

No. 21-540

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

WARSAW ORTHOPEDIC, INC., et al.,

*Petitioners,*

v.

RICK C. SASSO, M.D.,

*Respondent.*

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

**REPLY BRIEF FOR PETITIONERS**

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## REPLY BRIEF

Despite his evident effort to sow confusion, Respondent Sasso cannot obscure either that a state court held a federal patent trial—replete with a *Markman* hearing and Federal Circuit pattern jury instructions—or the direct conflict over what questions of federal patent law qualify as substantial within the meaning of *Gunn v. Minton*, 568 U.S. 251, 258 (2013). The decision below recognized that its jurisdiction depended on *Gunn* (and the scope of its third factor) and opened a direct conflict with the Federal Circuit over the application of *Gunn* to the same underlying patent dispute. In response, Sasso offers a flurry of irrelevancies, hoping this Court will focus on the trees and miss the forest. In so doing, Sasso ignores not just the reasoning of the decision below, but also the real-world uncertainty and jurisprudential conflicts over the scope of this Court’s *Gunn* decision, to which he has no answers.

Sasso’s *nine* purported responses distill to two principal points: 1) that issues of patent validity and claim coverage are *never* substantial under *Gunn* when they are embedded in breach-of-contract disputes; and, 2) that there is no conflict because the Federal Circuit was simply wrong. Both are unavailing in all their various forms.

The first point is belied by this very case: When a state court holds a *Markman* hearing and delivers the Federal Circuit’s pattern jury instructions, the issues of patent law are far from insubstantial and Congress’ directive that federal district courts should have exclusive subject-matter jurisdiction over patent claims has been ignored. Calling this case a “contract”

dispute, when it really turns on questions of patent law, does not provide an adequate and independent state-law basis for the judgment below. Rather, it begs the very question presented: whether issues of patent validity and claim coverage—the bread and butter of patent disputes in federal court—remain substantial to the federal system despite the happenstance that they are couched as contract claims.

The second shows that Sasso has no serious answer to the fundamentally contradictory state and federal decisions issued in this very dispute—let alone the jurisdictional ping-pong that has arisen in other cases due to confusion over the *Gunn* factors. Sasso euphemistically suggests that the decision below “harmonized” its jurisdictional decision with the Federal Circuit’s opposite jurisdictional holding. But opposite conclusions on an issue essential to both courts’ jurisdiction simply cannot be harmonized. One court was right about its jurisdiction and one court was wrong, and only this Court can say which was which.

That conflict reflects broader confusion about the *Gunn* factors and the ongoing erosion of Congress’ judgment that federal courts exercise exclusive jurisdiction over disputes like this. This Court should grant certiorari, resolve the jurisdictional conflict, and restore the balance Congress deliberately crafted in enacting and amending 28 U.S.C. §§1295(a)(1) and 1338(a) to ensure exclusive federal jurisdiction over patent disputes.

**I. Sasso’s Challenge To This Court’s Jurisdiction Begg The Question Presented And Illustrates The Widespread Confusion Over *Gunn*.**

Sasso begins, without apparent irony, by alleging that this Court lacks subject matter jurisdiction. BIO.15. But the question presented here is whether this dispute arises only under state law or presents federal patent-law issues that can only be litigated in federal court. That gating issue necessarily presents an issue of federal law, which is why the decision below addresses the *Gunn* factors, Federal Circuit precedents applying *Gunn*, and the Federal Circuit’s contrary jurisdictional ruling concerning the same underlying patent dispute.

To be sure, the Indiana Court of Appeals ultimately held this dispute arises only under state law, not federal patent law. But that does not eliminate the threshold federal issue or preclude this Court’s jurisdiction. In the unlikely event this Court were to agree with the decision below on the application of the *Gunn* factors, it would simply affirm on that federal-law question, not dismiss the petition for want of jurisdiction. Conversely, if this Court ultimately agreed with the Federal Circuit, then it would not just correct the Indiana Courts’ mistaken ruling on the threshold federal issue, but vindicate Congress’ judgment that disputes like this belong exclusively in federal court. *See Merrill Lynch v. Manning*, 578 U.S. 374, 383-84 (2016) (quoting *Gunn* and recognizing that “even when ‘a claim finds its origins’ in state law ... a federal court has jurisdiction of a state-law claim if it ‘necessarily raise[s]’” a federal

issue); *cf Brownback v. King*, 141 S.Ct. 740, 750 (2021) (“a federal court always has jurisdiction to determine its own jurisdiction”).

Sasso’s misguided lead argument is at best a prelude to his real position: that “[e]mbedded patent issues in a contract case do not create 28 U.S.C. § 1338(a) jurisdiction.” BIO.24; *see* BIO.19-20. But that view lays bare the split among courts—a split that exists both within the confines of this dispute and more broadly. Not only did the Federal Circuit find that embedded patent questions in these contract claims *did* create jurisdiction in the parties’ “mirror image” case, *see* Part II, *infra*, but it has reached the same conclusion in cases such as *SiOnyx LLC v. Hamamatsu Photonics K.K.*, 981 F.3d 1339, 1350 (Fed. Cir. 2020), *Inspired Development Group, LLC v. Inspired Products Group, LLC*, 938 F.3d 1355 (Fed. Cir. 2019), and *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (Fed. Cir. 2014).

Sasso’s reliance on *Gunn* just illustrates the need for this Court’s intervention. *Gunn* does not remotely suggest that patent disputes are categorically immune from federal jurisdiction merely because they arise against the backdrop of a contractual claim. *Gunn*, after all, was not a breach of contract case that turned on disputed issues of federal patent law—it was a malpractice case at the heartland of state law, in which any patent law issues were “hypothetical,” arising only the way a Fourth or Eighth Amendment issue would in an ineffective assistance case. 568 U.S. at 258. Here, the patent issues were direct, central, and anything but hypothetical, with real-world consequences, requiring federal patent-law

procedures, including a *Markman* proceeding and patent-law jury instructions on the bedrock issues of patent infringement (i.e., patent “coverage”) and validity (for at least some of the disputed patents). Unfortunately, Sasso is not alone in his misreading of *Gunn*.

Indeed, Sasso offers no answer to the widespread confusion over *Gunn* in both state and federal courts. Sasso dismisses much of that confusion as irrelevant because “[d]irecting appellate traffic among the federal courts of appeal is not at issue here.” BIO.29. But the test applied by the federal courts in determining appellate jurisdiction over a case involving an embedded question of patent law is the same as the one applied in determining the state-versus-federal-court question—each turns on *Gunn* and its substantiality analysis. Thus, if the Federal Circuit had reached the same conclusion as the decision below, it would have needed to send the appeal to the Seventh Circuit. Moreover, differing views of *Gunn*’s substantiality factor were the crux of the disagreement in *Xitronix* where neither the Fifth nor the Federal Circuit believed it had jurisdiction. See Pet.22-23.

As the petition explains (and Sasso never disputes), lower courts have only added to the confusion by developing varying and conflicting sub-factors in applying *Gunn* in the absence of guidance from this Court. Pet.21-23. Those sundry factors—including whether the patent issue is a “pure question of law,” whether the case will control “many other cases,” or whether the federal government has a strong interest in litigating the issue in a federal

forum—have no grounding in statutory text and are applied inconsistently or ignored altogether. Pet.21-22. Notably, Sasso has no response whatsoever to that confusion beyond his attempt to marginalize the conflict.

## **II. The Decision Below Directly Conflicts With The Federal Circuit’s Precedential Decision On The Same Facts.**

The confusion and division among the lower courts over the meaning of *Gunn* is not hypothetical—it is borne out in this very dispute, with the Indiana Court of Appeals and the Federal Circuit reaching opposite conclusions in what both Sasso and the lower courts described as “mirror image” cases. Now, Sasso insists that purported distinctions between the state and federal cases mean there was no conflict. But there is no denying that the patent dispute at the heart of the Federal Circuit proceeding was the same as what was at issue in the Indiana courts, which is why the Federal Circuit abstained and why the decisions below rejected the Federal Circuit’s contrary reasoning as “cursory.”

Sasso nonetheless insists that the Indiana Court of Appeals avoided a direct conflict by “harmoniz[ing]” its decision with the Federal Circuit’s by concluding that “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.” BIO.14. These points are not only meritless, but underscore the irreconcilable conflict that only this Court can resolve.

First, calling the Federal Circuit’s decision “cursory” is the language of disagreement, not harmonization. BIO.14. And cursory or thorough, the Federal Circuit’s *Gunn* analysis and its conclusion that the factors were satisfied was essential to *its* jurisdiction. *Warsaw Orthopedic, Inc. v. Sasso*, 977 F.3d 1224, 1228-29, n.4 (Fed. Cir. 2020); *see* 28 U.S.C. §1295(a)(1). For that reason, *Sinochem Int’l Co. v. Malaysia Int’l Shipping Corp.*, 549 U.S. 422, 431 (2007), is irrelevant, and Sasso is flat wrong to suggest that the Federal Circuit’s jurisdictional holding was “dicta.” BIO.18. It was as indispensable to its jurisdiction as the contrary conclusion of the decision below was to the jurisdiction of the Indiana courts. If the Federal Circuit and the Indiana Court of Appeals were really in “harmony” in finding *Gunn* not satisfied, the Federal Circuit would have transferred the appeal to the Seventh Circuit.

Second, Sasso insists that the Federal Circuit’s decision was “based upon the language of Medtronic’s complaint” for declaratory judgment, not Sasso’s state-court complaint. BIO.18. That is a distinction without a difference. Every court to examine Medtronic’s complaint agreed it alleged the “mirror image” of Plaintiff’s Facet Screw Agreement claims. Pet.20. Indeed, Sasso *relied on* the mirror-image nature of Medtronic’s claims in arguing to the Federal Circuit that federal jurisdiction was improper, and the Federal Circuit relied on the mirror-image nature of the state-law litigation in abstaining in favor of it. Pet.20.

Third, Sasso insists the abstention ruling somehow diminishes the Federal Circuit’s finding of

exclusive federal jurisdiction—that the Federal Circuit did not really mean it when it found jurisdiction, despite writing a precedential opinion. BIO.18-19, 22-23. But that gets matters backwards. The Federal Circuit’s abstention reflected its judgment that the same underlying patent dispute had already been litigated to judgment in state court and only the Indiana courts or this Court could erase the state-court judgment through direct review. If the underlying patent dispute were not the same, there would have been no conceivable basis for federal abstention.

Finally, Sasso makes much of the fact that the federal declaratory judgment action implicated only one of the contracts between the parties (the Facet Screw Agreement), while the Indiana state court case implicated two. BIO.1, 19, 24, 30. But the fact that the Federal Circuit and the Indiana Court of Appeals reached opposite conclusions about the patent dispute at issue in the Federal Circuit is enough to demonstrate an irreconcilable conflict. If this Court agrees that the Federal Circuit was correct, that would require vacating the Indiana judgment. In any event, contrary to Sasso’s suggestions, *both* agreements involved disputed issues of claim construction and patent coverage—which are at the heartland of federal patent law. Whether a device has all the elements of a patent claim also turns on the application of federal patent law, as reflected in the use of the model Federal Circuit patent instructions directing the jury that it needed “to understand the role of patent claims” and “what each claim covers in order to decide whether ... there is claim coverage for any ... Medtronic devices.” Ind.Tr.Vol.XII.105-08.

In short, this case was a patent case by another name. The failure of the Indiana courts to see that—in direct conflict with the Federal Circuit’s jurisdictional holding in a “mirror image” proceeding—demonstrates that this Court’s guidance is sorely needed.

### **III. This Case Provides An Excellent Opportunity For The Court To Resolve This Exceptionally Important Jurisdictional Question.**

This Court has recognized that “jurisdictional rules should be clear,” *Lapides v. Bd. of Regents*, 535 U.S. 613, 621 (2002), and the split of authorities on the same underlying patent dispute underscores the confusion and makes this an ideal vehicle to clarify *Gunn* and delineate the bounds of exclusive federal jurisdiction over disputes involving patents and patent rights. State-court adjudication of cases that Congress assigned exclusively to federal courts flouts Congress’ will and invites both abdication and encroachment. Each produces unnecessary satellite litigation and disuniformity in patent law, despite Congress’s repeated judgment that federal jurisdiction (and exclusive Federal Circuit jurisdiction) is imperative in ensuring uniformity.

This case is illustrative. The Indiana courts adjudicated countless federal patent-law issues that fell well outside their expertise and jurisdiction—from hearing expert testimony on claim construction, to construing Medtronic’s patent claims as a matter of law, to delivering jury instructions on patent coverage, to adjudicating the effect of the PTO’s reexamination and invalidation of patent claims. *See* Pet.8-10. By

Congress' express mandate, cases turning on such federal patent-law complexities should be decided exclusively (and consistently) by federal courts, subject to Federal Circuit review, not via scattershot adjudication in the courts of fifty different states.

None of Sasso's counterarguments is persuasive. Sasso halfheartedly asserts the dispute involving the Facet Screw Agreement did not require an infringement analysis, notwithstanding jury instructions to the contrary. BIO.30. In fact, the provision setting the "[t]erm" of the agreement explicitly *does* depend on "valid claim coverage." App.6 (emphasis added). That means that the applicability of the agreement at the relevant times 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 construed. Similarly, after its initial eight-year period, the Vertex Agreement only applied "if the Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights." App.10-11. Substantial questions of patent law were unavoidably baked into this dispute.

Sasso's bald assertion that regardless of whether *substantial* questions of patent law were presented, they were not *necessary* to the judgment is unsupportable. BIO.20. Not even the Indiana Court of Appeals agreed with that, instead assuming the opposite. App.22. Regardless, the fact that the proceedings devolved into a patent trial tells the tale. The unrealized possibility that a court could decide a case involving a substantial patent dispute on non-patent grounds inheres in most federal-court patent

disputes and is not remotely enough to defeat exclusive federal jurisdiction.

Sasso points 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 evidence that patent issues were not "*necessarily* raised." *Sasso v. Warsaw Orthopedic, Inc.*, No. 3:13-cv-1031 (N.D. Ind. Apr. 2, 2014). In rendering its unpublished (and unappealable) order, the district court did not have the benefit of the Federal Circuit's subsequent decision. But to the extent there is disagreement, if anything, it only underscores the confusion and need for this Court's review.

Sasso notes that his third amended complaint added an alternative unjust-enrichment claim which he alleges did not turn on patent-law issues. BIO.8, 21. The complaint devoted a single sentence to that claim, alleging Medtronic was "unjustly enriched by the assignment of [the '313 and '046 patents] by Dr. Sasso." Ind.App.Vol.II.209. And the jury made no award based on that claim. BIO.12-13. Regardless, even if there were not exclusive federal jurisdiction over that separate and alternative unjust-enrichment claim, it would not eliminate the exclusive federal jurisdiction over claims that necessarily raise federal patent-law issues. *See Gunn*, 568 U.S. at 258. A plaintiff cannot defeat exclusive federal jurisdiction over a complaint that necessarily raises federal issues simply by adding one state-law claim. *E.g.*, 28 U.S.C. §1441.

Sasso also lodges a litany of extraneous complaints about how Medtronic litigated this dispute

in both state and federal courts, as well as its (entirely proper) invocation of *ex parte* reexamination proceedings in the PTO. BIO.31-34. None of Sasso's imagined grievances in any way affects this Court's review of the discrete jurisdictional question presented. If anything, Sasso's complaints about these procedural complexities only further illustrates that this Court's guidance is urgently needed to clarify ongoing confusion over *Gunn*.\*

Finally, Sasso insists that, in affirming the \$112 million decision for a "native Hoosier," App.3, the Indiana Court of Appeals merely "preserved the federal/state balance." BIO.22. But that final claim is just as question-begging as Sasso's initial jurisdictional objection; when it comes to patent disputes, Congress did not want a "federal/state balance," it wanted exclusive federal jurisdiction. Indeed, Congress doubled down on that determination in the wake of *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002). See Leahy-Smith America Invents Act, Pub. L. No. 112-29, §19(a)-(b), 125 Stat. 284, 331-32 (2011). The state courts' unwillingness or inability to grapple with the complexities that substantial patent law questions in this case created—such as invalidity and cancellation

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\* A perfect example is Sasso's argument that Medtronic did not raise invalidity as an *affirmative defense* below. BIO.8, 28. Whether invalidity was an affirmative defense, and needed to be raised as such, turns on whether this is really a patent dispute or the state-law contract action it purports to be. The Indiana courts' conclusion that this is a contract action but invalidity needed to be raised as an affirmative defense is contradictory and hopelessly confused.

of claims by the PTO—vindicates Congress’ judgment and requires this Court’s intervention.

**CONCLUSION**

The petition for certiorari should be granted.

Respectfully submitted,

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