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Supreme Court of Texas.
Vernon F. Minton
v.
Jerry W. Gunn, Individually, Williams Squire and Wren, LLP, James E. Wren, Individually, Slusser and Frost, L.L.P., William C. Slusser, Individually, Slusser Wilson and Partridge, L.L.P. and Michael E. Wilson.
No. 10-0141.

March 1, 2011.

Appearances:

Thomas M. Michel of Griffith Jay & Michel, LLP, for petitioner.

David Keltner of Kelly Hart & Hallman, for respondents.

Before:

Chief Justice Wallace B. Jefferson, Dale Wainwright, David M. Medina, Paul W. Green, Phil Johnson, Don R. Wil lett, Eva M. Guzman, and Debra H. Lehrmann, Justices.

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CHIEF JUSTICE WALLACE B. JEFFERSON: The court is ready to hear argument in 10- 0141 Minton v. Gunn.

MARSHAL: May it please the court, Mr. Thomas Michel will present argument for the petitioner. Petitioner will reserve five minutes for rebuttal.

ORAL ARGUMENT OF THOMAS M. MICHEL ON BEHALF OF THE PETITIONER

ATTORNEY THOMAS MICHEL: May it please the court, we are here today on an interesting issue on wheth- er federal exclusive jurisdiction applies to a state legal malpractice client. And the second major grouping is whether or not the Court of Appeals and the trial court erred with its application of federal patent law to the un- derlying case. First, the analysis of this case begins with this statutory framework of 28 U.S.C. 1338(a) where district courts have original exclusive jurisdiction over patents. United States Supreme Court for nearly 100

years has held that certain federal questions give rise to federal jurisdiction over state law claims that implicate significant federal issues.

JUSTICE DAVID M. MEDINA: What's the significant federal issue here?

ATTORNEY THOMAS MICHEL: Undoubtedly patent law case, Your Honor, and specifically the specific issue and the specific dispositive issue, the sole issue in controversy is the on-sale bar doctrine and the experimental use exception.

JUSTICE DAVID M. MEDINA: How does that significantly impact federal patent law? We're just trying to determine whether or not this product was put on the market to be sold or not, that's?

ATTORNEY THOMAS MICHEL: No, this case was extremely complicated. The application of federal patent.

JUSTICE DAVID M. MEDINA: Patent lawyers always say that.

ATTORNEY THOMAS MICHEL: Well, for example, in the appellate court, we cited 31 or 33 Federal circuit patent Court of Appeals on the merits of the case. The appellees cited 31 Federal patent law cases. The appellate court cited a subset of those number of cases. The Court of Appeals cited zero state law cases. We cited zero state law cases and the appellees cited zero state law cases that went to the merits of the controversy in question.

JUSTICE EVA GUZMAN: Isn't the critical issue though whether this affidavit and this lease are at lease [inaudible] of evidence so that the patent law issues then kick in whether there was experimental use. I mean isn't that what this is really about?

ATTORNEY THOMAS MICHEL: No, not really. In fact, the appellees have taken the absolutely opposite contention before this Court and said that those experimental use exceptions, the 13 factors, is a question of law not a question of fact. I think they have taken a position if it is upholding have said that this is an application of federal patent law not a question of fact.

JUSTICE EVA GUZMAN: If you reach, I guess, the merits of experimental use. If as a matter of law it's established that that didn't factor into this because it was a commercial lease and it was put out in the marketplace a year before the patent application under Patent 643. Shouldn't there be some distinction though, I guess, where we are here?

ATTORNEY THOMAS MICHEL: No, not really. I don't think so, Your Honor. I'll tell you why. If you look at the four leading United States Supreme Court cases, we've all cited them. We've all been fighting over them. They're franchise tax board, Christianson, Empire, Grable. Of those four cases, they all uniformly adopt basically the substantial federal interest test and they specifically address in Christianson, which is a patent case, United States Supreme Court patent case, and it specifically held that essentially you've got a substantial interest in federal court jurisdiction in two situations. The first one is whether you're suing on a federal cause of action and the second one in quote "that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law. In that federal law is a necessary element of one of the well pleaded claims." They then went on, that's on page 808, the Supreme Court then went on to specifically tie it to the patent case. It says "jurisdiction extends to those cases in which all well-pleaded complaint establishes either federal patent law, creates a cause of action or the plaintiff's right to relief necessarily depends on the resolution of a substantial question of federal patent law, i.e., in that the patent law is a necessary element of one of the well-pleaded complaints." In this case, Minton had one cause of action and one cause of action only, negligence, failing to raise the exception to the on-sale bar date. Supreme Court also went on in Christianson to state that if your claim is either going to fail or survive based on the application of federal patent law, that is a substantial federal interest. In this case, the sole dispositive issue moved for at summary judgment was only the application of the patent

law doctrine, the on-sale bar and the exception to it. No other issue was used. It was based solely on causation that fits squarely into Christianson. That it meets the--

JUSTICE PAUL W. GREEN: But the question boils down to, doesn't it, setting the substantive issues aside, but it's a procedural question. I guess in a matter of speaking that the lawyer failed to present a defense that he should have presented. Now giving effect to all of the other argument, okay say that there was some evidence to support the exception, it's just a procedural question. It's not a matter of federal patent law.

ATTORNEY THOMAS MICHEL: It is, Your Honor. The question is that's the malpractice claim. That's the claim within the claim. The defendants moved exclusively on the substantive issue that as a matter of law, there was no causation and so the only issue involved in the case is the application of the federal patent law doctrine. It wasn't a procedural issue. That goes possibly to the negligence claim on that they breached their duty, but the only issue that is an essential element goes to the application of federal patent law. I mean, there's no way around that application and if we look, I'm sorry Christianson went with us that it was an essential element of their claim. Christianson passed the case because the plaintiffs had alternative theories that did not involve patent law. In our case, and it's undisputed, that we only had one issue and it was the application of the on-sale bar. We didn't have another theory. We didn't have an alternative theory that could defeat jurisdiction.

JUSTICE EVA GUZMAN: Well what evidence of this alleged experimental purpose actually related to a claimed feature of Patent 643? I mean, you were claiming, you were testing whether it could be used over the internet, but was that a feature of Patent 643?

ATTORNEY THOMAS MICHEL: Absolutely, a public communication network. Obviously, you go back in time and around 1994, 1995, what's exploding on the world right now? The internet. They described it as a public communication network. That's exactly what it was intended to do. The public, it's the largest public communication network in the world. That's what they were trying to test. It wasn't working. So they were trying to test it. They kept trying to work it, trying to re-work it. It is a specified claimed feature. One of the figures in the patent itself is a diagram of using various servers and networks. It's specifically listed to be a claimed feature. On top of that, the case law, once again going back to federal patent law, is that you can look at and test expressed claim features or even not claimed features if they go to testing the invention. And the United States Supreme Court has said on repeated occasions, it's what the inventor thinks is needed to test.

JUSTICE EVA GUZMAN: Were those, what the inventor thought was experimentation, did that occur after the patent was filed June 28, 1996, I guess it was. Did that occur after that?

ATTORNEY THOMAS MICHEL: Before and after. All throughout it.

JUSTICE EVA GUZMAN: All of it occurred before and after?

ATTORNEY THOMAS MICHEL: Before and after, couldn't get it working. They started testing it 1994, Your Honor, two years before the patent.

JUSTICE EVA GUZMAN: If they were testing it, why wouldn't the lease, I guess it didn't really indicate that it was experimental. It was a commercial lease. You agree with that or?

ATTORNEY THOMAS MICHEL: That is what the Court of Appeals held. We believe that Mr. Minton could not test it any other way. They discussed a partnership agreement, but he had to get a licensed broker in order to some how test it.

JUSTICE EVA GUZMAN: Wouldn't you write something like that in the lease?

ATTORNEY THOMAS MICHEL: Very possible, but that goes to our contention that we raised fact issues.

We've cited them throughout the brief that a number of these factors at least raised a fact issue. Of course, the Court of Appeals disagreed. But that, those issues we think, obviously, the Court of Appeals erred. We think those are factual issues that need to be, we raise the scintilla of evidence on. The Court of Appeals and the appellees are taking the position that it's a question of law. Once again talking about having a conflict, we have a disagreement about what the state of the patent law is. Those are issues of law that are all before, claim construction, your very question you just asked me, Justice Guzman, is a claim construction question. That is a patent law question. It's unavoidable. Every time we talk about a topic in this case, we're bringing up federal patent law.

JUSTICE DAVID M. MEDINA: Let me ask you this. Is it your position that any cause of action presents a breach of contract that involves a patent application mark that would always fall under federal law?

ATTORNEY THOMAS MICHEL: No, Your Honor, I'm not making that contention here today. The contention here today is specifically and as the Court is aware, the Federal Circuit Court of Appeals, which is a unique creature in and unto this American jurisprudence. It's like a miniature United States Supreme Court. It has exclusive nationwide federal patent jurisdiction. So as we sit here today, they've addressed this issue on four separate occasions and on four separate occasions have held that it's federal exclusive patent jurisdiction. On top of that, that means that national law is going to be uniform on the federal side. Why is that? The Fifth Circuit's not going to hear this case. The Eleventh Circuit's not going to hear this case. The Third Circuit's not going to hear this case. Every patent case of this nature that is appealed is going to go to one court and one court only; it's the Federal Circuit Court of Appeals in D.C. So there are a few district court cases, United States District Court cases that may have gone contrary to the Federal Circuit Court of Appeals. But if they every get appealed, the federal side of the analysis will be uniform throughout the country and, in fact, we have a perfect example of that, Warrior Sports. That was their leading case. It got appealed from the district court of Michigan to the Federal Circuit Court of Appeals in D.C., reversed, cleaning the slates on the federal case. So what we're left with. What are we left with as to any conflict in the United States on this issue? Federal law is going to be uniform. We're going to have two pockets. There's Nebraska, which can be arguably that the Nebraska Supreme Court arguably went the other way and rejected the Federal Circuit and the Fourth Court of Appeals, 12 counties in Texas. If this court were to go that way, you'll be creating pockets of state court jurisdiction in this country.

JUSTICE EVA GUZMAN: If it's true that the evidence that the Texan lease had an experimental purpose that's legally insufficient, then do we still have a substantial federal question? If you would agree just for purposes of argument that it was legally insufficient, is there still a substantial federal question impacting the state legal malpractice claims?

ATTORNEY THOMAS MICHEL: Absolutely, Your Honor. The Supreme Court has reiterated, especially starting with Christianson, Empire, Grable. For example, Your Honor, let's take Grable as an example. Grable was a situation, which is a suit to quiet title. Is there anything more class example of a state law claim than a suit to quite title? The only issue in Grable was whether IRS had proper notice of its foreclosure lien. Let's say it was a summary judgment issue. As a matter of law, they complied with this statue. Under your question, Your Honor, that would not involve a substantial question [inaudible] , but under Grable it does. Because the case was dispositive, the only issue was the application of the federal law. And in addition to that, when you apply those, that law in Grable, you look at the analysis under Empire. The opposing counsel relies a lot on Empire. Empire adopts Christianson, Grable, the problem about, the distinction on Empire is real simple. It was a simple contract. At the end of the day, the dispositive issue was not the application of federal law at all.

JUSTICE DEBRA LEHRMANN: Mr. Michel, may I ask you?

ATTORNEY THOMAS MICHEL: Yes.

JUSTICE DEBRA LEHRMANN: If this federal trial were allowed, wouldn't this amount to basically a collateral attack on the Federal Circuit's underlying decision?

ATTORNEY THOMAS MICHEL: Yes, I mean I think the federal's, oh, oh, you mean the underlying? I'm sorry.

JUSTICE DEBRA LEHRMANN: Yea, the original suit that we're talking about. If you were allowed to go forward in federal court on the now-practiced claim, wouldn't that amount to a collateral attack?
ATTORNEY THOMAS MICHEL: No, Your Honor. That issue was never raised. That was the basis of the underlying malpractice claim is that they never got to it and so the case was dismissed. Now we're proceeding on the legal malpractice case for failing to have raised that issue. So that it was never addressed, never raised. You have to have an identity of issues and things of that nature in order for collateral stopple, but it's also a subsequent legal malpractice.

JUSTICE DEBRA LEHRMANN: But because of the procedural aspect of it, it--

ATTORNEY THOMAS MICHEL: Yea, it's not a collateral stopple.

JUSTICE DALE WAINWRIGHT: I take it you're not arguing today that this court is bound by the Federal Cir cuit's decisions on patent law?

ATTORNEY THOMAS MICHEL: I wish we could. I don't think we are, Your Honor. I don't think we are.

JUSTICE EVA GUZMAN: So if you're dealing with a patent law case, is every federal issue that's raised a substantial federal issue? Is that what you're claiming today if it's in the context of a patent enrichment?

ATTORNEY THOMAS MICHEL: No, I have the fortunate presentation of this case of having the miniature Supreme Court having ruled on this four separate times and has recently denied Landmark seven days ago. It's another case that they were citing to the court, the United States Supreme court denied cert seven days ago on Landmark. Landmark is a California Court of Appeals case, great discussion of the nuances of substantial federal interest, federalism and that nature. The United States Supreme Court has had several occasions to reverse the Federal Court of Appeals on this issue. Recently, in Davis they denied, which is another very favorable case to our position. Landmark denied a week ago. All indications are pointing to that this is exclusive federal court jurisdiction. One thing, the benefit I have in this case is that it's a patent law case. Patent law is in the Constitution. It provides exclusive nationwide jurisdiction, I'm sorry excusive federal court jurisdiction. The trial court exclusive nationwide appellate jurisdiction in D.C. The federal interest is high in patent law cases. They cite the Singh case. It's a trademark case. It's not even exclusive jurisdiction, but, once again, if this Court's going to try to handle and resolve, why create these pockets of conflict when Congress has affirmatively stepped in, in 1982 in the Court Improvement Acts said we're going to give this federal court exclusive appellate jurisdiction over patent law. Why would we want to create an additional conflict of state court? Am I out of time?

CHIEF JUSTICE WALLACE B. JEFFERSON: You are, but are there any further questions? Thank you, counsel. Court is ready to hear argument from the respondents.

MARSHAL: May it please the court, Mr. David Keltner will present argument for the respondents.

ORAL ARGUMENT OF DAVID KELTNER ON BEHALF OF THE RESPONDENT

ATTORNEY DAVID KELTNER: If it please the court, I think it will come as no surprise to you that I just--

CHIEF JUSTICE WALLACE B. JEFFERSON: Out of time too.

ATTORNEY DAVID KELTNER: Oh my goodness, oh I feel better now. I think it comes as no surprise to you

that I disagree with what Thomas Michel has been telling you, my good friend. But the truth of the matter is even the characterization of the claim is wrong. In this state court malpractice case that the plaintiff brought in the state court, number one, has a very simple claim. There's only one claim to negligence that these lawyers were negligent in failing to plead in federal court and brief the issue of the exclusionary use exception to the on-sale bar rule. Now the truth of the matter is what law governed the lawyer's obligations? Was it the patent law and the patent law code of ethics and code of conduct that regulates practice before the United States Patent and Trademark Office? No. Every one of the cases that Mr. Michel just cited to you from the Federal Circuit Court dealt with applications for patents in the patent law office. A completely different ethical guidelines, procedural guidelines apply in those issues. The only exception to that and there's only one allegation in those four cases that is different and it is in the Akin Gump case, the AMT case where there was one out of five allegations that proper proof wasn't put on in the underlying trial and that damages had been miscalculated. All the rest of them dealt with the simple issue of the formation of the claim or as it's called in federal court, the prosecution of the patent was some how deficient in a way that caused the patent either (1) not to validly issue or number (2) its scope and breadth was limited. Now what did the lawyers here deal with? Something completely different. Whether they could ethically and properly raise the experimental use defense.

JUSTICE DEBRA LEHRMANN: Mr. Keltner, wouldn't the merits of that, the experimental use issue have to be resolved in order to decide a malpractice case? I mean?

ATTORNEY DAVID KELTNER: It could be, but the issue that has to be raised is whether there was enough evidence under Federal Rule 11 to be able to raise that issue. If there wasn't enough evidence, as we claimed in the motion for summary judgment, then it would have been wrong both ethically and procedurally for Mr. Minton to have raised that defense. That's what that issue is about and it's not governed by patent law. It is governed by a rule procedure that governs all lawyers. Now--

JUSTICE DALE WAINWRIGHT: So to get by motion to dismiss or motion under Federal Rule 11, then it switches and becomes a federal issue?

ATTORNEY DAVID KELTNER: No, Your Honor, not in this case. And the federal issues under Rule 11 are similar to, of course, our Rule 13 deal with issues of state law practice if it involves a lawyer's failure. And a lawyer's failure in a malpractice case is the Fifth Circuit said in Singh, as the northern district and southern district in recent cases one decided three weeks ago in federal court have said these malpractice cases are dealing with lawyer conduct under rules whether federal or state, but they are governed by this Court and the chief disciplinary council and others that regulate lawyer. So the answer is does it make it a federal question? No.

JUSTICE DALE WAINWRIGHT: Well, I'm still not clear. Let me follow up. As you pointed out in response to Justice Lehrmann's point, her question, there has to be sufficient basis to raise the claim in order to avoid sanctions in federal and state rules of procedure. And that's not a federal question, you said.

ATTORNEY DAVID KELTNER: Yes.

JUSTICE DALE WAINWRIGHT: That's governed by state substantive law. If you pass that hurdle and there is sufficient basis to raise it under Federal Rule 11, to raise the defense, then the question going forward in the proceeding is can you prove it? And in a claim within a claim legal malpractice case, you have to show a likelihood of success. So does your argument result in having state law govern the issue until you get past the Federal Rule 11 hearing and decision and then it switches to a different rule of law, federal law versus state?

ATTORNEY DAVID KELTNER: Your Honor, I don't think so and I take your point. I don't think so because although, I mean let me put it this way. In the cases that Mr. Michel has cited like Grable, the issue there was a pure question of federal statutory law whether the Internal Revenue code authorized service by a certified letter or did it have to be personal? Of course, that was a substantial matter of federal law. Under Empire, we were

dealing with litigation issues, not a malpractice case, I give it, neither was Grable. But in that case the court was dealing with a subrogation right created arguably by a federal statute brought in a state law claim or actually brought in federal court and the federal court said no, it does not belong here and it doesn't belong here because even though it's in a federal law context, it is a state law claim because it was the subrogation recovery of 157,000 or some other amount out of recovery the state law came the 3.1 million. So the issue is is what is the predominant issue? It is interesting that in between the decision of Grable and the decision of Empire Healthcare, there was a significant amount of literature that is not cited in any brief to you currently, but that is out from the patent law bar, the intellectual property bar, William & Mary Law Journal, Bucknell as well and three texts on malpractice issues saying, you know, you ought to look to see what is the controlling issue, what is the dominant issue? And when you read Empire, that's what Empire is talking about. Now--

JUSTICE DEBRA LEHRMANN: The dominant issue here would be the failure of the lawyer to plead and prove this defense, correct?

ATTORNEY DAVID KELTNER: Yes.

JUSTICE DEBRA LEHRMANN: But you have to look to federal patent law to determine that there was a failure to begin with, or no?

ATTORNEY DAVID KELTNER: Your Honor, let me put it this way. Just as in Empire, you have to look at whether there was, in a federal context to see if there is evidence because it deals with a federal law underlying cause of action, certainly you have to look at federal law to make some of those decisions. Mr. Michel is quite right when he tells you that federal law was cited, but is this law upon which anyone disagrees? The issue that it has to be, the only one that I hear him disagreeing with or ever did throughout this litigation is the issue of whether does the experimentation have to be on an element of the claim? I've got three United States, it'd be Federal Circuit cases dealing with patent law says that it absolutely does. He doesn't have one that says it doesn't. He just has one that suggests that it's easydoc that suggests that sometimes even if it's not a claimed element of the patent, it could be inherent in the invention itself. The inherency in that case, by the way, it was a doc that was not ready for patenting and actually got bought out of a store with a customer understanding that it was not ready for sale and expressly taking it. It was monitored completely, put in the Mississippi River, which the inventor knew it would be subject to rough water. And the issue was, yes, that part was inherent in the patent. Is that true here? No. And it isn't and I can tell you for several reasons. First off, the patent application itself, which was eventually granted, declines to state and, in fact, specifically states that the method of communication between the computers on buy and sales is not an element of the patent and they did that for a reason. There was a good reason to do that to attempt to broaden the claim and, in fact, internet isn't mentioned. Public area networks are and you could, and the issue is when you put this in context is not just that one fact, but it goes to two issues that are important to determine. One, was this ready for patenting? Well, folks, if it was successful on any public access network, it was ready for patenting and the testimony was that it was. So that issue is that the kind of contested patent law issue that is involved or are we saying, and what I hear the other side saying, and most of what they tell you is all four of the Federal Circuit suits say that since there is a requirement in Texas as in most states for a case within a case that the real issue is that that makes it a federal question because you got to prove at least the value at sometime of the patent.

JUSTICE DAVID M. MEDINA: Let me backtrack here a little bit. You just said that because this was successful that that meets the intent element of whether or not, in this case the person applying for the patent intended for this to be a sale. That's not correct.

ATTORNEY DAVID KELTNER: No and I didn't mean to say that. I think I understood your question. What I'm saying is this. The question about whether it would work over a network and what kind of network was a claimed element could have made it the internet. They didn't. They made it any element. In fact, they even say it makes no difference which one of these communications devices you do. The issue is it is conclusively proved not objected to by the other side that this did work on a local area network and, in fact, did so before the sale.

The issue about whether, I mean there are two elements to that issue of experimental use. It has to be (1) a commercial impact or offer for sale or rent or lease that is put out in the public, that's all you have to be in one element and (2) ready for patenting. Now that alone if it's ready for patenting, you have to have all the elements down so, of course, the elements make a difference. They were both here and that was pretty well established. One additional thing I would say though is the federal courts are also very clear about this, how you judge it, and it is a little bit different than state law I will have to admit and that is the only testimony that they look at is objective testimony not the subjective idea of the inventor especially after the lawsuit is filed. We have some, in fact, you look at city of Keller, we have some of the same kinds of views of that type of thing as well. Second is it has to be contemporaneous. It has to be at the time. The person, the customer who buys the claim that is eventually patented has to know that is experimental use. We have the lease. We have the offer for sale of January 25, 1995. We have the lease of a later date. There is no suggestion of that this is anything less than a commercial sale. Even worse for the other side is at the time of the underlying lawsuit, the testimony before Mr. Minton realized what claim was being raised was he expected his company to benefit financially because of the lease. That was his intention and that was his intention when he offered it. And when he offered it, he also said here's when it's going to be ready and it was more than one year before.

JUSTICE EVA GUZMAN: You say financial benefit preclude experimental use however. I mean you could have both or no?

ATTORNEY DAVID KELTNER: Yes, you could have both in a situation that is very limited and that situation is when it is primarily for experimental use, which generally deals with one or two issues. One, it was not ready for patenting, which we know is not true here. And, two, if it is a commercial use and it is put into testing, Electromotive and the Petrolight case both say you can't go back and test later. For example and I give you the perfect example of this because it deals with their brief. I have an iPHONE. I'll wager some of you do too. If you look at the iPhone contract, what you will see is there promises that additional software will come and it will be available to improve the invention. That doesn't do away with the on-sale bar rule. You can experiment and improve later, but once it goes commercial and you have a commercial aspect of it, the deal is set. There can be no patenting on the on-sale bar rule if the time is missed.

CHIEF JUSTICE WALLACE B. JEFFERSON: The petitioner says that the Fort Worth Court along with Nebraska that these cases are outliers and that the overwhelming trend is the other way. The Supreme Court denied cert in Landmark and Davis and others over the years. Is that, are we positioning ourselves to be in the minority on this question?

ATTORNEY DAVID KELTNER: No, sir. And let me tell you know and I have a number of cites, some of which are in the brief, some of which that are, or have just come out and again one three weeks ago that would indicate that's not the case. And let me roll over some of them. First off, Mr. Michel discounts the Singh opinion, Singh v. Darue Engineers from the Fifth Circuit, which is Judge Ribliey and Judge Smith and Judge Dennis, I believe. And in that case, it's remarkably similar to the facts here. What happened in that case, it's a trademark case okay and by the way, the opinion says that and says that being patent could make a difference, I must tell you that. But the other thing that they say is this. They say, look, the allegation there was whether the, whether the trademark had acquired a secondary meaning. The jury found that it had, that this circuit reversed on the initial appeal and says, no, there's not evidence of that. What happens is there's a lawsuit and the inventor says, look, there was evidence, there was plenty of evidence of secondary use, you didn't introduce it. Then the malpractice case filed and when it gets filed, the issue is, is that in federal court or is that a state law court cause of action? The Fifth Circuit has no problem in saying that is a state law cause of action. Why? For three reasons. First and most importantly, it is a traditional state law cause of action that deals with lawyer conduct that is subject to state regulation and not federal. Second, this case was not dealing with patent applications where maybe another scheme would apply. It was dealing with lawyer conduct in trial although be it in a federal trial. Third, we said if you're going to apply AMT, Landmark Services and the other cases, this broadly then the truth of the matter is everything could go, that is not, that you can't reconcile that with the United States Supreme Court cases of Christianson, Grable and Empire Healthcare. And what they say is look at Grable. Grable says it's nev-

er enough to just say it's a substantial issue of federal law involved. You've got to determine what are the principles of federalism and the connection between state and federal jurisdiction is offended. If it is, it doesn't apply and on that ground Empire decided it that way. Roof Technologies, which is not cited to you, it is from the Northern District of Texas and I'll supplement these to you 67 Fed sub 749, John McBride from Fort Worth held in a malpractice case dealing with application, applications in patent laws was not sufficient to invoke federal law three weeks ago. Our Ex Com Ink vs. O'Quinn decided in the Southern District of Texas issue as a statute of limitations under the Sherman Act under 133, which remember Christianson says the analysis on federal question on 1331 and 1338 are the same. What the court held there is no federal law. This is not a federal law issue. It should be in state court. But what if these cases had gone the other way? What kind of cases end up in federal court? Is a contract dispute between two Texas residents over the value of a patent in a breach of contract case because the damages may deal with the far reaching of the patent does that case end up in federal court? In a divorce cause of action, let's assume it even a closer call where you have a situation in the division of property where you have a chose of action against someone for breaching the patent. Does that traditional state law cause of action go to federal court? Grable says no, Empire says no, and they are the Supreme Court not the mini Supreme Court of the United States and they did the federalism aspect that is missing from the interpretation the petitioner would give you.

JUSTICE PHIL JOHNSON: Counsel, you said early on that the, you mentioned the dominant issue being one of patent law as I recall and maybe I misheard. The Court of Appeals says and apparently the cases say a substantial issue. Is it your position it's dominant or substantial?

ATTORNEY DAVID KELTNER: Oh no, the cases say substantial, Your Honor. I'm, I would say that some of the cases, reviewing it looks to see what is going to eventually move the case and, more importantly, whether the case can be handled and decided without doing a substantial analysis of patent law, disputed patent law. And in this case, remember we're looking back, it's already over. By the time federal jurisdiction was raised, this case was about to be argued in the Court of Appeals. We know it was resolved without resorting to federal patent law to make the ultimate decision.

CHIEF JUSTICE WALLACE B. JEFFERSON: Any further questions? Thank you, Mr. Keltner.

JUSTICE EVA GUZMAN: Would you comment very briefly on the, I guess the far-reaching jurisdictional net and its impact on the balance between state and federal jurisdiction in malpractice cases? I think the contention is that this would lead over into bankruptcy and federal employment and securities. Should we be concerned about that?

REBUTTAL ARGUMENT OF THOMAS M. MICHEL ON BEHALF OF PETITIONER

ATTORNEY THOMAS MICHEL: No, Your Honor. The application here is very limited. It's not bankruptcy. It's not trademark. It's not any of the other doctrines. It's a patent and only a patent that we're involved with in this case. The case decided by my friend, Mr. Keltner, here, some of them deal with, obviously, non-patent law legal malpractice cases. So the actual effect is probably going to very small. They're going to be a narrow, narrow focus of cases. It's not a very broad one. They don't cite a lot of broad cases. In fact, the cases they do cite to the court and they put a vast number in footnotes, they're not patent law cases or they're not legal malpractice cases arising from patent law cases. This is a rifle shot. This is on all fours. We've gotten all fours from the Federal Circuit Court of Appeals. With regard to Singh, that's a patent law case.

CHIEF JUSTICE WALLACE B. JEFFERSON: Trademark.

ATTORNEY THOMAS MICHEL: I'm sorry, thank you very much. Trademark case. And the Fifth Circuit can rule on the trademark cases. The Fifth Circuit cannot rule on the patent law cases. With regard to the nature of federalism and the analysis, I think it's extremely strong. First, Justice Johnson, you're right a substantial inter-

est. I think that is a resounding yes. For much of the discussion, Mr. Keltner couldn't do anything but talk about the application of federal patent law. His entire argument was the application of federal patent law. In fact, there are vast disputes, not that I have to be, there's not support they have to be unsettled areas of law. There's no case support for that. It is whether it's of substantial interest. A Supreme Court has held if it's an essential element of your claim, that is it. We're here on patent law case.

JUSTICE PAUL W. GREEN: Why wasn't this case filed to the, why was it filed to the state court?

ATTORNEY THOMAS MICHEL: I think at the time it was, they were not aware of that. The Federal Circuit Court came down while this case was on appeal.

JUSTICE PAUL W. GREEN: All those cases that point in the direction that you're telling us, they didn't exist then?

ATTORNEY THOMAS MICHEL: Correct; in fact, AMT states it's an issue of first impression.

JUSTICE DALE WAINWRIGHT: You mentioned that this case involves patent, which is mentioned in the Constitution and many statutes. In Graber v. Fuqua, we're dealing with whether malicious prosecution for conduct that arose entirely in a bankruptcy proceeding was printed by federal law in bankruptcy. Bankruptcy's mentioned in the Constitution, It's in statutes.

ATTORNEY THOMAS MICHEL: Yes, it is.

JUSTICE DALE WAINWRIGHT: Although I disagreed, the court held that that is not preempted. Are there significant or material differences between Grable and this case other than one's bankruptcy, one's patent?

ATTORNEY THOMAS MICHEL: I don't know if I'm answering your question. I think so. There's some statutory differences in bankruptcy and patent law. For example, there's core proceedings and non-core proceedings. Non-core proceedings can go ahead and proceed in state court. So the exclusive nature of federal patent law both from the Constitution, but given the exclusive nature under 1338 and 1295 indicate, I thin, even the more narrowing of the federal interest. In fact, I think it is quite a unique area of law where you've got one federal appellate court across the county to try to give uniformity of the law on patent laws. We don't have that in any other area. The last thing they want to do, Congress affirmatively stepped in and said we do not want to have these disputes spread out across the country. We don't want to have a diversity of opinions. We don't want to have pockets of disputes between Nebraska, the 12 in Fort Worth and arguably the California court because they've got some, a couple opinions. But the strong federal interest in adjudication and patent claims in federal court are patents are issued by federal agencies. The litigation benefits from federal judges who have experience in claim construction. We talked about the issues of law, claim construction, claim interpretation. We have disputes about the legal application as a question of law or a question of fact. We have disputes over whether it was reduced to practice or whether it was from, the claim construction reduced to practice in experimental versus commercial sale. All federal claims. All scope of the claim interpretation, federal patent law issues. All that went to the issue of their motion for summary judgment, which was our claim support as a matter of law based on federal patent doctrine, the on-sale bar. Thank you.

CHIEF JUSTICE WALLACE B. JEFFERSON: Any further questions? Thank you, counsel. The cause is submitted. That concludes the arguments for this morning and the Marshal will adjourn the court.

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