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INSIGHTS

Gunning for the Supreme Court: A "Substantial" Case "Arising" from Texas That Means More Than You Think!

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On Friday, October 5, 2012, the U.S. Supreme Court granted certiorari in *Gunn v. Minton*,[1] seeking to address whether the Federal Circuit and other courts following its lead have departed from the Supreme Court's "arising under" jurisdiction standard for federal courts under 28 U.S.C. § 1338 (Section 1338) in regards to state-based malpractice actions involving patent law.

As with all malpractice matters, the *Gunn* case begins with an underlying case having an unhappy client (Minton) and an attorney (Gunn). Gunn filed suit in 2002 on Minton's behalf against the National Association of Securities Dealers alleging patent infringement. Minton lost the case after the court determined his invention was barred due to the "on sale" rule.[2] On appeal, the Federal Circuit commented that Minton's counsel should have brought up the "experimental use" defense to the "on sale" bar earlier.[3] Minton filed a malpractice action against his former counsel in Tarrant County District Court in 2004. The District Court in 2006 found against Minton on a no-evidence summary judgment regarding the "experimental use" exception.[4]

On appeal, the Court of Appeals in Fort Worth determined in a 2-1 decision in 2009 to uphold the District Court's ruling. The Court of Appeals addressed whether it had subject matter jurisdiction over the malpractice action in light of Section 1338 jurisdiction, which provides for exclusive federal patent jurisdiction, and found that it did. The majority reasoned that the underlying "experimental use" issue for the malpractice action was not "substantial" because "experimental use" is an issue of fact and that the court's decision is non-precedential in the context of federal patent law.[5] The dissent, however, cited to the Federal Circuit's past decisions[6] as holding that the underlying patent infringement matter is "substantial" in the context of interpreting federal law, therefore making the malpractice action appropriate for federal courts to handle.[7]

At the Supreme Court of Texas in 2011, the justices split 5-3 in favor of reversing the Fort Worth Court of Appeals and dismissed the case as lacking subject matter jurisdiction. When addressing the question of "substantiality," the majority agreed with how the Federal Circuit interprets "substantiality" in relation to matters touching patent law, requiring a federal court to interpret the application of patent law within a state-based claim.[8] The dissent disagreed, emphasizing that the "experimental use" issue in this case was fact-based and did not turn on a legal

interpretation of "experimental use," that the exception is federal common law and is not statutory and in need of interpretation, that the decision does not impact federal precedent, and that no existing patent or patent case was implicated.[9]

Gunn's petition for a writ of certiorari to the U.S. Supreme Court presented the following questions:

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?[10]

The U.S. Supreme Court might take the opportunity in *Gunn* to review not only the standard for Section 1338, which provides for exclusive federal patent jurisdiction, but also the standard for Section 1331, which provides for federal question jurisdiction, because the Court linked them doctrinally in 1998.[11] Any decision in *Gunn* relating to Section 1338 jurisdiction therefore has a good chance of relating to Section 1331 jurisdiction. The decision in *Gunn* will likely also address the perceived divergence between various state and federal courts in interpreting what "substantially" means and how it is used to determine federal question jurisdiction. In the context of malpractice actions involving patent law, a growing number of state and federal decisions have offered criticism of the aforementioned Federal Circuit panel decisions that serve as the foundation for most other state and federal court subject matter jurisdiction determinations. Judge Kathleen O'Malley of the Federal Circuit has openly called to the rest of the Federal Circuit to revisit its subject matter jurisdiction doctrine *en banc* in several notable dissenting and concurring opinions in 2012.[12] Using *Gunn*, the U.S. Supreme Court might, albeit indirectly, bring the Federal Circuit into alignment with other courts regarding the interpretation of "substantially," or it could make this an example of where federal jurisdiction over certain subject matters, like patent law, creates a special rule requiring certain state-based claims with federal undertones to always be heard in federal court.

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] Minton v. NASD, Inc., 226 F. Supp. 2d 845 (E.D. Tex. 2002).

[3] Minton v. NASD, Inc., 336 F.3d 1373 (Fed. Cir. 2003).

[4] Minton v. Gunn, No. 048-207288-04 (48th Dist. Ct., Tarrant Co., Tex. Sep. 19, 2006) (Order).

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

[6] *See* Air Measurement Tech., Inc. v. Akin Gump Strauss Hauer & Feld, LLP, 504 F.3d 1262 (Fed. Cir. 2007); Immunocept, LLC v. Fulbright & Jaworski, LLP, 504 F.3d 1281 (Fed. Cir. 2007).

[7] Minton v. Gunn, 301 S.W.3d 702 (Tex. App. - Fort Worth 2009) (Walker, J., dissenting).

[8] Minton v. Gunn, 355 S.W.3d 634 (Tex. 2011).

[9] Minton v. Gunn, 355 S.W.3d 634 (Tex. 2011) (Guzman, J., dissenting).

[10] Petition for Writ of Certiorari at i, Gunn v. Minton (U.S. Mar. 9, 2012) (No. 11-1118).

[11] *See* Christianson v. Colt Industries, 486 U.S. 800, 807-09 (1988); *see also Grable & Sons* and Empire Healthchoice Assurance v. McVeigh, 547 U.S. 677 (2006).

[12] *See, e.g.*, Byrne v. Wood, Herron & Evans, LLP, 676 F.3d 1024 (*per curiam*) (Fed. Cir. 2012) (denial of *en banc* rehearing) (O'Malley, J., dissenting) (O'Malley cites to *Minton* (Tex. 2011) as an example of the issue).