

Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.

No. 08-1597, Fed. Cir. (Gajarsa,* Dyk, Moore)

[T]he mere presence of a patent as relevant evidence to a claim does not by itself present a substantial issue of patent law.

On March 11, 2010, the Federal Circuit transferred Metabolite's appeal to the U.S. Court of Appeals for the 10th Circuit because the Federal Circuit lacked appellate jurisdiction under 28 U.S.C. § 1295(a) (1). The district court had granted LabCorp's motion for summary judgment on its complaint for declaratory judgment that it did not breach a license agreement for failure to pay know-how royalties on homocysteine assays performed after judgment had been entered in a prior patent infringement (involving U.S. Patent No. 4,940,658, which related to detecting deficiencies of vitamin B12 and folate by assaying total homocysteine levels and correlating an elevated level of total homocysteine with a deficiency in either cobalamin or folate) and breach of contract action brought, in part, by Metabolite. The Federal Circuit stated:

Under 28 U.S.C. § 1295(a)(1), this circuit has exclusive jurisdiction over an appeal from a final decision of a district court "if the jurisdiction of that court was based, in whole or in part, on § 1338." Section 1338(a) confers the district courts with original jurisdiction over "any civil action arising under any Act of Congress relating to patents." "[A]rising under" jurisdiction "extend[s] only 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." . . . Under the well-pleaded complaint rule, "arising under" jurisdiction is determined from the plaintiff's statement of his or her own claim "unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose." In an action for declaratory judgment, we look "not to the declaratory judgment complaint, but to the action that the declaratory defendant would have brought." Metabolite, as the appellant, bears the burden of demonstrating that its hypothetical claim depends on resolution of a substantial question of federal patent law. The question is, does Metabolite's hypothetical claim necessarily raise a stated patent law issue that is actually disputed and substantial. Metabolite does not meet this burden.

Metabolite's hypothetical claim would have been a breach of contract claim premised on LabCorp's continued referral of homocysteine-only assays to a third party without paying know-how royalties on its post-judgment "Net Sales of Licensed Assays." . . . We have held "that issues of inventorship, infringement, validity and enforceability present sufficiently substantial questions of federal patent law to support jurisdiction under section 1338(a)." In its hypothetical claim, Metabolite would be required to prove the elements of a breach of contract cause of action under New Jersey law—existence of a valid contract, breach, and damages. Metabolite contends that its entitlement to royalties requires it to prove infringement as a necessary component of the breach element, i.e., "whether the homocysteine[-only] assays performed by LabCorp fell within the claims of the Licensed Patents and therefore were Licensed Assays." Because infringement of the '658 patent was determined in Metabolite I, here Metabolite's hypothetical action does not require resolution of a disputed question of patent law central to the disposition of the breach of contract claim. To be clear, we are not setting forth a new rule of law that a concession after the filing of a complaint operates to defeat jurisdiction. Such a rule would be contrary to established precedent.

First, for jurisdiction to exist in our court, the substantial question of patent law must be disputed and require resolution on the merits. Here, the jury verdict and subsequent judgment in Metabolite I determined that the homocysteine-only assay is a Licensed Assay because it infringes the '658 patent, and LabCorp materially breached the License Agreement by performing assays without paying know-how royalties. We affirmed. The issue of infringement, therefore, has been resolved and is no longer disputed. Accordingly, Metabolite's hypothetical breach of contract claim presents this court with no disputed issue of patent law.

This is not a case in which the contract claim requires resolution of a related question of patent law. Such cases are distinguishable because the instant matter does not present a "case within a case." Here, it is undisputed that the post-trial conduct falls within the scope of the '658 patent. While the finding of breach is based on a finding of infringement, the district court would not have to conduct an infringement analysis because Metabolite I established infringement and neither party contests that decision. Moreover, in Board of Regents, we clarified the scope of Valves and made clear that not "all breach of contract actions involving patents require" a determination of patent infringement. Second, the mere presence of a patent as relevant evidence to a claim does not by itself present a substantial issue of patent law. [H]ere the subject of the contractual

dispute is not a patent, but rather know-how rights that refer to a patent.

. . . Though significant to Metabolite's claim, a breach of contract analysis would not require "resort to the experience, solicitude, and hope of uniformity that a federal forum offers." Hearing a context-driven, state law contract issue in this court provides no "hope of uniformity" in the patent laws. And adjudication of patent law issues in the decisions of a regional circuit court would not defeat Congress's goal of uniformity in the patent laws. Because the issue of patent law is not disputed and substantial, we do not have jurisdiction over this appeal.

The previous statements are for information purposes only, and do not constitute legal advice. Questions regarding the matters discussed above, and any requests to be subscribed to the free electronic distribution of this publication, may be directed to Lawrence M. Sung, Ph.D., at +1 202.346.7850 or lsung@dl.com, or to any other Dewey & LeBoeuf LLP attorney with whom you regularly consult.

NEW YORK | LONDON MULTINATIONAL PARTNERSHIP | WASHINGTON, DC
ALBANY | ALMATY | BEIJING | BOSTON | BRUSSELS | CHICAGO | DOHA | DUBAI
FRANKFURT | HONG KONG | HOUSTON | JOHANNESBURG (PTY) LTD. | LOS ANGELES | MADRID | MILAN | MOSCOW
PARIS MULTINATIONAL PARTNERSHIP | RIYADH AFFILIATED OFFICE | ROME | SAN FRANCISCO | SILICON VALLEY | WARSAW