

In the Florida Supreme Court

CASE NO. SC21-1071
(District Court Case No. 4D19-3017)

WPB HOTEL PARTNERS, LLC

Petitioner,

v.

POINT CONVERSIONS, LLC

Respondent.

**BRIEF OF AMICUS CURIAE
BUSINESS LAW SECTION OF THE FLORIDA BAR
IN SUPPORT OF PETITIONER**

Dineen Pashoukos Wasylik, BCS
FBN 0191620

DPW LEGAL

PO Box 48323

Tampa, FL 33646

Tel: 813-778-5161

Fax: 813-907-3712

service@ip-appeals.com

dineen@ip-appeals.com

Diana Mederos

(add your sig block)

Dorothe Laguerre Smith

(add your signature block)

***Counsel for Amicus Curiae
Business Law Section of the
Florida Bar***

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INTEREST OF AMICUS CURIAE

The Business Law Section of the Florida Bar (“Section”) is a voluntary organization consisting of almost five thousand members of the Florida Bar, many of whom engage in commercial litigation, including on intellectual property issues. The Section serves Florida lawyers by producing sophisticated continuing legal education programs on the panoply of issues faced by business law practitioners, including intellectual property issues. While not routinely engaged in the practice of filing amicus briefs, the Section has previously filed briefs when requested to do so by courts or when an issue substantially affects the practice of business law.

The Section’s intellectual property law committee (IP Committee) has, as its members, patent attorneys licensed by the United States Patent and Trademark Office to write patents, and others who participate as both Plaintiff’s counsel and Defendant’s counsel in patent litigation matters in Florida, before the Federal Circuit, and before the United States Patent and Trademark Office. The IP Committee also has many members who engage in patent

licensing as part of their intellectual property practice. The Section therefore has a strong interest in the consistent development of patent law as a subset of business law.

Because of this interest, the Section seeks to assist the Court in understanding the critical difference between actions that raise mere questions of patent law and are cognizable in state court, and actions which are the equivalent of *claims for relief arising under the patent laws* which must be exclusively decided by Federal Courts.

SUMMARY OF THE ARGUMENT

Federal Courts have exclusive jurisdiction over civil actions “arising under any Act of Congress relating to patents,” while “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents.” 28 U.S.C. § 1338. Over a series of decisions spanning several terms, the United States Supreme Court set forth the test a court should apply in determining whether a claim dressed as a state law claim fits in within the special category of state law claims that nonetheless “arise under” the patent laws. This Court must determine whether the state law claims here

“necessarily raise a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities.” *Gunn v. Minton*, 568 U.S. 251, 255 (2013), quoting *Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg.*, 545 U.S. 308, 314 (2005).

As a non-party *amicus curiae*, the Section focuses on assisting the court with the latter two prongs: analyzing the substantiality of the issues involved here, and why these cases not only are capable of resolution in federal court without disrupting the federal-state balance, but frankly must be resolved in Federal Court to maintain that balance. The Second District in *Solar Dynamics, Inc. v. Buchanan Ingersoll & Rooney, P.C.*, 211 So. 3d 294, 298 (Fla. 2d DCA 2017) and the First District in *Point Conversions, LLC v. Omkar Hotels, Inc.*, 321 So. 3d 326, 335 (Fla. 1st DCA 2021) correctly determined that because the state claims here hinge on the determination of the core patent-law issues of patent validity and infringement, they must be resolved in Federal Court.

ARGUMENT

I. The Patent Issues Here are “Substantial” Because Allowing a Non-Owner of a Patent to Indirectly Assert Patent Infringement through State Law Claims Undermines the Development of a Uniform Body of Patent Law.

Congress vested the Federal Courts with exclusive jurisdiction over cases arising under the Patent laws to ensure the uniform development of issues of patent law. Under the claims asserted in these cases, the rights conferred under the patent act are the basis for the plaintiff’s alleged right to relief.

The Patent Act confers to patent owners a limited monopoly on the rights to make, use, offer to sell, and sell patented inventions within the United States. 35 U.S.C. § 271(a). The scope of those rights is defined by the patent claims. Patent infringement occurs when at least one of those rights is violated. 35 U.S.C. § 271(b). Consequently, a determination of patent infringement, or at least claim construction, is a prerequisite in cases that rely on infringement of patent rights as the wrong from which the rest of the elements of asserted state law claims must flow.

A. The Face of the Complaint Demonstrates the Plaintiff's Case Ride on a Determination of Core Patent Issues.

This Court should take direction from the U.S. Supreme Court's description of complete pre-emption in *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392, 107 S. Ct. 2425, 96 L. Ed. 2d 318 (1987). In *Caterpillar*, the Supreme Court explained that where Congress has created a federal cause of action that creates exclusive Federal jurisdiction (there, enforcement of collective bargaining contracts, here enforcement of patent rights), state law "does not exist as an independent source of private rights" to enforce Federal-only claim.

Where, as here, the determination of whether a valid patent has been infringed is a federal question apparent on the face of the complaint, the legal issues meet the substantial issue of federal law test. Claim construction is exclusively federal and is a direct and essential element of a claim in an opening pleading where the plaintiff's rights depend on the scope of the patent claims in the licensed patents.

In the instant case, the plaintiff's complaint requests equitable relief under state causes of action for (1) unjust enrichment, (2) injunctive relief, (3) conversion, and (4) FDUTPA violation. The plaintiff's rights in the software at issue originated with and depend upon the scope of the patent claims in the licensed patents.

B. The Relevant Inquiry is Not the Stated Cause of Action, But the Necessary Role Patent Law Must Play in Determining Entitlement to Relief.

The complaint repeatedly emphasizes in all counts "Point Conversion's exclusive software rights," "exclusive software right," "exclusive right," "exclusive software right (IP right)," "exclusive IP rights," "exclusive license," "exclusive rights under Plaintiff's intellectual property," "violations of Plaintiff's exclusive rights," "JB patents," "JB patent rights," "exclusive software license, and "IP rights derived from the JBSHBM patents." These terms are used interchangeably throughout the complaint at least 60 times to mean the rights under the patents attached to the complaint. The complaint also emphasizes theories of patent infringement in the secondary sources attached in Exhibit 137. Exhibit 138, the End-

user license agreement covers “Licensor’s rights derived from the patents,” the “JBSHBM Patents.”

While the opening pleadings do not outright allege or mention “patent infringement,” the rights forming the basis of the state-law claims in the complaint are based on the patent rights and infringement thereof. Therefore, at least the scope of the patent claims must be construed before findings of unjust enrichment, conversion, and FDUTPA violations can be made and injunctive relief granted.

The instant case is distinguished from cases involving patents but that do not hinge on a determination of patent infringement. For example, claims of misappropriation of proprietary information, breach of fiduciary duty, and breach of contract did not require an infringement analysis or claims construction where a company sued its former employees and their new company after those employees allegedly divulged proprietary information that was later included in a patent. *Uroplasty, Inc. v. Advanced Uroscience, Inc.*, 239 F.3d 1277,

1279–80 (Fed. Cir. 2001). The construction and validity of the patents there were not core issues to determining the right to relief.

Similarly, Plaintiffs claims of harm due to patent infringement are distinguishable from, for example, the unjust enrichment claims at issue in *Inspired Dev. Group, LLC v. Inspired Products Group, LLC*, 938 F. 3d 1355, 1368 (Fed. Cir. 2019). In *Inspired*, the unjust enrichment claim was an alternate theory of liability in case the contract between the parties was voided by the court. *Id.* at 1368. That court noted that had the claim not been grounded in the parties' preexisting relationship, a claim between strangers, "though labeled as an 'unjust enrichment,' action...would look like little more than a patent infringement claim against a third-party infringer pled in disguise to avoid federal jurisdiction." *Id.* at n.8. While that was not the case before the Federal Circuit in *Inspired*, this is exactly the case presented to this Court. The license agreement can not form a basis to strip away all of the protections of Federal patent law under the guise of state law claims.

The unjust enrichment claim here is much more akin to the one found to raise a substantial federal question in *MPEG LA, L.L.C. v. Toshiba Am. Info. Sys., Inc.*, 15-CV-3997 JMF, 2015 WL 6685523, at *3 (S.D.N.Y. Oct. 29, 2015). There, the federal court explained that despite the plaintiff's assertions to the contrary, to prevail on its unjust enrichment claim, "it must necessarily prove infringement of one or more patents," noting that the only way the plaintiff could prove the defendant benefited at its expense was by "showing that it used (and therefore infringed) a patent" it had licensed. *See also Ki Beom Kim v. Dyna Flex, Ltd.*, 525 F. Supp. 3d 999, 1007 (E.D. Mo. 2021) (determined that a claim of unjust enrichment was merely a disguised claim to determine inventorship, which is the exclusive province of Federal jurisdiction).

II. The Federal-State Balance in Substantive Patent Law Would be Upended by Allowing a Non-Owner of a Patent to Nonetheless Enforce the Patent through State Law Claims.

From the outset of our republic, it has been the role of Federal patent law to determine what ideas entitle their inventors, in exchange for full public disclosure, a limited-time monopoly to

exclude others from using them. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 149-151 (1989) (explaining the “carefully crafted bargain” embodied by the Constitution’s creation of a patent right and the founder’s early development of patent law). As the Supreme Court has explained, “State law protection for techniques and designs whose disclosure has already been induced by market rewards may conflict with the very purpose of the patent laws by decreasing the range of ideas available as the building blocks of further innovation.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989). “The offer of federal protection from competitive exploitation of intellectual property would be rendered meaningless in a world where substantially similar state law protections were readily available.” *Id.*

Plaintiff here seeks exactly that – state law protection against competitive exploitation of alleged intellectual property, even though it does not have standing to sue for patent infringement. A patent licensee such as Plaintiff only has standing to sue for patent infringement if its license assigns *all* patent rights to it. *Alfred E.*

Mann Found. For Sci. Research v. Cochlear Corp., 604 F.3d 1354, 1360 (Fed. Cir. 2010). By admission and design, Plaintiff here does not have the right to sue for patent infringement under the terms of its license. See *Point Conversions, LLC v. WPB Hotel Partners, LLC*, 324 So. 3d 947, 951 (Fla. 4th DCA 2021) (describing terms of license). Nonetheless, for each asserted state law claim, all roads lead back to the allegation that Defendants – who are not party to any contract with either Plaintiff or the patent owner – somehow deprived Plaintiff of the full benefit of its contract with the non-party licensor by *infringing the patent*. But “the Patent Act creates the sole remedy for infringement of a patent.” *Intellectual Prop. Dev., Inc. v. TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1346 (Fed. Cir. 2001). Because as a prerequisite to all of the purported state law claims Plaintiff must first prove patent infringement, and a court must construe the patents. These things must be done in Federal Court to maintain the balance required by the founders in writing the Constitution and Congress in maintaining the Patent Act.

A. Federal Courts Are Best Suited to Conduct Patent Claim Construction, Which is Always a Substantial Issue of Federal Law.

Patent infringement determinations raise “difficult technical issues that are unfamiliar to the average trial judge” such as requiring the court to construe the meaning and scope of patent claim terms. 8 Chisum on Patents § 21.02 (2021). Claim construction is required as a starting point for assessing scope and infringement, and is exclusively a Federal determination.

A patent infringement analysis under 35 U.S.C. § 271 requires, as a first step, that the federal court construe the meaning of the disputed patent claim terms as a matter of law. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995), *aff’d*, 517 U.S. 370 (1996). The purpose of claim construction is for federal courts to determine what the disputed claim terms mean “in order to understand and explain, but not to change, the scope” of the claim. *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1322 (Fed. Cir. 2001) (internal quotations omitted). Claims are “construed

without reference to the accused device [or product].” *SRI Int’l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (Fed Cir. 1985).

Claim construction is also complicated because claim terms are not construed in a vacuum. *Medrad, Inc. v. MRI Devices Corp.*, 401 F.3d 1313, 1319 (Fed. Cir. 2005). Rather, there is a hierarchy of evidence that Federal courts use in construing disputed claim terms. *Markman*, 52 F. 3d at 970-71. Federal courts first consider intrinsic evidence including the patent claims, the patent specification and drawings, and the patent’s prosecution history between the applicant and the USPTO. *Id.* After considering the intrinsic evidence, federal courts may consider extrinsic evidence “concerning relevant scientific principles, the meaning of technical terms, and the state of the art.” *Phillips v. AHW Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc), particularly expert testimony presented by the parties. Extrinsic evidence supports the intrinsic evidence by providing background information and clarifying ambiguities.

The foregoing describes the complexity of required claim construction that cannot be delegated to the state courts. And since

state courts do not have jurisdiction over claim construction—the keystone to defining the metes and bounds of a plaintiff’s patent rights—then federal courts must have jurisdiction over cases necessitating claim construction.

B. The Federal Need for Uniformity Will Be Undermined by Finding State Court Jurisdiction Over Plaintiff’s Claims.

Congress has mandated a strong need for uniformity in the development of patent law. Indeed, “one of Congress’ objectives in creating a Federal Circuit with exclusive jurisdiction over certain patent cases was ‘to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law.’ *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 813 (1988), *citing* H.R.Rep. No. 97–312, p. 23 (1981).

Here, the Fourth District Court of Appeal posited that this need for unity is not at issue if a state court decides these core patent issues here, because neither a state nor a federal trial court would be bound by any one state trial court’s decision on these necessary patent construction and validity issues. *WPB Hotel Partners, LLC*, 324

So. 3d at 959. But that reasoning misses the point. Multiple state courts making multiple decisions about patent validity *without the benefit of argument by the actual patent owner* will cause chaos and a lack of certainty for punitive defendants that will multiply litigation. By contrast, in the context of a patent infringement action brought by the owner of a patent, upon a finding of validity or invalidity, the next accused infringer can plead collateral estoppel to avoid having to re-litigate the validity issue, without having to prove privity with the prior accused infringer. *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 329 (1971). However, this estoppel only applies if the court determines that the patent holder against whom an estoppel is asserted had a full and fair opportunity to litigate – which can't happen if the patent owner is not even a party to the suit. Thus, by seeking to enforce patent rights as a non-owner through state causes of action, Plaintiff is guaranteeing itself multiple bites at the apple (and multiple chances to strong arm settlements) and

undermining the important principle of uniformity of Federal patent law.¹

C. The Federal System Also Has A Strong Policy of Ensuring that Overzealous Patent Owners Don't Abuse their Monopoly.

Finally, Federal law has policies in place to deter litigation abuses by patent owners that are a necessary part of the patent policy bargain but not a tool available in state court. The Patent Act allows for an award of attorney's fees "in exceptional cases" to the prevailing party, and a "pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285." *ThermoLife Int'l LLC v. GNC Corp.*, 922 F.3d 1347, 1363 (Fed. Cir. 2019), citing *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1350 (Fed. Cir. 2015). Federal courts can, and must, use this

¹ It should not go unnoted that at least one of the inventors of the patents, a principal in the entity that owns the patents, is also a principal of the Plaintiff-Licensee. *Point Conversions, LLC v. Omkar Hotels, Inc.*, 321 So. 3d 326, 328 (Fla. 1st DCA 2021).

statutory tool to discourage the filing of repeated infringement suits “because some patent holders, known as nonpracticing entities or patent trolls, “with broad claims on platform technologies may try to use those claims to discourage competitors through licensing restrictions and litigation against technologies on similar products.” *Ameranth, Inc. v. Chownow, Inc.*, No. 3:20-cv-02167-BEN-BLM, 2021 U.S. Dist. LEXIS 157113, at *87 (S.D. Cal. Aug. 18, 2021), citing *Keith E. Maskus*, *Reforming U.S. Patent Policy: Getting the Incentives Right*, COUNCIL ON FOREIGN RELATIONS, CSR No. 19, at 19 (Nov. 2006), available at <https://cdn.cfr.org/sites/default/files/pdf/2006/11/PatentCSR.pdf>.

A disproportionate share of patent litigation concerns is the area of software patents. *See* James Bessen, *The patent troll crisis is really a software patent crisis*, *The Washington Post*, (Jan. 24, 2021, 6:55pm), <https://www.washingtonpost.com/news/the-switch/wp/2013/09/03/the-patent-troll-crisis-is-really-a-software-patent-crisis/>. The number of defendants in patent lawsuits more

than doubled from 2007 to 2011, with these lawsuits being specifically related to software patents. *Id.* With the rise of software related patents being issued and litigated, and the need to stop patent trolls, the need for uniformity in the field of software related patents is more important than ever before. Uniformity is impacted by having patent related cases litigated at the State level.

CONCLUSION

Determining the validity and scope of a patent is a core Federal question. Because those core Federal questions are necessary to the determination of these purported state law claims made by a non-patent owner, this Court should reverse the holding of the Fourth District in *Point Conversions, LLC v. WPB Hotel Partners, LLC*, 324 So. 3d 947, 959 (Fla. 4th DCA 2021) and remand with directions to instruct the trial court to dismiss this action for lack of subject matter jurisdiction.

January 27, 2022

Respectfully Submitted,

By: Dineen Pashoukos Wasylik

Dineen Pashoukos Wasylik, FBN
0191620

DPW LEGAL

PO Box 48323

Tampa, FL 33646

Tel: 813-778-5161

Fax: 813-907-3712

service@ip-appeals.com

dineen@ip-appeals.com

Appellate Counsel for Amicus Curiae

Update Signature Block with Diana and
Dorothe

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I electronically filed the foregoing and served a true and accurate copy of this document via the Florida Courts eFiling Portal on January 27, 2022 to all parties not exempt from Florida Rule of Judicial Administration 2.516 at the indicated email address on the service list, and by U.S. Mail to any other parties.

Respectfully Submitted,

By: *Dineen Pashoukos Wasylik*
Dineen Pashoukos Wasylik,
Florida Bar No. 0191620

SERVICE LIST

DANIEL E. NORDBY (FBN
14588)
215 South Monroe Street, Suite
804
Tallahassee, Florida 32301
DNordby@shutts.com
850-241-1725 (direct)

JOSEPH W. BAIN (FBN
860360)

MATTHEW R. CHAIT (FBN
17657)
525 Okeechobee Blvd. Suite
1100

West Palm Beach, Florida
33401

jbain@shutts.com
mchait@shutts.com
561-650-8523

GARRETT A. TOZIER (FBN
104834)

4301 W. Boy Scout Blvd., Suite
300

Tampa, Florida 33607
gtozier@shutts.com 32301
813-227-8174

Counsel for Petitioner WPB
Hotel Partners, LLC

Nancy W. Gregoire
Birnbaum, Lippman &
Gregoire, PLLC
1301 East Broward, Blvd.,
Suite 230

Kenneth W. Ferguson
Ferguson Law, P.A.
1323 Southeast 3rd Ave.
Fort Lauderdale, Florida 33316
(954) 256-5646
Service@fergusonlawpa.com
wayne@fergusonlawpa.com

Jack Scarola
Elise Sherr Allison
Searcy Denney Scarola Barnhart
& Shipley, P.A.

Fort Lauderdale, FL 33301
(954) 617-2300
gregoirecourt@kblglaw.com
cal@kblglaw.com

2139 Palm Beach Lakes
Boulevard
West Palm Beach, Florida 33409
(561) 686-6300
scarolateam@searcvlaw.com
eallison@searcylaw.com

CERTIFICATE OF COMPLIANCE WITH FONT STANDARD

Pursuant to Fla. R. App. P. 9.045, undersigned counsel hereby certifies that the foregoing brief complies with the word count requirements of Fla. R. App. P. 9.210(a)(2) and has been typed in Bookman Old Style, 14 Point.

/s/ Dineen Pashoukos Wasylik
Dineen Pashoukos Wasylik
Florida Bar No. 0191620