

IN THE DISTRICT COURT OF APPEAL OF THE STATE OF FLORIDA
FOURTH DISTRICT

CASE NO. 4D19-3017

POINT CONVERSIONS, LLC.,

Appellant,

v.

WPB HOTEL PARTNERS, LLC.,
Florida Company,

Appellee.

**INITIAL BRIEF OF APPELLANT
POINT CONVERSIONS, LLC.**

**On Appeal of a Final Order of the Circuit Court of the
Fifteenth Judicial Circuit in and for Palm Beach County, Florida**

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PREFACE

This appeal is of an August 26, 2019 Order Granting Motion to Dismiss made final by an October 10, 2019 Final Order Dismissing Plaintiff's Action in its Entirety for Lack of Subject Matter Jurisdiction.

Appellant Point Conversions, LLC. will be referred to as "PC."

Appellee WPB Hotel Partners, LLC. will be referred to as the "WPB Hotel."

The record will be cited as "R. ___-___" to indicate volume and pages.

PC's Appendix will be cited as "A. ___-___" to indicate document and page.

STATEMENT OF THE CASE AND OF THE FACTS

A. Introduction

The issue in this case is whether the trial court erred in ruling that it did not have subject matter jurisdiction over PC's claims for unjust enrichment, injunctive relief, conversion, and violation of Florida's Deceptive and Unfair Trade Practices Act ("FDUTPA"), sections 501.201, et seq., Florida Statutes (R.8-7809, 2194-95, 2261-62, 2271-72). The court's ruling was based, in turn, on its erroneous belief that PC's claims relate to the "scope, validity or infringement of a patent" within the exclusive subject matter jurisdiction of federal courts (R.8-2194-95).

PC is a software development and implementation company (R.9). It pays consideration to JBSHBM, L.L.C. ("JB"), the developer and owner of a patent portfolio related to the exchange of reward points across program boundaries (R.9). An example of such an exchange is a transfer of American Express Points for Delta miles. In exchange for the consideration it pays JB, PC holds an exclusive license ("License") to implement JB's technology and, using it, developed a software named "Point Boundaries" to market loyalty program features, including exclusive features for which it obtained the License. Point Boundaries converts loyalty or reward points ("Points") between separate business entities or cross-channels (R.9).

WPB is a hotel franchisee of Choice Hotels International, Inc. ("Choice") that provides Points for consumer stays at its hotel and advertises that the Points are freely

transferrable across program boundaries (R.10-15). Despite PC's exclusive right under the License to transfer points through its software, WPB uses or directs its customers to use software powered by a non-licensed third party (R.10-15).

B. PC's Complaint and Discovery

PC's February 2019 Complaint and Demand for Jury Trial sought to enforce its License rights, to enjoin WPB from violating them, and to recover damages for the violation (R.8-709). JB is not a party to this lawsuit, and PC's Complaint involves its License and Point Boundaries software.

In its Common Allegations, PC's Complaint alleges:

- PC's rights pursuant to the License;
- its development of the Point Boundaries software;
- Choice's and WPB's knowledge of PC's rights and Point Boundaries;
- WPB's violation of PC's exclusive License and the Point Boundaries software through various methods, including its acceptance of Points converted across program boundaries from other reward programs and its provision of Points to its customers;
- the benefits that accrue to Choice and WPB through the violation of PC's License and Point Boundaries software; and
- the damage incurred by PC as a result (R.9-18).

Based on these Common Allegations, the Complaint states four causes of action. In Count I, Unjust Enrichment, PC alleged: (1) WPB benefitted from its use of software that violated PC's exclusive rights under the License and its Point

Boundaries software; (2) the benefit was both monetary and intangible; (3) WPB was unjustly enriched as a result of its violation; (4) PC was damaged as a result; and (5) PC was entitled to damages for the unjust enrichment (R.23-26).

In Count II, Temporary and/or Permanent Injunctive Relief, PC alleged: (1) WPB's acceptance and trade of Points across program boundaries using unauthorized software violated PC's exclusive License and Point Boundaries software; (2) WPB is aware of PC's exclusive software rights; (3) PC is being irreparably harmed as a result of WPB's violation; (4) PC is entitled to temporary and permanent injunctive relief to stop the violation; and (5) the relief is in the public interest because it enforces fundamental contract rights (R.26-30).

In Count III, Conversion, PC alleged: (1) it has exclusive rights to Point Boundaries as a result of the License; (2) WPB has illegally converted PC's property to its own use; (3) WPB is receiving unlawful benefits at PC's expense; and (4) PC is entitled to damages as a result (R.30-31).

In Count IV, FDUTPA, PC alleged: (1) WPB knowingly and intentionally engages in a deceptive or unfair trade practice by providing, exchanging, and accepting Points to and from customers across program boundaries without PC's software or another software licensed by JB; (2) WPB's conduct exposes its customers to liability; (3) WPB fails to inform its customers of the potential liability;

(4) WPB's conduct also results in damages to PC because Point Boundaries is not used in WPB's activities; and (5) PC is entitled to damages as a result (R.32-44).

Along with its Complaint, PC filed discovery – Interrogatories; a First Request for Admissions; and a First Request for Production, each of which was directed at confirming the allegations of the Complaint (A.1-3).

C. WPB's Responses to the Complaint and Discovery

WPB responded to the Complaint with a Motion to Dismiss for Lack of Subject Matter Jurisdiction, a Response to the Request for Admissions, and a Motion to Stay (R.710-48, 815-22, A.4). The Motion to Dismiss argued that PC's claims were "patent infringement claims disguised as state-law claims," because they require "determination of the core patent issues reserved exclusively to the jurisdiction of federal courts under 28 U.S.C. § 1338(a)" (R.710). WPB insisted that the trial court lacked subject matter jurisdiction because PC's claims were "founded on a breach of a right created by the patent laws, even if that right is confirmed by separate agreement" (R.711).

WPB also contended that "[t]wo federal courts already have ruled that Point Conversions' same claims invoke federal patent law issues" (R.716-17). Yet the first of the two decisions to which WPB referred holds that the federal court did not have subject matter jurisdiction under 28 U.S.C. section 1338 over the same claims that PC made in this case (R.730). Applying the legal analysis dictated by decisions of the

United States Supreme Court and other federal courts, the court held that federal patent law did not completely preempt PC's state law claims and that they did not "arise under" patent law, because the issue of patent infringement was not "substantial," and remanded PC's case to state court (R.720-32).

WPB's Motion to Stay made two arguments. First, it argued that discovery should be stayed pending this Court's ruling on a pending petition for prohibition, which would result in a ruling preventing the trial court from exercising further subject matter jurisdiction (R.815-18). Two days before it filed its Motion, however, the Court dismissed the petition for writ of prohibition without prejudice, holding that the petitioner could raise its conflict preemption defense in the trial court (R.854). Thus, the Court has already held that the trial court has subject matter jurisdiction to hear this case.

Second, WPB argued that the court should stay discovery pending its ruling on the Motion to Dismiss (R.818-20). PC responded that WPB's cited cases did not support its position and that its position would effectively render Florida Rule of Civil Procedures 1.350(b) and 1.270(a) futile, because it would permit a defendant served with discovery along with a complaint to "punt" for months by simply filing a motion to dismiss (R.852-58).

D. The Orders on WPB's Motion to Dismiss

In August 2019, with the discovery Motions still pending, the court conducted a hearing on WPB's Motion to Dismiss (R.2196-2260). WPB's counsel argued that neither the test for federal subject matter jurisdiction nor the doctrine of preemption applies, because the trial court does not have subject matter jurisdiction, patent infringement "is the express domain of the federal courts" under 28 U.S.C. section 1338, the court "would have to construe each of these 32 patents" in a Markman hearing to determine "whether the conduct alleged falls within them," PC's authority does not control, and its relief is in federal court (R.2201-08, 2239-48).

PC's counsel responded:

- the correct procedure for the court to determine subject matter jurisdiction is an analysis of the alleged facts using the four jurisdictional factors established in *Gunn v. Minton*, 568 U.S. 251 (2013), because they clarify the difference between federal subject matter jurisdiction and state subject matter jurisdiction (R.2208-15);
- the FDUTPA claim unquestionably failed the *Gunn* test, and while patent issues were raised in the other Counts, there was no way to know if the patents were disputed, because WPB had not answered the Complaint;
- in *Point Conversion, LLC v. Tropical Paradise Resorts, LLC*, 339 F. Supp. 3d 1350, 1356 (S.D. Fla. 2018) ("*PC One*"), the Southern District of Florida held that patent issues identical to the ones in this case are not substantial and the federal government did not have a strong interest in litigating them in federal court, thus federal jurisdiction did not exist under the *Gunn* test;

- a Broward circuit court order holds that there was no evidence its jurisdiction over the state law claims would disrupt the federal-state balance, thus no conflict preemption (R.2215-25);
- in *Tropical Paradise Resorts LLC v. Point Conversions, LLC*, No. 4D19-479 (Fla. 4th DCA 2019), this Court held that a defendant is required to raise conflict preemption through a “proper motion” in the trial court and appeal from a final judgment, “if necessary”;
- the Florida Supreme Court has held that federal preemption “does not bar state jurisdiction when the complaint relies on ‘reasons completely unrelated to the provisions or purposes of the patent laws’” (R.2225-29);
- WPB’s cases were either factually inapposite or pre-*Gunn*; and
- the court’s acceptance of WPB’s position would close both federal and state courthouse doors to PC’s claims (R.2230-37).

At the conclusion of the hearing the court reserved ruling (R.2247). But, later the same month, it entered an Order Granting Motion to Dismiss without prejudice, holding that PC’s claims “necessarily require a determination of the scope, validity or infringement of a patent,” and thus the court lacked subject matter jurisdiction (R.2194-95). Thereafter, based on PC’s position that the dismissal should be final so it could appeal to this Court, the court entered an Order Deeming As a Final Order Court’s August 26, 2019 Order Granting Motion to Dismiss, and an October 10, 2019 Final Order Dismissing Plaintiff’s Action in its Entirety for Lack of Subject Matter Jurisdiction (“Dismissal Order”) (R.2261-62, 2271-72).

This appeal follows.

SUMMARY OF ARGUMENT

WPB's insistence that the trial court lacked subject matter jurisdiction is based on a misinterpretation of both state and federal law. If WPB were correct PC would be deprived of its constitutional right to access to courts because the Southern District of Florida has already held it does not have subject matter jurisdiction to hear PC's state law claims as they do not "arise under" patent law because the patent issues involved are not substantial.

Florida's circuit courts are courts of general jurisdiction, and claims for unjust enrichment, injunctive relief, conversion, and violation of FDUTPA are typically brought in these courts. In contrast, federal courts are courts of limited jurisdiction, having only the power authorized by the United States Constitution and statute to adjudicate a particular type of case.

In some instances, while a state court may have subject matter jurisdiction over a claim, Congress has so completely preempted the field that the state court is prohibited from exercising its jurisdiction. In contrast, if a particular type of case or cause of action does not satisfy the requirements for exclusive federal court subject matter jurisdiction, or is not preempted by federal legislation, such as PC's claims in this case, then it remains within the general jurisdiction of a state court. Here, the court erred in failing to correctly apply the controlling law.

ARGUMENT

I. THE TRIAL COURT ERRED IN HOLDING THAT IT DID NOT HAVE SUBJECT MATTER JURISDICTION OVER PC'S CLAIMS.

A. The standard of review is de novo.

Subject matter jurisdiction is a question of law that is reviewed on appeal de novo. *See Krause v. Textron Financial Corp.*, 59 So. 3d 1085, 1089 (Fla. 2011); *MDS (Canada) Inc. v. Rad Source Technologies, Inc.*, 720 F.3d 833, 841 (11th Cir. 2013).

A motion to dismiss for lack of subject matter jurisdiction admits all well-pleaded facts, as well as reasonable inferences drawn from those facts. *See Wackrow v. Niemi*, 899 N.E.2d 273, 276 (Ill. 2008); *see also Stubbs v. Plantation General Hosp. Ltd. Partnership*, 988 So. 2d 683, 684 (Fla. 4th DCA 2008).

B. The trial court has subject matter jurisdiction over PC's claims.

“Subject matter jurisdiction ‘means no more than the power lawfully existing to hear and determine a cause.’” *Paulucci v. General Dynamics Corp.*, 842 So. 2d 797, 801 n.3 (Fla. 2003); *see also VL Orlando Bldg. Corp. v. AGD Hospitality Design & Purchasing, Inc.*, 762 So. 2d 956, 957 (Fla. 4th DCA 2000) (“Subject matter jurisdiction means ‘the power of the court to adjudicate the class of cases to which

the particular case belongs.’ *Crill v. State Road Department*, 96 Fla. 110, 117 So. 795, 798 (1928).”).

PC’s claims for unjust enrichment, injunctive relief, violation of FDUTPA, and conversion are all within the power of Florida’s circuit courts to adjudicate and, therefore, are within their subject matter jurisdiction. *See, e.g., Vidal v. Athletes USA, LLC*, 268 So. 3d 263, 264 (Fla. 4th DCA 2019) (discussing a state court injunction claim); *Ware v. Citrix Systems, Inc.*, 258 So. 3d 478, 481 (Fla. 4th DCA 2018) (discussing a state court conversion claim); *Dorestin v. Hollywood Imports, Inc.*, 45 So. 3d 819, 830-31 (Fla. 4th DCA 2010) (discussing a state court FDUTPA claim); *Commerce Partnership 8098 Ltd. Partnership v. Equity Contracting Co., Inc.*, 695 So. 2d 383, 386 (Fla. 4th DCA 1997) (discussing a state court unjust enrichment claim).

WPB’s error is in confusing subject matter jurisdiction over claims like these, which Florida courts unquestionably have, with exclusive federal jurisdiction under section 1338(a)’s “arising under” test. As PC explains in detail below, section 1338(a) does not prohibit the trial court’s jurisdiction, and conflict preemption is not ripe for determination, as WPB virtually admitted below, because it has not filed an answer to PC’s Complaint. On both issues, both this Court and the federal district court have already rejected arguments identical to the ones WPB made to the trial

court here. *See Tropical Paradise Resorts*, No. 4D19-479; *PC One*, 339 F. Supp. 3d at 1356.

C. PC’s state law claims do not “arise under” patent law to prohibit the trial court’s subject matter jurisdiction.

Federal district courts are courts of “limited jurisdiction,” having only the power given them by the Constitution and federal statute. *Gunn*, 568 U.S. at 256. The general grant of jurisdiction is in 28 U.S.C. section 1331, which provides that federal district courts “shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”

As to patents, section 1338(a) provides:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term “State” includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.

In *Gunn*, 568 U.S. at 257-58, the Court explained that federal courts have “exclusive jurisdiction” over cases “arising under any Act of Congress relating to patents, and a case can ‘aris[e] under federal law in two ways’”: (1) when federal law creates the cause of action; or (2) when the federal issue is: (a) necessarily raised; (b)

actually disputed; (c) substantial; and (d) capable of resolution in federal court without disturbing the federal-state balance approved by Congress. *See also Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 809 (1988). If either the first test or the second four-factor test is satisfied, then federal court subject matter jurisdiction is exclusive.

The *Gunn* Court further explained that, with respect to federal patent law, the first class of cases is nearly always within the exclusive jurisdiction of federal courts, but the second group – the four-part test – is “by their nature unlikely to have the sort of significance for the federal system necessary to establish jurisdiction.” *Id.* at 259. Quoting *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699 (2006), the *Gunn* Court described those in the second group over which a federal court has exclusive subject matter jurisdiction as a “special and small category.” *Id.* at 258.

Gunn answered in the negative the question whether a legal malpractice action involving the validity of patent infringement claims was within the exclusive subject matter jurisdiction of federal courts. *See id.* at 264. It explained that while the federal patent issue was necessarily raised in the state court legal malpractice case, and “actually disputed,” it was neither “substantial” nor “capable of resolution in federal court without disturbing the federal-state balance approved by Congress.” *Id.* at 258-65. The Court concluded that because federal jurisdiction over the legal malpractice claim was not exclusive, the Texas state court properly exercised jurisdiction. *See*

also *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1334 (Fed. Cir. 1998) (overruled on other grounds, *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999)) (“[T]he Supreme Court has repeatedly confirmed that federal patent-law issues housed in a state law cause of action are capable of being adjudicated” by a state court.).

Recently, in *Inspired Development Group, LLC v. Inspired Products Group, LLC*, 938 F.3d 1355, 1361 (Fed. Cir. 2019), the court recognized the state court’s jurisdiction over a Florida unjust enrichment claim based on a license even though adjudication of patent issues regarding scope and infringement were necessary. The court analyzed the plaintiff’s claims using the *Gunn* factors and, quoting *Vermont v. MPHJ Technology Investments, LLC*, 803 F.3d 635, 646 (Fed. Cir. 2015), explained that the “touchstone for ‘substantiality’ is whether allowing state courts to resolve the case would undermine ‘the development of a uniform body of [patent] laws.’” *Inspired*, 938 F.3d at 1362-63.

The court held that the federal district court did not have jurisdiction because all four *Gunn* prongs were not satisfied. It cautioned that federal courts have only “slim” jurisdiction in cases involving state law claims like the ones in this case and quoted *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing*, 545 U.S. 308, 313-14 (2005), to describe the *Gunn* fourth prong test as a “serious federal interest,” one that is “significant to the federal system as a whole,” and one that

can only be vindicated in a federal forum “without disrupting Congress’s intended division of labor between state and federal courts.” *Id.*

According to the *Inspired* court, “substantiality” is more likely to be present if a “pure issue” of federal law is dispositive, if the resolution of the issue will control numerous other cases, and if the Government has a “direct interest in the availability of a federal forum to vindicate its own administrative action.” *Id.* at 1364 (quoting *NeuroRepair, Inc. v. The Nath Law Group*, 781 F.3d 1340, 1345 (Fed. Cir. 2015)). On those factors, the court held that the patent issue was not the “pure issue” in the case, that a state court adjudication would not “control” other cases in federal court, that there was no government interest in the issue because “a state court cannot invalidate patents,” that a state court decision on the validity of a patent “does not have precedential effect on a district court,” and that any state court result “would be limited to the parties and patents . . . before the state court.” *Id.* (citing *Gunn* at 264).

The *Inspired* court also rejected the argument that a federal court was required to first decide the patent issues. “As for more novel questions of patent law that may arise for the first time in a state court ‘case within a case,’ they will at some point be decided by a federal court in the context of an actual patent case, with review in the Federal Circuit.” *Id.* at 1366 (quoting *Gunn* at 262). Based on its analysis, the court held that the state court, not the federal court, had jurisdiction. So, while *Gunn* may involve a federal patent decision preceding the state court action, both *Gunn* and

Inspired clarify that an earlier federal patent decision is not fundamental to the state court action, as WPB incorrectly argued to the trial court.

State courts, including the Florida Supreme Court, have also repeatedly confirmed state court jurisdiction over claims involving patents. For example, in *Jacobs Wind Electric Company, Inc. v. Department of Transportation*, 626 So. 2d 1333, 1335 (Fla. 1993), the court analyzed the plaintiff's claim for conversion of its patent rights and held that "Congress never intended to preclude these claims from state court review even though they involve a patent." Citing a number of federal decisions and quoting *Christianson*, 486 U.S. at 801, the *Jacobs Wind* court explained that if the "face of a well-pleaded claim" alleges theories "completely unrelated to the provisions and purposes of the patent laws why plaintiff may or may not be entitled to the relief it seeks, then the claim does not 'arise under' those laws."

As a California court explained in *Venclose Inc. v. Covidien Holding, Inc.*, 2017 WL 3335984, *4-5 (N.D. Cal. 2017), the *Gunn* four-part test for "arising under" exclusive federal court subject matter jurisdiction is applied to "the face of the well-pleaded complaint," and claims merely "touching on federal patent law" do not satisfy the test. In *Venclose*, the patent questions relate to ownership, inventorship, and interpretation of a contract. *See id* at *5. The court cautioned that state law, not federal law, governs the interpretation of contracts, including those assigning patent rights, and the causes of action at issue "are pure state law claims." *Id.* at *5-6.

Similarly, in *Island Intellectual Property LLC v. Reich & Tang Deposit Solutions, LLC*, 60 N.Y.S.3d 744, 754 (N.Y. Sup. Ct. 2017), the court quoted *American Harley Corporation v. Irvin Industries*, 27 N.Y.2d 168, 172, 315 N.Y.S.2d 129, 263 N.E.2d 552 (1970), to warn:

[A]ctions involving contracts relating to patents are not considered suits arising under [patent] laws, and are properly brought in the State court, even if the validity of the patent may somehow be involved and the plaintiff could have brought suit for its infringement in the Federal court.

And most importantly here, the Southern District of Florida has held that it does not have exclusive subject matter jurisdiction. *See PC One*, 339 F. Supp. 3d at 1350. In ruling that the patent issues involved there – the same in this case – were not substantial, the court analyzed the claims under the methodology established in *MDS (Canada)*, 720 F.3d at 833: (1) whether the claim raised a “pure question of law” (2) whether it will “control many other cases”; and (3) and whether “the government has a strong interest in litigating in a federal forum.” *PC One* at 1355.

The *PC One* court answered all three questions in the negative, holding that PC’s “state-law claims arise under a licensing agreement, and” PC “seeks to establish that [JB’s] patents are valid” and the “License is exclusive,” which is “fact-specific and will not result in resolving a general question of patent law likely to affect future cases.” *Id.* at 1356. As a result, the *PC One* court held that the patent issues were

necessary, but not substantial, because the issue is the License, and remanded the case to state court.

Numerous other state courts have rejected arguments identical to WPB's in this case. As early as 1935 the Massachusetts Supreme Judicial Court recognized that the state courts had subject matter jurisdiction because the cause of action before it was "based, not on a patent, but on a contract," and its jurisdiction was "not defeated merely because the existence, validity or construction of a patent may be involved." *Respro, Inc. v. Worcester Backing Co.*, 291 Mass. 467, 470-71 (Mass. 1935). In 1954 the Supreme Court of California held that an action regarding a license involving patent rights was not within the exclusive subject matter jurisdiction of federal courts under section 1338(a), even though the case involved "questions arising under the patent laws." *H. J. Heinz Co. v. Superior Court In and For Alameda County*, 42 Cal. 2d 164, 172-73 (Cal. 1954).

In a variety of circumstances, courts in other states have also reached similar conclusions on state court subject matter jurisdiction over tort claims involving patents. *See Meeker R & D, Inc. v. Evenflo Co., Inc.*, 52 N.E.3d 1207, 1213 (Oh. Ct. App. 2016); *Boston Scientific Corp. v. Mirowski Family Ventures, LLC*, 133 A.3d 1176, 1186 (Md. Ct. App. 2016); *In re Cipro Cases I & II*, 348 P.3d 845, 870 (Cal. 2015); *Long v. Cordain*, 343 P.3d 1061, 1065-66 (Co. Ct. App. 2014); *Wonders v. Johnson*, 2013 WL 3771313, *1 (Tex. Ct. App. 2013); *Magnetek, Inc. v. Kirkland and*

Ellis, LLP, 954 N.E.2d 803, 821 (Ill. Ct. App. 2011); *New Tek Mfg., Inc. v. Beehner*, 702 N.W.2d 336, 346 (Neb. Ct. App. 2005); *Stark v. Advanced Magnetics, Inc.*, 736 N.E. 434, 439 (Mass. Ct. App. 2009).

Applied here, all of these decisions support the conclusion that the trial court has subject matter jurisdiction over PC's claims. Under the first *Gunn* test, a suit arises under federal law "only when the plaintiff's statement of his own cause of action shows that it is based" on federal law. *Louisville & Nashville R. Co. v. Mottley*, 211 U.S. 149, 152 (1908). Here, PC's Complaint does not assert any federal causes of action. Therefore, it does not "arise under" federal law.

Under the alternative *Gunn* test's first prong, a federal issue is "necessarily raised" if the court must address that issue in order to resolve the claim. *Id.* at 259. Here, because PC alleges that WPB's conduct violates PC's property rights, the issue is necessarily raised in three of the four counts. PC believes, however, that the patent issues are not necessary for its FDUTPA claims regarding diminished value and failure to warn.

Under the second *Gunn* prong, whether the patent claims are "actually disputed," a federal issue is "actually disputed" when the parties are in disagreement regarding its potential application or resolution. *See Gunn*, 568 U.S. at 259. With patent issues, the validity of the patent is necessarily raised as an affirmative defense. But WPB has not filed an answer, so there is no way to determine whether it intends

to challenge the validity of the patents underlying the License. So the patent issues are not “actually disputed” as a matter of procedure and law, as WPB virtually admitted in relying on only cases in which the answer disputing the patent claims were already filed or an attempt was made to remove the case to federal court on the basis of exclusive federal jurisdiction, as in *Point Conversions*.

The third *Gunn* prong is also not satisfied here. To defeat state court jurisdiction, “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.” *Gunn*, 568 U.S. at 260. Where “novel questions of patent law” arise “for the first time in a state court ‘case within a case,’ they will at some point be decided by a federal court in the context of an actual patent case,” with the federal court virtually ignoring the state court’s decision. *Gunn* 568 at 262. The same is true in this case.

The final *Gunn* prong, whether PC’s claims are “capable of resolution” in state court “without disrupting the federal-state balance,” also favors state court jurisdiction, because acceptance of WPB’s position would “sweep a number of state-law claims into federal court, and that – not state court jurisdiction – would result in a disruption of the federal-state balance.” *MDS (Canada)*, 720 F.3d at 833.

D. The doctrine of preemption does not apply to prohibit the trial court's subject matter jurisdiction.

While WPB argues that preemption is not at issue here, apparently to avoid the fact that it has not answered PC's Complaint, PC believes the doctrine should be analyzed to show that it also does not divest the trial court of subject matter jurisdiction. There are three types of federal preemption: (1) explicit preemption, which is where Congress "has created a comprehensive remedial scheme"; (2) field or "implied" preemption, which is clear Congressional intent to exclusively occupy a particular field; and (3) conflict or "defensive" preemption, which is the circumstance where state law "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *770 PPR, LLC v. TJC Land Trust*, 30 So. 3d 613, 616-17 (Fla. 4th DCA 2010); *Bertoni v. Stock Bldg. Supply*, 989 So. 2d 670, 674 (Fla. 4th DCA 2008); *Ultra-Precision Mfg. Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1377 (Fed. Cir. 2005); *Citizens for a Safer Community v. City of Rochester*, 627 N.Y.S.2d 193, 200 (N.Y. Sup. Ct. 1994).

In *PC One*, 339 F. Supp. 2d at 1358, relying on *Ultra-Precision*, the court held that neither explicit nor field preemption were at issue, because federal patent law does not provide explicit preemption and Congress does not intend to occupy the field of unjust enrichment exclusively. Thus, neither explicit preemption nor field preemption

are at issue here. Only “conflict” preemption applied in *PC One*, and the claims at issue in *PC One* are the same claims at issue here.

But the *PC One* court, quoting *Mannsfeld v. Evonik Degussa Corporation*, 2011 WL 53098, at *9 (S.D. Ala. 2011), held that conflict preemption did not give rise to federal subject matter jurisdiction over the claims in that case, both because conflict preemption is “merely a defense,” which must be raised in an answer, and because a case “raising a federal patent-law defense does not, for that reason alone, arise under patent law.”

[W]hile defendants’ objections to plaintiff’s claims as seeking “patent-like protection” may (or may not) be meritorious affirmative defenses on a “conflict preemption” theory, they do not automatically transform plaintiff’s nonfederal causes of action into federal claims on a “field preemption” theory that would support removal jurisdiction.

PC One, 339 F. Supp. 3d at 1358 (quoting *Mannsfeld*, 2011 WL 53098 at *9).

In this case, WPB apparently attempts to avoid a preemption argument, because *PC One* leads to the conclusion that WPB must file an answer to the Complaint and raise the purported patent invalidity as an affirmative defense. This Court’s denial of the petition for writ of prohibition in *Topical Paradise*, No. 4D19-479, leads to the same conclusion. And as the court held in *Connecticut State Dental Association v. Anthem Health Plans, Inc.*, 591 F.3d 1337, 1358 (11th Cir. 2009), WPB’s objections to PC’s claims “may (or may not) be meritorious affirmative defenses on a ‘conflict

preemption' theory, [but] they do not automatically transform plaintiff's nonfederal causes of action into federal claims.”

Here, while WPB “may (or may not)” challenge the validity of JB’s patents in its answer, at this point there is no such challenge, and the trial court was not free to anticipate one in the absence of WPB’s answer to PC’s Complaint.

E. WPB’s arguments are based on a misunderstanding of the law and the record.

WPB’s Motion argued that the trial court lacked subject matter jurisdiction based on *EMSA Limited Partnership v. Lincoln*, 691 So. 2d 547 (Fla. 4th DCA 1997), *Pincus v. Carlisle*, 585 So. 2d 1172 (Fla. 4th DCA 1991), *Schachel v. Closet Concepts, Inc.*, 405 So. 2d 487 (Fla. 3d DCA 1981), and *Solar Dynamics, Inc. v. Buchanan Ingersoll & Rooney, P.C.*, 211 So. 3d 294 (Fla. 2d DCA 2017), all of which stand for the proposition that a court must look beyond the “label” to the “substance” of the causes of action, and if they involve the validity of patents, then federal courts have exclusive subject matter jurisdiction. PC disagrees that any of the cases control here.

In *EMSA*, 691 So. 2d at 549-50, the Court held that a “suit for copyright infringement, ‘including claims of ownership,’ arises under the copyright laws and falls within the exclusive jurisdiction of the federal courts,” but it recognized that state law claims not involving core copyright issues were properly before the state court.

In *Pincus*, 585 So. 2d at 1172, the Court held that the trial court did not have subject matter jurisdiction over a claim for injunctive relief to prohibit use of the plaintiffs' copyrighted and patented materials. In *Schachel*, 405 So. 2d at 488, the court held that the plaintiff's breach of contract action was within the exclusive jurisdiction of the federal court because the underlying breach was infringement of the plaintiff's design patent. After *Gunn*, *EMSA*, *Pincus*, and *Schachel* are questionable authority, because none of them applies the *Gunn* analysis and each issued years before *Gunn*.

WPB's fourth case, *Solar*, 211 So. 3d at 295-96, involves a patent owner's attempt to have its own patent declared invalid or insufficient, because that was necessary to its malpractice action against its attorney. *See id.* at 295-96. The court held that the malpractice claim was within the exclusive subject matter jurisdiction of the federal courts because in order to decide the malpractice claim the state court would have to decide the scope and validity of the patent. *See id.* at 300. But the court even acknowledged that a state court decision on the issue would not "set a precedent or affect patent law as a whole." *Id.* at 298.

In fact, as *Solar* recognizes, a state court does not have authority to invalidate a patent. *See id.* at 301. Since this power does not exist, and since *Solar*'s pleadings required a determination of patent invalidity, the state court lacked the authority to decide the issue. This is the reason that *Solar* could fall into *Gunn*'s "extremely small" category of cases within exclusive federal jurisdiction. Therefore, just as in

Gunn, while the patent issue in *Solar* was necessary and disputed, it was not substantial, and the state court’s decision on it would not have disrupted the federal-state balance or affect future cases. And as *Gunn* establishes, a state court does have the authority and jurisdiction to determine patent issues if necessary to adjudicate state law claims involving them.

The difference, as the *Gunn* and *Inspired* courts explained, is that a state court cannot invalidate a federally granted patent right. To the contrary, if the validity issue persists it will eventually be raised in a federal court and decided there, at which time any earlier state court determination necessary to the adjudication of a state law claim will be essentially ignored. As *Gunn* also establishes, federal courts are not bound by, and largely ignore, state court decisions regarding patents.

Nor is the trial court in this case required to conduct a “Markman” or “Claim Construction” hearing, as WPB argued below, because the purpose of that evidentiary procedure is to determine the meaning of disputed patent terms in infringement actions. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996). Markman hearings are effectively merit-based determinations on the legal meaning of contract terms involving patents, which is unrelated to a pleading stage or subject matter authority. As the *Gunn*, *MDS Canada*, *Inspired*, and *Jacob’s Wind* cases explain, whether a Markman hearing will ever be necessary is a totally separate consideration from subject matter jurisdiction.

Furthermore, at this point, there is no evidence that any patent term is at issue in this case. WPB's contention that *Gunn* does not control because it involved an earlier patent infringement federal court case, which is also the basis of the *Solar* analysis, is also incorrect. No other case, federal or state, holds that a federal patent infringement case must precede a state case like the one here. To the contrary, *Gunn* recognizes that "questions of patent law" may "arise for the first time in a state court," and may at some later point be decided by a federal court "in the context of an actual patent case" if the questions arise frequently. *Id.* at 1067.

PC One itself rejected a similar argument. And given *PC One*, if WPB were correct, PC would not have access to either a federal court or a state court. That is exactly the result rejected in *Jacobs Wind*, 626 So. 2d at 1336, where the court stated that the "patent statutes were intended to *provide* a remedy, not exclude one," and the appellee's argument, like WPB's in this case, resulted in a "situation where a party was not just denied a particular remedy but was denied total access to courts to redress its grievances."

The *Jacobs Wind* court concluded that the result "cannot be countenanced in light of article I, section I of the Florida Constitution, which provides that '[t]he courts shall be open to every person for redress of any injury, and justice shall be administered without sale, denial or delay.'" *Id.* Like *Jacobs Wind*, PC has no federal infringement remedy, because it is not a patent owner and because its claims do not

satisfy the four-part *Gunn* test. WPB apparently recognizes as much, because it never sought to remove this case to federal court, as it would have done if it truly believed that federal court subject matter jurisdiction is exclusive.

Applied here, *Jacobs Wind* dictates that the trial court's Dismissal Order should be reversed with directions that the case be reinstated.

CONCLUSION

For the foregoing reasons, the Dismissal Order should be reversed with directions to the trial court to reinstate PC's lawsuit.

CERTIFICATE OF SERVICE

We certify that a copy of this document was filed electronically and was sent by E-Mail from the Florida Courts' E-Filing Portal system, unless otherwise noted below, on all counsel or parties of record listed below, and pursuant to Administrative Order No. 2011-1, the e-filing of this document has been completed, this 22nd day of November 2019.

CERTIFICATE OF COMPLIANCE

We certify that this brief complies with the font requirements set forth in Florida Rule of Appellate Procedure 9.210(a)(2).

Respectfully submitted,

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