson, the district court invalidated nine patents without creating 28 U.S.C. § 1338(a) jurisdiction. 486 U.S. at 806. Here, patent law simply was not essential to any theory of recovery under the December 1999 Agreement. The agreement is defined by its terms and the course of performance by the parties, which did not require proof of patent coverage.

III. Patent issues are not substantial in Medtronic's complaint.

Medtronic fails to address the district court's finding Medtronic's position that its own patents were invalid was "unusual" (App 18-19 n.3) and the remand order stating "Medtronic is not going to file infringement suits on patent claims it asked to invalidate" *Sasso v. Warsaw Orthopedic, Inc. et al.*, No. 3:19-cv-298 JD, 2020 U.S. Dist. LEXIS 37365 * 5 (N.D. Ind. 2020), except to claim the district court would have acted differently had it known the Federal Circuit's position. That is why the conditional cross petition was filed. The Federal Circuit did get this point wrong, but its cursory reasoning is *dicta*. Judge DeGuilio is correct. There will be no infringement lawsuits of the now expired patents. There are no systemwide issues to the federal system.

Jang v. Boston Scientific Corp., 767 F.3d 1334 (Fed. Cir. 2014) has no application to the state court action Medtronic collaterally attacks with this lawsuit. See *Inspired Dev. Group, LLC v. Inspired Prods. Group*, 938 F.3d 1355, 1364-66 (Fed.Cir.2019). The state court action is completed now and no patent law issues were decided, as predicted by *Inspired Development*. Judge Newman's cite to *Jang* for this federal filed case is a product of the "well pleaded complaint" rule and the standard of review Medtronic urged – that all allegations in its complaint be considered true. Brief

for Plaintiffs-Appellants, *Warsaw Orthopedic, Inc. v. Sasso*, p.7, No. 19-1583 (Fed. Cir. March 15, 2019). Paragraph 17 (C.A. App. 23) cites *Jang* specifically as controlling in this federal case.

IV. The exercise of jurisdiction without allowing the state court to first decide the state court contract and case management issues would upset the federal/state balance approved by Congress.

Medtronic provided the Federal Circuit with an incomplete depiction of the state court action combined with an unwavering position that its new-found contract interpretation was correct. Whether or not the Federal Circuit found 28 U.S.C. § 1295(a) jurisdiction for the appeal, the Federal Circuit, as did the district court, used abstention to honor the limited jurisdiction that Congress provided the federal court system with respect to contract disputes. *See e.g., Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 261 (1979); *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1919). *New Marshall* is clear, “Courts of a State may try questions of title, and may construe and enforce contracts relating to patents.” *Id.*

In *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 586 (1999),² Justice Ginsburg elegantly described the restraint at issue here:

Most essentially, federal and state courts are complementary systems for administering justice in our Nation. Cooperation and comity,

² The district court cited *Meyers v. Oneida Tribe of Indians of Wis.*, 836 F.3d 818, 821 (7th Cir. 2016) for this proposition. (App.20). *Meyers* discusses *Ruhrgas* at length. *Id.* at 821-823.

not competition and conflict, are essential to the federal design.

Ruhrgas held that district courts could decline to decide subject matter jurisdiction where another non-merits dismissal was appropriate and easier to determine, just as the district court did here. *Id.* By finding jurisdiction and exercising abstention because “the question of contract interpretation is on appeal in the Indiana state court” (App. 2), Judge Newman was preserving the appropriate federal/state balance approved by Congress as to the power of states to “construe and enforce contracts relating to patents.” *New Marshall*, 223 U.S. at 478.

Medtronic claims that “Sasso has no serious response” to the absence of an upset of the federal state balance, but **ignores** *Aronson* and *New Marshall*, instead focusing on the rationale of *Gunn v. Minton*, 568 U.S. 251 (2013) to leave patent law malpractice cases to the state courts in which the attorney/client relationship existed. (BIO 27). *Gunn* is a product of the 21st century and the increase of lawsuits against lawyers. *Aronson* and *New Marshall* are of the 20th century and do not depend on which state’s law is at issue; instead they turn on the principle that contract construction is of state law. The state court summary judgment order on review involved no issues of patent law. Only if it was reversed would patent law issues come into play.

While no patent ever issued in *Aronson*, the same contract principles that allowed the parties in *Aronson* to agree to a royalty contract continuing indefinitely also exist here. Sasso brought Medtronic an ingenious surgery system, whether or not any patent ever issued on it. *See Aronson*, 440 U.S. at 259. Sasso disclosed the system and signed the agreement before any

patent issued. *See id.* at 261-262. The agreement provided for a 2.5% royalty “independent of federal law.” *See id.* at 262. Enforcement of the agreement required Medtronic to pay what it promised in return for “the use of a novel device which enabled it to preempt the market.” *See id.* at 264.

The *Aronson* contract principles are what Judge Newman was appropriately honoring in affirming the district court’s dismissal. If the jurisdictional finding is separated from the reasons for abstention – to allow the state court to interpret the contract – the appropriate federal/state balance would be lost.

Judge Newman also cited the state court order striking the affirmative defense of patent invalidity in affirming the without prejudice dismissal order. (App. 4). The state court held, “All evidence related to the defense of patent invalidity is excluded.” (*Id.*). This order also is entitled to comity by abstention. Even if the Indiana appellate courts had reversed the summary judgment order, and they did not, the appropriate federal/state balance must also allow state courts to manage their case dockets to exclude late raised defenses. This is an important function of state court systems. *See, e.g., Story v. Leonas*, 904 N.E.2d 229, 238 n.5 (Ind. Ct. App. 2009).

Medtronic’s late disclosure of witnesses and documents relating to invalidity unfairly prejudiced Sasso. The documents Medtronic produced to support its newly raised defense exceeded in number all documents previously produced. Timely disclosure would have given Sasso the ability to conduct discovery to rebut the new defense before the close of discovery. That is why Medtronic moved to continue the state court trial when it made the disclosures and raised the defense. Medtronic knew invalidity could not be

considered and ruled on in the short time before trial. Such circumstances supported waiver under Indiana procedure. *See, e.g., Freedom Express, Inc. v. Merchandise Warehouse Co., Inc.*, 647 N.E.2d 648, 651 (Ind. Ct. App. 1995). The federal courts appropriately deferred to the state courts as to the appropriate punishment for this late disclosure.

Medtronic regurgitates (BIO 21n.5) the same argument rejected repeatedly throughout the state court case, that its use of invalidity was not an affirmative defense. Federal law provides that an issued patent is presumed valid and that invalidity must be pled as an affirmative defense. 35 U.S.C. § 282(a)-(b). The federal statute controls matters of procedure, pursuant to the Supremacy Clause of the U.S. Constitution. Article IV, Cl. 2. Ind. Trial Rule 8(C) states that, “a responsive pleading shall set forth affirmatively and carry the burden of proving . . . *any other matter constituting an avoidance, matter of abatement or affirmative defense.*” (emphasis added). The catchall embraces a patent validity defense, which constitutes an affirmative defense pursuant to federal law. The admission of issued patents into evidence without objection triggered the presumption of validity.

Abstention to allow review of the exclusion order also promoted comity and preserved the appropriate federal/state balance. Without abstention, the federal/state balance would have been upset because Medtronic would have been allowed to circumvent the state court case management orders to raise an appropriately excluded defense to further delay resolution of a complex dispute.

V. Only if this Court grants the first petition should it grant this cross-petition.

Sasso made clear that this is a conditional cross petition to be considered if and only if Medtronic's petition were granted. (Cross Pet. 1). Surprisingly, Medtronic argues that this Court should consider only its petition and not this cross petition because the Federal Circuit's jurisdictional *dicta* is "unremarkable." (BIO 29). Two experienced federal district court judges, one state court trial judge, and seven Indiana appellate court judges all unanimously have declined to find 28 U.S.C. § 1338(a) jurisdiction for contract disputes between Sasso and Medtronic. The Federal Circuit found 28 U.S.C. § 1295(a) jurisdiction to affirm a without prejudice dismissal order entered on the basis of abstention. The only possible reason for appealing a without prejudice dismissal order while simultaneously appealing the state court jury verdict was to collaterally attack the prior entered judgment, as found by the district court. (App. 22-23).

Medtronic's position that only its petition merits review demonstrates instead that neither petition should be reviewed by this Court. Rather than creating a moot court exercise of picking this issue or that from the Federal Circuit's affirmance, this Court should not disturb the decisions below. The courts have done a fine job properly utilizing this Court's prior cases. There is no conflict among the federal circuits. Sasso has waited nearly a decade for relief from the serial breaching of agreements by Medtronic. The jury has spoken. Sasso is entitled to be paid the judgment entered thirty months ago.

CONCLUSION

If this Court grants No. 20-1284, then this Court should grant this conditional cross-petition.

Respectfully submitted,

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