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Terrorizing patent practitioners: Highlights from oral argument at the Supreme Court for Gunn v. Minton

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On January 16, 2013, the Supreme Court of the United States heard oral arguments in *Gunn*.[1] The heart of the matter is whether the state-based malpractice action may be heard in state court or whether it must be heard in federal court because it "arises under" federal question jurisdiction. Our previous reports have examined the history of the case as it has moved through the Texas courts to the Supreme Court, including Petitioner's and Respondent's briefs and associated *amicus curiae* briefs.[2]

This update addresses the topics that the Justices raised during oral argument. The Court visited several subjects of interest, including the balance between federal and state responsibilities and two of the four *Grable* factors - "substantiality" and the federal interest.[3] Two noteworthy areas of discussion include the examination of the federal and state balance as a consideration for determining which court system tries patent malpractice cases and the impact upon patent practitioners.

Federal versus state courts

Justice Scalia inquired about the binding effect of federal decisions on state-based laws and state decisions on federally-based laws. Petitioners responded that there is no binding effect of a state court interpreting a legal malpractice claim that includes a patent issue on laws and regulations for patent prosecution before the Patent and Trademark Office or in federal courts for patent litigation. Petitioners also responded that a federal court's decision determining malpractice law would not bind a Texas court's interpretation of Texas malpractice law. Petitioners argued there are no federal issues that need to be resolved in the case; the patent questions are fact issues.[4]

Respondent argued that the decision of state courts regarding patent law will have an influence on the federal courts and agencies. Issue preclusion will bind the parties in the state court proceedings even if the dispute comes up subsequently in a federal forum.[5] Respondent argued that issue preclusion emerges because of the case-within-a-case analysis structure of the malpractice claim. Because the federal issue is determined under a state court's interpretation of what federal laws and practices are, the state courts naturally will develop a body of state-based common law that interprets the federal patent rules and regulations. Federal courts and agencies do not have the authority to review this state common law. This state-based common law ultimately impacts the decision of a federal court or agency because the attorney is collaterally estopped from presenting the issue again in a federal court after the state court has interpreted the federal issue using the state's common law.[6] Respondent

offered the following as an example of the impact that a state court can have on a federal agency: that the prior state-based findings in this very case were submitted to the PTO as part of Respondent's duty of disclosure for maintaining the prosecution of a continuation patent application related to the patent in the underlying patent infringement case.[7]

Justice Scalia asked Respondent why it is preferable to hear a state-based malpractice action for an underlying patent infringement case in federal court over a state court, where the malpractice action originates:

I mean, it seems to me it's Twiddle Dum or Twiddle Dee, whichever court system you go to, you are going to terrorize the lawyers of that State on the basis of an opinion of a court that is not dispositive on those issues.[8]

Respondent argued that since patent infringement cases are tried in federal court under federal rules, whereas malpractice cases with underlying patent infringement issues are tried in state court under state court rules, the state courts may not adopt the same rules for interpreting the patent-related issues in the malpractice case as a federal court would in a patent case.[9] Scalia retorted that Respondent was asking for the same thing in reverse: trying state-based malpractice claims where the federal courts may not adopt the state's malpractice-interpretation rules. Respondent agreed there appeared to be a conundrum but emphasized that it is important for the patent issue in the malpractice case (the experimental use exception) to be decided under federal law because it is not a hypothetical holding but would have "real-world effect".[10] Moreover, holding that these cases may be tried in state courts could result in the fifty states potentially deciding some of these federal patent issues differently and seriously undermining the continuity and consistency of an area of law that requires those very qualities if it is to serve its purpose.

Administering patent law practitioners

The Justices looked into the impact of the decision on patent law practitioners. "Patent attorneys" are licensed attorneys who practice federal patent law but who are also subject to administration by the state courts and a state bar association.[11] Respondent argued that a state court determination on federal patent law, such as one made in a malpractice case, can act to form a new state-based common law doctrine that patent attorneys must comply with or potentially face either attorney discipline or a lawsuit. If Petitioners are correct, Respondent argued that not only will patent attorneys have to comply with federal patent law but also with state-based common law developed in state courts that interpret the requirements of federal patent law and regulations.[12] Chief Justice Roberts and Justices Kagan and Sotomayor questioned whether it is realistic that a state could find that a patent attorney had committed malpractice in fully complying with the requirements of the federal practice. Respondent answered that a patent attorney potentially could be found to have committed malpractice if the patent attorney did not comply with the state's interpretation of what federal patent law or regulations required.[13]

During rebuttal argument, both Chief Justice Roberts and Justice Sotomayor continued the inquiry with Petitioners by asking about the possibility of patent lawyers having to fulfill additional or different requirements in complying with both state and federal rules in practicing patent law. Petitioners responded that any extra work done by a patent attorney based upon a state common-law requirement to avoid malpractice ultimately does not undermine the federal

requirements and duties for performing the prosecution or handling the litigation. A patent attorney following a state requirement that is contrary to a federal requirement, however, is doing so at their own peril.[14]

The transcript for the oral argument is available at the Supreme Court's website.[15]

If your company has questions about, or cases involving, "arising under" jurisdiction, please contact any of the Bracewell & Giuliani attorneys listed for more information regarding this topic.

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[1] Minton v. Gunn, 355 S.W.3d 634 (Tex. 2011), *cert. granted* (U.S. Oct. 5, 2012) (No. 11-1118).

[2] Mike Sellers et al., *Gunning for the Supreme Court: A "Substantial" Case "Arising" from Texas That Means More Than You Think!* (Oct. 9, 2012), *available* ***here***.

[3] Grable & Sons Metal Products, Inc. v. Darue Eng'g & Mfg., 545 U.S. 308, 316 (2005).

[4] Oral Argument Transcript at 11-12, Gunn v. Minton (U.S., filed Jan. 16, 2013) (No. 11-1118).

[5] Oral Argument Transcript at 28-29.

[6] Oral Argument Transcript at 29-32.

[7] Oral Argument Transcript at 40-41.

[8] Oral Argument Transcript at 35.

[9] Oral Argument Transcript at 35-36.

[10] Oral Argument Transcript at 35-37.

[11] Two of the three authors (Sellers and Samardzija) are registered patent attorneys.

[12] Oral Argument Transcript at 30-32.

[13] Oral Argument Transcript at 33-35.

[14] Oral Argument Transcript at 49-51.

[15] ***http://www.supremecourt.gov/oral_arguments/argument_transcripts/11-1118.pdf***.