No. 21-540

IN THE

Supreme Court of the United States

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

v.

RICK C. SASSO, M.D.,
Respondent.

On Petition for Writ of Certiorari to the Indiana Court of Appeals

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Did Indiana state courts have subject matter jurisdiction over two separate breach of contract claims, Vertex and Screw Delivery, tried over the month of November 2018 when:

(a) as to Vertex, (i) in 2013, Medtronic reversed its course of performance and announced it had paid Vertex royalties by "mistake" for 17 consecutive quarters and Sasso disagreed; (ii) Sasso sued for breach in state court, Medtronic removed the case, and a federal court examined the claim and remanded; (iii) while in federal court and after, Medtronic admitted a patent covered Vertex but argued it was not within the contract term "arising out of the Intellectual Property Rights" that allowed for continuing royalties; and (iv) both Sasso and Medtronic's negotiator of the Vertex Agreement confirmed the parties mutually understood that patent (which Medtronic agreed covered Vertex) provided continuing royalties, which was reviewed and affirmed on appeal;

(b) as to Screw Delivery, (i) the parties modified the Screw Delivery Agreement immediately after inception in 1999 from paying tiered royalties based on patent coverage to paying royalties regardless of coverage for the term of any patents that might issue, and for seven years if none did; (ii) two patents issued and did not expire until November 23, 2019; (iii) Medtronic paid some royalties under the agreement from 2003 through 2018; (iv) in June 2014, Sasso amended his state court complaint to add the Screw Delivery breach claim, which Medtronic did not remove; (v) in April 2018, after the close of discovery, Medtronic claimed that the agreement required proof of "valid claim coverage" such that the agreement had expired – the

opposite of its prior position in litigation – and moved to continue the looming trial; (vi) in May 2018, the trial court denied Medtronic's motion to continue; (vii) in June 2018, Medtronic filed a federal case arguing its new contract interpretation; (viii) in September 2018, just before trial, the state trial court rejected Medtronic's new contract interpretation; (ix) the federal court held the federal case until after trial and dismissed without prejudice on principles of abstention, which dismissal was affirmed on appeal by the Federal Circuit; and (x) the Indiana Court of Appeals then affirmed the pretrial orders and jury verdict?

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BRIEF IN OPPOSITION

Respondent, Rick C. Sasso, M.D. ("Sasso"), respectfully submits this brief in opposition to the petition for writ of certiorari to review the judgment of the Indiana Court of Appeals filed by Petitioners, Warsaw Orthopedic, Inc.[1], Medtronic, Inc., and Medtronic Sofamor Danek, Inc. (collectively, "Medtronic").

STATEMENT OF CASE

This case, unlike the federal case before this Court last term in Case No. 20-1284[2], involves two separate agreements – Vertex and Screw Delivery – in which Sasso assigned intellectual property, including surgical know-how as products were developed and improved, in exchange for royalties on product sales.

1. 1999 – 2015: The Screw Delivery Agreement and Dispute.

Sasso devised a 5-element technique to minimize surgical incisions with a separate tube (outer cannula)

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[1] Warsaw Orthopedic, Inc. is an Indiana corporation headquartered in Warsaw, Indiana, where this case was filed. It holds thousands of patents for Medtronic in the spine implant field, including all the patents referenced in this case. Sasso also is a citizen of Indiana.

[2] In *Warsaw Orthopedic, Inc. v. Sasso*, 977 F.3d 1224 (Fed. Cir. 2020), *cert. denied*, 141 S.Ct. 2799 (2021), Medtronic sued for declaratory judgment as to the Screw Delivery Agreement only, expressly honoring in footnote 1 of the complaint (Sasso. App.Vol.XII, p.127) the mandate of 28 U.S.C. § 1447(d) barring review of the 2014 remand order for the Vertex Agreement dispute. The Federal Circuit never considered subject matter jurisdiction for the Vertex dispute, which was decided in Sasso's favor in this case with the 2014 remand. Throughout its petition, Medtronic conflates the subject matter jurisdiction analysis for the two separate disputes. (Pet. i, 2, 11, 15, 17, 21, 28).

to the surgical site to guide surgical instruments and implants. (Tr.Vol.5, p.60). Without an outer cannula, surgeons in minimally invasive surgeries typically placed implants with guidewires. (Tr. Vol. 11, pp.152-154). Sasso's new "guidewireless" system improved the surgical process in many ways. (Tr. Vol. 5, pp.103-105; Tr. Vol. 11, pp. 158-159).

In May 1999, the parties signed a non-disclosure agreement for a "Bone Screw Delivery System" and Sasso disclosed his prototypes. (PX374_7, Tr. Vol. 15, pp.139-141). In November 1999, the parties signed a "Purchase Agreement" related to the Screw Delivery System focused on "headless" facet screws. (App. 4; Sasso.App.Vol.II,pp.138-147). This agreement would have paid Sasso a 5% royalty if the "Medical Device" was "covered by a valid claim of an issued patent" and 2.5% if not. (*Id.*,pp.140-141). This agreement was quickly modified and broadened beyond "headless" facet screws. (App. 4). The parties agreed to eliminate the "covered by a valid claim" requirement, and lowered the royalty from 5% to 2.5%, and made payments continue "until the expiration of the last to expire of the patents included in the Intellectual Property Rights, or seven (7) years from the Date of First Sale of the Medical Device, if no patents issue." (App.5). "Medical Device" meant "**any device, article, system, apparatus or product <u>including</u> the Invention . . .**" (*Id.*) (emphasis added). "Invention" meant "**any product, method, or system <u>relating to</u>** a facet screw instrumentation and a headless facet screw fixation system. . ." *(Id.)*(emphasis added). "Intellectual Property Rights" included both patents and "all know-how and technology." *(Id.)*. Section 7, the "Term of Agreement" was left unchanged and contained language matching the payment provision, Section 4(B). (App.6).

At the time the Screw Delivery Agreement was executed, Sasso also had an hourly consulting agreement in place. (PX374-6, Tr. Vol. 15, pp.128-133). It provided that if Sasso brought to Medtronic a new product and Medtronic developed it commercially, Medtronic would pay Sasso 5% of sales if the product were patented and 2.5% if it were not. (*Id.*, p.129). Medtronic's signatory on the consulting agreement and president at the time it was executed, Robert Compton, testified at trial that "even if an invention is not patented, it still has lots of value." (App. 41; Tr. Vol. 6, p. 73). Compton then explained the value Sasso brought to his company. (App. 41; Tr.Vol.6, pp.74-75).

Before the Screw Delivery Agreement was signed, Sasso prepared but did not file a patent application. (App. 6). The application was filed on November 23, 1999, and duly assigned to Medtronic. (*Id.*). The first patent issued on September 11, 2001, as Patent No. 6,287,313 ("the '313 patent") and was admitted without objection at trial. (App. 7). Medtronic paid all maintenance fees to keep the '313 patent and a continuation patent, Patent No. 6,562,046 ("the '046 patent"), in force through November 23, 2019. (Med.App.,Vol.XI, pp.135, 167-168).

Medtronic's initial laboratory notes indicated that Sasso's invention could be used to implant a wide variety of products, not just facet screws. (App. 7). In January 2002, Medtronic's president assured Sasso the Screw Delivery Agreement would pay for more than just facet screws. (App. 8). In 2003, Medtronic invited Sasso to join a team of experts working on navigated surgery. (App. 8). The team incorporated his "guidewireless" screw delivery system into Medtronic's navigated surgery product line. (App. 8). In 2007, Medtronic developed advertising materials using

Sasso's method called "Guidewireless MAST TLIF." (PX.727, Tr. Vol. 17, pp.47-57). Sasso's "guidewireless" system took over Medtronic's product lines. (App. 42).

Medtronic made its first Screw Delivery payment on January 20, 2003. (App. 9). Medtronic made 46 quarterly payments from 2003 through January 2015. (App. 8-9). By late 2008, Sasso complained he wasn't being paid all he was owed for products implanted using his Screw Delivery System. (App. 9).

2. 1998-2013: The Vertex Agreement and Dispute.

In 1998, Sasso and Medtronic began work on what became Vertex. (App. 9; PX573, Tr.Vol.15, pp.180-184). In the Vertex Agreement, Medtronic agreed to pay Sasso 2% of the Vertex net sales. (App. 10). The payments were guaranteed for 8 years, but if Vertex was covered by any patent "arising out of the Intellectual Property Rights," which included Sasso's ongoing contributions of technical expertise and know-how, then payments would continue for the life of the patent. (App. 10-11). Brad Coates, Medtronic's Cervical Division President at the time, negotiated the Vertex Agreement. (App. 43). Coates made clear at trial the agreement was to be in force if there was a relevant patent covering the system, whether or not Sasso was a "named inventor." (App. 43-44).

In 2002, the first Vertex application issued into Patent No. 6,485,491 ("the '491 patent"). (App. 12). Sasso was a "named inventor." (*Id.*). Soon after the release of Vertex, Medtronic applied for additional patent protection, which issued as Patent No. 7,264,621 ("the '621 patent")(App. 12). Coates—a named inventor on the '621 patent—testified the new patent increased potential screw angulation, and Sasso contributed

ideas and know-how to this improvement. (App. 12; Tr. Vol. 2, p.234). While the agreement's guaranteed term expired in 2008, Coates explained Sasso's payments continued due to '621 patent coverage. (App. 44). Medtronic admitted the '621 patent covered Vertex and that admission was read to the jury. (App. 44). Medtronic never disputed Patent Nos. 7,837,714 ('714), 8,187,277 ('277), and 7,517,359 ('359), admitted into evidence without objection, also cover Vertex.[3] (App. 44). Sasso contributed ideas and know-how relating to those patents such that they are ones "arising out of the Intellectual Property Rights." (App. 44).

After the guaranteed term expired, Medtronic added nearly 2000 new Vertex royalty bearing parts. (App.13). Adding royalty bearing parts started with in-house and outside counsel analyzing the intellectual property and the Vertex Agreement to determine whether the new parts were royalty-bearing. (PX928, Tr.Vol.26, pp.89-96). In 2013, Medtronic stopped paying Vertex royalties, claiming the last 17 quarterly payments (everything since Q3-2008) were "mistakes," because the '491 patent did not cover and Sasso was not a "named inventor" on any others. (App. 13).

3. 2013-14: Sasso's original complaint, removal and remand, and the first amendment complaint.

In August 2013, Sasso sued Medtronic for breaching the Vertex Agreement. (App. 13). In the initial complaint, Sasso alleged, consistent with Coates' testimony five years later at trial, that the Vertex system was covered by valid claims of issued patents arising out of

[3] Medtronic owns these patents, as well as the '621 patent, and they currently are protecting its commercial products. The '491 patent expired on September 15,2020.

the know-how or technical information Sasso had supplied. (Med.App.Vol.II,p.130). Medtronic removed the case. (App. 13). Sasso moved to remand pointing out he was entitled to continuing royalties based on patents Medtronic admitted covered Vertex. (Sasso. App.Vol.II,pp.10,16).[4] The federal court remanded "for reasons stated in open court on February 24, 2014" and docketed the transcript of that hearing. (*Id*.,p.54; pp.55-75). At that hearing, Judge Robert Miller found:

> The important thing isn't whether the Defendant's products are within the scope of any particular patent, but rather, what the parties intended the agreement to cover.

(Sasso.App.Vol.II.,pg.58). Judge Miller cited *Gunn v. Minton* 568 U.S. 251 (2013) and explained in detail why he believed the *Gunn* factors were not met. (*Id.*, pp.56-59). Judge Miller asked Medtronic whether it was challenging the validity of any patents and Medtronic agreed it was not. (*Id.*, pp.64-65). After remand, Sasso then amended his complaint to add claims under the Screw Delivery Agreement. (App. 13-14).

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[4] In federal court before remand, Medtronic admitted that the '621 patent covered Vertex. (App. 44). Later, when the case was back in state court, in response to Paragraph 36 of the First Amended Complaint ("Patent 7,264,621 has claims that cover Vertex products sold today"), Medtronic responded, "Defendants admit the allegations of Paragraph 36, except Defendants deny that Dr. Sasso contributed any know how or technical information to any claims of Patent No. 7,264,621. . ." (Sasso.App.Vol.II,p.216). This disputed issue was of contract law.

4. 2015-17: Expert disclosures and the first round of dispositive motions.

In 2015, Medtronic committed to provide thousands of documents previously produced in 2008 to the United States Senate detailing Sasso's contributions to Medtronic's products. (Sasso.App.Vol.III, p.57). When Medtronic reneged, Sasso moved to compel production and to extend the case management deadlines. The trial court granted relief. Sasso was ordered to identify his experts by May 1, 2016, and Medtronic by June 1, 2016. (Sasso.App.Vol.III,pp.153-154). The parties were to disclose all other witnesses by July 1, 2016. (*Id*.). The Court held, "[N]o enlargements. . .of the above dates are anticipated." (*Id.*). Sasso disclosed 10 expert witnesses in April 2016, six of whom testified without objection. (*Id.*,pp.157-224). Medtronic disclosed six expert witnesses in June 2016 (only one came to trial), and mentioned nothing about invalidity. (Sasso.App.Vol.IV, pp.2-44).

The parties filed dispositive motions in October 2016. (App. 14). In a reply brief in support of its summary judgment motion, Medtronic titled a section of its brief "**Nothing in the Facet Screw Agreement[5] 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.

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[5] Throughout the litigation, Medtronic referred to the Screw Delivery Agreement as the "Facet Screw Agreement" because it claimed it only applied to "facet screws." The crux of the dispute focused on the definition of "Medical Device" which was not defined by the claims of the '313 or '046 patents.

(Med.App.,Vol.XI,p.74 (emphasis in the original)). Sasso agreed patent coverage was not required: "[T]he issues of the [the Second Screw Delivery Agreement and the first] 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'?" (Sasso.App., Vol. VIII, pp.33, 46-47).

In January 2017, the trial court found, "The various counts of the Plaintiff's Amended Complaint(s) should be resolved by contractual interpretation based upon state law principles." (App. 14; Med.App. Vol II, pp.106, 109-110). The court did find in Medtronic's favor that the Screw Delivery Agreement superseded the first. (App. 14; Med.App. Vol. II, p. 106). The ruling cut a 5% royalty based on patent coverage in half and eliminated the patent coverage requirement. (App. 6).

5. 2017: The third amended complaint and answer not raising patent invalidity.

In March 2017, Sasso filed his third amended complaint—the operative complaint at trial—which included an alternative claim for unjust enrichment relating to the Screw Delivery Agreement. (App. 14; Sasso.App.Vol.X,pp.2-182, 29-30 (unjust enrichment)). Medtronic answered, and did not raise invalidity as an affirmative defense. (Sasso.App.Vol.XI,pp.2-56). In August 2017, the trial court entered its 6th case management order, setting trial for November 1, 2018. (*Id*.,pp.57-58).

6. Spring 2018: Raising invalidity for the first time after the close of discovery, with *ex parte* USPTO reexamination petitions and then a new federal lawsuit filed to circumvent the state court trial setting.

On the day discovery closed, Medtronic produced over 30,000 pages of documents related to a never-before-raised "invalidity" defense. (Sasso.App.Vol.XII,p.95). Medtronic then filed an amended witness list – after the close of discovery – identifying five never-before-disclosed witnesses and moved to continue the November 2018 trial to explore patent invalidity. (*Id.*,pp.96-102 (witnesses); *Id.*,pp.103-123 (continuance)). That motion was denied. (Med.App.Vol.II,p.59).

On May 1, 2018, just before the hearing on its continuance motion, Medtronic filed *ex parte* petitions requesting the United States Patent and Trademark Office ("USPTO") cancel certain claims in the '313 and '046 patents. (App. 14; Tr.Vol.44,p.137–Tr.Vol.47,p.164). In the petitions, Medtronic submitted voluminous affidavits from physicians, including Dr. Robert Banco. (Tr.Vol.47,pp.21-129; Tr.Vol.46,pp.15-118). Banco was never identified as a witness in this case, yet Medtronic sought to admit his affidavit at trial through the USPTO papers. (*Id.*)[6]

The *ex parte* petitions were premised on claims that an implant system using guidewires Medtronic sold commercially in the '90s, disclosed in a medical article authored by Dr. Curtis Dickman and Dr. Kevin Foley, two surgeons who worked with Medtronic at that time and after, invalidated certain claims of the '313 and

[6] Medtronic communicated with the USPTO through the summer before trial. (App. 32). The claims were not cancelled until January 2019. (App. 15, 32).

'046 patents. (Tr. Vol.45, pp.90-95; Tr. Vol. 8, pp.4-14). At trial, Medtronic called Foley to testify about the system, the Universal Cannulated Screw System ("UCSS"). (Tr.Vol.8, pp.4-14). Guidewire systems, like the UCSS, used screws with holes down the center ("cannulated screws") that were maneuvered down the guidewire during surgery. (*Id.*, pp.4-14). Foley testified at trial about his and Dickman's work on the UCSS system and how it was similar to Sasso's system. (*Id.*). Medtronic's former employee, Steven McAdoo, on the other hand, described at trial the differences and advantages of Sasso's "guidewireless" system as it began to be used across product lines. (Tr. Vol. 3, pp.157-169).

On June 8, 2018, Medtronic filed a federal lawsuit seeking a declaration that it was not in breach of the Screw Delivery Agreement. (App. 15; Sasso.App. Vol.XII,pp.125-140). Medtronic alleged, contrary to the position taken in its October 2016 summary judgment motion, that recovery under the December 1999 Agreement "may hinge" on the validity and coverage of the '313 and '046 patents. (*Id.*, p.125). Medtronic falsely alleged in Paragraph 5 that Sasso contended his right to relief under the December 1999 Agreement depended on coverage of the '313 and '046 patents when Sasso consistently contended otherwise. (*Compare* Sasso App. Vol. XII, p.125 (Medtronic's claim) *with* Sasso App. Vol. VIII,p.33(11/7/16); Medtronic App. Vol. XI, pp.131-133 (07/02/18); Sasso App.Vol.pp.212-216 (08/17/18)).[7] Medtronic's complaint made it appear

[7] In its petition here, Medtronic continues to refuse to acknowledge Sasso's actual position taken throughout the case by: (a) citing section 7 of the Screw Delivery Agreement and not Section 4 (Pet. 6); (b) asserting that Sasso claimed he needed to show patent coverage to recover (Pet. 7); and (c) failing to

that deciding the patent issues for which Medtronic sought declaratory relief was essential to resolve the issues of breach of the Screw Delivery Agreement. (App. 14).

7. Summer 2018: Second round of summary judgment motions and exclusion of Medtronic's new invalidity argument.

On July 2, 2018, in state court, Sasso moved for partial summary judgment on the Screw Delivery Agreement's term and Medtronic's newly raised claim that Sasso must prove "valid claim coverage" to recover. (App. 15; Med.App.Vol.XI,pp.128-Vol.XIII, p.177). Medtronic moved for a "claim construction" order defining certain phrases in the patents. (Med. App.Vol.XIV,p.216-Vol.XVI,p.97). Sasso also moved to exclude Medtronic's untimely identified witnesses and new invalidity arguments. (App. 15; Med.App.Vol. XVI,pp.130-35).

After oral argument, the trial court held the "valid claim coverage" phrase in Section 7 did not operate to require Sasso to prove validity or coverage, as stated in Section 4(B) and at the beginning of Section 7, holding:

> The plain and unambiguous language of Section 4(B) [of the Screw Delivery Agreement] 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**

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acknowledge anywhere in its petition any of the adverse orders entered against its new and tardy Screw Delivery Agreement contract interpretation.

> **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 or 6,562,046 issued and have not expired.

(Med.App.Vol.II.,pp.112-13)(emphasis supplied). The trial court excluded Medtronic's untimely witnesses and "all evidence related to the defense of patent invalidity." (*Id*.,p.111). Finally, the trial court adopted Medtronic's claim construction proposal *verbatim*. (Med.App.Vol.XVI,p.127; Sasso.App.Vol.XVIII.,pp.226-228 (proposed)). The claim construction order focused primarily on claims of the original Vertex '491 patent, which Medtronic contended was the only patent that could provide continuing Vertex royalties.[8] (*Id.*).

8. November 2018: Jury trial, verdict, and final judgment.

Trial started November 1, 2018. (App. 16). Jury deliberations began on November 28, 2018. That evening the jury rendered its verdict: (1) $32,657,548 on Vertex, and (2) $79,794,721 on Screw Delivery. (*Id.*). The jury awarded no damages on Sasso's alternative theory of unjust enrichment for the Screw Delivery Agreement and found against Medtronic on

[8] Sasso argued throughout this case that no claim construction order was necessary, just as Medtronic had argued in 2007 and 2008 infringement litigation it filed on the '491 patent. *See Medtronic v. Globus*, United States District Court, Eastern District of Pennsylvania, Case No. 2:06-cv-042248. Medtronic's contradictory positions are described in detail in "Sasso's Cross-Appeal Reply Brief," pages 10 through 19, filed in this case on June 17, 2020. The trial court excluded all Sasso's evidence of this Medtronic flip-flop.

its counterclaim of "mistake" for payment of Vertex royalties. (*Id*., n.14).

9. December 2020: Affirmance on appeal.

On December 4, 2020, the Indiana Court of Appeals unanimously affirmed the state court final judgment. *Warsaw Orthopedic, Inc. v. Sasso*, 162 N.E.3d 1 (Ind. Ct. App. 2020), *rehearing denied* (01/26/21); *transfer denied* (05/13/2021); (App. 1-51).

The Court of Appeals first addressed subject matter jurisdiction, recognizing that this contract dispute would not be subject to 28 U.S.C. § 1338(a) jurisdiction unless it was within a "small and special category" of cases meeting all four factors under *Gunn v. Minton*, 568 U.S. 251, 258 (2013). (App. 17-18). The Court focused on the absence of a "substantial" issue without finding that any of the other three factors had or had not been met. (App. 22). Citing *Gunn*, the Court determined that the proper focus for the existence of a "substantial" issue was on the "importance of the issue to the federal system as whole" not its significance to the particular parties in the immediate suit. (App. 22).

The Court cited *MDS (Canada) Inc. v. RAD Source Techs., Inc.*, 720 F.3d 833 (11th Cir. 2013) for its three-factor inquiry on determining whether a federal issue is "substantial." (App. 22). The Court found that none of the three factors supported finding a "substantial" issue here. (App. 22-23). The Court cited *Inspired Development Group LLC v. Inspired Products Group LLC*, 938 F.3d 1355 (Fed. Cir. 2019) as helpful to its analysis. (App. 23-24). As in *Gunn* and *Inspired Development*, regardless of the outcome of Sasso's lawsuit, the related patents remained valid or invalid. (App. 24). The jury verdict had no effect on the development of a uniform body of patent law because

it governed only the agreements between the parties to the dispute. (App. 24). There was no "novel" question of patent law to interest the federal government. (App. 24).

The Court considered and distinguished *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (Fed. Cir. 2014). Unlike *Jang*, the jury did not have to determine whether Medtronic's product would have infringed on Sasso's patents. (App. 25). And, unlike *Jang*, the case was proceeding in state court and thus did not implicate a potential for inconsistent federal court judgments. (App. 26).

The Court harmonized its jurisdictional decision with that of the Federal Circuit opinion because the latter was: (a) cursory; (b) based on Medtronic's complaint and its allegations, which were different than the complaint here; and (c) used to support affirmance of the District Court's abstention. (App. 26).

The Court affirmed the summary judgment order that the Screw Delivery Agreement did not turn on the phrase "valid claim coverage" tucked away in Section 7. (App. 34-38). The Court also affirmed the trial court's discretion to exclude evidence of patent invalidity. (App. 32-34). Finally, the Court affirmed the patents on Vertex improvements, including the '621 patent, which Medtronic admitted covered Vertex, supported the payment of continuing royalties. (App. 43-45). On May 13, 2021, the Indiana Supreme Court unanimously denied transfer without discussion. (App. 50-51). Medtronic paid the judgment on June 16, 2021.

REASONS FOR DENYING THE PETITION

I. This Court lacks subject matter jurisdiction under 28 U.S.C. § 1257(a).

This Court has limited jurisdiction to review "final judgments. . . by the highest court of a state. . ." 28 U.S.C. § 1257(a). Where a state court decision rests on a state-law ground that is independent of the merits of the federal claim and an adequate basis for the court's decision, there is no jurisdiction in this Court. *See Harris v. Reed*, 489 U.S. 255, 260 (1989); *Fox Film Corp. v. Muller*, 296 U.S. 207, 210 (1935) (judgment resting on violation of the Sherman Act and the non-severability of an arbitration clause not reviewable). Here, the Indiana Court of Appeals, a court of general jurisdiction, determined it had subject matter jurisdiction of this contract case ***and*** issued multiple contract interpretation and case management rulings – ignored by Medtronic in its petition – that eliminated the patent issues Medtronic alleged in its federal action and in the petition here. The Indiana Court of Appeals affirmed that the Screw Delivery Agreement did not require that Sasso prove validity or patent coverage to recover. (App. 34-38). The Court affirmed that the '621 patent, a Vertex improvement patent for which coverage was admitted, qualified as a patent to provide continuing royalties. (App. 43-44). The Court excluded the late raised defense of patent invalidity. (App. 32-34).

Medtronic does not seek review of – or even acknowledge – these rulings in its petition. The Federal Circuit recognized this problem with respect to the Screw Delivery Agreement and affirmed abstention so that Medtronic could complete its appeal. *Warsaw Orthopedic, Inc. v. Sasso*, 977 F.3d 1224, 1225 (Fed. Cir.

2020). The district court remanding the Vertex dispute in 2014 had Sasso's complaint before him, which alleged what was proven at trial with respect to the '621 patent. (Sasso.App.Vol.II,pp.55-75). The appellate process is complete now. The rulings stand. The Indiana Supreme Court did not state the grounds for denying transfer and Medtronic did not address these additional rulings in its petition to transfer to the Indiana Supreme Court or in its petition here. The contract and related case management rulings provide independent grounds for the Indiana Supreme Court denying transfer.

II. State courts have jurisdiction to resolve contract disputes involving patents.

Even if this case did present a reviewable issue of 28 U.S.C. § 1338(a) jurisdiction, this Court has long held that state courts have jurisdiction to interpret contracts relating to patents. *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). So has the Federal Circuit. *Uroplasty Inc. v. Advanced Uroscience*, 239 F.3d 1277, 1280 (Fed. Cir. 2001) ("The '406 patent may be evidence in support of Uroplasty's allegations, but the mere presence of a patent does not create a substantial issue of patent law.").

State courts have routinely exercised jurisdiction over contract disputes involving patent issues. *See*, *e.g.*, *Caldera Pharms. v. Regents of Univ. of Cal.*, 205 Cal.App.4th 338,357-362 (2012); *MGA, Inc. v. LaSalle Mach. Tool, Inc.*, 384 N.W.2d 159,160-62 (Mich.Ct.App.1986); *Heath v. Zenkich*, 437 N.E.2d 675,678-79 (Ill.Ct.App.1982); *Consolidated Kinetics Corp., v. Marshall, Neil & Pauley*, 521 P.2d 1209,1211-1213 (Wash.Ct.App.1974).

Every court reviewing this dispute on appeal has prudently applied the law and followed existing precedent for this contract case involving the transfer of intellectual property. For exclusive jurisdiction under 28 U.S.C. §1338(a), in a contract case such as this, 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 v. Minton*, 568 U.S. at 258. Unless each element exists, there is no 28 U.S.C. §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.

III. The Indiana Court of Appeals opinion and the Federal Circuit opinion are not conflicting.

In its petition, Medtronic ignores the actual course of this case and uses the discredited allegations in its federal action to concoct a conflict that does not exist. Medtronic's federal case, filed after discovery closed and its attempt to continue the trial was rejected, and based upon a flip flop in contract interpretation positions, was properly dismissed by the federal system.

In affirming dismissal of Medtronic's complaint, the Federal Circuit held:

> We conclude that the district court acted within its jurisdiction, abstaining without prejudice on the facts hereof, **for the question of contract interpretation is on appeal in the Indiana state court**, and federal action based on federal issues is not precluded.

Warsaw, 977 F.3d at 1225 (emphasis added). The Federal Circuit had the trial court's decision holding the Screw Delivery Agreement did **not** require proof of "valid claim coverage." (Medtronic.App.Vol.II.,pp.112-113). Medtronic was still appealing. The Federal Circuit simply respected the jurisdiction of state courts to decide issues of state contract law. The Indiana court system then affirmed. (App. 34-38).

The Indiana Court of Appeals appropriately found that the Federal Circuit's jurisdictional finding was (1) cursory; (2) based upon the language of Medtronic's complaint; and (3) used to abstain from exercising jurisdiction. (App. 26). Medtronic concedes that the Federal Circuit provided no analysis (Pet. 19)("But the Federal Circuit was under no obligation to reinvent the wheel. . ."), asserting no analysis was needed. But reason (1) and (3) are related. The Federal Circuit needed no analysis because it was affirming dismissal without prejudice, making the jurisdictional finding *dicta*. 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). "Jurisdiction is vital only if the court proposes to issue a judgment on the merits." *Id.* 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.

The second and more important reason given for not following the Federal Circuit's finding was that it was based upon Medtronic's complaint, not Sasso's. (App. 26). This reason is sound and based upon precedent that Medtronic does not challenge. In exercising jurisdiction to hear the appeal, the Federal Circuit held, "the issues of validity and claim scope are well-pleaded

in this declaratory complaint . . . ." *Warsaw*, 977 F.3d at 1229 (emphasis added). The "well-pleaded complaint" rule for ascertaining 28 U.S.C. §1338(a) jurisdiction assumes the truth of Medtronic's allegations in its complaint. *Christianson v. Colt Indus. Operating Corp*., 486 U.S. 800, 808 (1988)("whether a claim 'arises under' patent law' must be determined from what necessarily appears in the plaintiff's statement of his own claim"). Since the Federal Circuit's affirmance of the without prejudice dismissal, Medtronic's Section 7 "valid claim coverage" argument was rejected by the entire Indiana state court system. But Medtronic's **allegation** that the world was otherwise was enough to allow the Federal Circuit to consider Medtronic's appeal and affirm dismissal on abstention grounds.

IV. The Indiana Court of Appeals followed precedent in holding that the patent issues in this dispute were not "substantial."

There is nothing suspect about the Indiana Court of Appeals' analysis of "substantial" using *Gunn* and the Eleventh Circuit's subsequent interpretation in *MDS (Canada), Inc. v. RAD Source Techs, Inc.*, 720 F.3d 833 (11th Cir. 2013). Both cases rely on this Court's earlier decision, *Empire HealthChoice Assur., Inc. v. McVeigh*, 547 U.S. 677 (2006). This Court held a health insurance reimbursement claim was not "substantial" because it was "fact bound and situation specific." *Empire*, 547 U.S. at 701.

While "substantial" was a close call in *Empire*, there could not be a more "fact-bound and situation specific" consideration of federal patent law as in this case. There are two separate agreements in dispute, yet Medtronic conflates them. Vertex was removed and remanded in 2014. In Vertex, Sasso had a clear theory

of recovery, set forth in his complaint and presented in his motion to remand, that did not require consideration of disputed patent issues. In Screw Delivery, Medtronic changed positions on the meaning of the agreement to attempt to stop a looming trial and was rejected. The Indiana state court system had before it a myriad of case management and contract interpretation decisions to resolve a dispute over two different contracts, something designed for state court systems of general jurisdiction. The jury issued a general verdict for contract damages, with no specific findings on patent issues. This case is quintessentially "fact bound and situation specific."

In *Sasso v. Warsaw Orthopedic, Inc.*, 2020 U.S.Dist.LEXIS 37365 (N.D. Ind. 2020), the district court – analyzing practically the exact issues as the Indiana Court of Appeals nine months later – came to the same conclusion as the Indiana Court of Appeals on the issue of "substantial." The district court found, "the real crux of this case is an issue of contract interpretation." *Sasso v. Warsaw Orthopedic, Inc.*, 2020 U.S.Dist.LEXIS 37365, *5.

V. The Indiana Court of Appeals opinion demonstrates that patent issues were not "necessarily raised."

The Indiana Court of Appeals focused on the absence of a "substantial" issue of patent law, assuming for purposes of argument only, that the other three *Gunn* factors were met. This Court should not make the same assumption here. *See Arbaugh v. Y&H Corp.*, 546 U.S. 500, 514 (2006)(There is "an independent obligation to determine whether subject-matter jurisdiction exists, even in the absence of a challenge from any party.").

Gunn's first requirement is that patent issues must be "necessarily raised." *See, e.g., Christianson*, 486 U.S.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.") As in *Christianson*, there were alternative theories in the complaint – and established at trial – that did not require proof of patent issues. A claim resting upon both patent and non-patent theories does not give rise to 28 U.S.C. §1338(a) jurisdiction. *Id.*

In *Sasso*, 2020 U.S.Dist.LEXIS 37365, the district court also persuasively analyzed the contract issues existing in this very case which eliminate the requirement of "necessarily raised," citing *Christianson*. *Sasso*, 2020 U.S.Dist. LEXIS 37365, *12 (Screw Delivery), *19 (Vertex). No other case – state or federal – conflicts with these specific holdings. In affirming dismissal, the Federal Circuit assumed a Screw Delivery contract interpretation now discredited unanimously by the entire Indiana state court system.

Sasso also pleaded an alternative claim of unjust enrichment, also given to the jury, as allowed under Indiana law. (Medtronic Appendix,Vol.II,p. 209; Tr. Vol. 12, p.101) Because the elements of unjust enrichment do not raise 28 U.S.C. §1338(a) issues, the "necessarily raised" element also was eliminated by this alternate theory. *See Inspired Dev. Group, LLC v. Inspired Prods. Group*, 938 F.3d 1355, 1361-1362 (Fed.Cir.2019). Medtronic sought no declaratory relief in its federal lawsuit as to Sasso's unjust enrichment claim, did not raise it with the Indiana Court of Appeals or Indiana Supreme Court, and does not raise it here.

VI. The Indiana Court of Appeals opinion preserved the federal/state balance.

The Indiana Court of Appeals and the Federal Circuit worked together to preserve the federal-state balance approved by Congress for contract actions involving intellectual property. In *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 586 (1999), this Court held:

> Most essentially, federal and state courts are complementary systems for administering justice in our Nation. Cooperation and comity, not competition and conflict, are essential to the federal design.

The fourth *Gunn* factor – capable of resolution in federal court without disrupting the federal-state balance approved by Congress – would not have been met by the Federal Circuit ripping this case from the state court system in October 2020. The Federal Circuit refused to move forward until and unless Medtronic's new Screw Delivery contract interpretation theory flipped Medtronic's way on appeal. *Warsaw*, 977 F.3d at 1225. The Federal Circuit found abstention proper because Medtronic had not completed its state court appeal and the without prejudice dismissal would allow for litigation as Medtronic proposed if the Indiana appellate courts reversed. *Id.* Interpretation of a contract transferring intellectual property has long been found to be of state law. *Aronson*, 440 U.S. at 261; *New Marshall Engine Co.*, 223 U.S. at 478.

Medtronic's alternative, to allow its late filed "declaratory judgment"[9] federal action based on its new and now discredited contract interpretation to take precedence over a state court case that negated the need to resolve Medtronic's concocted patent issues would have created the conflict and competition to be avoided under *Ruhrgas*. Instead, the federal system appropriately used abstention to allow the state system to decide state law issues.

The Indiana Court of Appeals also affirmed the state trial court's discretion to exclude evidence of patent invalidity. (App. 31-34). Medtronic's late disclosure of witnesses and tens of thousands of documents relating to invalidity unfairly prejudiced Sasso. Timely disclosure would have given Sasso the ability to conduct discovery to rebut the new defense. That is why Medtronic moved to continue the state court trial. Medtronic knew invalidity could not be considered and ruled on in the short time before trial, scheduled to begin more than five years after the filing of the case. 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 invalidity exclusion order also was entitled to cooperation and comity by abstention. The appropriate federal/state balance should also allow state courts to manage their case dockets to exclude late raised defenses. *See, e.g., Story v. Leonas*, 904 N.E.2d 229,238 n.5 (Ind.Ct.App.2009)

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[9] A "declaratory judgment" action to establish no breach of contract filed four years after the party was sued for the breach is unprecedented.

VII. Embedded patent issues in a contract case do not create 28 U.S.C. § 1338(a) jurisdiction.

This Court has long given state courts jurisdiction to interpret contracts that relate to patents. *Aronson*, 440 U.S. at 261; *New Marshall Engine*, 223 U.S. at 478. The possibility a state court will incorrectly resolve patent issues in a state lawsuit is not enough to trigger patent jurisdiction. *Gunn* 568 U.S. at 263. "Statutory limits on the jurisdiction of. . . the federal courts, in conjunction with the well-pleaded complaint rule, can and do result in state courts resolving patent issues." *Speedco, Inc. v. Estes*, 853 F.2d 909, 913 (Fed.Cir. 1988), cited in *Sasso*, 2020 U.S. Dist. LEXIS 37365, *14. Medtronic simply ignores *Gunn's* holding that state courts may consider patent issues when all four factors are not met.

Medtronic's first complaints, the entry by the trial court of a claim construction order and the use of Federal patent jury instructions (Pet. 10-11), should be barred independently by the doctrine of invited error. *Booher v. State*, 773 N.E.2d 814, 822 (Ind.2002); *Key Pharms. v. Hercon Labs. Corp.*, 161 F.3d 709, 715 (Fed. Cir.1998). Medtronic drafted the order which was entered *verbatim*. (Med.App.Vol.XVI,p.127; Sasso.App.Vol. XVIII.,pp.226-228 (proposed)). Medtronic proposed and the court accepted the federal jury patent instructions, which were used primarily for Medtronic's defense that the '491 patent did not cover Vertex.

Patent law jurisdiction is based on allegations in the well pleaded complaint, not pretrial discovery, for good reason. *See Sasso*, 2020 U.S. Dist. LEXIS 37365, *14. Medtronic cites a Ind.R.Tr.P.30(B)(6) deposition taken in April 2016 of Robert Farris, one of the inventors of the Vertex '491 patent. (Pet. 8; Med.App.Vol.IV,

p.166). Medtronic's claim that this deposition was taken to "pursue [Sasso's] theory that he was entitled to additional royalties because the '313 and '046 patents covered various Medtronic products" is false. (Pet. 7-8). The deposition concerned Vertex. (Med.App.Vol.IV, pp.166-180). Farris testified at trial for Medtronic, but not on '491 patent coverage nor about the Screw Delivery System. (Tr.Vol.9, p.215 to Tr.Vol.10, p. 77). His testimony instead was directed to the issue of whether Sasso was part of the original Vertex team or helped on the '621 improvement patent. (Tr. Vol. 9, pp. 222-235; Tr.Vol.9, p.249 to Tr.Vol.10, p.20). That testimony went to the meaning of "arising out of the Intellectual Property Rights" in the Vertex Agreement, contract evidence not adopted by the jury.

Medtronic cites to a claim construction chart attached to the "Declaration of Kevin Foley" (Pet. 8; Med.App.Vol.III, pp.105-121), and claims that to be one of "Sasso's expert reports." This also is false. Dr. Foley, Medtronic's most highly compensated surgeon inventor ever, testified live for Medtronic at trial. (Tr. Vol.7, p.234 to Tr.Vol.8, p.69). Before trial, Dr. Foley, also one of the named inventors of the '491 patent, provided a detailed analysis of why he believed the '491 patent covered Vertex. (Med App. Vol. III, pp.105-121). In the affidavit, Dr. Foley testified that he had reviewed the contested claims of the '491 patent and approved the filing of the claims in September 2000 specifically because he read them as an inventor skilled in the art to cover the Vertex system. (*Id.*, pp. 108-109). Dr. Foley did not testify as to the claims of the '491 patent at trial. His testimony instead was directed primarily to his contention that he, not Sasso, invented the Screw Delivery System described in the '313 patent. (Tr. Vol. 8, pp 16-44). That testimony went

to the issue of what was the defined "Invention" in the Screw Delivery Agreement, contract evidence also not adopted by the jury. *Id.*

Medtronic cites the testimony of Irving Rappaport, an experienced patent attorney who testified, also without objection at trial,[10] on the nature of patents generally, including the difference between the descriptions and the claims. (Pet. 9; Tr.Vol.III, pp. 78-105) Medtronic moved to limit his testimony and the Court ordered that he could testify to "General opinions on patent practice and procedure, but opinions as to breach of contracts are not admissible." (Med.App., Vol.II, p.118). Rappaport used the '313 patent to demonstrate patent practice and procedure and to show the nature of the Screw Delivery System Sasso invented and disclosed to Medtronic. Again, this testimony was contract evidence on the nature of "the Invention" Sasso brought to Medtronic.

In this petition (Pet. 8), Medtronic claims that its lawsuit was prompted by Sasso's May 22, 2018, expert disclosures. This also is false. Sasso provided his position as to coverage under the '313 patent by interrogatory response in March 2016 (Sasso Second Supplemental Appendix (01/20/21), pp.27-30), which response is cited without a date in Paragraph 30 of Medtronic's federal complaint. (Sasso App. Vol. XII, pp. 133-34). Medtronic filed a motion to dismiss in state court for lack of subject matter jurisdiction in October 2016, in part based upon the same interrogatory responses. (Sasso Second Suppl. App. (01/20/21),

[10] In Indiana, when a party fails to object to evidence at trial, regardless of the filing of a pretrial motion, any argument on appeal is waived. *State Farm Fire & Cas. Co. v. Radcliff*, 987 N.E.2d 121,153 (Ind.Ct.App.2013) Pretrial objections do not preserve error.

pp.13-14). Medtronic filed the *ex parte* USPTO petitions to invalidate some of the claims of its own patents, on May 1, 2018. (App. 19).

What matters is not what is tried but what is alleged in the well pleaded complaint. *Christianson*, 486 U.S. at 814; *Sasso*, 2020 U.S. Dist. LEXIS 37365, *13-14. Sasso alleged in the Third Amended Complaint that he could be compensated under the Screw Delivery Agreement for what was described in the drawings and Summary of the Invention in the patent application and issuing patent. The patent application, including its claims – whether or not the application became an issued patent – describes "the Invention" better than any lab notes, emails, or oral testimony at trial, although all those things helped to demonstrate the parties' intent under the Screw Delivery Agreement at trial. The definition of "the Invention" used to describe the royalty bearing "Medical Device[s]" was broad and encompassing and did not require that the royalty bearing medical devices be "covered by a valid claim of an issued patent." (App. 6). Sasso transferred intellectual property described in the '313 patent—including prototypes, a patent application, and surgical know-how—to Medtronic. He then worked with Medtronic to refine his system. Using the '313 patent to describe "the Invention" was an issue of evidence in this contract case and Medtronic again did not object at trial to any of the expert testimony on the meaning of the patent descriptions and claims.

Medtronic's argument that the state court conducted a "patent infringement trial" is incorrect. (Pet.i). The Screw Delivery dispute focused on full payment for the new "guidewireless" screw delivery system Sasso introduced to Medtronic. The Vertex dispute focused on whether Sasso needed to be a

"named inventor" for a patent to be one of "arising out of the Intellectual Property Rights." The trial took place over the month of November 2018. Several fact witnesses testified, both on the development of Vertex and on the development of the system described by the '313 patent. (App. 7-8; 12; 41; 43-44).

While the state court did not allow evidence on a never-pleaded, late-raised invalidity defense, that was a case management decision appropriately left to its discretion in managing a complex case. Medtronic's invalidity claim was an affirmative defense. Federal law presumes an issued patent is valid and invalidity must be pleaded as an affirmative defense. 35 U.S.C. §282(a),(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). Both Tennessee and Indiana law require affirmative defenses to be pled. Tenn.R.8.03; Ind.T.R.8(C). In any contract case involving patents, the patents themselves may well be introduced as evidence. The presumption applies to attacking them – an affirmative defense must be raised in the answer.[11]

Nor does Medtronic's cite to the closing argument (Pet.10), to intimate a never made objection to Sasso's counsel arguing the '313 patent was "in force," show a "state court patent trial." (Pet. i). That part of closing argument, reviewed and considered by the Indiana Court of Appeals specifically on rehearing, explained to the jury the pretrial order – ignored by Medtronic in its petition here – that Sasso was not required to show '313 patent coverage under the contract and that

[11] Judge Miller made sure in the remand hearing in 2014 that Medtronic was not challenging the validity of the patents at issue, before remanding. (Sasso. App. Vol. II, pp. 64-65). That exchange put Medtronic on notice of this affirmative defense from February 2014 forward.

the term of the contract did not expire until the '313 patent did. (Tr. Vol. XII, pp. 39-40).

This Court's statement in *Gunn* to "hew closely to pertinent federal precedents" – set forth in Medtronic's federal complaint (Sasso.App.Vol.XII,p.130) – was intended to urge state courts, where there was no 28 U.S.C. § 1338(a) jurisdiction, to consider federal patent procedures in trying their own cases. Nothing in the actual transcript shows the state court was doing anything but properly trying a contract case involving patents.

VIII. Directing appellate traffic among the federal courts of appeal is not at issue here.

Medtronic devotes a substantial portion of its petition to alleged confusion among the federal Circuits (Pet. 21-25), citing an Emory University law review article, *Xitronix v. KLA-Tencor Corp*. 916 F.3d 429 (5th Cir. 2019), *cert. denied*, 140 S.Ct. 110 (2019), and *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334 (Fed. Cir. 2014). These cases do not demonstrate that the final judgment entered here should be vacated for a new trial in federal court. *Xitronix* related to a patent infringement trial and judgment and a subsequent "Walker Process" claim that the Federal Circuit refused to consider. *Xitronix*, 916 F.3d at 436. The Fifth Circuit objected to the Federal Circuit's use of *Christianson* to decline jurisdiction. *Xitronix*, 916 F.3d at 438. The Fifth Circuit then held:

> The four-factor test applied in *Gunn* was developed to sort cases between state and federal courts, and it is not a tool for the task of sorting cases between the circuits.

Xitronix, 916 F.3d at 442.

Whether the four factor *Gunn* test fits the federal system is irrelevant to this state court dispute. The Indiana Court of Appeals appropriately applied the *Gunn* test, as suggested by the Fifth Circuit, to determine that Indiana state courts did have subject matter jurisdiction to resolve the parties' contract dispute.

Nor does *Jang* have relevance here. *Jang* has a long history with the Federal Circuit beginning in 2008. The language at issue in *Jang* was "covered by (i.e. would have infringed)." *Jang v. Boston. Scientific. Corp*., 532 F.3d 1330, 1331-32 (Fed. Cir. 2008) (quoting the contract). *Jang* therefore, unlike the Screw Delivery Agreement in this case, required an infringement analysis as part of the contract. *Id.* at 1334 n.5. The Vertex Agreement does not require that analysis, as determined independently by the U.S. District Court for the Northern District of Indiana in 2014 and 2020.[12] Second, the more recent *Jang* decision, while after *Gunn*, involved parties and a Court that previously stipulated to Federal Circuit jurisdiction. *Id.* at 1332, 1338. Finally, like *Xitronix*, the jurisdictional issue decided was whether the issues of appeal would be heard by the Federal Circuit or another federal appellate court. *Jang*, 767 F.3d at 1338.

The Indiana Court of Appeals appropriately used *Inspired Development Grp. LLC v. Inspired Prods Grp.*, 938 F.3d 1355 (Fed. Cir. 2019) to distinguish *Jang*. (App. 23-25). As in *Inspired Development*, at issue for purposes of subject matter jurisdiction was a

[12] No court, state or federal, ever held that the Vertex Agreement dispute invoked 28 U.S.C. §1338(a) jurisdiction. *Every* court has found otherwise. Medtronic ignores all adverse evidence introduced on the Vertex "mistake" in its petition as well as the undisputed coverage of the Vertex improvement patents. (App. 42-44).

state court dispute for which there was no diversity jurisdiction. When there is no "task of sorting cases between the circuits" as there was in both *Xitronix* and *Jang*, the four factor *Gunn* test is a good "tool" for sorting cases. *See Xitronix*, 916 F.3d at 442.

IX. This case would be a poor vehicle for review of questions of patent law jurisdiction in contract cases involving patents.

A. The jurisdictional circumstances of this case were made complex by Medtronic's pleading and case management failures.

This case, tried and affirmed on appeal, and Medtronic's federal case are *sui generis* parallel actions. Medtronic tried to reverse course in this case to create a patent case from a contract dispute. The state court rejected its attempts with the pretrial orders. Medtronic fails to explain why this Court should disregard the pretrial orders that eviscerated the allegations of "patent issues" in its federal court complaint or why it should be entitled to raise new defenses after the close of discovery. The state court managed a complex case, construed two contracts, found breaches of both, and entered an award of damages. This case never was a patent infringement trial and Medtronic's attempts to add patent issues should continue to be rejected.

B. Medtronic's "unusual" *ex parte* reexamination of its own patents with its own prior art after maintaining them for nearly 20 years does not raise legitimate issues of interplay between the USPTO and court systems.

Medtronic makes much of its *ex parte* USPTO petition filed immediately before the hearing to con-

tinue the state court trial. Medtronic could have "disclaimed" any claim **at any time after 2001** with a simple notice filing to the USPTO, but did not. 35 U.S.C §253(a). The district court called Medtronic's position before the USPTO that its own patents were invalid "unusual." *Warsaw Orthopedic*, 2019 U.S. Dist LEXIS 17539, *2, n.3 (N.D. Ind. 2019). "Unusual" is understated. In the *ex parte* proceeding, Medtronic used its own prior art – its UCSS system in commercial use in the nineties, as testified to by Dr. Foley at trial (Tr. Vol. 8, pp.4-14) – to invalidate patent claims it prosecuted to issuance in 2001.

Medtronic not only enjoyed the protection of the '313 and '046 patents for 18 of their 20 years, Medtronic paid 4 maintenance fees to keep the patents alive, including $7,400 in 2014 – while this litigation was pending. (Med.AppVol.XI, pp.167-168). Medtronic changed its mind about the patents only when facing a looming trial on breaching the contract that assigned Medtronic the patent applications it prosecuted in the first place. A patent owner destroying its own patent claims to avoid payments owed under a contract eliminates any system wide issues. *Sasso*, 2020 U.S. Dist LEXIS 37365 at *13.

These facts led the Indiana Court of Appeals to hold, "Decisions regarding the admissibility of evidence are entrusted to the sound discretion of the trial court. *State Farm Mut. Auto. Ins. Co. v. Earl*, 333 N.E.3d 337 340 (Ind. 2015)." (App. 31). The Court then held, after reciting the late filed USPTO proceeding timeline, "A patent licensee must pay royalties until the date it first challenges validity. *Studiengesellschaft Kohle M.B.H v. Shell Oil* Co., 112 F.3d 1561, 1566-68 (Fed. Cir. 1997)." (App. 33). This is a well-established point

of law that should not be re-examined by this Court on the facts of this case.

Even if there was some marginal relevance to the USPTO proceeding, and there was not, the trial court properly excluded the evidence. Any probative value was substantially outweighed by unfair prejudice, confusion, and the potential to mislead the jury. *E.g., Sims v. Pappas*, 73 N.E.3d 700,708 (Ind.2017) (providing standard). The pretrial contract ruling eliminated the requirement of proving validity or patent coverage. At no point during its attempt to tender this invalidity evidence, did Medtronic demonstrate why it prosecuted the original application if its own prior technology rendered these claims invalid, or why it waited until May 2018, after the close of discovery and just months before trial before filing the *ex parte* proceedings. The purpose for the voluminous *ex parte* proceedings was either to continue the trial or seek admission of rank undisclosed hearsay at trial.

Taking this case would circumvent a state trial court's legitimate exercise of discretion to reject this unfairly prejudicial, late disclosed, and manufactured evidence.

C. Medtronic should not be able to litigate subject matter jurisdiction in two separate court systems with a complaint based on a discredited interpretation of the Screw Delivery Agreement to manufacture a jurisdictional "conflict."

Medtronic first picked the Indiana court system to litigate subject matter jurisdiction for the Screw Delivery Dispute, after removal and remand of the Vertex dispute. (Pet.7). Its June 2018 federal action circumvented the state court case management dead-

lines. Once the state court pretrial orders – ignored in Medtronic's petition – were entered in September 2018, the allegations of the federal complaint were demonstrably false, yet Medtronic did not dismiss the federal action. The federal district court in abstaining after trial found that Medtronic's action served "no legitimate purpose" and that it was filed "in large part to collaterally attack the state court orders, and to use an opinion from this court to try to convince state courts that they lack jurisdiction." *Warsaw Orthopedic v. Sasso*, 2019 U.S. Dist. LEXIS 17539, *3, *5 (N.D. Ind. 2019). In other words, Medtronic appealed a make-believe set of facts –after a without prejudice dismissal – to create two separate opportunities to challenge subject matter jurisdiction. Our federal/ state court system should not be used this way.

CONCLUSION

The Indiana Court of Appeals appropriately considered existing case law to find that it had subject matter jurisdiction. This Court denied Medtronic's petition for a writ of certiorari in Case No. 20-1284 and should do so again.

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