No. _____

In The
Supreme Court of the United States

JERRY W. GUNN, INDIVIDUALLY, WILLIAMS SQUIRE & WREN, L.L.P., JAMES E. WREN, INDIVIDUALLY, SLUSSER & FROST, L.L.P., WILLIAM C. SLUSSER, INDIVIDUALLY, SLUSSER WILSON & PARTRIDGE, L.L.P., AND MICHAEL E. WILSON, INDIVIDUALLY,

Petitioners,

v.

VERNON F. MINTON,

Respondent.

On Petition For A Writ Of Certiorari To The Supreme Court Of Texas

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Did the Federal Circuit depart from the standard this Court articulated in *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308 (2005), for "arising under" jurisdiction of the federal courts under 28 U.S.C. § 1338, when it held that state law legal malpractice claims against trial lawyers for their handling of underlying patent matters come within the exclusive jurisdiction of the federal courts? Because the Federal Circuit has exclusive jurisdiction over appeals involving patents, are state courts and federal courts strictly following the Federal Circuit's mistaken standard, thereby magnifying its jurisdictional error and sweeping broad swaths of state law claims – which involve no actual patents and have no impact on actual patent rights – into the federal courts?

PARTIES TO THE PROCEEDING BELOW

Petitioners, the Defendants below, are Jerry W. Gunn, James E. Wren, Williams Squire & Wren, L.L.P., William C. Slusser, Slusser & Frost, L.L.P., Michael E. Wilson, and Slusser Wilson & Partridge, L.L.P. (together, the "Lawyer Defendants"); and

Respondent, the Plaintiff below, is Vernon Minton.

RULE 29.6 STATEMENT

Pursuant to Rule 29.6 of the Supreme Court Rules, the Lawyer Defendants make this Disclosure of Corporate Affiliations and Corporate Interest:

The Lawyer Defendants have no parent corporation, and there are no publicly held corporations that own 10% or more of their stock.

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OPINIONS BELOW

The majority and dissenting opinions of the Supreme Court of Texas (App. 1-26 and App. 27-45) are reported at *Minton v. Gunn*, 355 S.W.3d 634 (Tex. 2011). The opinion of the Court of Appeals for the Second District of Texas (App. 46-94) is reported at *Minton v. Gunn*, 301 S.W.3d 702 (Tex. App. – Fort Worth 2009), *reversed*, 355 S.W.3d 634 (Tex. 2011). The Court of Appeals' per curiam order denying rehearing en banc (App. 95-96) is not reported.

STATEMENT OF JURISDICTION

The Supreme Court of Texas rendered its judgment on December 16, 2011. (App. 26) This Court has jurisdiction over this appeal pursuant to 28 U.S.C. § 1257(a).

STATUTORY PROVISIONS INVOLVED

At issue in this appeal is the "arising under" jurisdiction of the federal courts pursuant to 28 U.S.C. § 1338:

> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

> (b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.
>
> (c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

28 U.S.C. § 1338.

STATEMENT OF THE CASE

On August 25, 2004, Minton filed this legal malpractice suit in Texas state court against the Lawyer Defendants. The Lawyer Defendants are attorneys who represented Minton in an underlying patent infringement action in federal court against the National Association of Securities Dealers, Inc. (NASD) (the Patent Litigation). The district court in the Patent Litigation granted summary judgment against Minton on the basis of the on sale bar, because the technology that formed the basis of his patent was the subject of a commercial lease more than a year before Minton applied for the patent. *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 226 F. Supp. 2d 845, 852 (E.D. Tex. 2002). Following the summary judgment, Minton asked his attorneys to raise a new defense: that the experimental use

doctrine negated the on sale bar. A motion for reconsideration was filed on Minton's behalf, with the experimental use issue briefed by new counsel; the district court denied reconsideration. Minton appealed, and the Federal Circuit affirmed the district court's judgment. *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1379 (Fed. Cir. 2003).

In this subsequent legal malpractice suit, Minton alleged that the Lawyer Defendants' negligence caused him to lose the Patent Litigation or, alternatively, caused the Patent Litigation's pretrial dismissal, depriving him of the possibility of settlement. The Lawyer Defendants filed motions for summary judgment challenging the causation element of Minton's malpractice claim, arguing that the experimental use exception did not apply to the commercial lease at issue so their alleged failure to timely plead and brief the exception could not have caused Minton harm in the Patent Litigation. The trial court granted the summary judgment motions and rendered a take-nothing judgment on all Minton's legal malpractice claims against the Lawyer Defendants.

Minton appealed the summary judgment to the Court of Appeals for the Second District of Texas. While that appeal was pending, the Federal Circuit decided two cases holding that federal courts have exclusive jurisdiction over all legal malpractice suits involving underlying patent matters: *Air Measurement Tech., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed. Cir. 2007) and *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.,* 504 F.3d

1281 (Fed. Cir. 2007). Based on those two cases, Minton argued for the first time that the legal malpractice claims he filed (and lost) in state court were actually within the exclusive jurisdiction of the federal courts.

The court of appeals rejected the broad jurisdictional reach articulated by the Federal Circuit in *Air Measurement* and *Immunocept* and held that Minton's state law malpractice claims do not come within the federal courts' "arising under" jurisdiction. App. 46-94. The court instead applied the standard for analyzing "arising under" jurisdiction that this Court articulated in *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308 (2005), and expressly declined to follow the different standard the Federal Circuit applied in *Air Measurement* and *Immunocept*. App. 58-61. After determining that Minton's claims belong in state court, the court of appeals affirmed on the merits the summary judgment as to Minton's legal malpractice claims. App. 64-73.

Minton then appealed the case to the Supreme Court of Texas. The Court split 5-3, with the majority strictly following the Federal Circuit in *Air Measurement* and *Immunocept* and holding that Minton's claims come within the exclusive jurisdiction of the federal courts. *Minton v. Gunn*, 355 S.W.3d 634 (Tex. 2011); App. 1-26. The dissent concluded that Minton's claims did not meet the standard for "arising under" jurisdiction announced by this Court in *Grable*. App. 27-45. The dissent noted that this Court cautioned

against an overly broad construct of "arising under" jurisdiction, which "would have attracted a horde of original filings and removal cases raising other state claims with embedded federal issues." App. 40. The dissent concluded that the "Supreme Court's fears have already been realized" in subsequent cases applying the Federal Circuit's broad construct of "arising under" jurisdiction. App. 41.

The Supreme Court of Texas vacated the summary judgment below and dismissed Minton's claims for want of jurisdiction. App. 26. Minton has since refiled his legal malpractice claims against the Lawyer Defendants from scratch in federal court: Case No. 6:12-cv-000291; *Vernon F. Minton v. Jerry W. Gunn, et al.*; in the United States District Court for the Eastern District of Texas, Tyler Division.

REASONS THE WRIT SHOULD BE GRANTED

This Court in *Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308 (2005), articulated a standard for "arising under" jurisdiction over state law claims with embedded federal issues that is careful, narrowly drawn, and rejects the notion that "mere need to apply federal law in a state-law claim will suffice to open the 'arising under' door." *Id*. at 313. It is not enough that the state claims contain an embedded federal issue; the federal issue must be "actually disputed and substantial," and it must be one that the federal courts can entertain without

disturbing the balance between federal and state judicial responsibility. *Id*. at 314.

The Federal Circuit departed markedly from that standard in *Air Measurement Tech., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed. Cir. 2007), and in *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.,* 504 F.3d 1281 (Fed. Cir. 2007). The Federal Circuit redefined the requirement that the federal issue be disputed and substantial by holding that the federal issue merely needs to be a "necessary element." *Air Measurement,* 504 F.3d at 1269. It also wholly failed to consider the "balance of federal and state judicial responsibilities," though the *Grable* Court held that consideration of federalism is not only required but acts as a "possible veto" of federal court jurisdiction even when there is a substantial federal issue at stake. *Grable*, 545 U.S. at 313.

The Supreme Court of Texas strictly followed the Federal Circuit's reformulated standard and held that Minton's state law legal malpractice claims come within the federal courts' exclusive "arising under" jurisdiction. App. 24-26. Like the Federal Circuit, the majority of the Texas Court held that the federal issue was "disputed and substantial" simply because it exists as an element of causation for the state claims. App. 16-17. The dissent criticized the majority's decision to follow the Federal Circuit in marginalizing the federalism inquiry, because "the Federal Circuit has not remained faithful to the Supreme Court's federalism inquiry in the context of legal

malpractice decisions arising from patent cases." App. 38.

The Supreme Court of Texas' opinion in this case thus carries forward the Federal Circuit's departure from the standard in *Grable*, and it is not alone. In the five years since the Federal Circuit decided *Air Measurement* and *Immunocept*, many state and federal courts have analyzed the issue of federal court jurisdiction over state law legal malpractice actions arising out of patent matters. Some, including California state courts, have strictly followed the Federal Circuit standard and found federal court jurisdiction. Others, like the Nebraska Supreme Court, applied the *Grable* standard and found state court jurisdiction under virtually identical facts. Conflicting results from the conflicting standards abound among the federal courts as well; indeed, two panels of the Fifth Circuit have reached opposite conclusions regarding application of the Federal Circuit standard.

The Federal Circuit's overbroad determination of federal court jurisdiction has far-reaching consequences for the balance between state and federal courts' jurisdiction over legal malpractice cases, which are – and have always been – a creature of state law and involve important standards of attorney conduct. The Federal Circuit standard would cast the net of federal jurisdiction over every legal malpractice case where the underlying case or matter involves an issue requiring application of federal law, despite the fact that the professional conduct of attorneys is regulated by the states and implicates

substantial state interests. And because the Federal Circuit has exclusive jurisdiction over true patent appeals, many state and federal courts – like the Texas Court here – will continue to follow strictly the Federal Circuit standard and compound that court's original error.

This jurisdiction issue is not going away: the conflict between the Federal Circuit standard and this Court's standard articulated in *Grable* has already been presented to this Court twice on petition for a writ of certiorari. *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010), *cert. denied*, 131 S.Ct. 118 (2010); *Landmark Screens, LLC v. Morgan, Lewis, Bockius, LLP*, 107 Cal. Rptr. 3d 373, 183 Cal. App. 4th 238 (Cal. Ct. App. 2010), *cert. denied*, 131 S.Ct. 1472 (2011). This Court should therefore take this opportunity to address an important and recurring problem.

ARGUMENT

A. The standard for "arising under" jurisdiction requires both a substantial issue of federal law and due regard for the balance between state and federal courts.

The federal courts have jurisdiction over any civil action arising under any Act of Congress relating to patents. 28 U.S.C. § 1338. The "arising under" provision for federal patent law follows the same interpretation as the identical "arising under" language in the

general federal question provision of 28 U.S.C. § 1331. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808 (1988). "Arising under" jurisdiction includes cases in which "the vindication of a right under state law necessarily turn[s] on some construction of federal law." *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 9 (1983). "The question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Grable & Sons Metal Prods, Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005).

As the dissent in the Texas Court noted below, *Grable* "is a landmark case in this area of jurisprudence, and it should be the touchstone for any court's analysis of whether embedded question jurisdiction is proper." App. 32 (citing Charles Alan Wright et al., FEDERAL PRACTICE AND PROCEDURE § 3562 at 197-99 (3d ed. 2008) ("In 2005, the Supreme Court issued its finest effort in this line of cases. . . . In *Grable*, the Court for the first time discussed comprehensively the relevant factors for assessing [embedded question jurisdiction]. . . . *Grable* brings considerable clarity to what had been quite muddled.")). "Jurisdictional rules should be clear." *Grable*, 545 U.S. at 321 (Thomas, J., concurring). The issue in this appeal is whether the Federal Circuit – and the Texas Court strictly following it – has improperly deviated from

the *Grable* standard and created real uncertainty regarding "arising under" jurisdiction.

Under the *Grable* standard, federal question jurisdiction exists only if a state law claim necessarily raises an embedded federal issue, and the federal issue is actually disputed and substantial. In addition, even if there is a disputed and substantial federal issue present (step one), federal jurisdiction will be found only if it is consistent with congressional judgment about the sound division of labor between state and federal courts (step two). *Grable*, 545 U.S. at 313-314. "There *must always* be an assessment of any disruptive portent in exercising federal jurisdiction." *Grable*, 545 U.S. at 314 (emphasis added). Consideration of federalism is thus a separate, independent component of "arising under" jurisdiction.

The Federal Circuit standard departs markedly from the *Grable* standard in that it discards both the requirement that the federal issue be disputed and substantial and the balance of state and federal interests.

1. The Federal Circuit standard dispenses with the requirement that the embedded federal issue be disputed and substantial.

This Court has restricted "arising under" jurisdiction to those cases in which there is a disputed and substantial federal issue, "indicating a serious federal

interest in claiming the advantages thought to be inherent in a federal forum." *Grable*, 545 U.S. at 312-313. The Federal Circuit standard departs from the *Grable* standard and writes the "disputed and substantial" elements out of the jurisdictional analysis.

The requirement that the federal issue be disputed is a meaningful one, and it turns on the substance of the federal issue, not on the bare fact that the issue exists. A review of the roots of the element makes clear that for the federal issue to be "disputed" under *Grable*, there must be a controversy as to the " 'validity, construction, or effect' " of the federal issue. *Grable*, 545 U.S. at 315 n.3 (quoting *Shulthis v. McDougal*, 225 U.S. 561, 570 (1912)). The *Grable* Court noted "the limiting effect of the requirement that the federal issue in a state-law claim must actually be in dispute to justify federal question jurisdiction," and cited *Shulthis* as an example where "this Court found that there was no federal-question jurisdiction to hear a plaintiff's [state law] claim in part because the federal statutes on which [the claim] depended were not subject to 'any controversy respecting their validity, construction, or effect.' " *Id.* (quoting *Shulthis*, 225 U.S. at 570). *Grable* thus sets a meaningful bar for a federal issue to be "disputed."

The Court most recently applied the *Grable* standard in *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677 (2006), and that case illustrates the difference between a mere federal issue and a *substantial* federal issue. The issue was whether a claim for reimbursement by a health insurance

carrier for federal employees arises under the Federal Employees Health Benefits Act (FEHBA). The claims arose from a beneficiary's state court litigation against third parties alleged to have caused the beneficiary's injuries. When the suit settled, the FEHBA carrier sued in federal court for reimbursement of the amount it had previously paid for the beneficiary's medical care. Holding that there was no "arising under" jurisdiction, the Court found the circumstances of the *Empire* case to be "poles apart" from its earlier opinion in *Grable*. 547 U.S. at 700. *Grable* involved the notice standards of a federal statute, the standard for notice was unresolved in the case law, and its resolution was dispositive of the case and would be controlling in other cases. *Empire*, 547 U.S. at 699-700; *Grable*, 545 U.S. at 315-316. In contrast, the claim in *Empire* was fact based, unlike the pure question of federal law presented in *Grable*. *Empire*, 547 U.S. at 700-701. The *Grable* Court held that the federal issue in that case was disputed (and thus "arising under" jurisdiction existed), while the *Empire* Court concluded that the federal issue before it was not substantial (and thus there was no "arising under" jurisdiction). Neither case turned on the mere existence of a federal issue; rather, the "disputed" and "substantial" nature of the federal issues in those cases controlled whether federal jurisdiction existed.

By contrast, the Federal Circuit standard ignores the disputed and substantial requirements. As a threshold matter, determination of the legal malpractice claims involves only a hypothetical determination

of patent infringement. No actual patent rights are ever adjudicated in such cases. Here, the validity of Minton's patent was determined in the underlying Patent Litigation against NASD, and nothing in the legal malpractice case could change that. In that context, the Federal Circuit standard does not consider whether the relevant federal patent law is disputed or unsettled in any way, or how resolution of the hypothetical patent issue presented would involve anything other than a case-specific application of facts to undisputed law.

The Federal Circuit standard improperly conflates a dispute regarding federal law (such as that at issue in *Grable*) with a dispute over application of the facts to undisputed federal law. In assessing whether the federal issue in *Air Measurement* was disputed and substantial, the Federal Circuit stated summarily that "patent infringement is disputed, for there is no concession by Akin Gump that the prior SCBA litigants infringed Air Measurement's patents, and the issue is substantial, for it is a necessary element of the malpractice case." *Air Measurement*, 504 F.3d at 1272. Under that construct, there is a disputed federal issue because the parties dispute whether infringement occurred in the underlying case. The Federal Circuit thus writes the "disputed and substantial" requirement out of the *Grable* standard and adopts a new standard, contrary to *Grable*, where "the mere need to apply federal law in a state-law claim will suffice to open the 'arising under' door." *Grable*, 545 U.S. at 313.

2. The Federal Circuit standard also dispenses with the federalism analysis.

Even if there is a contested, substantial federal issue embedded in a state claim, "arising under" jurisdiction is proper "*only if* federal jurisdiction is consistent with congressional judgment about the sound division of labor between state and federal courts governing the application of § 1331." *Grable*, 545 U.S. at 313-314 (emphasis added). The Federal Circuit standard wholly fails to analyze the balance of state and federal interests; indeed, it recognizes no state interests at all. The Federal Circuit simply announced that there is a strong federal interest in adjudicating patent infringement claims, and that was the end of the federalism inquiry. *Air Measurement*, 504 F.3d at 1272. The Texas Court strictly followed the Federal Circuit standard and likewise failed to consider any state interest. App. 24 ("We agree with the Federal Circuit. . . .").

The Federal Circuit standard thus overstates the federal interest, which is marginal because only hypothetical patent infringement, not actual patent infringement, is decided in legal malpractice cases. The dissent in the Texas Court noted that the federal issue "is collateral, not basic. This is a legal malpractice case, litigated after final judgment in the original, federal case. Resolution of the malpractice claim in question does not impact any live patent law claims. Moreover, it is unlikely that the legal malpractice opinions of Texas courts will in any way disrupt the uniformity of patent law that Congress

sought by enacting section 1338; on the merits of actual patent lawsuits, federal courts will no doubt look first to federal patent precedents, not Texas legal malpractice cases." App. 38 (citations omitted).

The Federal Circuit standard also ignores the very real interest the states have in regulating their lawyers. The dissent in the Texas Court explained that the state interest deserves precedence, because "we should not risk the confusion and inconsistency that will result from having two sets of binding precedent in Texas legal malpractice law – one stemming from this Court and the other courts of this state, and another, entirely outside of our control after today's opinion, developing under the direction of the Federal Circuit, largely uninformed by the deep roots of Texas jurisprudence and the requirements of the Texas Constitution." App. 45.

Texas state courts often decide significant issues involving the conduct of lawyers in the context of legal malpractice cases. *See, e.g.*, *Burrow v. Arce*, 997 S.W.2d 229, 245-246 (Tex. 1999) (allowing fee forfeiture from attorneys for certain breaches of fiduciary duty and defining procedures); *Barcelo v. Elliott*, 923 S.W.2d 575, 577 (Tex. 1996) (establishing privity requirements for legal malpractice claims); *Akin, Gump, Strauss, Hauer & Feld, L.L.P. v. Nat'l Dev. and Research Corp.*, 299 S.W.3d 106, 113-114 (Tex. 2009) (defining when attorneys' fees can be recovered as damages for legal malpractice). Under the Federal Circuit standard, such significant state issues could easily be swept into federal court.

The Federal Circuit's broad sweep of legal malpractice cases into federal court with no federalism analysis has been widely criticized precisely because such cases implicate important state interests in the regulation of lawyer conduct. *See, e.g., Singh v. Duane Morris, L.L.P.*, 538 F.3d 334, 340 (5th Cir. 2008). ("Not only is the federal interest insubstantial, but federal jurisdiction over this state-law malpractice claim would upend the balance between federal and state judicial responsibilities. . . . Legal malpractice has traditionally been the domain of state law, and federal law rarely interferes with the power of state authorities to regulate the practice of law."); *Danner, Inc. v. Foley & Lardner, L.L.P.*, 2010 WL 2608294 at *3, 4 (D. Or. June 23, 2010) ("just because an element that is essential to a particular theory might be governed by federal patent law does not mean that the entire claim 'arises under' patent law" and "a contrary interpretation risks sweeping all legal malpractice cases involving a federal matter into federal court, despite the fact that legal malpractice is an area of law traditionally handled by the states"); *Warrior Sports, Inc. v. Dickinson Wright, PLLC*, 666 F. Supp. 2d 749, 751 (E.D. Mich. 2009), *reversed*, 631 F.3d 1367 (Fed. Cir. 2011) (noting that the court "cannot see how it may adjudicate this case without disturbing the congressionally approved balance of federal and state judicial responsibilities," because using "Michigan's case-within-a-case analytical framework to sweep an entire class of state-law claims into federal law's preemptive reach would

unavoidably result in a case of the tail wagging the dog").

By dispensing entirely with the federalism inquiry, the Federal Circuit standard thus ignores the "long-settled understanding that the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction." *Merrell Dow Pharms., Inc. v. Thompson*, 478 U.S. 804, 813 (1986). It also ignores the principle that "the presence of a disputed federal issue is never necessarily dispositive." *Grable*, 545 U.S. at 314. Instead of making the careful judgments about federal jurisdiction that section 1338 analysis requires, the Federal Circuit standard decides the issue on the bare fact that the underlying matter involves a patent, and for that reason there is "simply no good reason to deny federal jurisdiction." *Air Measurement*, 504 F.3d at 1269.

In cases decided since *Air Measurement* and *Immunocept*, the Federal Circuit has distanced itself even farther from *Grable*'s required federalism analysis. Both *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010), *cert. denied*, 131 S.Ct. 118 (2010), and *Warrior Sports, Inc. v. Dickinson Wright, PLLC*, 631 F.3d 1367 (Fed. Cir. 2011), are legal malpractice cases arising out of patent matters. Neither case cites *Grable* or mentions considerations of federalism at all.

B. Courts in many jurisdictions conflict on application of the *Grable* standard or the Federal Circuit standard.

In the five years since the Federal Circuit decided *Air Measurement* and *Immunocept*, numerous state and federal courts have analyzed "arising under" jurisdiction over state law legal malpractice claims involving underlying patent matters. The decisions conflict wildly, with some courts refusing to follow the Federal Circuit standard because it improperly departs from the *Grable* standard, and some courts strictly following the Federal Circuit standard.

For example, among the state courts, the Supreme Court of Texas in this case strictly followed the Federal Circuit standard, as did a California court. App. 1-26; *Landmark Screens, LLC v. Morgan, Lewis, Bockius, LLP*, 107 Cal. Rptr. 3d 373, 183 Cal. App. 4th 238 (Cal. Ct. App. 2010), *cert. denied*, 131 S.Ct. 1472 (2011). The Supreme Court of Nebraska, in a pair of cases decided before and after *Air Measurement*, went the other way and held that the state law malpractice claims belong in state court. *New Tek Mfg., Inc. v. Beehner*, 702 N.W.2d 336, 346 (Neb. 2005) (noting that "the federal government has no interest in hypothetical determinations regarding an unenforceable patent"); *New Tek Mfg., Inc. v. Beehner*, 751 N.W.2d 135, 144 (Neb. 2008). *Compare Magnetek, Inc. v. Kirkland and Ellis, L.L.P.*, 954 N.E.2d 803, 811-812 (Ill. App. Ct. 2011) (holding that *Grable* standard applies), and *Premier Networks, Inc. v. Stadheim and Grear, Inc*., 918 N.E.2d 1117, 1123-1124 (Ill. Ct. App.

2009) (finding federal court jurisdiction over legal malpractice claims arising out of patent matter, but conducting no federalism analysis).

The federal courts are likewise in conflict regarding whether the *Grable* standard or the Federal Circuit standard controls. Perhaps the best illustration of the fundamental conflict is in the Fifth Circuit, where two different panels applied the two different standards in legal malpractice cases. *Compare Singh v. Duane Morris, LLP*, 538 F.3d 334, 340 (5th Cir. 2008) (applying the *Grable* standard and "declin[ing] to follow or extend" *Air Measurement* because the Federal Circuit "did not consider the reasons addressed here, involving the federal interest and the effect on federalism") *with USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274, 281-282 (5th Cir. 2011) (strictly following Federal Circuit standard).

The *USPPS* panel declined to follow *Singh* because *Air Measurement* involved patent issues in the underlying case while *Singh* involved trademark issues.[1] *Id*. The conflict between the two cases, however, reflects a more fundamental disagreement regarding the appropriate standard for analyzing "arising under" jurisdiction. With its analysis of the requirement in *Grable* that any federal question be

[1] The standard for "arising under" jurisdiction should be the same as between trademark and patent issues, because 28 U.S.C. § 1338(a) applies to both categories of issues. The only difference between them is that federal court jurisdiction is exclusive for patent matters but not for trademark matters.

substantial to confer jurisdiction, and its analysis of federalism concerns that the Federal Circuit brushed aside in *Air Measurement*, *Singh* applied a substantively different standard than the broad, if-it-relates-to-a-patent-it-must-be-substantial standard applied by the Federal Circuit. Indeed, *Air Measurement* and *Singh* have been characterized as reflecting a split among the circuits on the proper jurisdictional standard. *See, e.g.,* Mallen & Smith, *Legal Malpractice*, § 35:4 at 1157 (2009 ed.) (noting that the Fifth Circuit in *Singh* "both challenged and distinguished the Federal Circuit" in *Air Measurement*); *Landmark Screens, L.L.C. v. Morgan, Lewis & Bockius, L.L.P.*, 107 Cal. Rptr. 3d 373, 382, 183 Cal. App. 4th 238, 249 (2010) (noting that in *Singh* "the Fifth Circuit rejected the analysis in [*Air Measurement*] and found neither a substantial federal issue nor a sustained balance between federal and state judicial responsibilities"); *Just Trust Solutions, Inc. v. Buchanan Ingersoll & Rooney, P.C.*, 2010 WL 2998673 at *3 (D. Md. 2010); *Tofanelli v. Biogen Idec, Inc.*, 2008 WL 3824775 at *4 n.1 (D. Mass. Aug. 5, 2008); *Katz v. Holland & Knight, L.L.P.*, 2009 WL 367204 at *3 (E.D. Va. Feb. 12, 2009); *Revolutionary Concepts, Inc. v. Clements Walker PLLC*, 2010 WL 877508 at *10 (Super. Ct. N.C. Mar. 9, 2010).

The conflict regarding which jurisdictional standard to apply extends to courts in many jurisdictions, both state and federal. Some, like the Texas Court in this case, have strictly followed the Federal Circuit standard and found "arising under" jurisdiction over

state law malpractice claims arising out of patent matters.[2] By contrast, other state and federal courts have declined to follow the Federal Circuit standard for "arising under" jurisdiction.[3] One representative

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[2] *See, e.g., USPPS, Ltd. v. Avery Dennison Corp.*, 647 F.3d 274 (5th Cir. 2011); *Warrior Sports, Inc. v. Dickinson Wright, PLLC*, 631 F.3d 1367 (Fed. Cir. 2011); *Premier Networks, Inc. v. Stadheim and Grear, Inc.*, 918 N.E.2d 1117 (Ill. Ct. App. 2009); *Tomar Elec., Inc. v. Watkins*, 2009 WL 2222707 (D. Ariz. Jul. 23, 2009); *Byrne v. Wood, Herron & Evans, LLP*, 2008 WL 3833699 (E.D. Ky. Aug. 13, 2008); *LaBelle v. McGonagle*, 2008 WL 3842998 (D. Mass. Aug. 15, 2008); *Rockwood Retaining Walls, Inc. v. Patterson, Thuente, Skaar & Christensen, PA*, 2009 WL 5185770 (D. Minn. Dec. 22, 2009); *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355 (Fed. Cir. 2010), *cert. denied*, 131 S.Ct. 118 (2010); *Landmark Screens, LLC v. Morgan, Lewis, Bockius, LLP*, 107 Cal. Rptr. 3d 373, 183 Cal. App. 4th 238 (Cal. Ct. App. 2010), *cert. denied*, 131 S.Ct. 1472 (2011); *Lockwood v. Sheppard, Mullin, Richter & Hampton*, 93 Cal. Rptr. 3d 220, 173 Cal. App. 4th 675 (Cal. Ct. App. 2009); *Chopra v. Townsend, Townsend and Crew, LLP*, 2008 WL 413944 (D. Colo. 2008); *Lans v. Adducci Mastriani & Schaumberg, LLP*, 786 F. Supp. 2d 316 (D. D.C. 2011); *Parus Holdings, Inc. v. Banner & Witcoff, Ltd.*, 585 F. Supp. 2d 995 (N.D. Ill. 2008); *Max-Planck-Gesellschaft ZUR Foerderung Der Wissenschaften E.V. v. Wolf Greenfield & Sacks, PC*, 661 F. Supp. 2d 125 (D. Mass. 2009); *Lemkin v. Hahn, Loeser & Parks, LLP*, 2010 WL 1881962 (Ohio Ct. App. May 11, 2010); *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319 (Fed. Cir. 2010); *Cold Spring Harbor Lab v. Ropes & Gray, LLP*, 762 F. Supp. 2d 543 (E.D. N.Y. 2011).

[3] *See, e.g., Genelink Biosciences, Inc. v. Colby*, 2010 WL 2681915 (D. N.J. July 1, 2010); *Danner, Inc. v. Foley & Lardner, L.L.P.*, 2010 WL 2608294 (D. Or. June 23, 2010); *Eddings v. Glast, Phillips & Murray*, 2008 WL 2522544 (N.D. Tex. June 25, 2008); *Haase v. Abraham, Watkins, Nichols, Sorrels, Agosto and Friend, L.L.P.*, 2010 WL 519747 (E.D. Tex. Feb. 9, 2010); *New Tek Mfg., Inc. v. Beehner*, 751 N.W.2d 135 (Neb. 2008);

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case involved a botched patent application; the plaintiffs contended that legal malpractice claims implicated "arising under" jurisdiction because "to prevail on their claims, they may have to prove that 'but for' the defendants' negligence, they would have acquired a patent." *Roof Technical Serv., Inc. v. Hill*, 679 F. Supp. 2d 749, 752 (N.D. Tex. 2010). The court held that although the claims involved patent issues, they were not "actually disputed and substantial" issues of federal law:

> The federal issues identified by plaintiffs are not important issues of law. The court will not, for example, have to determine the meaning of federal patent law. Moreover, because the potential federal issues require only application of federal law to the specific facts of this case, the resolution of those issues will not be controlling in numerous other cases.

Roof, 679 F. Supp. 2d at 753 (citing *Grable* and holding that exercising federal jurisdiction over legal malpractice claims "would disturb the balance of

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Revolutionary Concepts, Inc. v. Clements Walker PLLC, 2010 WL 877508 (Super. Ct. N.C. Mar. 9, 2010); *Taylor v. Kochanowski*, 2008 U.S. Dist. LEXIS 20430 (E.D. Mich. Mar. 14, 2008); *E-Pass Technologies, Inc. v. Moses & Singer, L.L.P.*, 117 Cal. Rptr. 3d 516, 189 Cal. App. 4th 1140 (Cal. App. 2010); *Antiballistic Sec. and Protection, Inc. v. Baker, Donelson, Bearman, Caldwell & Berkowitz, PC*, 789 F. Supp. 2d 90 (D. D.C. 2011); *James H. Anderson, Inc. v. Johnson*, 2009 WL 2244622 (N.D. Ill. June 27, 2009); *Magnetek, Inc. v. Kirkland and Ellis, L.L.P.*, 954 N.E.2d 803 (Ill. App. Ct. 2011).

federal and state judicial responsibilities" and "sweep an entire category of cases, traditionally the domain of state courts, into federal court"); *see also RX.com, Inc. v. O'Quinn*, 766 F. Supp. 2d 790, 795 n.1 (S.D. Tex. 2011) ("The Fifth Circuit has rejected the *Air Measurement* analysis as being too abbreviated, and this court will do likewise.").

Before *Air Measurement*, there was no conflict regarding the appropriate standard for "arising under" jurisdiction over legal malpractice cases. *See* Mallen & Smith, *Legal Malpractice*, § 24:24 at 664-665 (2009 ed.) (noting that *Air Measurement* reflected a change in the law: "Until 2007, the courts reviewing the issue held that a lawsuit for legal malpractice, concerning errors in patent law or procedure, invoked a state remedy, although issues of federal law may be central to the analysis and resolution of the claim."). Since the Federal Circuit departed from *Grable* and adopted its new standard, however, substantial conflicts have arisen that this Court should address.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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IN THE SUPREME COURT OF TEXAS

No. 10-0141.

VERNON F. MINTON, PETITIONER,

v.

JERRY W. GUNN, INDIVIDUALLY, WILLIAMS SQUIRE & WREN, L.L.P., JAMES E. WREN, INDIVIDUALLY, SLUSSER & FROST, L.L.P., WILLIAM C. SLUSSER, INDIVIDUALLY, SLUSSER WILSON & PARTRIDGE, L.L.P., AND MICHAEL E. WILSON, INDIVIDUALLY, RESPONDENTS.

ON PETITIONER FOR REVIEW FROM THE COURT OF APPEALS FOR THE SECOND DISTRICT OF TEXAS

Argued March 1, 2011

JUSTICE GREEN delivered the opinion of the Court, in which CHIEF JUSTICE JEFFERSON, JUSTICE WAINWRIGHT, JUSTICE JOHNSON, and JUSTICE LEHRMANN joined.

JUSTICE GUZMAN filed a dissenting opinion, in which JUSTICE MEDINA and JUSTICE WILLETT joined.

JUSTICE HECHT did not participate in the decision.

This case arises out of patent infringement litigation. We consider whether federal courts possess exclusive subject-matter jurisdiction over state-based legal malpractice claims that require the application

of federal patent law. The federal patent issue presented here is necessary, disputed, and substantial within the context of the overlying state legal malpractice lawsuit. Additionally, the patent issue may be determined without creating a jurisdictional imbalance between state and federal courts. We conclude that exclusive federal jurisdiction exists in this case. Accordingly, without reaching the merits of the legal malpractice claim, we reverse the court of appeals' judgment and dismiss this case.

I. BACKGROUND

A. TEXCEN and the '643 Patent

Petitioner, Vernon Minton, is a former securities broker. In early 1990, Minton formed Texas International Stock Exchange, Inc. (TISE). A couple of years later, Minton began developing the Texas Computer Exchange Network (TEXCEN), a software program intended to operate over a telecommunications network. Minton developed the TEXCEN software to allow financial investors to "open[ ] brokerage accounts and execut[e] trades" at their own convenience "with all the investment technology the experts enjoy." After successfully establishing TEXCEN's commercial viability to R.M. Stark & Co. (Stark), a New York corporation and member of the National Association of Securities Dealers, Inc. (NASD), Minton asked Stark to employ TEXCEN in its business. In a January 1995 letter, Minton touted TEXCEN's utility to Stark's business, stating that "[a]fter five

years of development, TEXCEN is scheduled to be online during March or April of this year." Stark agreed to lease TEXCEN from TISE, Minton's company. The lease permitted Stark to use TEXCEN "for the purpose of opening brokerage accounts and executing trades for individuals." In exchange, Stark agreed to pay TISE a monthly payment of the lesser of $2,000.00 or 30% of the gross revenues that Stark derived from using TEXCEN. The lease warranted that "TEXCEN will perform in a workmanlike manner." During the lease negotiations, Minton knew that Stark could not use TEXCEN or provide its customers with TEXCEN's benefits until NASD had reviewed and approved of the software. Despite this knowledge, Minton did not disclose to Stark that he intended to lease TEXCEN to Stark for experimental purposes.

More than one year after signing the TEXCEN lease, Minton filed a provisional application for a patent covering an interactive securities trading system that contained features very similar to TEXCEN. Minton's patent attorney drafted the patent application with the aid of TEXCEN's software assistance manual, which Minton had provided him. The United States Patent and Trademark Office granted Minton a patent (the '643 Patent) on January 11, 2000.

B. Underlying Patent Infringement Litigation

Subsequently, Minton filed a patent infringement action against NASD and The NASDAQ Stock Market, Inc. in the United States District Court for the Eastern District of Texas. *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.,* 226 F.Supp.2d 845, 852 (E.D. Tex. 2002). Minton's infringement suit alleged that the NASDAQ software system used in conjunction with NASD's services infringed the '643 patent. *Id.* at 854. At the time they filed the patent infringement suit on Minton's behalf, his attorneys had no knowledge of the TEXCEN lease. NASD and NASDAQ moved for summary judgment, alleging the '643 patent's invalidity under the "on-sale bar" provided in § 102(b) of the U.S. Patent Act. *Id.* at 852; *see* 35 U.S.C. § 102(b). Under the on-sale bar, a patent is invalid when the invention claimed by the patent is sold "more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b). As an initial defense to the application of the on-sale bar, Minton pled that TEXCEN was a different type of software system than that claimed by the '643 patent. *Minton,* 226 F.Supp.2d at 855. The federal district court found Minton's argument unpersuasive and, accordingly, granted NASD and NASDAQ's motion for summary judgment and declared the '643 patent invalid. *Id.* at 852, 882-84.

Following the district court's decision, Minton asked his attorneys to consider a new defense to the on-sale bar – the experimental use exception. Under

the experimental use exception, a patent will not be invalidated by the on-sale bar if the purpose for which the patented invention was sold was primarily experimental rather than commercial. *See Electromotive Div. of Gen. Motors Corp. v. Transp. Sys. Div. of Gen. Elec. Co.,* 417 F.3d 1203, 1210 (Fed. Cir. 2005). Minton obtained new counsel to brief the experimental use exception to the on-sale bar, and a motion for reconsideration arguing the experimental use exception was filed on Minton's behalf. When the federal district court denied Minton's motion for reconsideration, Minton appealed to the United States Court of Appeals for the Federal Circuit. *See Minton v. Nat'l Ass'n of Sec. Dealers, Inc.,* 336 F.3d 1373 (Fed. Cir. 2003). On appeal, the Federal Circuit affirmed the federal district court's denial of reconsideration because the experimental use exception was not timely asserted during trial. *Id.* at 1379-81.

C. Resulting State-Based Legal Malpractice Lawsuit

Minton filed a legal malpractice suit in state court against Respondents, the attorneys who had originally prosecuted his patent infringement litigation in the federal district court: Jerry W. Gunn, individually; Williams Squire & Wren, L.L.P.; James E. Wren, individually; Slusser & Frost, L.L.P.; William C. Slusser, individually; Slusser Wilson & Partridge, L.L.P.; and Michael E. Wilson, individually (collectively "Gunn"). Minton alleged that Gunn's negligent failure to timely plead and brief the experimental use exception to the on-sale bar cost him the

opportunity of winning his federal patent infringement litigation. Alternatively, Minton claimed that Gunn's negligence resulted in the pretrial dismissal of his patent infringement suit, costing him a potential settlement with NASD and NASDAQ of his claim for more than $100,000,000.00 in damages. Gunn, in turn, challenged the causation element of Minton's malpractice claim by filing joint no-evidence and traditional motions for summary judgment. Gunn's joint motions asserted that he was not obligated to raise the experimental use exception to the on-sale bar because, under the facts in existence at the time of the federal patent infringement litigation, the exception was neither a legally nor factually viable defense. Therefore, Gunn asserted that Minton could not establish as a matter of law that, but for his failure to plead the experimental use exception, Minton would have won his patent infringement lawsuit.

Based on the absence of any evidence that the primary purpose of the TEXCEN lease was experimental, the trial court granted Gunn's no-evidence motions for summary judgment and motions to dismiss and rendered a take-nothing judgment in his favor.[1] Minton appealed the judgment to the Second

[1] Gunn filed two joint motions for summary judgment, with the second filing in response to Minton's first amended original petition. Both of Gunn's joint motions included no-evidence and traditional motions for summary judgment. Initially, the trial court granted Gunn's first no-evidence motion for summary judgment and partially granted Gunn's first traditional motion

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Court of Appeals in Fort Worth. *Minton v. Gunn,* 301 S.W.3d 702 (Tex. App.-Fort Worth 2009, pet. granted).

Shortly after Minton filed his state court appeal, the United States Court of Appeals for the Federal Circuit decided *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed. Cir. 2007). *Air Measurement* held that when "establishing patent infringement is a necessary element of a [state] malpractice claim stemming from alleged mishandling of . . . earlier patent litigation, the issue is substantial and contested, and federal resolution of the issue was intended by Congress," and thus, federal courts possess exclusive "arising under" jurisdiction of the malpractice claim. *Id.* at 1273. Relying on *Air Measurement,* Minton argued that his malpractice suit arose under exclusive federal patent law jurisdiction and asked the court of appeals to dismiss his appeal for lack of subject-matter jurisdiction. Declining to follow the

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for summary judgment, but waited for additional briefing to dispose of the new claims alleged in Minton's amended petition. Minton's amended petition included a new damages theory, alleging that Minton would have settled the patent litigation or that Minton would have prevailed at trial and recovered damages of at least $100,000,000.00 if the federal district court had not dismissed his claim under the on-sale bar. In response to Gunn's second joint motion, Minton merely incorporated by reference his briefing and evidence filed in response to Gunn's first joint motion and offered no additional evidence or argument. After reviewing the additional briefing and summary-judgment evidence, the trial court granted Gunn's second joint motion for summary judgment.

Federal Circuit's precedent, the court of appeals held that it had subject-matter jurisdiction over Minton's appeal and denied his motion to dismiss. *Minton,* 301 S.W.3d at 709. The court of appeals then affirmed the trial court's judgment, which granted Gunn's joint motions for summary judgment. *Id.* at 715. Minton filed a petition for review, which we granted. 54 TEX.SUP.CT.J. 538 (Feb. 8, 2011).

II. ANALYSIS

A. Subject-Matter Jurisdiction

Before we can reach the merits of Minton's claim, we must first determine whether we possess subject-matter jurisdiction to consider this appeal. *See Coastal Oil & Gas Corp. v. Garza Energy Trust,* 268 S.W.3d 1, 9 (Tex. 2008) (considering jurisdiction before proceeding to determine the merits of the case). The question of "[w]hether a court has subject matter jurisdiction is a question of law that we review de novo." *City of Dallas v. Carbajal,* 324 S.W.3d 537, 538 (Tex. 2010) (per curiam). In support of his view that this case arises under exclusive federal patent law jurisdiction, Minton relies chiefly on two Federal Circuit opinions. *Air Measurement,* 504 F.3d 1262; *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281 (Fed. Cir. 2007). Minton asserts that the court of appeals erred in rejecting these cases and in applying non-patent law cases to reach its holding. In reply, Gunn argues that this Court is not bound by the decisions of the Federal Circuit and

that the two Federal Circuit opinions that Minton would have us follow fail to apply the federalism analysis required by the United States Supreme Court in cases involving the division of jurisdiction between state and federal courts. *See Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308, 314 (2005). Although we disagree with Minton's claim that non-patent law cases are inapplicable to the issues presented here, we do agree that the experimental use exception to the on-sale bar plays a substantial role within the context of Minton's state-based legal malpractice claim. *Cf. Alexander v. Turtur & Assocs.,* 146 S.W.3d 113, 117 (Tex. 2004) ("To prevail on a legal malpractice claim, a plaintiff must show that . . . [his attorney's negligence] proximately caused the plaintiff's injuries. . . ." (internal quotations omitted)); *Schaeffer v. O'Brien,* 39 S.W.3d 719, 720 (Tex. App.-Eastland 2001, pet. denied) (legal malpractice plaintiffs must prove a "case within a case"). We are also of the opinion that federal courts may entertain the application of this patent law concept within a state-based legal malpractice suit without disturbing the balance Congress has struck between state and federal judicial responsibilities. *See Grable,* 545 U.S. at 313-14. Accordingly, we are persuaded that exclusive federal patent law jurisdiction has been triggered and that we lack subject-matter jurisdiction to consider Minton's appeal.

Congress has provided federal courts jurisdiction over civil actions generally "arising under" federal law and also over actions specifically "arising under"

any federal law relating to patents. *See* 28 U.S.C. §§ 1331 (providing general federal question jurisdiction), 1338(a) (providing patent law jurisdiction). One form of "arising under" federal-question jurisdiction stems from "state-law claims that implicate significant federal issues." *Grable,* 545 U.S. at 312. In *Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800 (1988), the Supreme Court construed § 1338(a)'s "arising under" language to extend federal jurisdiction to any case "in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." 486 U.S. at 808-09. Whether a patent issue presented in a state-based action is substantial enough to trigger federal jurisdiction under § 1338(a) "must be determined from what necessarily appears in the plaintiff's [well-pleaded complaint] . . . unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose." *Id.* at 809 (internal quotations omitted).

Several opinions issued by the United States Supreme Court demonstrate federal courts' traditional reluctance to allow state plaintiffs to open "the 'arising under' door" by simply pleading a federal issue. *E.g., Grable,* 545 U.S. at 313; *Gully v. First Nat'l Bank in Meridian,* 299 U.S. 109, 117-18 (1936) (declining to define cases arising under federal law broadly and adopting instead "a selective process

which picks the substantial causes out of the web and lays the other ones aside"); *Shulthis v. McDougal,* 225 U.S. 561, 569 (1912) ("A suit to enforce a right which takes its origin in the laws of the United States is not necessarily, or for that reason alone, one arising under those laws, for a suit does not so arise unless it really and substantially involves a dispute or controversy respecting the validity, construction, or effect of such a law, upon the determination of which the result depends."). Based on its reluctance to open wide the federal courthouse doors, the Supreme Court has added several other requirements, in addition to substantiality, which must be satisfied before a federal patent issue presented in a state action may trigger exclusive federal patent jurisdiction.

In *Grable,* the Supreme Court refined the *Christianson* test and clarified the role that federalism concerns should play in the analysis of whether a state-based lawsuit with embedded federal issues arises under federal jurisdiction: "[T]he question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Grable,* 545 U.S. at 314. "In other words, federal question jurisdiction exists where (1) resolving a federal issue is necessary to resolution of the state-law claim; (2) the federal issue is actually disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not disturb the balance of federal and state judicial

responsibilities." *Singh v. Duane Morris LLP,* 538 F.3d 334, 338 (5th Cir. 2008) (interpreting *Grable*). Although *Grable* is a non-patent law case, we may apply this test here to determine whether Minton's state-based legal malpractice claim arises under exclusive federal patent law jurisdiction. *See Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.,* 535 U.S. 826, 829-30 (2002); *Christianson,* 486 U.S. at 808-09.

While we are not bound by the holdings of the Federal Circuit, its opinions in *Air Measurement* and *Immunocept* are directly on point with the issues and facts presented by Minton's legal malpractice action. *Cf. Penrod Drilling Corp. v. Williams,* 868 S.W.2d 294, 296 (Tex. 1993) (stating that only the opinions of the United States Supreme Court are binding on this Court). *Air Measurement* dealt with a state-based legal malpractice claim stemming from an underlying patent dispute. 504 F.3d at 1265. In the underlying patent litigation, Air Measurement filed several patent infringement suits and ultimately settled all of the cases. *Id.* at 1266. Based on information discovered with subsequent counsel, Air Measurement claimed it was forced to settle for an amount far below the market value of the patents due to errors committed by their original patent attorney during the patent application process. *Id.* Air Measurement alleged that the patent attorney failed to timely file the patent application within the one year on-sale bar, failed to disclose prior patents and other facts while prosecuting the patent applications, and committed other

errors that led to the invalidity of Air Measurement's patents in the underlying litigation. *Id.* In the resulting state-based legal malpractice lawsuit, the Federal Circuit held that it possessed exclusive jurisdiction over the malpractice suit. *Id.* at 1269. The Federal Circuit explained that "[b]ecause proof of patent infringement is necessary to show [Air Measurement] would have prevailed in the prior litigation, patent infringement is a 'necessary element' of [Air Measurement's] malpractice claim and therefore apparently presents a substantial question of patent law conferring [exclusive federal patent law] jurisdiction." *Id.* The *Immunocept* case involved a similar issue. 504 F.3d at 1282. There, the assignee of a patent brought a state-based legal malpractice action against the patent attorney originally hired to apply for and prosecute the patent at issue. *Id.* at 1283-84. The basis of the resulting malpractice suit was the patent attorney's claim-drafting error, which allegedly resulted in a lower level of protection for the patented technology. *Id.* at 1284-85. Again, the Federal Circuit determined that it had exclusive jurisdiction over the state-based legal malpractice suit "[b]ecause patent claim scope defines the scope of patent protection . . . [and] is the first step of a patent infringement analysis," and is therefore "a substantial question of patent law." *Id.* at 1285.

To support his assertion that we should follow the Federal Circuit's holdings in *Air Measurement* and *Immunocept,* Minton criticizes the court of appeals' reliance on non-patent law cases and argues

that we should look only to patent law cases because Congress has given federal courts exclusive jurisdiction over patent law. *See Empire Healthchoice Assurance, Inc. v. McVeigh,* 547 U.S. 677, 682 (2006) (involving a state lawsuit for reimbursement based on a provision of the Federal Employees Health Benefits Act); *Grable,* 545 U.S. at 310 (involving a state quiet title action based on a federal tax statute); *Singh,* 538 F.3d at 338 (involving a state-based legal malpractice claim stemming from an underlying trademark dispute). We find this distinction to be unpersuasive because the Federal Circuit applied these very cases to reach its holdings in *Air Measurement* and *Immunocept. See Immunocept,* 504 F.3d at 1285-86; *Air Measurement,* 504 F.3d at 1271-73. Moreover, in various contexts, the Supreme Court has applied the same rules and tests to patent law and non-patent law cases alike. *See, e.g., Holmes Grp.,* 535 U.S. at 829-30; *Christianson,* 486 U.S. at 808-09. Thus, we may look to both patent and non-patent law cases to determine whether exclusive federal jurisdiction exists. After applying the law to the facts and issues presented here, we determine each of the four *Grable* elements have been satisfied and that the court of appeals erred in concluding that exclusive federal patent law jurisdiction was not triggered by the federal issue embedded in Minton's legal malpractice lawsuit.

The first prong of the *Grable* test requires that the applicability of the experimental use exception to the on-sale bar be a necessary component in the

determination of Minton's state-based legal malpractice claim. *See Grable,* 545 U.S. at 314. In *Grable,* the Supreme Court held that the interpretation of a federal tax statute was a necessary element of the petitioner's state-based quiet title action because the success of his claim turned on that issue alone. *Id.* at 314-15. Until the Supreme Court construed the language and determined the meaning of the federal statute, it could not determine whether the petitioner had successfully proven his state-law claim. *Id.* The Supreme Court has further explained that a federal element cannot be deemed necessary to a state-law claim if on the face of the well-pleaded complaint there are alternative theories upon which the claimant may recover. *Christianson,* 486 U.S. at 810. Here, Minton's trial court petition asserted only one theory in support of his legal malpractice claim – his attorneys' negligent failure to timely plead and brief the experimental use exception to the on-sale bar. Because Minton relies on a single negligence claim, there are no alternative theories on which he may establish his attorneys' legal malpractice. Moreover, a determination of whether Minton would have won his underlying federal patent infringement action necessarily requires a consideration of the legal and factual viability of the experimental use defense. *See Grable,* 545 U.S. at 314-15; *Alexander,* 146 S.W.3d at 117; *see also Air Measurement,* 504 F.3d at 1270 (noting that in the case-within-a-case requirement for legal malpractice claims, the plaintiff had the burden of proving patent infringement, and whether the plaintiff would have prevailed against the on-sale bar defense

raised in the underlying patent litigation is "not the sort of jurisdiction-defeating defense[ ] contemplated by [the Supreme Court in] *Christianson* " because it is "part of the malpractice causation element rather than the defense[ ] raised by [the defendant] in the" malpractice claim). If the experimental use defense would not apply under the facts of his case, for instance, Minton's attorneys' negligence could not have proximately caused the federal district court to invalidate the claims of the '643 patent. *See Grable,* 545 U.S. at 314-15. Therefore, the applicability of the experimental use exception is a necessary element of Minton's state legal malpractice suit, and the first *Grable* prong is satisfied.

The second prong of the *Grable* test requires that the experimental use exception to the on-sale bar be disputed in Minton's state-based legal malpractice lawsuit. *See id.* at 314. For obvious reasons, the legal and factual viability of the experimental use exception is clearly in dispute. Minton's attorneys will be liable for legal malpractice if the experimental use exception would have been a viable defense to the on-sale bar and a defense that a reasonably prudent patent attorney would have raised. *See Alexander,* 146 S.W.3d at 117. Accordingly, to defeat the applicability of the experimental use exception, Gunn alleges Minton leased TEXCEN for a primarily commercial purpose. Minton, on the other hand, avers that the exception would have applied to save the '643 patent from invalidation because the TEXCEN system was not fully operational and, therefore, required extensive experimentation at the time he leased the

software to Stark. This dispute regarding the applicability of the experimental use exception satisfies the second element of the *Grable* test.

The third prong of the *Grable* test demands that the applicability of the experimental use exception be a substantial issue within Minton's state-based legal malpractice claim. *See* 545 U.S. at 314. Although we recognize that this question is close, we disagree with the court of appeals' holding that the experimental use exception is not a substantial element here. In determining whether a federal patent issue is a substantial element within the context of a state-based legal malpractice claim, we are informed by the Supreme Court's holding in *Empire Healthchoice Assurance, Inc. v. McVeigh,* 547 U.S. 677 (2006). In *Empire,* an insurance carrier sued the estate of one of its deceased insureds in federal district court when it learned that the insured's estate had settled a state-based personal injury suit on his behalf. *Id.* at 683. The carrier's federal suit sought reimbursement for the full amount of benefits it had paid to the insured after he sustained injuries in an accident. *Id.* The carrier asserted that its reimbursement claims arose under federal jurisdiction because a preemption provision in the insured's insurance contract stated that federal law shall supersede any state law relating to benefits. *See id.* at 699. The Supreme Court held that the operation of the preemption clause of the federal insurance contract was not a substantial issue because "the bottom-line practical issue [in the state-based reimbursement claim] is the share of

[the] settlement properly payable to [the carrier]." *Id.* at 700-01. Unlike *Grable,* where the construction and interpretation of a federal tax statute was the crux of the state-based lawsuit, even if the preemption provision in *Empire* allowed federal law to trump state law regarding reimbursement for benefits, the carrier could not win until it proved that it was entitled to reimbursement from the state-based personal injury recovery. *Compare Grable,* 545 U.S. at 315, *with Empire,* 547 U.S. at 700-01. We conclude that the experimental use exception presented here is more similar to the substantial federal issue presented in *Grable* than the insubstantial issue presented in *Empire.*

Following *Grable,* other courts have deemed federal patent issues substantial when the determination of the patent issue establishes the success or failure of an overlying state-law claim. *See, e.g., USPPS, Ltd. v. Avery Dennison Corp.,* 647 F.3d 274, 280-82 (5th Cir. 2011) (holding that the state-law claims of fraud and breach of fiduciary duty in connection with a patent application presented a substantial federal patent issue because the causation element required the plaintiff to prove the underlying patentability of its invention); *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.,* 631 F.3d 1367, 1372 (Fed. Cir. 2011) (holding that in order for the plaintiff to prove its case-within-a-case in the legal malpractice suit, the state-based malpractice action presented a substantial federal patent issue because it required a resolution on the merits of the patent infringement

claims, which were not addressed by the federal district court in the underlying patent infringement litigation); *Davis v. Brouse McDowell, L.P.A.,* 596 F.3d 1355, 1361-62 (Fed. Cir. 2010), *cert. denied,* 131 S.Ct. 118 (2010) (holding that a state-based legal malpractice action presented a substantial federal patent issue where no patent had actually issued because of the attorney's alleged failure to timely file the patent application); *Immunocept,* 504 F.3d at 1285 (holding that the construction of patent claims, which define the amount of protection a patent receives against infringement, was a substantial federal issue within the context of a state legal malpractice suit based on a patent attorney's claim-drafting error); *U.S. Valves, Inc. v. Dray,* 212 F.3d 1368, 1372 (Fed. Cir. 2000) (stating that a federal patent issue was substantial to a state breach-of-contract claim where a patent licensee had to construe the claims of the licensed patent to show that the licensor had sold products protected by the patent in contravention of a licensing agreement); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.,* 986 F.2d 476, 477-78 (Fed. Cir. 1993) (holding that a determination of patent infringement was a substantial federal issue within the context of a state-based business disparagement claim in which the plaintiff could not succeed until it showed that the defendant lied about the plaintiff having infringed its patent); *Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP,* 107 Cal. Rptr. 3d 373, 381 (Cal. Ct. App. 2010), *cert. denied,* 131 S.Ct. 1472 (2011) (finding exclusive federal question jurisdiction where the plaintiff's legal malpractice claim,

stemming from the attorney's negligence in prosecuting the patent, required proof of a substantial issue of federal patent law). Similarly, to succeed on his state-based legal malpractice claim, Minton must establish that Gunn was required to raise the experimental use exception because it was a legally and factually viable defense to the on-sale bar and that Gunn's failure to do so proximately caused Minton to lose his federal patent infringement litigation. *See Alexander,* 146 S.W.3d at 117. Therefore, because the success of Minton's malpractice claim is reliant upon the viability of the experimental use exception as a defense to the on-sale bar, we hold that it is a substantial federal issue satisfying the third prong of the *Grable* inquiry.

Finally, the fourth *Grable* element requires that the determination of the viability of the experimental use exception be a question that a federal court may decide without upsetting the balance between federal and state judicial responsibilities. *Grable,* 545 U.S. at 314. This final factor is perhaps the most important. *See id.* ("[T]he presence of a disputed federal issue and the ostensible importance of a federal forum are never necessarily dispositive; there must always be an assessment of any disruptive portent in exercising federal jurisdiction."). Although we recognize that legal malpractice claims traditionally fall under the domain of state courts, we conclude that federal courts may decide this malpractice case without upsetting the jurisdictional balance between federal and state courts. *Compare USPPS,* 647 F.3d at 282

(finding federal-question jurisdiction in a state-based tort claim where the underlying proceedings involved substantial questions of *patent* law), *with Singh,* 538 F.3d at 338 (recognizing the importance of federalism considerations and holding a state-based legal malpractice resulting from an underlying *trademark* dispute did not meet the standard for federal jurisdiction).[2] In *Grable,* the Supreme Court held that allowing

[2] The dissent and Gunn's emphasis on the Fifth Circuit's holding in *Singh* is misplaced. Although *Singh* also involves a determination of whether exclusive federal jurisdiction over a state-based legal malpractice claim exists, that case is inapplicable to the question considered here. The federal issue in *Singh* arose under trademark law. *Id.* at 336. We have recognized that the distinction between patent and non-patent law cases is irrelevant to our consideration of whether a case arises under federal jurisdiction, however, the Fifth Circuit in *Singh* expressly declined to extend its jurisdictional holding to the area of federal patent law. *Id.* at 340 ("[W]e decline to follow or extend a recent opinion of the Federal Circuit, which found 'arising under' jurisdiction for a malpractice claim stemming from representation in a federal patent suit." (referencing *Air Measurement,* 504 F.3d at 1269)). While limiting its *Singh* holding to the embedded federal trademark dispute, the Fifth Circuit noted the following: "It is possible that the federal interest in patent cases is sufficiently more substantial, such that it might justify federal jurisdiction. But we need not decide [the patent law issue], because it is not before us." *Id.* More recently in *USPPS,* the Fifth Circuit addressed the distinction between underlying trademark and patent disputes embedded in state-based claims. 647 F.3d at 282. In *USPPS,* the Fifth Circuit recognized the federalism concerns expressed in *Singh,* but distinguished *Singh*'s holding, which concerned a legal malpractice claim arising from an underlying trademark dispute, and adopted the Federal Circuit's *Air Measurement* holding of federal question

(Continued on following page)

a federal court to have jurisdiction over the construction of the federal tax statute did not upset the congressionally approved balance of judicial responsibility because the federal government had a strong interest in having the tax statute applied consistently in the future by federal officials who are frequently charged with the duty of collecting delinquent taxes. *Grable,* 545 U.S. at 312-14. In conducting the federalism analysis required under *Grable,* the Federal Circuit has recognized that federal courts also have a strong interest in having federal patent law applied uniformly. *See Immunocept,* 504 F.3d at 1285-86 (recognizing Congress's "intent to remove non-uniformity in the patent law, as evidenced by its enactment of the Federal Courts Improvement Act of 1982" (citing Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25)); *Air Measurement,* 504 F.3d at 1272 ("There is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency."). Not only does the federal government have an interest in the uniform application of patent law, but so do litigants involved in patent law disputes. *See Immunocept,* 504 F.3d at 1285 ("Litigants will benefit from federal judges who are used to handling these complicated [patent law] rules."); *Air Measurement,* 504 F.3d at 1272 (stating that patent litigants will benefit from the "experience, solicitude,

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jurisdiction for a state-law tort claim arising from an underlying patent litigation dispute. *Id.*

and hope of uniformity that a federal forum offers on federal issues" (quoting *Grable,* 545 U.S. at 315) (internal quotation marks omitted)).

Gunn attempts to persuade us that the facts of this case cannot survive the *Grable* federalism inquiry because they are more similar to those considered by the Supreme Court in *Empire. See Empire,* 547 U.S. at 677. As explained above, *Empire* involved a state cause of action for reimbursement based on a preemption provision contained within a federal health care act. *See id.* at 693, 699. There, the Supreme Court determined that the federal health care statute was not a substantial element of the carrier's state reimbursement suit because the more important factor was the extent to which the carrier could attain reimbursement for the medical bills it covered. *Id.* at 701. When applying *Grable*'s federalism inquiry to the non-statutory issue of reimbursement, the Supreme Court stated that "it is hardly apparent why a proper federal-state balance would place such a nonstatutory issue under the complete governance of federal law, to be declared in a federal forum." *See id.* at 701 (internal citations and quotations omitted).

At first glance, the fact that the experimental use exception to the on-sale bar is a product of case law, rather than statute, appears to warrant a determination that the experimental use exception, like the federal issue in *Empire,* does not survive the *Grable* federalism inquiry. *See, e.g., City of Elizabeth v. Pavement Co.,* 97 U.S. 126, 134-35 (1877) (establishing the experimental use exception to the on-sale

bar). However, courts applying this exception have noted that because the experimental use exception only operates within the context of the statutory on-sale bar, "the focus remains throughout the inquiry on application of the statutory bar itself." *EZ Dock v. Schafer Sys., Inc.,* 276 F.3d 1347, 1351-52 (Fed. Cir. 2002); *see* 35 U.S.C. § 102(b). Accordingly, because we cannot determine the success of Minton's legal malpractice claim without focusing on the application of the on-sale bar, which is based directly in a federal statute, we are not convinced by Gunn's attempt to liken this case to *Empire.* The on-sale bar serves to invalidate patents issued by the federal government. 35 U.S.C. § 102(b). We agree with the Federal Circuit that when the validity of a patent is questioned, even if within the context of a state-based legal malpractice claim, the federal government and patent litigants have an interest in the uniform application of patent law by courts well-versed in that subject matter. *See, e.g., Immunocept,* 504 F.3d at 1285-86; *Air Measurement,* 504 F.3d at 1272. Accordingly, Minton's malpractice claim satisfies the fourth prong of the *Grable* test.

Because this case satisfies all four elements of the *Grable* test, we hold that federal courts possess exclusive jurisdiction to determine Minton's state-based legal malpractice claim. Gunn and the dissent have predicted that this holding will cause all legal malpractice suits arising out of patent litigation to fall under the exclusive patent law jurisdiction of the federal courts. We do not foresee this result. Our

opinion should only be construed as conferring exclusive federal patent jurisdiction based upon the specific facts of this case. In the future, just as Minton has done, any state litigant asserting a legal malpractice action to recover for damages resulting from his patent attorney's negligence in patent prosecution or litigation must also satisfy all four elements of the *Grable* test to place his claim under exclusive federal jurisdiction. In the context of state-based legal malpractice claims, plaintiffs will not always be able to meet such a burden. *See, e.g., Holmes Grp., Inc.,* 535 U.S. at 831 (holding a patent-law counterclaim cannot serve as the basis for "arising under" jurisdiction); *Thompson v. Microsoft Corp.,* 471 F.3d 1288, 1291-92 (Fed. Cir. 2006) (finding the state-law claim of unjust enrichment did not arise under § 1338 jurisdiction because the plaintiff could prevail on the claim by showing the defendant's unauthorized use of proprietary information without proving inventorship under U.S. patent laws); *Roof Tech. Servs., Inc. v. Hill,* 679 F.Supp.2d 749, 754 (N.D. Tex. 2010) (explaining that a state legal malpractice action involving an attorney's "failure to meet deadlines and communicate with [his] client" and in which "[p]atent issues are merely floating on the periphery," did not trigger exclusive federal patent jurisdiction); *Genelink Biosciences, Inc. v. Colby,* 722 F.Supp.2d 592, 601 (D. N.J. 2010) (holding that where a state malpractice claim was based on missed deadlines, and not on the validity of the actual patent itself, there was no patent issue triggering exclusive federal patent law jurisdiction); *E-Pass Techs., Inc. v. Moses & Singer, LLP,* 117

Cal. Rptr. 3d 516, 521 (Cal. Ct. App. 2010) (finding no federal-question jurisdiction where the ultimate question in the legal malpractice claim was not the attorney's negligence in the prosecution of the patent, but rather "that the defendant attorneys knew or should have known that [the plaintiff] did not have sufficient evidence to support the claims" they asserted on its behalf in the underlying litigation.).

III. CONCLUSION

Because we determine that the application of the experimental use exception to the on-sale bar is a necessary, disputed, and substantial element of Minton's state-based legal malpractice claim, and because the federal courts are capable of addressing this issue without disrupting the jurisdictional balance existing between state and federal courts, we hold that Minton's claim has triggered exclusive federal patent jurisdiction. Accordingly, we do not reach the merits of Minton's claims, and we reverse the court of appeals' judgment and dismiss the case.

Paul W. Green
Justice

OPINION DELIVERED: December 16, 2011

JUSTICE GUZMAN, joined by JUSTICE MEDINA and JUSTICE WILLETT, dissenting.

Our system of justice has a "deep-rooted historic tradition that everyone should have his own day in court," *Martin v. Wilks,* 490 U.S. 755, 762 (1989) (quotation marks omitted), but there is no right to a second day in a different court. By adopting the approach of the Federal Circuit instead of the United States Supreme Court, the Court allows a defeated litigant to undeservedly hit the "reset" button on his failed legal malpractice case. The defendants, having won on the merits in state court, must now repeat a no doubt costly and time-consuming defense all over again in federal court, a result not required by the mainstream of federal question jurisprudence.

In concluding that there is exclusive federal jurisdiction over this case, the Court principally relies on a pair of Federal Circuit cases, with additional support from a Fifth Circuit case. *See USPPS, Ltd. v. Avery Dennison Corp.,* 647 F.3d 274 (5th Cir. 2011); *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281 (Fed. Cir. 2007); *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed. Cir. 2007). The two Federal Circuit opinions were written by the same judge, for the same three-judge panel, and issued on the same day. The Fifth Circuit's position in *USPPS* appears to have been primarily driven by those two opinions. Collectively, these opinions represent a novel method of determining federal question jurisdiction, and one which this Court should not adopt.

Contrary to the Federal Circuit's reasoning in *Air Measurement* and *Immunocept,* federal question jurisprudence requires a more nuanced approach than the version found in these two cases, and implicitly adopted today by this Court. The United States Supreme Court mandates that courts conduct a four-part inquiry before finding federal question jurisdiction in embedded federal issue cases. *See Grable & Sons Metal Prods. v. Darue Eng'g & Mfg.,* 545 U.S. 308, 314 (2005). More specifically, a persuasive Fifth Circuit precedent, conducting that very inquiry, indicates that a legal malpractice case that touches upon federal intellectual property law should nonetheless remain under the jurisdiction of state courts. *See Singh v. Duane Morris LLP,* 538 F.3d 334, 340 (5th Cir. 2008). Yet, in *Air Measurement* and *Immunocept,* the Federal Circuit failed to conduct more than a cursory attempt at applying the *Grable* factors.

Only opinions of the United States Supreme Court are binding on this Court. *See Penrod Drilling Corp. v. Williams,* 868 S.W.2d 294, 296 (Tex. 1993). Therefore, we are not required to follow the Federal Circuit's view of federal patent jurisdiction. We are, however, bound to follow the Supreme Court's pronouncements, *id.,* and they fully support the conclusions drawn by the Fifth Circuit in *Singh* and the court of appeals' judgment in the instant case. The Supreme Court's federal question precedents require that we reject Minton's assertion of exclusive federal jurisdiction over this case, and, with the exception of

Singh, the circuit cases on point are contrary to the Supreme Court's opinions and unpersuasive on this point of law. Because federal question jurisprudence does not require the result reached by the Court today, I respectfully dissent.

I. Analysis

Unlike the courts of this state, federal courts are courts of limited jurisdiction, and thus "due regard for the constitutional allocation of powers between the state and federal systems requires a federal court scrupulously to confine itself to the jurisdiction conferred on it by Congress and permitted by the Constitution." *In re Carter,* 618 F.2d 1093, 1098 (5th Cir. 1980). There are two main types of federal jurisdiction: diversity jurisdiction, and federal question jurisdiction, often also referred to as "arising under" jurisdiction because of the governing constitutional and statutory language. *See* ERWIN CHEMERINSKY, FEDERAL JURISDICTION 266 (5th ed.2007). Federal question jurisdiction is in turn subdivided into (1) cases in which federal law provides a cause of action, and (2) state-law claims that implicate a federal issue. *Grable,* 545 U.S. at 312. It is this latter subtype, often referred to as "embedded" federal-issue cases, CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3562 at 187 (3d ed. 2008), that is at issue here.

One area of federal question jurisdiction, encompassing both subtypes described above, is that covering

federal intellectual property law, as established by section 1338(a) of the United States Code.[1] *See* 28 U.S.C. § 1338(a). Specifically, section 1338(a) gives federal courts jurisdiction over cases "arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks." *Id.* That jurisdiction is exclusive for patent, plant variety protection, and copyright cases. *Id.* Speaking to patent cases particularly, the Supreme Court has explained that section 1338(a) applies:

> [O]nly to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.

Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 809 (1988) (citations omitted).

The above quote is the point of departure for the Court today, and also for the Federal Circuit cases the Court relies on. However, the full inquiry when

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[1] Although much of the Supreme Court's federal question jurisprudence is in the context of the more general federal question statute, 28 U.S.C. § 1331, sections 1331 and 1338 both have the phrase "arising under" as their operative language, and the Supreme Court applies section 1331 precedent to section 1338 cases. *See Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800, 808-09 (1988); *Air Measurement,* 504 F.3d at 1271.

determining federal question jurisdiction is not so simple: the well-pleaded complaint must "necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities." *Grable,* 545 U.S. at 314. In other words, it is *not* enough that the federal issue constitute an element of the plaintiff's well-pleaded complaint. *See id.* at 313 ("[E]ven when the state action discloses a contested and substantial federal question, the exercise of federal jurisdiction is subject to a possible veto."); *Singh,* 538 F.3d at 338 ("The fact that a substantial federal question is necessary to the resolution of a state-law claim is not sufficient to permit federal jurisdiction. . . ."). Rather, the Supreme Court has laid out a four-element test for determining whether federal question jurisdiction is proper over a state-law claim with an embedded federal issue (such as this case): "federal question jurisdiction exists where (1) resolving a federal issue is necessary to resolution of the state-law claim; (2) the federal issue is actually disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not disturb the balance of federal and state judicial responsibilities." *Singh,* 538 F.3d at 338 (interpreting *Grable,* 545 U.S. at 314). Explicating the final element, the Supreme Court explains that "the federal issue will ultimately qualify for a federal forum only if federal jurisdiction is consistent with congressional judgment about the sound division of labor between state and federal courts." *Grable,* 545 U.S. at 314. The Supreme Court

further requires: "[T]here must always be an assessment of any disruptive portent in exercising federal jurisdiction." *Id.* As the Supreme Court explained, "[t]he doctrine captures the commonsense notion that a federal court ought to be able to hear claims recognized under state law that nonetheless turn on substantial questions of federal law, and thus justify resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues." *Id.* at 312.

Grable is a landmark case in this area of jurisprudence, and it should be the touchstone for any court's analysis of whether embedded question jurisdiction is proper. *See* CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3562 at 197-99 (3d ed. 2008) ("In 2005, the Supreme Court issued its finest effort in this line of cases. . . . In *Grable*, the Court for the first time discussed comprehensively the relevant factors for assessing [embedded question jurisdiction]. . . . *Grable* brings considerable clarity to what had been quite muddled."). I therefore turn to the analysis required of this Court by *Grable.*[2]

In this case, only the first of the *Grable* elements is potentially met; the other three are not. The federal issue here is neither disputed nor substantial, and

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[2] The Court makes a good faith effort of its own to apply *Grable,* but the outcome of that effort is incorrect because it is conducted through the lens of *Air Measurement* and *Immunocept.*

the exercise of exclusive federal jurisdiction over cases such as this would disrupt the proper balance between the state and federal judiciaries intended by Congress. I address each element in turn.

A. Federal Issue Is Not Disputed

First, the federal issue is not in dispute. The Court and the Federal Circuit have read this element of the *Grable* test as simply requiring some live controversy, effectively making it a mootness requirement. But a review of the roots of the element reveal its true meaning: for the federal issue to be "disputed" under *Grable,* there must be a controversy as to the "'validity, construction, or effect'" of the federal issue. *Grable,* 545 U.S. at 315 n. 3 (quoting *Shulthis v. McDougal,* 225 U.S. 561, 570 (1912)). The Supreme Court noted "the limiting effect of the requirement that the federal issue in a state-law claim must actually be *in dispute* to justify federal-question jurisdiction," and cited *Shulthis* as an example where "this Court found that there was no federal-question jurisdiction to hear a plaintiff's [state law] claim in part because the federal statutes on which [the claim] depended were not subject to 'any controversy respecting their validity, construction, or effect.'" *Id.* (quoting *Shulthis,* 225 U.S. at 570) (emphasis added).

Here, there is no such controversy. The experimental use exception is well-established in meaning and scope. *See Elizabeth v. Pavement Co.,* 97 U.S.

126, 134-35 (1877) (establishing the exception in 1877); *Electromotive Div. of Gen. Motors Corp. v. Transp. Sys. Div. of Gen. Elec. Co.,* 417 F.3d 1203, 1210-18 (Fed. Cir. 2005) (applying it in its modern form). The parties do not dispute its meaning; they simply dispute whether it was available as a defense in the original patent infringement suit. And that dispute turns on whether the TEXCEN lease concluded between Minton and R.M. Stark & Co. was experimental or commercial in nature – a question to be resolved by reference to the lease and the conduct of the parties, rather than a disputed construction of federal law.

B. Federal Issue Is Not Substantial

The federal issue is also not substantial. The Supreme Court has explained that federal question jurisdiction based on federal law being a "necessary element" of the complaint is limited to a "special and small category" of cases, *Empire Healthchoice Assurance, Inc. v. McVeigh,* 547 U.S. 677, 699 (2006) (citations omitted), and that "it takes more than a federal element 'to open the "arising under" door,'" *id.* at 701 (quoting *Grable,* 545 U.S. at 313). The Court emphasized that *Grable,* in which interpretation of a federal statutory notice provision was at issue, presented an almost purely legal issue, one whose resolution would both be dispositive in that case, and "controlling in numerous other cases." *Id.* at 700 (citing *Grable,* 545 U.S. at 313). It was also significant that *Grable* "centered on the action of a federal agency (IRS) and

its compatibility with a federal statute," thus making the issue "'substantial.'" *Id.* (citing *Grable,* 545 U.S. at 313). The Supreme Court has also drawn a line between federal statutory construction issues and other issues such as federal common law. In *Empire,* the United States asserted that the federal issue of whether an insurer's recovery of amounts paid to an insured as a result of an accident should take into account the insured's attorney's fees in obtaining the initial recovery. *Id.* at 701. While the Supreme Court conceded that may be an issue, it refused to find federal jurisdiction because "it is hardly apparent why a proper 'federal-state balance' would place such a nonstatutory issue under the complete governance of federal law, to be declared in a federal forum." *Id.* (citation omitted). The Supreme Court also re-affirmed that state courts are "competent to apply federal law, to the extent it is relevant," in deciding actions under their jurisdiction. *See id.*

Here, the federal issue is not substantial for three reasons the Supreme Court has outlined: (1) the determination is one of fact – not law; (2) it will not result in precedent that controls numerous other cases; and (3) it involves federal common law, not a federal statute. First, the federal issue is whether the experimental use exception was legally and factually available to Minton's attorneys in the underlying patent infringement case. The answer to this question is purely factual and turns on the nature of the TEXCEN lease between Minton and R.M. Stark & Co.: was that particular lease for experimental

purposes (thus making the exception available) or for commercial ends (rendering it unavailable)? Because the federal issue is one of fact, it is not substantial. *See Empire,* 547 U.S. at 700-01 (noting that *Grable* claim was subject to federal jurisdiction because it was a "nearly pure issue of law" but that claim at issue in *Empire* was not subject to federal jurisdiction because it was "fact-bound and situation-specific"). Second, the experimental use exception is well defined. It need only be applied to the facts of this case. A determination of whether the experimental use exception applies to the lease will not result in an important precedent. *Id.* at 700 (citing *Grable,* 545 U.S. at 313) (noting that *Grable* claim was subject to federal jurisdiction because it "would be controlling in numerous other cases" but that claim at issue in *Empire* was not subject to federal jurisdiction because the bottom-line practical issue was the share of settlement property from a state court proceeding). Third, the experimental use exception is a creature of federal common law, not of any statute. *See id.* (noting that *Grable* claim was subject to federal jurisdiction because it involved a federal statute and IRS action but that claim at issue in *Empire* was not subject to federal jurisdiction because it involved a federal common law determination in a state law claim). Because the federal issue here is one of fact (not law), will not control numerous other cases, and involves only federal common law and not a federal statute, the federal issue here is not substantial.

C. The Court's Holding Upsets the Division Between Federal and State Courts

Finally, the Court's holding today upsets the division between federal and state courts envisioned by Congress. Legal malpractice, along with the regulation of the practice of law generally, has traditionally been a matter for the states. *See Singh,* 538 F.3d at 339 ("Legal malpractice has traditionally been the domain of state law, and federal law rarely interferes with the power of state authorities to regulate the practice of law."). It was not the purpose of Congress to encroach on this state sphere when it enacted section 1338; rather, the plain language of the statute simply indicates an intent to assure federal jurisdiction over, and uniform interpretation of, federal intellectual property law. It is only under the gloss applied to that language by later decisions of the Federal Circuit that we could imagine that a legal malpractice action "arises under" patent law. Common sense tells us that this is a matter for state courts. And our sense on this matter is confirmed by the oft-quoted wisdom of Justice Cardozo:

> What is needed is something of that common-sense accommodation of judgment to kaleidoscopic situations which characterizes the law in its treatment of causation. . . . If we follow the ascent far enough, countless claims of right can be discovered to have their source or their operative limits in the provisions of a federal statute or in the Constitution itself with its circumambient restrictions upon legislative power. To set

> bounds to the pursuit, the courts have formulated the distinction between controversies that are basic, and those that are collateral, between disputes that are necessary and those that are merely possible.

Gully v. First Nat. Bank in Meridian, 299 U.S. 109, 117-18 (1936), *quoted with approval in Grable,* 545 U.S. at 313.

In Justice Cardozo's terms, the federal issue here is collateral, not basic. This is a legal malpractice case, litigated after final judgment in the original, federal case. Resolution of the malpractice claim in question does not impact any live patent law claims. *Cf. Singh,* 538 F.3d at 341 (noting that a legal malpractice action "will in no way disturb or interfere with the judgments of the federal courts" regarding the underlying federal intellectual property lawsuit). Moreover, it is unlikely that the legal malpractice opinions of Texas courts will in any way disrupt the uniformity of patent law that Congress sought by enacting section 1338; on the merits of actual patent lawsuits, federal courts will no doubt look first to federal patent precedents, not Texas legal malpractice cases.

Unfortunately, the Federal Circuit has not remained faithful to the Supreme Court's federalism inquiry in the context of malpractice decisions arising from patent cases. Instead, under the Federal Circuit's approach, the federalism element is simply an invocation of the need for uniformity in patent law. In *Air Measurement,* the federalism discussion was

limited to the benefits of a federal forum, the need for uniformity in patent law, and the fact that patents are issued by a federal agency. *See Air Measurement,* 504 F.3d at 1272. There was no consideration of what effect asserting exclusive federal jurisdiction would have over the balance between the state and federal judiciaries intended by Congress. *See id.; see also USPPS* 647 F.3d at 281 n. 4 *("Air Measurement Technologies* is silent as to the *Grable* question of federalism. . . ."). Rather, the court simply noted "[i]n § 1338, Congress considered the federal-state division of labor and struck a balance in favor of this court's entertaining patent infringement." *Air Measurement,* 504 F.3d at 1272. Of course, there is no doubt that Congress wants the Federal Circuit to "entertain[ ] patent infringement," but that is not the issue under *Grable*'s federalism analysis: what is required is a consideration of the impact on our federal system.

In *Immunocept,* application of the *Grable* factors, and particularly the federalism analysis, was equally cursory. The Federal Circuit concluded that the federalism element was met simply because litigants benefit from the expertise of federal judges, and Congress intended to "remove non-uniformity in the patent law." *Immunocept,* 504 F.3d at 1285-86. Again, there was no consideration of the impact on the balance between state and federal courts, as required

by the Supreme Court in precedents such as *Grable* and *Empire.*[3]

This is particularly disheartening given the potential consequences on the division between state and federal courts beyond the purview of patent disputes. The impact of the Court's decision on other potential types of embedded question cases is relevant in conducting the federalism inquiry required in this case. *See Grable,* 545 U.S. at 317 ("'[I]n exploring the outer reaches of § 1331, determinations about federal jurisdiction require sensitive judgments about congressional intent, judicial power, and the federal system.'") (quoting *Merrell Dow Pharm. Inc. v. Thompson,* 478 U.S. 804, 810 (1986)). In *Merrell Dow,* the Supreme Court found the federal balance was upset in a case, as here, where there was no federal cause of action. *See Grable,* 545 U.S. at 318-19. The Court noted that asserting federal jurisdiction over the state law claim at issue "would have attracted a horde of original filings and removal cases raising other state claims with embedded federal issues." *Id.* at 318. "For if the federal labeling standard without a federal cause of action could get a state claim into

[3] In *Davis v. Brouse McDowell, L.P.A.,* 596 F.3d 1355 (Fed. Cir. 2010), a legal malpractice case derived from a patent application, the Federal Circuit went even further and neither cited *Grable* nor mentioned its factors at all. *See generally id.* This approach was repeated in *Warrior Sports,* another patent-law legal malpractice case, which likewise made no mention of *Grable* or federalism. *See generally Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.,* 631 F.3d 1367 (Fed. Cir. 2011).

federal court, so could any other federal standard without a federal cause of action. And that would have meant a tremendous number of cases." *Id.*

This point is telling, because the Supreme Court's fears have already been realized in *USPPS*. There, the Fifth Circuit adopted the reasoning applied by the Federal Circuit in *Air Measurement* and *Immunocept* to reach the same outcome in a fraud and breach of fiduciary duty case involving patent law. *See USPPS,* 647 F.3d at 284.[4] Put another way, the reach of the Federal Circuit's section 1338

[4] Although the Fifth Circuit previously expressed skepticism about the Federal Circuit's approach, and declined to apply it to a legal-malpractice case involving trademarks and section 1338, *see Singh,* 538 F.3d at 340, it recently adopted the *Air Measurement/Immunocept* reasoning, *see USPPS,* 647 F.3d at 278-81. Although *USPPS* mentioned the treatment of *Grable* (described above) found in *Air Measurement* and *Immunocept,* and promised to be "sensitive" to federalism issues, *see id.* at 278 n. 1, *USPPS* contains no federalism analysis of its own. *See generally id.* Rather, the *USPPS* opinion simply quoted *Immunocept* on the federal interest in patent law uniformity, and then applied as binding precedent the Fifth Circuit's own opinion in *Scherbatskoy v. Halliburton Co.,* 125 F.3d 288, 291 (5th Cir. 1997). *See USPPS,* 647 F.3d at 282. *Scherbatskoy* in turn conducted no federalism analysis, *see* 125 F.3d at 291; but that is unsurprising because it was decided some eight years *prior* to *Grable.* Given *Grable*'s landmark status, it is thus curious that *USPPS* relies so heavily on *Scherbatskoy* on this point. Other than stating "[i]n so holding, we conform . . . to *Singh*'s requirement of balancing the federal and state interests involved," *USPPS* made no other analysis of the *Grable* factors, thus carrying forward the Federal Circuit's misguided approach. 647 F.3d at 282.

reasoning is uncabined, and can potentially sweep any state law case that touches on substantive patent law (or, for that matter, the other areas of law covered by section 1338, such as copyright and trademarks) irrevocably into federal court.

In contrast to *Air Measurement* and *Immunocept, Singh* correctly applied the Supreme Court's federal question jurisprudence governing embedded question cases to a section 1338 trademark legal malpractice case, with a proper analysis of the federalism element. *Singh* discussed at length the *Grable* factors of substantialness and federalism. *See Singh,* 538 F.3d at 337-41. As for the first, the court noted that trademark law has an entirely different purpose from state malpractice law, and further that the trademark issue in question was predominantly one of fact, not law, rendering the trademark issue insubstantial under *Grable*. *Id.* at 339. *Singh* then conducted a careful and substantive federalism analysis, one that considered the impact on the division of labor between state and federal courts. *See id.* at 339-40. The court observed that legal malpractice traditionally is a state law matter, and that "federal law rarely interferes with the power of state authorities to regulate the practice of law." *Id.* at 339. The court further observed that exerting federal jurisdiction would "constitute a substantial usurpation of state authority in an area in which states have traditionally been dominant." *Id.* The court also expressed concern, echoing the Supreme Court's fears in *Grable* and *Merrell Dow*, that adopting such reasoning in one type of federal question case could lead to its application in

other types of embedded question cases.[5] *See id.* at 340 ("Because all Texas malpractice plaintiffs must prove that they would have prevailed in their prior suits, federal jurisdiction could extend to every

[5] The *Singh* court is certainly not the only court to have examined the *Grable* factors and concluded that there is no exclusive federal jurisdiction over claims such as this. *See, e.g., New Tek Mfg., Inc. v. Beehner,* 702 N.W.2d 336 (Neb. 2005) (finding no federal jurisdiction over malpractice claim and holding "[w]hen patent issues are merely implicated incidentally in a cause of action, however, federal courts do not have jurisdiction of the case pursuant to § 1338"); *E-Pass Tech., Inc. v. Moses & Singer, LLP,* 189 Cal. App. 4th 1140, 1152 (Cal. Ct. App. 2010), review denied (Feb. 23, 2011) (finding no federal jurisdiction over malpractice claim and holding that "to the extent that the subject matter of patent law is relevant to the determination of the professional negligence claim, it does not present a question of patent law that is substantial") (citations omitted); *Roof Technical Servs., Inc. v. Hill,* 679 F. Supp. 2d 749, 753-54 (N.D. Tex. 2010) (finding no federal jurisdiction over malpractice claim and holding "even if the court must decide patent law issues, those decisions will not create or destroy any patent rights such that uniformity in the way patents are issued or enforced will be threatened"); *Genelink Biosciences, Inc. v. Colby,* 722 F. Supp. 2d 592 (D. N.J. 2010) (finding no federal jurisdiction over malpractice claim involving patent law); *Danner, Inc. v. Foley & Lardner, LLP,* No. 09-1220-JE, 2010 WL 2608292, at *5 (D. Or. Mar. 15, 2010) (finding no federal jurisdiction over malpractice claim and holding that because "plaintiff's malpractice claim . . . is supported by theories that do not depend on patent law or the resolution of patent issues, its claim does not 'arise' under patent laws"); *Anderson v. Johnson,* No. 08-CV-6202, 2009 WL 2244622, at *3 (N.D. Ill. July 27, 2009) (finding no federal jurisdiction over malpractice claim and holding that a "federal court's adjudication of [a] state malpractice claim [involving copyright law] would disturb the balance of federal and state judicial responsibilities").

instance in which a lawyer commits alleged malpractice during the litigation of a federal claim."). As mentioned previously, this concern has ironically been borne out in *USPPS,* a subsequent Fifth Circuit case that applied the Federal Circuit's reasoning in patent law malpractice cases to a fraud and breach of fiduciary duty case. *See USPPS,* 647 F.3d at 278-81.

In sum, the cases relied on by the Court are not persuasive authority because they either ignore the standard required by United States Supreme Court precedent or apply it in a conclusory manner. The Court therefore errs when it concludes, based on the importance of uniformity in patent law emphasized in *Air Measurement* and *Immunocept,* that the balance between state and federal courts is not upset by allowing jurisdiction here.

II. Conclusion

The Federal Circuit has pursued a particular mandate – to achieve uniformity in patent law. *Panduit Corp.,* 744 F.2d at 1574 ("This court . . . has a mandate to achieve uniformity in patent matters."). The Federal Circuit appears to be animated by this goal when finding section 1338 jurisdiction over state legal malpractice claims. *See Immunocept,* 504 F.3d at 1285; *Air Measurement,* 504 F.3d at 1272. The Federal Circuit's focus on this mandate is understandable, but uniformity in patent law is not the be-all and end-all of jurisprudence. It must give way to the contours of federal question jurisdiction provided by the Supreme Court. *See Grable,* 545 U.S. at 312-15.

In turn, this Court has its own mandate, of at least equal importance to that of the Federal Circuit. We owe a duty to the people of this state to exercise the judicial power, *see* TEX. CONST. art. V, §§ 1, 3, and that duty includes vital matters such as ensuring consistency and certainty in the civil law of the state, *see* TEX. GOV'T CODE § 22.001, and regulating the practice of law, *id.* § 81.011(c). Accordingly, we should not risk the confusion and inconsistency that will result from having two sets of binding precedent in Texas legal malpractice law – one stemming from this Court and the other courts of this state, and another, entirely outside of our control after today's opinion, developing under the direction of the Federal Circuit, largely uninformed by the deep roots of Texas jurisprudence and the requirements of the Texas Constitution.

This Court should not be quick to follow Federal Circuit case law that fails to follow the test set forth by the Supreme Court. Because this case fails to meet three of the four elements required by the Supreme Court for federal-element "arising under" jurisdiction, the court of appeals was correct when it held that exclusive federal patent jurisdiction does not lie here. I therefore respectfully dissent.

Eva M. Guzman
Justice

OPINION DELIVERED: December 16, 2011

[SEAL]

COURT OF APPEALS
SECOND DISTRICT OF TEXAS
FORT WORTH

NO. 2-06-443-CV

VERNON F. MINTON, APPELLANT

V.

JERRY W. GUNN, INDIVIDUALLY; WILLIAMS SQUIRE & WREN, LLP; JAMES E. WREN, INDIVIDUALLY; SLUSSER & FROST, L.L.P.; WILLIAM C. SLUSSER, INDIVIDUALLY; SLUSSER WILSON & PARTRIDGE LLP; AND MICHAEL E. WILSON, INDIVIDUALLY, APPELLEES

FROM THE 48TH DISTRICT COURT
OF TARRANT COUNTY

OPINION

This is a legal malpractice case in which the trial court rendered take-nothing summary judgment against appellant Vernon F. Minton in favor of appellees Jerry W. Gunn, individually, Williams Squire & Wren, LLP, James E. Wren, individually, Slusser & Frost, L.L.P., William C. Slusser, individually, Slusser

Wilson & Partridge LLP, and Michael E. Wilson, individually, all of whom represented appellant in a prior patent infringement action. We affirm.

I. Brief Summary of Relevant Patent Law Rules

A. The On Sale Bar Rule

This legal malpractice case involves application of a rule of federal patent law commonly referred to as the "on sale bar rule." This rule provides that a patent is invalid if it was put into commercial use through a commercial offer for sale more than one year before the inventor applied for the patent.[1] Under federal patent law, the date one year prior to the patent application's filing is commonly referred to as the "critical date."[2] A single commercial offer for

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[1] *Pfaff v. Wells Elecs., Inc.,* 525 U.S. 55, 67, 119 S. Ct. 304, 311-12 (1998); *Electromotive Div. of Gen. Motors Corp. v. Transp. Sys. Div. of Gen. Elec. Co.,* 417 F.3d 1203, 1209 (Fed. Cir. 2005). The on sale bar is statutorily grounded in 35 U.S.C. § 102(b), which states:

> A person shall be entitled to a patent unless –
>
> . . . .
>
> (b) the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States. . . .

35 U.S.C.A. § 102(b) (2001).

[2] *Baker Oil Tools, Inc. v. Geo Vann, Inc.,* 828 F.2d 1558, 1563 (Fed. Cir. 1987).

sale before the critical date is generally sufficient to satisfy the on sale bar.[3]

B. The Experimental Use Doctrine

This case also involves the "experimental use doctrine." This doctrine provides that if the purpose of an offer for sale is primarily experimental, as opposed to commercial, the patent is not invalidated under the on sale bar rule.[4]

The ultimate question of whether a transaction is primarily for experimental use is one for the court to decide.[5] When patent holders or inventors contend that the experimental use doctrine applies, they are arguing that the on sale bar does not apply because it has been negated by the primarily experimental purpose of the commercial offer for sale.[6]

In determining whether the experimental use doctrine negates application of the on sale bar, the controlling issue is the purpose of the offer for sale,

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[3] *See, e.g., Pfaff,* 525 U.S. at 67, 119 S. Ct. at 311; *Electromotive,* 417 F.3d at 1209; *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.,* 984 F.2d 1182, 1188 (Fed. Cir. 1993) (per curiam).

[4] *See, e.g., Electromotive,* 417 F.3d at 1210.

[5] *See EZ Dock v. Schafer Sys., Inc.,* 276 F.3d 1347, 1351-52 (Fed. Cir. 2002); *see also Petrolite Corp. v. Baker Hughes Inc.,* 96 F.3d 1423, 1426 (Fed. Cir. 1996) ("Experimental use is a question of law to be analyzed based on the totality of the surrounding circumstances.").

[6] *See, e.g., Pfaff,* 525 U.S. at 67, 119 S. Ct. at 311; *Electromotive,* 417 F.3d at 1213.

not the developmental status of the claimed invention.[7] In other words, the question posed by the experimental use doctrine is not whether the invention is "under development, subject to testing, or otherwise still in its experimental stage" at the time of alleged sale, but whether the primary purpose of the inventor at the time of the sale was to conduct experimentation.[8] "Commercial exploitation, if not incidental to the primary purpose of experimentation, will result in an on sale bar, even if the invention was still in its experimental stage."[9]

II. Factual and Procedural Background

A. The TEXCEN Lease

In the early 1990s, appellant Vernon Minton, a former securities broker, formed a company called Texas International Stock Exchange, Inc. (TISE) and began developing a telecommunications network and software program called the Texas Computer Exchange Network (TEXCEN). TEXCEN was designed to allow individuals to trade securities through a computer network.

In 1994, Minton approached R.M. Stark & Co. (Stark), a National Association of Securities Dealers,

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[7] *Allen Eng'g Corp. v. Bartell Indus., Inc.,* 299 F.3d 1336, 1354 (Fed. Cir. 2002); *Scaltech Inc. v. Retec/Tetra, L.L.C.,* 178 F.3d 1378, 1384 n.1 (Fed. Cir. 1999).

[8] *Allen Eng'g,* 299 F.3d at 1354.

[9] *Scaltech,* 178 F.3d at 1384 n.1.

Inc. (NASD) brokerage/dealer, regarding a potential lease of the TEXCEN system. In January 1995, Minton sent Stark a letter stating that "[a]fter five years of development, *TEXCEN* is scheduled to be on-line during March or April of this year," and that, "[a]s we discussed, [TISE] would appreciate your consideration in utilizing this program as an exclusive opportunity for enhanced order flow." Minton attached a draft lease agreement that stated it was intended "for the purpose of opening brokerage accounts and executing trades for individuals using TEXCEN."

Throughout negotiations, Minton never told Stark that the TEXCEN lease would be for experimental purposes, although Stark was aware that the system needed to be reviewed and approved by NASD before he could use it. Stark and TISE entered the TEXCEN lease on March 8, 1995 (the TEXCEN Lease). The lease provided in part that (1) Stark had the right to open brokerage accounts and execute trades for its individual customers using TEXCEN, (2) TEXCEN would perform in a workmanlike manner, and (3) Stark would pay the lesser of $2,000.00 or thirty percent of his gross revenues derived from TEXCEN per month for the term of the lease.

B. The '643 Patent

On June 28, 1996, Minton filed his provisional application for United States Patent No. 6,014,643 (the '643 Patent), more than one year after signing

the TEXCEN Lease. The '643 Patent was for an interactive securities trading system based substantially on TEXCEN. Indeed, Minton stated in his deposition that he provided a copy of the TEXCEN software assistance guide to his patent attorney, who used it to prepare the '643 Patent application. On January 11, 2000, the United States Patent and Trademark Office issued the '643 Patent.

C. The Underlying Patent Litigation

Minton filed suit against NASD in the United States District Court for the Eastern District of Texas to enforce the '643 Patent (the Patent Litigation), and later named NASDAQ Stock Market, Inc. (NASDAQ) as an additional defendant. Minton's lawyers in the Patent Litigation, the appellees in this case, filed suit without knowledge of the TEXCEN Lease. Minton did not disclose the lease to appellees until after NASD and NASDAQ first revealed its existence in discovery conducted in the Patent Litigation.

NASD and NASDAQ moved for summary judgment on Minton's infringement claims on the ground that the '643 Patent was invalid under the on sale bar set forth in 35 U.S.C. § 102(b). They specifically contended that TEXCEN embodied Minton's invention and that the lease, signed March 8, 1995, was a commercial offer for sale prior to the '643 Patent's critical date of June 28, 1995. Appellees contend that, among other things, NASD and NASDAQ asserted that the TEXCEN Lease: (1) stated that TEXCEN

was already developed; (2) offered TEXCEN for use with customers; (3) established payment terms; (4) warranted that TEXCEN would perform; and (5) stated that the lease was entered for the purpose of allowing individuals to open brokerage accounts and execute trades.

Minton testified in the Patent Litigation that he expected to "benefit financially" from the lease and that, subject to regulatory approval, the lease allowed Stark to use TEXCEN "commercially." Minton conceded that TEXCEN was offered for sale more than one year before his patent was filed, but argued that TEXCEN did not include all of the elements of the '643 Patent's claims and thus the on sale bar did not apply. The district court granted NASD and NASDAQ's motion for summary judgment based upon the on sale bar.

Following the district court's order, Minton asked his attorneys to consider defense of the on sale bar on a new ground: that the purpose of the TEXCEN Lease was primarily experimental rather than commercial, and, therefore, the experimental use doctrine negated the on sale bar. A motion for reconsideration was filed on Minton's behalf, with the experimental use issue briefed by new counsel. The district court considered Minton's motion but declined to grant reconsideration.[10]

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[10] *See Minton v. Nat'l Ass'n of Sec. Dealers, Inc.,* 336 F.3d 1373, 1379 (Fed. Cir. 2003) (noting that the district court likely

(Continued on following page)

Minton appealed, and the Federal Circuit affirmed the district court's judgment.[11] The Federal Circuit declined to address the merits of Minton's argument based on the experimental use defense, stating that the district court was within its discretion in deciding not to consider experimental use as a defense and denying Minton's motion for reconsideration, in part because the motion was based on an argument – the experimental use doctrine – that was not previously raised but "has long been a fixture of patent law."[12]

D. The Legal Malpractice Action

On August 25, 2004, Minton filed this legal malpractice action against appellees on the ground that they negligently failed to timely plead and brief the experimental use doctrine as a defense to NASD and NASDAQ's showing that the section 102(b) on sale bar invalidated the '643 Patent. Minton alleges that appellees' negligence caused him to lose the Patent Litigation or, in the alternative, caused the Patent Litigation's pretrial dismissal, depriving him of a settlement of $100,000,000.00.

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denied Minton's motion for reconsideration without considering the newly-raised experimental use defense because it denied Minton's motion "tersely" and "for the reasons previously set forth in the court's memorandum opinion").

[11] *Id.* at 1374, 1381.

[12] *Id.* at 1379.

Appellees filed no-evidence and traditional motions for summary judgment attacking the causation element of Minton's malpractice claim.[13] Appellees argued that the experimental use exception did not apply to the TEXCEN Lease and, thus, as a matter of law, their alleged failure to timely plead and brief the defense could not have caused Minton harm in the Patent Litigation. The trial court ruled in appellees' favor and rendered a take-nothing judgment on all claims.[14] This appeal followed.

III. Issues on Appeal

Minton presents ten complaints challenging the trial court's summary judgment:

(1) The trial court erred in ruling that the issue of whether the TEXCEN Lease was primarily for the purposes of experimental use was a question of law.

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[13] *See* Tex. R. Civ. P. 166a(c), (i).

[14] Appellees filed two joint motions, each seeking no-evidence and traditional summary judgments. The second joint motion was filed in response to Minton's first amended original petition, which added a new damages theory – that Minton would have settled the Patent Litigation for at least $100,000,000.00 if his claims in that suit had not been dismissed on summary judgment under the on sale bar. Minton's response to the second joint motion offered no new argument or evidence, but merely incorporated by reference his briefing and evidence filed in response to appellees' first joint summary judgment motion. The trial court granted the relief sought in both joint motions.

(2) The trial court erred as a matter of law by merely holding that the TEXCEN Lease had a commercial purpose rather than holding that the TEXCEN Lease's purpose was "primarily" commercial.

(3) The trial court erred in concluding as a matter of law that the TEXCEN Lease had a commercial purpose.

(4) The trial court erred by improperly limiting the application of the experimental use exception to situations where the testing had to be on a required claim of the patent.

(5) The trial court erred in not considering testing of the invention that was not limited to the internet.

(6) The trial court erred as a matter of law by concluding that expert testimony was required to support the experimental use exception.

(7) The trial court erred by concluding that there was no evidence to support the experimental use exception.

(8) The trial court erred as a matter of law by concluding that any evidence tending to show the experimental use exception must be limited to the period up to and including June 28, 1996, the date of the '643 Patent application.

(9) The trial court abused its discretion in striking Minton's exhibits 32a, 32b, 39,

and 40 as hearsay even though they met the hearsay exception for business records.

(10) The trial court's legal and evidentiary errors probably caused the rendition of an improper judgment and probably prevented Minton from properly presenting the case to this court.

In a single cross-point, appellees complain of the trial court's refusal to strike from the summary judgment record certain evidence submitted by Minton of alleged experimental use.

Before addressing the merits of these complaints, we must decide whether we have subject matter jurisdiction over this case.

IV. Subject Matter Jurisdiction

Relying primarily on two decisions of the Federal Circuit,[15] and a decision of the Fifth Circuit that does not involve a legal malpractice claim,[16] Minton

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[15] *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262 (Fed. Cir. 2007) (holding that state law claim for legal malpractice involving prior patent law litigation "arises under" federal law); *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281 (Fed. Cir. 2007) (same).

[16] *Scherbatskoy v. Halliburton Co.,* 125 F.3d 288 (5th Cir. 1997) (holding that an action arises under federal patent law, conferring exclusive federal jurisdiction, when resolution of state

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contends that we must dismiss this appeal for lack of subject matter jurisdiction because Minton's legal malpractice claim "arises under" the exclusive patent law jurisdiction of the federal courts. We disagree and conclude that Minton's claim does not confer exclusive subject matter jurisdiction on the federal courts.

Under Texas law, "[w]hen a legal malpractice claim arises from earlier litigation, the plaintiff . . . bears the burden to prove he would have prevailed on the underlying cause of action."[17] In other words, the plaintiff must prove a case within a case.[18] Thus, Minton's ability to recover turns on whether he can prove by a preponderance of the evidence that the appellees' allegedly negligent failure to timely plead and brief "experimental use" caused the dismissal of his patent infringement claims in the Patent Litigation.

A federal question exists "only [in] those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal

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claims for breach of contract and fiduciary duty depends on application of federal patent laws).

[17] *Williams v. Briscoe,* 137 S.W.3d 120, 124 (Tex. App. – Houston [1st Dist.] 2004, no pet.).

[18] *Alexander v. Turtur & Assocs., Inc.,* 146 S.W.3d 113, 117 (Tex. 2004).

patent law."[19] The fact that treatment of a substantial federal question is necessary to the resolution of a state-law claim is not, however, sufficient to permit federal jurisdiction. "[T]he presence of a disputed federal issue [in a state cause of action] . . . [is] never necessarily dispositive."[20] Instead, "the question is, does a state-law claim necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities."[21] "In other words, federal question jurisdiction exists where (1) resolving a federal issue is necessary to resolution of the state-law claim; (2) the federal issue is actually disputed; (3) the federal issue is substantial; and (4) federal jurisdiction will not disturb the balance of federal and state judicial responsibilities."[22] While the first and second elements of this test may be satisfied here, the third and fourth are not.

The federal issue here is not substantial. Although significant to Minton's claim, the issue of

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[19] *Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800, 809, 108 S. Ct. 2166, 2174 (1988).

[20] *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308, 314, 125 S. Ct. 2363, 2368 (2005); *see Merrell Dow Pharms. Inc. v. Thompson,* 478 U.S. 804, 813-14, 106 S. Ct. 3229, 3234-35 (1986).

[21] *Grable,* 545 U.S. at 314, 125 S. Ct. at 2368.

[22] *Singh v. Duane Morris LLP,* 538 F.3d 334, 338 (5th Cir. 2008).

whether there was evidence of experimental use of the technology at issue is predominantly one of fact, with little or no precedential value. Therefore, resolution of the issue will not require "resort to the experience, solicitude, and hope of uniformity that a federal forum offers."[23] The courts of this state are perfectly capable of deciding cases such as this.

Not only is the federal law issue insubstantial, but the exercise of federal jurisdiction over this state-law malpractice claim would disturb the balance between federal and state judicial responsibilities. "Legal malpractice has traditionally been the domain of state law, and federal law rarely interferes with the power of state authorities to regulate the practice of law."[24] To extend federal jurisdiction to every instance in which a lawyer commits alleged malpractice during the litigation of a patent claim (or other federal law claim) would "constitute a substantial usurpation of state authority in an area in which states have traditionally been dominant."[25]

For these reasons, we hold that Minton's legal malpractice claim does not "arise under" federal law.[26]

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[23] *Grable,* 545 U.S. at 312, 125 S. Ct. at 2367.

[24] *Singh,* 538 F.3d at 339; *see also Custer v. Sweeney,* 89 F.3d 1156, 1167 (4th Cir. 1996).

[25] *Singh,* 538 F.3d at 340.

[26] Our holding should not be construed as suggesting that no legal malpractice claims involving patent litigation could possibly arise under federal law. In fact, it is possible that the

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In so holding, we decline to follow the Federal Circuit's decisions in *Immunocept* and *AMT* for two reasons: First, the Federal Circuit's holdings are not binding on this court. The Supreme Court of Texas has explained that: "While Texas courts may certainly draw upon the precedents of the Fifth Circuit, or any other federal or state court, in determining the appropriate federal rule of decision, they are obligated to follow only higher Texas courts and the United States Supreme Court."[27] Second, we believe the Federal Circuit misapplied United States Supreme Court precedent by disregarding the federalism analysis that the Supreme Court has applied to restrict the scope of federal "arising under" jurisdiction to a "small and special category" of cases where a substantial question of pure federal law is in dispute that has precedential value.[28] According to the United States Supreme Court, claims that are "fact-bound and situation-specific," such as the legal malpractice claim at issue in this case, do not fall within the scope

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federal interest in other legal malpractice cases would be sufficiently more substantial, such that federal jurisdiction would be justified. We hold only that federal jurisdiction does not extend to the legal malpractice claim before us.

[27] *Penrod Drilling Corp. v. Williams,* 868 S.W.2d 294, 296 (Tex. 1993) (emphasis omitted); *see also City of Carrollton v. Singer,* 232 S.W.3d 790, 797 n.6 (Tex. App. – Fort Worth 2007, pet. denied).

[28] *See, e.g., Empire Healthchoice Assurance, Inc. v. McVeigh,* 547 U.S. 677, 699-701, 126 S. Ct. 2121, 2136-37 (2006).

of federal "arising under" jurisdiction.[29] While this result may conflict with Federal Circuit decisions, we are obligated only to follow the rules for determining "arising under" jurisdiction established by the United States Supreme Court.

We now turn to the merits.

V. Standards of Review

The trial court's take-nothing summary judgment against Minton was rendered on both traditional and no-evidence motions for summary judgment filed by appellees.

A. Traditional Summary Judgment

In reviewing a traditional summary judgment, the issue on appeal is whether the movant met the

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[29] *Id.* at 701, 126 S. Ct. at 2137. Minton's reliance on the Fifth Circuit's opinion in *Scherbatskoy* is misplaced for similar reasons. *Scherbatskoy* is distinguishable on the facts and was decided prior to the more recent United States Supreme Court decisions that adopted the federalism analysis that governs our decision here. *Compare Scherbatskoy,* 125 F.3d at 291 (finding federal "arising under" jurisdiction in breach of contract claim based solely on the conclusion that the patent issue "is a necessary element" to the resolution of the claim) *with Empire,* 547 U.S. at 701, 126 S. Ct. at 2137 ("[I]t takes more than a federal element 'to open the arising under door.' ") *and Grable,* 545 U.S. at 313-14, 125 S. Ct. at 2367 ("[T]he federal issue will ultimately qualify for a federal forum only if federal jurisdiction is consistent with congressional judgment about the sound division of labor between state and federal courts.").

summary judgment burden by establishing that no genuine issue of material fact exists and that the movant is entitled to judgment as a matter of law.[30] The burden of proof is on the movant, and all doubts about the existence of a genuine issue of material fact are resolved against the movant.[31] When reviewing a summary judgment, we take as true all evidence favorable to the nonmovant, and we indulge every reasonable inference and resolve any doubts in the nonmovant's favor.[32] Evidence that favors the movant's position will not be considered unless it is uncontroverted.[33]

A defendant who conclusively negates at least one essential element of a cause of action is entitled to summary judgment on that claim.[34] Once the defendant produces sufficient evidence to establish the right to summary judgment, the burden shifts to the plaintiff to come forward with competent controverting evidence raising a genuine issue of material fact

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[30] Tex. R. Civ. P. 166a(c); *Sw. Elec. Power Co. v. Grant,* 73 S.W.3d 211, 215 (Tex. 2002); *City of Houston v. Clear Creek Basin Auth.,* 589 S.W.2d 671, 678 (Tex. 1979).

[31] *Sw. Elec. Power Co.,* 73 S.W.3d at 215.

[32] *Valence Operating Co. v. Dorsett,* 164 S.W.3d 656, 661 (Tex. 2005).

[33] *Great Am. Reserve Ins. Co. v. San Antonio Plumbing Supply Co.,* 391 S.W.2d 41, 47 (Tex. 1965).

[34] *IHS Cedars Treatment Ctr. of DeSoto, Tex., Inc. v. Mason,* 143 S.W.3d 794, 798 (Tex. 2004).

with regard to the element challenged by the defendant.[35]

B. No-Evidence Summary Judgment

Rule 166a(i) of the Texas Rules of Civil Procedure governs no-evidence summary judgments.[36] Under this rule, after an adequate time for discovery, the party without the burden of proof may, without presenting evidence, move for summary judgment on the ground that there is no evidence to support an essential element of the nonmovant's claim or defense.[37] The motion must specifically state the elements for which there is no evidence.[38] The trial court must grant the motion unless the nonmovant produces summary judgment evidence that raises a genuine issue of material fact.[39]

When reviewing a no-evidence summary judgment, we examine the entire record in the light most favorable to the nonmovant, indulging every reasonable inference and resolving any doubts against the

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[35] *Centeq Realty, Inc. v. Siegler,* 899 S.W.2d 195, 197 (Tex. 1995).

[36] Tex. R. Civ. P. 166a(i).

[37] *Id.*

[38] *Id.*; *Johnson v. Brewer & Pritchard, P.C.,* 73 S.W.3d 193, 207 (Tex. 2002).

[39] *See* Tex. R. Civ. P. 166a(i) & cmt.; *Sw. Elec. Power Co.,* 73 S.W.3d at 215.

motion.[40] If the nonmovant brings forward more than a scintilla of probative evidence that raises a genuine issue of material fact, then a no-evidence summary judgment is not proper.[41] We review a no-evidence summary judgment for evidence that would enable reasonable and fair-minded jurors to differ in their conclusions.[42]

VI. Analysis

A. The Purpose of the TEXCEN Lease was Commercial and There is No Evidence that the Lease was Primarily for Experimental Use

The pivotal questions we must decide in reviewing the trial court's summary judgment are: (1) whether the trial court correctly concluded that the TEXCEN Lease had a commercial purpose as a matter of law (2) and whether the trial court correctly found that there is no evidence to support Minton's claim of an experimental purpose for the TEXCEN Lease. We conclude that both trial court rulings are correct.

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[40] *Sudan v. Sudan,* 199 S.W.3d 291, 292 (Tex. 2006).

[41] *Moore v. K Mart Corp.,* 981 S.W.2d 266, 269 (Tex. App. – San Antonio 1998, pet. denied).

[42] *Hamilton v. Wilson,* 249 S.W.3d 425, 426 (Tex. 2008) (citing *City of Keller v. Wilson,* 168 S.W.3d 802, 822 (Tex. 2005)).

1. The Commercial Purpose of the Lease was Established as a Matter of Law

The TEXCEN Lease expressly states that Stark was leasing TEXCEN for commercial use. In its preamble, the lease provides that "[Stark] . . . wishes to lease *TEXCEN* from TISE for the purpose of opening brokerage accounts and executing trades for individuals using TEXCEN." It further requires Stark to pay for the use of TEXCEN for three years (with an option of up to thirteen years) and warrants that TEXCEN will perform in a workmanlike manner. There is no language in the lease that indicates that the lease had an experimental purpose.

In addition to the express language of the TEXCEN Lease, Minton offered deposition testimony in the Patent Litigation which established that the purpose of the lease was commercial:

Q. Okay. And they were – now, they were seeking – still seeking the regulatory approval, correct?

A. Yes, sir.

Q. ***But subject to that regulatory approval, what was contemplated was that Stark would set up a system using the TEXCEN software program and – to use it commercially, correct?***

A. *Yes, sir.*

Q. And – and that occurred beginning in March 1995, correct?

A. Yes, sir.

Q. ***And you expected to benefit financially from that arrangement, correct?***

A. *Yes, sir* (emphasis added).

Based on the language of the TEXCEN Lease and Minton's own testimony establishing the commercial purpose of the lease, we hold that the trial court did not err in concluding that the TEXCEN Lease had a commercial purpose as a matter of law.

2. There is No Evidence that any Purpose of the TEXCEN Lease was Experimental

a. Minton's Claim of an Alleged Experimental Purpose for the TEXCEN Lease Does not Relate to a Claimed Element of the '643 Patent

The trial court concluded, as a matter of law, that the claims of the '643 Patent do not require that the program work over a TCPIP or internet connection and, thus, any evidence of testing over a TCPIP or internet connection is legally irrelevant to show an experimental purpose for the TEXCEN Lease. We agree with this conclusion.

Under settled patent law, the experimental use doctrine applies only to experimentation that relates to a claimed feature of the invention, either as expressly stated in a claim or inherent to the subject matter of a claim.[43] When evaluating whether a feature is claimed by an invention, courts look to details that are "specifically recited or necessary to the invention covered by the claims in suit."[44] For example, courts have held that testing for durability may negate application of the on sale bar even when durability is not specifically claimed in the patent, but only if durability is inherent to "the nature of the invention" based on "the claims' reference to the subject matter."[45]

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[43] *Electromotive,* 417 F.3d at 1211 ("It is important to recognize that this court has limited experimentation sufficient to negate a pre-critical date public use or commercial sale to cases where the testing was performed to perfect claimed features, or, in a few instances like the case here, to perfect features inherent to the claimed invention."); *W. Marine Elecs., Inc. v. Furuno Elec. Co.,* 764 F.2d 840, 847 (Fed. Cir. 1985) ("The trial court properly recognized that testing or experimentation performed with respect to non-claimed features of the device does not show that the *invention* was the subject of experimentation."); *In re Theis,* 610 F.2d 786, 793 (C.C.P.A. 1979) ("It is settled law that the experimental sale exception does not apply to experiments performed with respect to nonclaimed features of an invention.").

[44] *Gould Inc. v. United States,* 579 F.2d 571, 582 (Ct. Cl. 1978); *see also Honeywell Intern. Inc. v. Universal Avionics Sys. Corp.,* 488 F.3d 982, 998 (Fed. Cir. 2007).

[45] *EZ Dock,* 276 F.3d at 1351-53; *see also Kolmes v. World Fibers Corp.,* 107 F.3d 1534, 1540 (Fed. Cir. 1997); *Manville*

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Therefore, our inquiry focuses on whether the attributes that Minton testifies were being tested – TEXCEN's ability to process actual trades over an internet connection – relate to a claimed feature of the '643 Patent. If not, then Minton's testimony regarding this testing will not, as a matter of law, support experimental use.[46]

Sales Corp. v. Paramount Sys., Inc., 917 F.2d 544, 551 (Fed. Cir. 1990).

[46] Minton asserts that the trial court committed error by using this standard because experimental use is supported by any testing needed to convince the inventor that the invention is capable of performing its intended purpose in its intended environment. *See Gould,* 579 F.2d at 583. Testing, however, only supports experimental use in instances where it expressly or inherently relates to a claimed feature. *See, e.g., Kolmes,* 107 F.3d at 1540 (holding testing for durability established experimental use because, based on "the preamble of claim 1 [of the patent]," an "inherent feature" of the invention is "the ability to withstand use in an environment such as a meat-packing plant with repeated laundering"); *Gould,* 579 F.2d at 582 (holding experimental use exception did not apply where "the work done was not directed toward the invention covered by the claims in suit, the overall engine configuration, but was directed toward scaling-up [increasing the output horsepower of] the engine and checking and adjusting the performance of component parts"). Additionally, there is no probative value to an inventor's subjective characterizations of an offer for sale as experimental when first expressed only after a patent infringement action has been filed. *See, e.g., Cargill, Inc. v. Canbra Foods, Ltd.,* 476 F.3d 1359, 1370 (Fed. Cir. 2007); *Electromotive,* 417 F.3d at 1212; *D.L. Auld Co. v. Chroma Graphics Corp.,* 714 F.2d 1144, 1150 (Fed. Cir. 1983) ("[I]f a mere allegation of experimental intent were sufficient, there would rarely if ever be room for summary judgment based on a true 'on sale' defense under 35 U.S.C. § 102(b)."). Subjective assertions of experimental use in Minton's deposition

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Minton contends that testing TEXCEN over the internet is a claimed feature of the '643 Patent because the patent claims that it will work over "a public communication network" and that the internet is one such network. However, the patent specifies that "[t]he method by which users . . . communicate with [the] server . . . is not important, as the present invention simply requires that the users be able to send and receive information to [the] server."[47] The patent also provides a nonexclusive list of communication methods that may be employed, including "public telephone lines," "cable modems, local area networks [LANs], wireless communications, fiber optics lines, and others."[48]

Because the express language of the '643 Patent conclusively demonstrates that performance over the internet is not inherent to any claimed feature of the patent, we hold that the trial court did not err in concluding that there is no evidence to support Minton's claims of experimental use because evidence of testing over the internet is legally irrelevant to show an experimentation purpose for the TEXCEN Lease.

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and affidavit testimony generated in the Patent Litigation, including his affidavit testimony that the primary purpose of the TEXCEN Lease was "to be able to test and further develop the program," are not evidence of experimental use absent supporting objective relevant evidence predating the Patent Litigation.

[47] '643 Patent, col. 7, ll. 25-28.

[48] *Id.* at col. 7, ll. 20, 24-25.

b. Even Assuming Testing Over the Internet Relates to a Claimed Feature of the '643 Patent, There is no Evidence to Support Minton's Claim that the Purpose of the TEXCEN Lease was Experimental

The trial court found that, assuming Minton's evidence of testing relating to a TCPIP or internet connection is relevant, Minton still did not produce sufficient evidence to raise a genuine issue of material fact to support his claim of experimental use.[49] We agree with the trial court's finding because Minton presented no probative evidence that Stark was actually aware that the purpose of the offer for sale was primarily experimental when the lease was executed.[50]

The determination of experimental use is an objective inquiry based on the facts surrounding the transaction.[51] Courts have considered a number of objective factors when making an experimental use determination, including, but not limited to:

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[49] If there is no evidence that the TEXCEN Lease had an experimental purpose, then the lease could not have been "primarily" experimental in purpose so as to negate the on sale bar.

[50] *See Cincinnati Life Ins. Co. v. Cates,* 927 S.W.2d 623, 625 (Tex. 1996) (when trial court grants summary judgment on fewer than all grounds asserted, appellate court may affirm summary judgment on other grounds properly raised in the trial court).

[51] *Electromotive,* 417 F.3d at 1210; *Allen Eng'g Corp.,* 299 F.3d at 1354.

> (1) the necessity for public testing, (2) the amount of control over the experiment retained by the inventor, (3) the nature of the invention, (4) the length of the test period, (5) whether payment was made, (6) whether there was a secrecy obligation, (7) whether records of the experiment were kept, (8) who conducted the experiment, (9) the degree of commercial exploitation during testing, (10) whether the invention reasonably requires evaluation under actual conditions of use, (11) whether testing was systematically performed, (12) whether the inventor continually monitored the invention during testing, and (13) the nature of contacts made with potential customers.[52]

With regard to the last factor – nature of contacts made with potential customers – the Federal Circuit has held that a customer's awareness that the purpose of the sale was for experimental use is a "critical attribute of experimentation."[53] If an inventor fails to communicate to a customer that the sale of the invention was made in pursuit of experimentation, then the customer, as well as the general public, can only view the sale as a normal commercial transaction.[54] "[An inventor's] failure to communicate to any of the

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[52] *Allen Eng'g Corp.,* 299 F.3d at 1353; *see also Electromotive,* 417 F.3d at 1210.

[53] *Electromotive,* 417 F.3d at 1214.

[54] *In re Dybel,* 524 F.2d 1393, 1401 (C.C.P.A. 1975); *see also Paragon Podiatry Lab.,* 984 F.2d at 1186.

purchasers or prospective purchasers of his device that the sale or offering was for experimental use is fatal to his case."[55] In other words, customer awareness of the sale or offering's experimental purpose is dispositive.[56]

In his deposition testimony, Minton admitted that he never told Stark that the purpose of the TEXCEN Lease was to develop, test, or conduct experimentation on TEXCEN. Indeed, the summary judgment record contains no evidence showing that Stark was aware at the time the lease was executed that it was for experimental purposes. At most, the evidence on which Minton relies to establish Stark's awareness of the lease's experimental purpose merely shows that Stark knew at the time the lease was executed that TEXCEN was under development and that it may require further testing. This evidence does not prove that the purpose of the lease was experimental.[57] Nor does Minton's subjective characterization of the purpose of the lease made after the Patent Litigation constitute sufficient probative

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[55] *In re Dybel,* 524 F.2d at 1401.

[56] *See, e.g., Lough v. Brunswick Corp.,* 86 F.3d 1113, 1120 (Fed. Cir. 1996), *cert. denied,* 522 U.S. 806 (1997); *In re Hamilton,* 882 F.2d 1576, 1581 (Fed. Cir. 1989).

[57] *Allen Eng'g Corp.,* 299 F.3d at 1354; *see also Scaltech,* 178 F.3d at 1384 n.1 ("Commercial exploitation, if not incidental to the primary purpose of experimentation, will result in an on sale bar, even if the invention was still in its experimental stage.").

evidence to establish that Stark was aware of any alleged experimental use.[58]

Because there is no evidence that Stark was aware that the actual purpose of the TEXCEN Lease was experimental, we hold that, even assuming testing over the internet is relevant to a claimed element of the '643 Patent, the trial court did not err in finding that Minton failed to raise a genuine issue of material fact on his claim that the TEXCEN Lease had an experimental purpose. Therefore, as a matter of law, the lease was not *primarily* experimental in purpose and Minton has no defense to the on sale bar under the experimental use doctrine.

VII. Conclusion

In sum, we hold that Minton's legal malpractice claim does not "arise under" federal law, and that we have jurisdiction over this appeal. We further hold that the trial court did not err in granting appellees' traditional motion for summary judgment based on its conclusion that the TEXCEN Lease had a commercial purpose as a matter of law, and in granting appellees' no-evidence motion for summary judgment

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[58] *See, e.g., Cargill,* 476 F.3d at 1370; *Electromotive,* 417 F.3d at 1212, 1214; *Petrolite,* 96 F.3d at 1427; *Paragon Podiatry Lab.,* 984 F.2d at 1186; *Sinskey v. Pharmacia Ophthalmics, Inc.,* 982 F.2d 494, 499 (Fed. Cir. 1992), *cert. denied,* 508 U.S. 912 (1993); *LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n,* 958 F.2d 1066, 1071-72 (Fed. Cir. 1992); *D.L. Auld Co.,* 714 F.2d at 1150.

on the ground that Minton failed to produce sufficient relevant evidence to raise a genuine issue of material fact to support his claim of experimental use.[59] The trial court's summary judgment is affirmed.

JOHN CAYCE
CHIEF JUSTICE

PANEL: CAYCE, C.J.; GARDNER and WALKER, JJ.

WALKER, J., filed a dissenting opinion.

DELIVERED: October 8, 2009

DISSENTING OPINION

I. Introduction

I respectfully dissent. Because the federal courts possess exclusive jurisdiction over Appellant Vernon F. Minton's legal malpractice suit against Appellees Jerry W. Gunn, individually; Williams Squire & Wren, LLP; James E. Wren, individually; Slusser & Frost, L.L.P.; William C. Slusser, individually; Slusser Wilson & Partridge, L.L.P.; and Michael E. Wilson, individually, I would grant Minton's motion to dismiss, vacate the trial court's order granting summary

[59] In light of these holdings, we need not reach Minton's other issues or appellees' cross-point. *See* Tex. R. App. P. 47.1.

judgment for Appellees, and remand the case to the trial court for disposition in accordance with this opinion.

II. FACTS

A. Minton's Patent Infringement Suit in Federal Court

In the underlying litigation giving rise to Minton's legal malpractice claim, Minton sued NASD and NASDAQ Stock Market, Inc. in the United States District Court for the Eastern District of Texas for patent infringement.[1] The federal trial court granted NASD and NASDAQ's "Motion for Summary Judgment that [the '643 Patent] is Invalid under the 'On Sale' Bar Provision of 35 U.S.C. § 102(b)." *See* 35 U.S.C.A. § 102(b) (West 2001). The trial court granted summary judgment for NASD and NASDAQ based on the on sale bar rule, and the Court of Appeals for the Federal Circuit affirmed the trial court's summary judgment. *See Minton v. Nat'l Ass'n of Sec. Dealers, Inc.,* 336 F.3d 1373, 1381 (Fed. Cir. 2003).

[1] Minton alleged that NASD and NASDAQ have "infringed and continued to infringe claims 1, 2, 3 and 4" of U.S. Patent No. 6,014,643 (the '643 Patent).

B. Minton's Legal Malpractice Suit in State Court

Minton subsequently filed a legal malpractice suit in state court; his original petition asserted that Appellees, his attorneys in the underlying federal patent infringement suit, negligently did not plead or brief the experimental use exception to the on sale bar rule in an amended petition, in Minton's summary judgment response, or in the response to the trial court's request for briefing. These allegations are the sole basis for Minton's legal malpractice suit; he pleaded that Appellees owed a duty to represent him in his patent infringement suit within the applicable standard of care and that they breached their duty to him by "[f]ailing to timely plead and brief the experimental use defense."

Appellees filed two joint combined traditional and no-evidence motions for summary judgment in Minton's state legal malpractice action asserting that "the record establishes as a matter of law that Defendants' conduct did not proximately cause Minton's alleged damages because Minton would not have been able to successfully defeat the on sale bar either at the summary judgment stage or at trial." The trial court granted both Appellees' joint motions for summary judgment. This appeal followed, and Minton filed a motion to dismiss, alleging that the federal courts possess exclusive jurisdiction over his legal malpractice suit.

III. The Law Concerning Section 1338 Jurisdiction

The United States Code provides that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . . Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases." 28 U.S.C.A. § 1338(a) (West 2006).[2] The United States Supreme Court has for nearly 100 years recognized that in certain cases federal question jurisdiction will lie over state law claims that implicate significant federal issues. *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.,* 545 U.S. 308, 312, 125 S. Ct. 2363, 2367 (2005).

A significant federal issue is implicated when a well-pleaded complaint establishes that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law in that federal law is a necessary element of the well-pleaded complaint. *Christianson v. Colt Indus. Operating Corp.,* 486 U.S. 800, 809, 108 S. Ct. 2166, 2174 (1988). The well-pleaded complaint rule is the starting point in analyzing Section 1338 jurisdiction in suits involving patents. *See, e.g., Caterpillar, Inc. v. Williams,* 482 U.S. 386, 392, 107 S. Ct. 2425, 2429 (1987). Under this "well-pleaded complaint" rule, whether the claim arises under federal patent law "'must be determined from what necessarily appears in the plaintiff's

[2] Hereinafter referred to as "Section 1338."

statement of his own claim . . . unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose.'" *Christianson,* 486 U.S. at 809, 108 S. Ct. at 2174 (quoting *Taylor v. Anderson,* 234 U.S. 74, 75-76, 34 S. Ct. 724, 724 (1914)). The complaint must do more than demonstrate that a question of federal patent law is "lurking in the background." *Franchise Tax Bd. of State of Cal. v. Constr. Laborers Vacation Trust for S. Cal.,* 463 U.S. 1, 12, 103 S. Ct. 2841, 2847 (1983). A complaint successfully establishes that a plaintiff's right to relief necessarily depends on a substantial question of patent law and that federal law is a necessary element of the well-pleaded complaint when from the plaintiff's pleading, it appears that some right or privilege will be defeated by one construction or sustained by the opposite construction of patent laws. *Christianson,* 486 U.S. at 807-08, 108 S. Ct. at 2173.[3] But a pleaded claim supported by

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[3] *See also Univ. of W. Va. Bd. of Trs. v. VanVoorhies,* 278 F.3d 1288, 1295 (Fed. Cir. 2002) (holding Section 1338 jurisdiction existed over state law claim alleging breach of duty to assign a patent because claim required resolution of the disputed patent application); *U.S. Valves, Inc. v. Dray,* 212 F.3d 1368, 1372 (Fed. Cir. 2000) (holding Section 1338 jurisdiction existed over state law breach of contract claim requiring proof of patent infringement); *Hunter Douglas, Inc. v. Harmonic Design, Inc.,* 153 F.3d 1318, 1329 (Fed. Cir. 1998) (holding Section 1338 jurisdiction existed over state law claim of injurious falsehood when plaintiff was required to prove invalidity of patent), *overruled in part on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.,* 175 F.3d 1356, 1358-59 (Fed. Cir. 1999), *and cert. denied,* 525 U.S. 1143 (1999); *Scherbatskoy v. Halliburton Co.,*

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alternative theories in the complaint may not form the basis for Section 1338 jurisdiction unless patent law is essential to each of those theories. *Id.* at 812, 108 S. Ct. at 2175-76 (recognizing, in applying well-pleaded complaint doctrine, that although the patent issue could be an element of the plaintiff's monopolization antitrust theory and plaintiff's group-boycott antitrust theory, plaintiff's complaint also pleaded reasons completely unrelated to the provisions and purposes of federal patent law why the plaintiff might be entitled to the relief sought so that plaintiff's claims did not "arise under" Section 1338).

In determining whether federal question jurisdiction exists, in addition to examining whether a well-pleaded complaint establishes that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law in that federal law is a necessary element of the well-pleaded complaint, courts must also conduct a federalism analysis. *Grable,* 545 U.S. at 313-14, 125 S. Ct. at 2367-68. That is, courts must also examine whether federal court jurisdiction over a state claim implicating a substantial question of federal law is consistent with congressional judgment regarding the proper

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125 F.3d 288, 291 (5th Cir. 1997) (holding Section 1338 jurisdiction existed over state law breach of contract claim when plaintiff was required to prove patent infringement); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.,* 986 F.2d 476, 477-78 (Fed. Cir. 1993) (holding Section 1338 jurisdiction existed over state law business disparagement claim that required proof of patent non-infringement).

division of labor between state and federal courts. *Id.* 125 S. Ct. at 2367. Stated another way, courts must inquire whether a federal forum may entertain the state claim raising a disputed, substantial federal issue without disturbing any congressionally approved balance of federal and state judicial responsibilities. *Id.* at 314, 125 S. Ct. at 2368. When Congress has not provided a federal, private remedy for the violation of a particular federal statute, the presence of an issue concerning that statute as an element of a state tort claim is not ordinarily considered "substantial" enough to confer federal question jurisdiction. *See Franchise Tax Bd.,* 463 U.S. at 21-22, 103 S. Ct. at 2852 (holding federal question jurisdiction did not exist over a declaratory judgment suit brought by state taxing authorities concerning the application of a state statute to an ERISA qualified trust); *see also Merrell Dow Pharms. Inc. v. Thompson,* 478 U.S. 804, 814, 106 S. Ct. 3229, 3235 (1986) (holding federal question jurisdiction did not exist over state tort claim that pharmaceutical company had misbranded drug Bendectin in violation of Federal Food, Drug, and Cosmetic Act).

IV. Section 1338 Jurisdiction Over Minton's Legal Malpractice Claim

A. Minton's Well-Pleaded Complaint

Starting with a well-pleaded complaint analysis, Minton's petition does establish that his right to relief in his state legal malpractice suit necessarily depends

on resolution of a substantial question of federal patent law. *See Christianson,* 486 U.S. at 809, 108 S. Ct. at 2174. As Appellees and the Majority Opinion acknowledge, to prevail in his legal malpractice claim, Minton must prove a "suit within a suit." *See Alexander v. Turtur Assocs., Inc.,* 146 S.W.3d 113, 117 (Tex. 2004) (articulating suit within a suit requirement). That is, to prevail when the asserted legal malpractice involves the results of prior litigation, the plaintiff bears the additional burden of proving that, "but for" the attorney's breach of duty, he would have won in the underlying litigation and would have been entitled to judgment. *See, e.g., Schlager v. Clements,* 939 S.W.2d 183, 186-87 (Tex.App. – Houston [14th Dist.] 1996, writ denied).

Turning specifically to Minton's original pleading, he asserted one cause of action against Appellees – negligence. He asserted as the sole basis for his negligence pleading one theory of negligence by Appellees – the failure to timely plead and brief the experimental use exception in response to Appellees' assertion of the on sale bar rule. Thus, in his state legal malpractice claim, Minton must prove that "but for" Appellees' alleged negligence, he would have prevailed on every element of his patent infringement suit against NASD and NASDAQ, including application of the experimental use exception to the on sale bar rule and damages from NASD and NASDAQ's alleged infringement and continued infringement of claims 1, 2, 3, and 4 of the '643 Patent.

B. A Disputed, Substantial Issue of Federal Patent Law

When a state legal malpractice claim requires the hypothetical adjudication of the merits of an underlying federal patent infringement lawsuit – that is, trial of the patent infringement suit within the legal malpractice suit – the legal malpractice case presents a disputed, substantial question of federal patent law conferring Section 1338 jurisdiction on the federal courts. *See, e.g., Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.,* 504 F.3d 1262, 1272-73 (Fed. Cir. 2007)[4] (holding federal courts possessed exclusive Section 1338 jurisdiction over Texas state legal malpractice claim stemming from underlying federal patent infringement suit); *Immunocept, LLC v. Fulbright & Jaworski, LLP,* 504 F.3d 1281, 1284 (Fed. Cir. 2007) (same, stemming from underlying claims for patent infringement, comparison of patent application, and patent scope). That is, when the plaintiff must plead and prove his entire underlying patent infringement suit to satisfy the "but for" causation requirement of his state legal malpractice claim, the state legal malpractice claim presents a disputed, substantial issue of federal patent law. *See AMT,* 504 F.3d at 1272 (explaining that "patent infringement is disputed, for there is no concession by Akin Gump that the [defendants] infringed AMT's patents, and the issue is substantial, for it is a

[4] Hereinafter referred to as "*AMT*."

necessary element of the malpractice case"); *Immunocept,* 504 F.3d at 1285 (holding that "[b]ecause it is the sole basis of [plaintiff's state law legal malpractice claim], the claim drafting error is a necessary element of the malpractice cause of action" and triggers Section 1338 jurisdiction). Numerous courts have followed the holdings of *AMT* and *Immunocept*; federal courts have denied motions to remand state legal malpractice claims stemming from underlying patent litigation and state courts have dismissed such actions, holding Section 1338 jurisdiction existed.[5]

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[5] *See, e.g., Tomar Elecs., Inc. v. Watkins,* No. 2:09-cv-00170-PHX-ROS, 2009 WL 2222707, at *1-2 (D. Ariz. July 23, 2009) (order on motion to remand) (holding federal courts possessed exclusive Section 1338 jurisdiction over state law legal malpractice stemming from patent infringement suit); *see also, e.g., LaBelle v. McGonagle,* No. 07-12097-GAO, 2008 WL 3842998, at *2-4 (D. Mass. Aug. 15, 2008) (opinion and order, not reported) (same, stemming from negligent failure to file patent application); *Byrne v. Wood, Herron & Evans, LLP,* No. 2: 08-102-DCR, 2008 WL 3833699, at *4-5 (E.D. Ky. Aug. 13, 2008) (mem. op. and order, not reported) (holding federal courts possessed exclusive Section 1338 jurisdiction over state legal malpractice claim stemming from patent infringement suit); *Lockwood v. Sheppard, Mullin, Richter & Hampton,* 93 Cal. Rptr. 3d 220, 228-29 (Cal. Ct. App. 2009) (holding federal courts possessed exclusive Section 1338 jurisdiction over state law claims stemming from opposing attorney's alleged action in obtaining patent reexamination); *TattleTale Portable Alarm Sys. v. Calfee, Halter & Griswold, L.L.P.,* No. 08AP-693, 2009 WL 790314, at *4-5 (Ohio Ct. App. Mar. 26, 2009) (holding federal courts possessed exclusive Section 1338 jurisdiction over state law legal malpractice claim stemming from failure to pay patent maintenance fees or to seek revival of patent).

In summary, it is clear from Minton's legal malpractice pleading that his right to recover from Appellees in his legal malpractice suit will be defeated by one construction or sustained by the opposite construction of the patent laws concerning the on sale bar rule, concerning the experimental use exception, and ultimately concerning NASD's and the NASDAQ's alleged infringement to claims 1, 2, 3 and 4 of the '643 Patent.[6] *See Christianson,* 486 U.S. at 809, 108 S. Ct. at 2174. Minton pleaded no alternative "theories" of recovery in his legal malpractice suit – the sole allegation of negligence against Appellees is that in Minton's patent infringement suit they negligently failed to plead and brief the experimental use exception after NASD and NASDAQ moved for summary judgment on the basis of the on sale bar rule. Thus, application of the well-pleaded complaint doctrine and examination of whether Minton's right

[6] Both the on sale bar rule and the experimental use exception to the application of the on sale bar rule are part and parcel of Minton's patent infringement lawsuit. *See* 35 U.S.C.A. § 102(b); *Allen Eng'g Corp. v. Bartell Indus., Inc.,* 299 F.3d 1336, 1353 (Fed. Cir. 2002). They are not stand-alone doctrines or claims that may be plucked from a federal patent infringement lawsuit and, somehow, not present substantial issues of federal patent law when a patent infringement lawsuit itself presents a substantial question of federal patent law triggering Section 1338 jurisdiction. *See* 28 U.S.C.A. § 1338(a) (providing exclusive, original federal court jurisdiction over "any civil action arising under any Act of Congress relating to patents"); *AMT,* 504 F.3d at 1270 (recognizing that in the case-within-a-case context the on sale bar rule is "not the sort of jurisdiction defeating defense[ ] contemplated by *Christianson*").

to relief in his state legal malpractice suit necessarily depends on resolution of a substantial question of federal patent law both compel the conclusion that Minton's state legal malpractice claim raises a disputed, substantial issue of federal patent law. *See AMT,* 504 F.3d at 1269 (holding, "[b]ecause proof of patent infringement is necessary to show AMT would have prevailed in the prior litigation, patent infringement is a 'necessary element' of AMT's malpractice claim and therefore apparently presents a substantial question of patent law conferring § 1338 jurisdiction"); *Immunocept,* 504 F.3d at 1285 (recognizing "a determination of patent infringement serves as the basis of § 1338 jurisdiction over related state law claims"); *see also Christianson,* 486 U.S. at 809, 108 S. Ct. at 2174; *accord Marsh v. Austin-Fort Worth Coca-Cola Bottling Co.,* 744 F.2d 1077, 1079 (5th Cir. 1984) (holding Court of Appeals for the Federal Circuit possessed exclusive jurisdiction over summary judgment granted by federal district court for defendants on the basis that plaintiff "lost his patent rights" under 35 U.S.C. § 102 – the on sale bar rule – by displaying his invention at a convention before he applied for a patent even though plaintiff asserted state law claims and filed in federal court based on diversity of citizenship).

C. Disagreement with the Majority Opinion's Federal Question Analysis

The Majority Opinion holds that in Minton's legal malpractice claim "the federal issue is insubstantial."

To reach this holding, despite the plethora of case law specifically addressing Section 1338 jurisdiction in state claims alleging legal malpractice during federal patent litigation,[7] the Majority Opinion chooses to follow *Singh v. Duane Morris, L.L.P,* 538 F.3d 334, 338 (5th Cir. 2008). *Singh* is a Fifth Circuit case in which legal malpractice was alleged to have occurred during *trademark* litigation. *Id.* The *Singh* opinion itself limited its holding to Section 1338 jurisdiction in suits alleging malpractice during *trademark* litigation and expressly declined to extend its holding to suits alleging malpractice during *patent* litigation. The Fifth Circuit stated,

> It is possible that the federal interest in patent cases is sufficiently more substantial, such that it might justify federal jurisdiction. But we need not decide the question before the Federal Circuit [in *AMT*], because it is not before us. We conclude only that jurisdiction does not extend to malpractice claims involving trademark suits like this one.

Id. at 340. I cannot agree with the Majority Opinion that the *Singh* opinion, having expressly declined to extend its holding to malpractice claims involving patent suits, has any application to the Section 1338

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[7] *See, e.g., AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1285; *see also Tomar Elecs., Inc.,* 2009 WL 2222707, at *1-2; *LaBelle,* 2008 WL 3842998, at *2-4; *Byrne,* 2008 WL 3833699, at*4-5; *TattleTale Portable Alarm Sys.,* 2009 WL 790314, at *4-5.

jurisdictional analysis of Minton's malpractice claim involving a patent suit.

D. Federalism Analysis

A determination that a state law claim presents a disputed, substantial issue of federal patent law does not end a Section 1338 jurisdictional query. *Grable,* 545 U.S. at 314, 125 S. Ct. at 2367. As previously mentioned, courts must also examine whether federal court jurisdiction over a state claim implicating a substantial question of federal law is consistent with congressional judgment regarding the proper division of labor between state and federal courts. *Id.* at 314, 125 S. Ct. at 2368.

Moving to the required examination of whether a federal court's exercise of subject matter jurisdiction over Minton's state legal malpractice claim is consistent with congressional judgment regarding the proper division of labor between state and federal courts, the answer is clearly that it is. *See id.* at 314, 125 S. Ct. at 2368. As recognized by the Court of Appeals for the Federal Circuit in determining that Section 1338 jurisdiction existed over a Texas legal malpractice claim stemming from an underlying patent infringement suit – like Minton's,

> There is a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency. The litigants will also benefit from federal judges who have experience in

> claim construction and infringement matters. *See Grable,* 545 U.S. at 315, 125 S. Ct. 2363; *see also Lacks Indus., Inc. v. McKechnie Vehicle Components USA, Inc.,* 322 F.3d 1335, 1341 (Fed. Cir. 2003) (stating that patent infringement involves a two-step process where the court first determines the scope and meaning of the asserted claims and then compares the construed claims to the accused product). Under these circumstances, patent infringement justifies "resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues." *Grable,* 545 U.S. at 312, 125 S. Ct. 2363. In § 1338, Congress considered the federal-state division of labor and struck a balance in favor of this court's entertaining patent infringement. For us to conclude otherwise would undermine Congress's expectations.

AMT, 504 F.3d at 1272. Likewise, in *Immunocept,* the Court of Appeals for the Federal Circuit reiterated that Congress's intent to remove non-uniformity in patent law, as evidenced by its enactment of the Federal Courts Improvement Act of 1982, was further indicium that Section 1338 jurisdiction existed over a Texas state legal malpractice claim stemming from attorneys' alleged negligent claim drafting in a patent application. 504 F.3d at 1285. For the reasons articulated in the *AMT* and the *Immunocept* opinions, by enacting Section 1338, Congress considered the federal-state division of labor and struck a balance in favor of the federal courts for patent infringement

issues. *AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1285.

Minton's state suit, unlike the state litigation *Franchise Tax Board* and *Merrell Dow Pharmaceuticals, Inc.,* is not based on a violation of a federal statute for which Congress has provided no private federal remedy. *See Franchise Tax Bd.,* 463 U.S. at 21-22, 103 S. Ct. at 2852 (ERISA); *Merrell Dow Pharms. Inc.,* 478 U.S. at 814, 106 S. Ct. at 3235 (FDCA). Minton's suit is based on alleged malpractice during the pursuit of an authorized, private, exclusively federal remedy for patent infringement. *See* 28 U.S.C.A. § 1338(a) (granting federal district courts exclusive jurisdiction over patent cases). In fact, Minton must prove his entire private, federal cause of action for patent infringement as an element of his state law claim. Thus, a federalism analysis of Minton's state legal malpractice claim weighs in favor of the congressional intent expressed in Section 1338 that federal courts exercise original, exclusive jurisdiction over patent infringement issues. *See AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1285.

E. Disagreement with the Majority Opinion's Federalism Analysis

The Majority Opinion holds that "the exercise of federal jurisdiction over this [Minton's] state-law malpractice claim would disturb the balance between federal and state judicial responsibilities." Majority Op. at 13. In reaching this conclusion, the Majority

Opinion expressly declines to follow *AMT*'s and *Immunocept*'s federalism analysis for three reasons. First, the Majority Opinion chooses to give no precedential value to the jurisdictional determinations of the Court of Appeals for the Federal Circuit. Second, the Majority Opinion claims that in both *AMT* and *Immunocept,* the Court of Appeals for the Federal Circuit "misapplied United States Supreme Court precedent by disregarding the federalism analysis that the Supreme Court has applied to restrict the scope of federal 'arising under jurisdiction.'" Majority Op. at 14-15. And third, the Majority Opinion summarily concludes that application of the on sale bar rule and the experimental use exception in Minton's state legal malpractice suit are fact-bound and situation-specific issues. I cannot agree with any of these propositions.

Concerning the precedential value to be given the jurisdictional determinations of the Court of Appeals for the Federal Circuit, the Majority Opinion cites *Penrod Drilling Corp. v. Williams,* 868 S.W.2d 294 (Tex. 1993), in support of its decision to give no precedential value to *AMT*'s and *Immunocept*'s federalism analysis. *Penrod Drilling,* however, does not support the Majority Opinion's position. *Penrod Drilling* actually holds that a court of appeals erred by following Fifth Circuit precedent and by summarily disregarding all contrary federal authority, just as the Majority Opinion here does by following the Fifth Circuit's *Singh* decision and disregarding contrary

federal authority. Majority Op. at 11-15; *see Singh,* 868 S.W.2d at 296-97.

Concerning the Majority Opinion's conclusion that in both *AMT* and *Immunocept* the Court of Appeals for the Federal Circuit "misapplied United States Supreme Court precedent by disregarding the federalism analysis that the Supreme Court has applied [in *Grable* and *Empire Healthchoice Assurance, Inc. v. McVeigh*[8]] to restrict the scope of federal 'arising under jurisdiction,'" I simply cannot agree. Both *AMT* and *Immunocept* were decided in 2007 after *Grable* and *Empire. See Grable,* 545 U.S. at 308, 125 S. Ct. at 2363 (decided in 2005); *Empire,* 547 U.S. at 677, 126 S. Ct. at 2136-37 (decided in 2006). Moreover, as set forth above, both *AMT* and *Immunocept* actually cite *Grable* and expressly discuss the federalism analysis required by *Grable* and *Empire. See AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1285. The Majority Opinion does not posit exactly how the federalism analysis of the Court of Appeals for the Federal Circuit is purportedly deficient in *AMT* and in *Immunocept*; no deficiency is apparent to me.

In conducting the required federalism analysis in *AMT*, the Court of Appeals for the Federal Circuit expressly recognized "a strong federal interest in the adjudication of patent infringement claims in federal court because patents are issued by a federal agency."

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[8] 547 U.S. 677, 699-701, 126 S. Ct. 2121, 2137-37 (2006).

AMT, 504 F.3d at 1272; *see also Immunocept,* 504 F.3d at 1285. The Court of Appeals for the Federal Circuit explained that "[t]he litigants will also benefit from federal judges who have experience in claim construction and infringement matters." *AMT,* 504 F.3d at 1272 (citing *Grable,* 545 U.S. at 315, 125 S. Ct. at 2363); *see also Immunocept,* 504 F.3d at 1285 (citing *Grable* and explaining, "Litigants will benefit from federal judges who are used to handling these complicated rules"). The Court of Appeals for the Federal Circuit explicitly stated that a state claim requiring proof of patent infringement justifies "resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues." *AMT,* 504 F.3d at 1269; *see also Immunocept,* 504 F.3d at 1285 (recognizing that the intent of Congress to remove non-uniformity in the patent laws via the enactment of the Federal Courts Improvement Act of 1982 is a further indication of federal question jurisdiction in a state legal malpractice suit requiring the proof of an entire underlying patent infringement lawsuit). The Court of Appeals for the Federal Circuit noted that "[i]n § 1338, Congress considered the federal-state division of labor and struck a balance in favor of this court's entertaining patent infringement." *AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1286. Finally, the Court of Appeals for the Federal Circuit in *AMT* held that "[f]or us to conclude otherwise would undermine Congress's expectations." *AMT,* 504 F.3d at 1272. Thus, the Court of Appeals for the Federal Circuit in *AMT* and in *Immunocept* did conduct the required federalism analysis and reached the exact

opposite conclusion of the Majority Opinion's holding that "the exercise of federal jurisdiction over this state-law malpractice claim would disturb the balance between federal and state judicial responsibilities." Majority Op. at 13. The Court of Appeals for the Federal Circuit held that the exercise of *state* jurisdiction over a state legal malpractice claim like Minton's requiring a "trial within a trial" of the underlying patent infringement suit would disturb the congressionally mandated balance between federal and state judicial responsibilities. *See AMT,* 504 F.3d at 1272; *Immunocept,* 504 F.3d at 1285-86.

Finally, the Majority Opinion holds that Section 1338 jurisdiction is not triggered because application of the on sale bar rule and the experimental use exception in Minton's legal malpractice claim are "fact-bound and situation-specific" issues. Majority Op. at 15 (citing *Empire,* 547 U.S. at 699-701, 126 S. Ct. at 2136). The "fact-bound and situation-specific" aspect of the Majority Opinion's analysis is clearly incorrect. It puts the cart before the horse; a court cannot look past the jurisdictional issue, examine the merits of state court summary judgment evidence, decide that issues are fact-bound and situation-specific, and then use its decision on the merits to retroactively defeat Section 1338 jurisdiction. Instead, as outlined above, Section 1338 jurisdiction is to be determined based on the well-pleaded complaint doctrine and a federalism analysis, not on summary judgment evidence or non-evidence or the fact that the case was subsequently disposed of by

summary judgment. *See Lockwood,* 93 Cal. Rptr. 3d at 228-29 (explaining that trial court should have dismissed for lack of subject matter jurisdiction, not granted summary judgment, and rejecting defense's argument that these two outcomes are equivalent). For these reasons, I cannot agree with the Majority Opinion's federalism analysis.

V. CONCLUSION

I would hold that the federal courts possess Section 1338 jurisdiction over Minton's state legal malpractice suit that requires proof of every element of his underlying patent infringement suit. I would grant Minton's motion to dismiss, vacate the trial court's order granting summary judgment for Appellees, and remand the case to the trial court for disposition in accordance with this opinion.

SUE WALKER
JUSTICE

DELIVERED: October 8, 2009

[SEAL]

COURT OF APPEALS
SECOND DISTRICT OF TEXAS
FORT WORTH

NO. 2-06-443-CV

VERNON F. MINTON	APPELLANT
V.	
JERRY W. GUNN, INDIVIDUALLY; WILLIAMS SQUIRE & WREN, LLP; JAMES E. WREN, INDIVIDUALLY; SLUSSER & FROST, L.L.P.; WILLIAM C. SLUSSER, INDIVIDUALLY; SLUSSER WILSON & PARTRIDGE LLP; AND MICHAEL E. WILSON, INDIVIDUALLY	APPELLEES

FROM THE 48TH DISTRICT COURT
OF TARRANT COUNTY

ORDER

After considering appellant's Motion for Rehearing En Banc, we deny the motion. *See* Tex. R. App. P. 41.2(a), (c), 49.7; *Saenz v. Fid. & Guar. Ins. Underwriters,* 925 S.W.2d 607, 612 (Tex. 1996) ("[I]f the vote

on a motion for rehearing or motion for rehearing en banc is evenly divided, . . . the motion fails.").

The clerk of this court is directed to transmit a copy of this order to the attorneys of record.

DATED January 15, 2010.

PER CURIAM

EN BANC

LIVINGSTON, WALKER, and MCCOY, JJ., would grant.