Case No. SC21-1071; L.T. Case No. 4D19-3017

IN THE SUPREME COURT OF FLORIDA

WPB HOTEL PARTNERS, LLC,

Petitioner,

v.

POINT CONVERSIONS, LLC,

Respondent.

PETITIONER'S BRIEF ON JURISDICTION

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STATEMENT OF THE ISSUES

Petitioner WPB Hotel Partners, LLC seeks review of the Fourth District's decision in *Point Conversions, LLC v. WPB Hotel Partners, Inc.*, 46 Fla. L. Weekly D1273, 2021 WL 2213304 (Fla. 4th DCA June 2, 2021), and its order "certify[ing] conflict with *Point Conversions, LLC v. Omkar Hotels, Inc.*, 46 Fla. L. Weekly D1170a, 2021 WL 1996397 (Fla. 1st DCA May 19, 2021)." A.4-18. The issue presented is:

Whether a Florida trial court has subject matter jurisdiction to decide in the first instance core issues of patent law, without a prior determination by a federal court.

STATEMENT OF THE CASE AND FACTS

The Fourth District reversed an order dismissing one of forty-six identical lawsuits (across seven Florida circuit courts) that Respondent Point Conversions, LLC filed against independently-owned franchisees of nonparty Choice Hotels, including Petitioner. A.4-5, 12. The First District reached the opposite conclusion on "identical facts" and affirmed orders dismissing ten of those forty-six lawsuits in *Omkar*, 2021 WL 1996397, at *1-2.

In its complaints, Respondent alleged the following facts:

Two inventors applied for and received thirty-two related patents covering "the conversion of loyalty/reward points between separate business entities or channels"; the inventors formed a non-party entity to hold the patents; and one inventor is a principal of both the patent holder and Respondent. *Omkar*, 2021 WL 1996397, at *1-*3; A.4-5, 10-11.

The patent holder and Respondent are the only two parties to a contract granting Respondent the exclusive right to develop software within the scope of the patents. *Omkar*, 2021 WL 1996397, at *1-*3; A.4-5, 8, 10.

Respondent developed its software, "Point Boundaries," which "facilitates the exchange of loyalty or reward points between separate business entities or cross-channels. For instance, if an individual receives reward points for flying with a particular airline, the Point Boundaries software enables them to use those points at different businesses." A.4-5; *Omkar*, 2021 WL 1996397, at *1. Respondent alleges that Point Boundaries "is the only existing software worldwide that anyone can validly be using for this purpose." *Omkar*, 2021 WL 1996397, at *2; A.5, 10.

Petitioner is a hotel franchisee that "offers its customers loyalty reward points for staying at its hotel" and "directs its customers to use software other than Point Boundaries to transfer those earned points"—*i.e.*, software that "was not licensed to use the patents." A.4-5, 10; *Omkar*, 2021 WL 1996397, at *1-*3. Respondent alleges Petitioner knew of the Point Boundaries software and the patent license rights Respondent acquired through its contract with the patent holder and, therefore, that "all uses of point-exchange software by the franchisees and their customers" infringed both the patent holder's patents and Respondent's "rights derived from the patent holder's underlying rights." *Omkar*, 2021 WL 1996397, at *2-*3; A.5, 10-11.

Based on those allegations, Respondent filed a four-count complaint against Petitioner for: 1) unjust enrichment; 2) injunctive relief; 3) conversion; and 4) violations of Florida's Deceptive and Unfair Trade Practices Act ("FDUTPA"). A.5; *Omkar*, 2021 WL 1996397, at *2. Respondent's general allegations "framed its rights in the Point Boundaries software as originating with, and dependent upon, the patent holder's underlying method patent," and the contract attached to the complaint revealed that Respondent

"possesses only such rights as the licensing agreement gives it, which are defined as rooted in the underlying patent." *Omkar*, 2021 WL 1996397, at *4; A.4-5, 10.

Respondent claimed "the alternative to its forty-six state-court actions would be the filing of 'thousands' of patent infringement lawsuits against the franchisees and their customers." *Omkar*, 2021 WL 1996397, at *2; A.11-12. Moreover, Petitioner and its customers allegedly "have 'litigation liability' for violation of intellectual property rights, including both the licensee's rights and violations of the underlying patents themselves," because "each act of point conversion subjected the franchisees and their customers to state or federal infringement lawsuits[and]the franchisees had improperly failed to notify each customer of this potential litigation liability for infringement of rights derived from the underlying patents." *Omkar*, 2021 WL 1996397, at *2; A.5, 11-12.

Petitioner moved to dismiss for lack of subject matter jurisdiction because all four counts required the state trial court to determine core issues of patent law, which a federal court must decide in the first instance under *Solar Dynamics, Inc. v. Buchanan Ingersoll & Rooney, P.C.*, 211 So.3d 294 (Fla. 2d DCA 2017). A.5;

Omkar, 2021 WL 1996397, at *3, *6-*7. Respondent opposed dismissal and asserted that the court had jurisdiction because its four claims met the four-factor test from *Gunn v. Minton*, 568 U.S. 251 (2013), which required determining whether a patent issue was "(1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress." A.6 (quoting *Gunn*, 568 U.S. at 259); *Omkar*, 2021 WL 1996397, at *6-*7. The trial court granted the motion and dismissed the complaint, and Respondent appealed. A.6; *Omkar*, 2021 WL 1996397, at *4.

The Fourth District issued an opinion reversing the dismissal, *Point Conversions, LLC v. WPB Hotel Partners*, 46 Fla. L. Weekly D489, 2021 WL 822853 (Fla. 4th DCA Mar. 3, 2021), which was the subject of a motion for rehearing and clarification by Petitioner. A.4. While that motion was pending, the First District agreed with *Solar Dynamics*, distinguished *Gunn*, alternatively determined that the complaint met all four *Gunn* factors, expressly disagreed with numerous holdings in the Fourth District's original opinion, and certified conflict. *Omkar*, 2021 WL 1996397, at *1 (citing *Point*

Conversions, LLC v. WPB Hotel Partners, 46 Fla. L. Weekly D489, 2021 WL 822853 (Fla. 4th DCA Mar. 3, 2021), *withdrawn*, A.4).

In a revised decision issued June 2, 2021, the Fourth District "decline[d] to follow" *Solar Dynamics* and instead applied *Gunn*. A.16. The Fourth District held Respondent's complaint did not raise substantial issues of federal law and, therefore, that allowing Respondent to bring its complaint in federal court would disturb the balance between state and federal courts under the third and fourth *Gunn* factors. A.9-15.

On July 7, 2021, the Fourth District certified conflict with *Omkar*. A.18.

ARGUMENT

This Court has jurisdiction to review the underlying decision, which the Fourth District certified to be in direct conflict with *Omkar*. In addition to the certified conflict, this Court also has jurisdiction because the Fourth District's decision expressly and directly conflicts with: 1) both *Omkar* and *Solar Dynamics*, by announcing conflicting rules of law; and 2) *Omkar*, by applying a rule of law resulting in conflicting outcomes on identical facts.

This Court should exercise its discretion to grant review. This case presents a substantial legal dispute that has divided the district courts: whether a Florida trial court has subject matter jurisdiction to decide in the first instance core issues of patent law—such as patent validity and infringement—without a prior determination by a federal court. The conflicting rules of law announced on this question by the First and Second Districts (on the one side) and by the Fourth District (on the other side) have consequences extending beyond the named parties to this case. The Fourth District's decision also threatens to disturb the federal-state balance by creating a blueprint for circumventing federal oversight of litigation involving the validity, scope, and infringement of patents.

I. THIS COURT HAS JURISDICTION TO REVIEW THE FOURTH DISTRICT'S DECISION.

A. The Fourth District Certified Conflict with *Omkar*.

This Court has jurisdiction because the Fourth District certified that its decision conflicts with *Omkar*. A.18. *See* Art. V, § 3(b)(4), Fla. Const.; *State v. Vickery*, 961 So.2d 309, 312 (Fla.

2007) (noting that "a certification of conflict provides us with jurisdiction per se").

B. The Fourth District's Decision Expressly and Directly Conflicts with *Omkar* and *Solar Dynamics*.

In addition to the certified conflict, this Court also has jurisdiction because the Fourth District's decision expressly and directly conflicts with both *Omkar* and *Solar Dynamics*. Art. V, § 3(b)(3), Fla. Const. This Court recently reiterated that the constitutional standard of "express and direct conflict" is "a strict standard that requires either the announcement of a conflicting rule of law or the application of a rule of law in a manner that results in a conflicting outcome despite 'substantially the same controlling facts.' " *Kartsonis v. State,* 319 So.3d 622, 623 (Fla. 2021) (Fla. 2021) (quoting *Nielsen v. City of Sarasota,* 117 So.2d 731, 734 (Fla. 1960)). "Because the facts in the second situation 'are of the upmost importance,' there can be no conflict on this basis when the cases are easily distinguishable." *Id.* (quoting *Mancini v. State*, 312 So.2d 732, 733 (Fla. 1975)).

The Fourth District's decision readily satisfies this standard. First, the Fourth District's decision announces a conflicting rule of

law from that announced in *Omkar* and *Solar Dynamics* regarding the subject matter jurisdiction of state courts over core patent issues—including whether the four-factor *Gunn* test is limited to "backward-looking" cases where a federal court has already decided core issues of patent validity or infringement, or whether *Gunn* extends to state court cases deciding issue of patent validity or infringement in the first instance without a prior federal determination. A.5-7, 15-16; *Omkar*, 2021 WL 1996397, at *4-*7; *Solar Dynamics*, 211 So.3d at 297-301.

To the extent the *Gunn* test applies, the Fourth District's decision and *Omkar* further conflict on *how* it applies—specifically, whether Respondent's complaint satisfies the third and fourth *Gunn* factors on substantiality and federal-state balance. A.13-16; *Omkar*, 2021 WL 1996397, at *6-*8. The Fourth District's decision cannot be factually distinguished from *Omkar*. Both decisions reviewed a trial court order dismissing for lack of subject matter jurisdiction one or more of the forty-six, four-count complaints that Respondent filed across various Florida circuit courts. *Cf. Kartsonis*, 319 So.3d at 623 (holding there can be no express and direct conflict between cases that are easily distinguishable).

The First District appropriately certified conflict in recognition that its decision is irreconcilable with the Fourth District's original opinion on "identical facts," *Omkar*, 2021 WL 1996397, at *1—identical facts that remain in the Fourth District's revised decision, as the changes from the original opinion were minimal. *See Omkar*, 2021 WL 1996397, at *5-*6 & n.4 (the Fourth District's original description of this case as "license infringement" when discussing *Solar Dynamics*); *id.* at *8 (the Fourth District's original holding on the second *Gunn* factor).

II. THIS COURT SHOULD EXERCISE ITS DISCRETIONARY JURISDICTION IN THIS CASE.

This Court should exercise its discretionary jurisdiction to resolve the conflict between the Fourth District's decision and *Omkar*. The cases announce conflicting rules of law that will invariably lead to opposite results for identically situated parties depending on the appellate district in which their cases are being litigated. This conflict has consequences extending beyond the parties here, and beyond Respondent's forty-six complaints filed around the state. Leaving the Fourth District's decision intact threatens to flood Florida's trial courts in its territorial jurisdiction

with litigation over core issues of patent law, thereby disturbing the exact federal-state balance that *Gunn* sought to maintain. In short, this case is "important enough to be heard." Anstead et al., *The Operation & Jurisdiction of the Supreme Court of Florida,* 29 Nova L. Rev. 431, 523 (2005).

Unanimous three-judge appellate panels in the First and Second Districts have appropriately recognized that *Gunn* is limited to backward-looking situations in which a federal court has previously decided the core patent issues. *Omkar*, 2021 WL 1996397, at *6-*7; *Solar Dynamics*, 211 So.3d at 297-301. In recognizing that federal courts must first address Respondent's core patent issues, the First District appropriately certified conflict with the Fourth District's contrary holding that allowed Respondent's identical patent issues to proceed in state court. *Omkar*, 2021 WL 1996397, at *1, *6-*8.

Proceeding to litigation in the trial courts within the Fourth District's jurisdiction, while cases involving identical patent issues brought by Respondent stand dismissed in the trial courts within the First District and Second District, presents a substantial

possibility of inconsistent outcomes regarding identical questions of federal patent law.

The potential for inconsistent outcomes among Florida's trial courts on identical core issues of patent law is contrary to the unified system of federal oversight of patent matters. For example, the longstanding "*Kessler* doctrine" applicable to federal patent law cases maintains stability in federal patent oversight regardless of the identity of different franchisees or customers. *Kessler v. Eldred*, 206 U.S. 285 (1907) (allowing one federal district court's ruling against a patent holder on the basis of invalidity or non-infringement of a particular patent to bind other federal district courts, even in cases brought by the patent holder against different defendants). By "preclud[ing] some claims that are not otherwise barred by claim or issue preclusion," the *Kessler* doctrine allows an adjudged non-infringer "to avoid repeated harassment for continuing its business as usual post-final judgment in a patent action where circumstances justify that result." *Brain Life, LLC v. Elekta, Inc.*, 746 F.3d 1045, 1055-56 (Fed. Cir. 2014); *see also Speedtrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317, 1326-27 (Fed.

Cir. 2015) (permitting customers to assert *Kessler* doctrine as defense to infringement claims).

To the extent Florida state courts would otherwise apply the *Kessler* doctrine in evaluating these claims, the Fourth District's substantiality analysis effectively renders the *Kessler* doctrine inapplicable to federal actions brought against Omkar or its customers residing outside the territorial jurisdiction of the Fourth District. A.14 ("Assuming this case is adjudicated to its end in state court, a subsequent federal court would not be controlled by the Fifteenth Circuit court's determinations."). The potential instability among Florida's trial courts resulting from the Fourth District's decision on this issue warrants this Court's review.

Beyond Respondent's forty-six cases, and relevant to the fourth *Gunn* prong, the Fourth District's decision also threatens to flood the trial courts within its territorial jurisdiction with a multitude of patent infringement actions masquerading under the guise of state law including, as here, claims brought by a commonly controlled licensee of the patent owner. The First District recognized this consequence when finding it "material that the franchisees are not parties to the licensing agreement between the patent holder

and the licensee." *Omkar*, 2021 WL 1996397, at *5 (citing *Inspired Dev. Grp., LLC v. Inspired Prod. Grp., LLC*, 938 F.3d 1355, 1368 & n.8 (Fed. Cir. 2019)); *see also Inspired*, 938 F.3d at 1368 n.8 ("[T]hough labeled as an 'unjust enrichment' action, the claim would look like little more than a patent infringement claim against a third-party infringer pled in disguise to avoid federal jurisdiction."). This is not a hypothetical scenario, as Respondent has directly alleged "that the alternative to its forty-six state-court actions would be the filing of 'thousands' of patent infringement lawsuits against the franchisees and their customers." *Omkar*, 2021 WL 1996397, at *2.

This Court should accept jurisdiction to resolve this significant and substantial conflict, to eliminate the potential for inconsistent outcomes on identical facts, and to prevent the flood of core patent issues into Florida circuit courts authorized by the Fourth District's decision.

CONCLUSION

Petitioner respectfully requests that this Court exercise its jurisdiction to review the Fourth District's decision.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this brief has been filed via the E-Filing Portal and served via electronic service on September 1, 2021, to:

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CERTIFICATE OF COMPLIANCE

I certify that this brief complies with the requirements of Florida Rules of Appellate Procedure 9.045(b) and (e) and 9.210(a)(2) because it was prepared using Bookman Old Style 14-point font and because the word count from the word-processing system used to prepare this document is 2,498.

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