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Shot Down by the Gunn: The Supreme Court Rules in Favor of Leaving Malpractice Cases Involving Underlying Patent Issues with State Courts

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On February 20, 2013, the Supreme Court issued its opinion in the case of Gunn v. Minton.[1] The heart of this matter is whether the state-based malpractice action based upon an underlying patent infringement lawsuit 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 Petitioners' and Respondent's briefs, associated amicus curiae briefs and the oral argument before the Court.[2]

The Decision

In summary, the Court found in its 9-0 decision that the Respondent, the inventor Vernon Minton, failed to establish "arising under" subject matter jurisdiction based upon Section 1338(a) for the Texas professional malpractice action against Jerry Gunn and several law firms. Chief Justice Roberts delivered the unanimous opinion of the Court.[3]

The Court acknowledges that a "special and small category" of cases can arise under federal jurisdiction even when federal law does not create original jurisdiction.[4] To determine if this is one of those cases, the case needs to raise a federal issue that is necessary, actually disputed, substantial, and capable of resolution in federal court without disrupting the federal-state balance approved by Congress. In addition, upon meeting these four conditions, consideration is given to Congress' intended division of labor between the state and federal courts.[5]

In analyzing the state-based malpractice action with an underlying patent infringement suit versus the *Grable* factors, the Court states that "we are comfortable concluding that state legal malpractice claims based on underlying patent matters will rarely, if ever, arise under federal patent law for purposes of §1338(a)."[6]

After passing quickly through the first two *Grable* elements – necessary and disputed – the Court addresses the element of "substantiality" of the issue presented. The Court identifies problems not only with the Texas Supreme Court's analysis of substantiality in *Minton* but also the analysis of the Federal Circuit in the opinion from *Air Measurement*:[7]

As our past cases show, however, **it is not enough that the federal issue be significant to the particular parties in the immediate suit**; that will always be true when the state claim "necessarily raise[s]" a disputed federal issue, as *Grable* separately requires. **The substantiality inquiry under *Grable* looks instead to the importance of the issue to the federal system as a whole**

.[8]

The Court turns to *Grable* and *Smith*[9] and further differentiates this case in showing that the importance of the question to the parties alone is not enough – it must be important to the validity of the government's action or the law.[10]

In addition, the hypothetical nature of the causation element of a malpractice action – the case-within-a-case or suit-within-a-suit – simply does not make the patent infringement or patent prosecution issue substantial. "**No matter how the state courts resolve that hypothetical 'case within a case,'** it will not change the real-world result of the prior federal patent litigation. **Minton's patent will remain invalid**."[11] The Court expressed reassurance that non-hypothetical patent cases have original and exclusive jurisdiction in federal courts under 28 U.S.C. § 1338(a), and if any novel question emerges from the state-based case-within-a-case analysis that the question would eventually be settled by a federal court.[12]

In regards to the expertise given in federal courts and administrative agencies towards patents, the Court simply did not find the argument that their mere existence endowed patent legal issues in this hypothetical context with substantiality. The Court expressed its full confidence that state courts can handle the interpretation of patent law for non-federal issues: "[b]ut the possibility that a state court will incorrectly resolve a state claim is not, by itself, enough to trigger the federal courts' exclusive patent jurisdiction, even if the potential error finds its root in a misunderstanding of patent law."[13]

The Court also cites to the critical role that states play in administrating their attorneys, acknowledging the special burden that states play in maintaining the professional standards of their members. The Court was not presented with a reason that would undermine this critical state function, especially in light that the patent issue is only a hypothetical one.[14]

In concluding, the Court found that any decision of the patent matter in *Gunn* would not have a broad effect, and therefore the issue simply did not necessitate federal court intervention.[15]

The effects of the decision

The immediate effect for Jerry Gunn and the other Petitioners is that the malpractice case against them is effectively over after 9 years.[16] Upon remand, the Texas Supreme Court will likely adopt the decision originally given in *Minton* at the Ft. Worth Court of Appeals, which found a lack of substantially and a conflict with the federal/state balance.[17]

The *Gunn* opinion effectively overturns both *Air Measurement* and *Immunocept*,[18] the Federal Circuit's version of the *Grable* test, and validates the opinions given in *New Tek I* & *II*,[19] which are from the Nebraska Supreme Court in 2005 and 2008 that assert state dominion over malpractice actions even in the light of an underlying patent issue. The Court cited *Air Measurement* several times and indicated what the proper substantiality and federal/state balance analysis should have been.[20] The *Grable* analysis given in both *Air Measurement* and *Immunocept* have been used in dozens of other suits since 2007, both in state and federal courts, to remove patent malpractice cases from the state courts and to prevent remand back to state court.[21] Any current use of *Minton* and *Air Measurement* in non-patent related cases will likely be immediately challenged.[22]

The Supreme Court's opinion also vindicates the dissenting and concurring opinions given by Justice Kathleen O'Malley in the spring of 2012. Justice O'Malley's dissenting opinion for the denial of *en banc* rehearing in *Byrne*[23] and her concurring and dissenting opinions in several other patent malpractice cases that quickly followed[24] provided the most salient arguments – that there is a problem with the Federal Circuit's analysis of substantiality and the federal/state balance – for Petitioner Gunn. It is now likely that *Byrne*, which is on petition for *certiorari* with the Court,[25] will likely be remanded back to the Federal Circuit with instructions to follow the decision as presented in *Gunn*.

The Supreme Court's decision in *Gunn* is available at the Court's website.[26]

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] Gunn v. Minton, 568 U.S. ___, No. 11-1118 (U.S. Feb. 20, 2013), *reversing and remanding* Minton v. Gunn, 355 S.W.3d 634 (Tex. 2011).

[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] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 1.

[4] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 5-6 (*quoting from* Empire HealthChoice Assurance, Inc. v. McVeigh, 547 U.S. 677, 699 (2006)).

[5] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 5-6 (*citing to* Grable & Sons Metal Products, Inc. v. Darue Eng. & Manuf., 545 U.S. 308, 314 (2005)).

[6] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 6-7.

[7] Air Measurement Tech., Inc. v. Akin Gump Strauss Hauer & Feld, LLP, 504 F.3d 1262 (Fed. Cir. 2007);

[8] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 8 (emphasis added).

[9] Smith v. Kansas City Title & Trust Co., 255 U.S. 180 (1921) (challenge to constitutional validity of federally-issued bonds).

[10] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 9.

[11] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 9-10 (emphasis added).

[12] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 10.

[13] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 11-12.

[14] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 12.

[15] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 13.

[16] *See* Minton v. Gunn, No. 048-207288-04 (48th Dist. Ct., Tarrant Co., Tex. Sep. 19, 2006) (Order) (suit filed in 2004).

[17] *See* Minton v. Gunn, 301 S.W.3d 702, 708-10 (Tex. App. - Fort Worth 2009), *rev'd*, 355 S.W.3d 634 (Tex. 2011).

[18] *See* Immunocept, LLC v. Fulbright & Jaworski, LLP, 504 F.3d 1281 (Fed. Cir. 2007).

[19] *See* New Tek Manuf. v. Beehner, 270 N.W.2d 336 (Neb. 2005) ["New Tek I"] (hypothetical patent issue do not provoke exclusive federal patent jurisdiction); New Tek Manuf. v. Beehner, 751 N.W.2d 135 (Neb. 2008) ["New Tek II"] (*Air Measurement* and *Immunocept* do not change court's analysis).

[20] *Gunn*, 568 U.S. ___, No. 11-1118, slip op. at 4, 8 and 11-12.

[21] *See, e.g.*, Warrior Sports v. Dickinson Wright, P.L.L.C., 631 F.3d 1367 (Fed. Cir.), *vacating and remanding* 632 F. Supp.2d 694 (E.D. Mich 2009) (finding no federal standing under *Grable* for malpractice action on a lapsed patent); Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP, 107 Cal. Rptr. 3d 373 (Cal. App. 6th Dist. 2010) (dismissed malpractice claims based upon failure to file a divisional application using *Air Measurement* analysis).

[22] *See, e.g.*, Reserve Management Co. v. Willkie Farr & Gallagher LLP, No. 11 Civ. 7045 (PGC, S.D.N.Y. Sept. 25, 2012) (professional negligence in for advice to an investment management company, citing to *Minton*).

[23] Byrne v. Wood, Herron & Evans, LLP, 676 F.3d 1024, 1027-41 (*per curiam*) (Fed. Cir. 2012) (denial of *en banc* rehearing) (O'Malley, J., dissenting).

[24] Memorylink Corp. v. Motorola, Inc., 676 F.3d 1051 (Fed. Cir. 2012) (denial of petition for reh'r *en banc*) (O'Malley, dissenting); USPPS, Ltd. v. Avery Dennison Corp., 676 F.3d 1341 (Fed. Cir. 2012) (per curium) (O'Malley, concurring); Landmark Screens, LLC v. Morgan, Lewis, & Bockius, LLP, 676 F.3d 1354 (Fed. Cir. 2012) (O'Malley, concurring); Minkin v. Gibbons, P.C., 680 F.3d 1341 (Fed. Cir. 2012) (O'Malley, concurring).

[25] Byrne v. Wood, Herron & Evans, LLP, 676 F.3d 1024 (Fed. Cir. 2012), *petition for cert. filed* (U.S. June 8, 2012) (No. 11-1497).

[26] ***http://www.supremecourt.gov/opinions/12pdf/11-1118_b97c.pdf***