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No. 10- OFFICE OF THE CLERK

IN THE
Supreme Court of the United States

APP PHARMACEUTICALS, LLC,
Petitioner,

v.

NAVINTA LLC,
Respondent.

On Petition for Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

RICHARD DE BODO
Counsel of Record
SIGMUND Y. GUTTMAN
STANLEY J. PANIKOWSKI
DLA PIPER LLP (US)
1999 Avenue of the Stars
Suite 400
Los Angeles, CA 90067-6023
(310) 595-3000
richard.debodo@dlapiper.com
Counsel for Petitioner

QUESTION PRESENTED

Did the Federal Circuit err in creating a new body of federal common law to govern contracts assigning patents, in the absence of a significant conflict between state law and any federal interest that might justify preemption?

PARTIES TO THE PROCEEDINGS

The parties named in the caption are the petitioner, APP Pharmaceuticals, LLC (“APP”), and the respondent, Navinta LLC (“Navinta”). APP was a plaintiff and appellee in the action and appeal below. Navinta was the defendant and appellant.

Abraxis BioScience, Inc. (“Abraxis”) was the original plaintiff in this action. Abraxis subsequently divided its operations into two companies (Abraxis and APP) and transferred the rights to the patents-in-suit to APP. The district court joined APP as a plaintiff on March 30, 2009.

In October 2010, Celgene Corporation acquired Abraxis. Although Abraxis remained a party of record in the district court action and Federal Circuit appeal, it is not named in the caption here because it no longer has an ownership interest in the patents-in-suit and is no longer affiliated with APP.

APP’s parent company is Fresenius Kabi Pharmaceuticals, Inc. No publicly held company owns 10% or more of APP’s stock. Abraxis’s parent company is Celgene Corporation. No publicly held company owns 10% or more of Abraxis’s stock.

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PETITION FOR WRIT OF CERTIORARI

OPINIONS AND ORDERS BELOW

The Federal Circuit's opinion ordering the case dismissed for lack of standing is reported at 625 F.3d 1359 (Fed. Cir. 2010) and reproduced in petitioner's Appendix ("App.") at 1a-31a. The Federal Circuit's order denying the petition for panel rehearing and rehearing *en banc* and the concurring and dissenting opinions accompanying that order are not yet reported and are reproduced at App. 122a-146a. The district court's opinion finding the patents-in-suit valid and infringing is reported at 640 F. Supp. 2d 553 (D.N.J. 2009) and reproduced at App. 44a-121a. The district court's opinion on standing is unreported and reproduced at App. 32a-43a.

JURISDICTION

The Federal Circuit entered its opinion ordering the case dismissed for lack of standing on November 9, 2010. The Federal Circuit entered its order denying the petition for panel rehearing and rehearing *en banc* on March 14, 2011. This petition for certiorari is timely filed within 90 days of the order denying the petition for panel rehearing and rehearing *en banc*. This Court has jurisdiction to review the Federal Circuit's judgment under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

The statutory provision involved in this case is 35 U.S.C. § 261. This statute is reproduced at App. 148a-149a.

STATEMENT OF THE CASE

The Federal Circuit's decision in this case improperly federalizes large swaths of state contract and property law simply because the case involves patents. This decision departs from this Court's precedents because no federal interest justifies the Federal Circuit's broad displacement of state law with federal common law. The decision also widens the chasm between the Federal Circuit and the regional courts of appeals—all of whom routinely apply state law in similar circumstances—on an important matter at the heart of our federal system.

The Federal Circuit's decision also has widespread practical and commercial implications because it disrupts parties' settled expectations that their choice of state law will govern critical aspects of their agreements. The decision especially threatens to destabilize complex and large-scale transactions involving patents, which are a vital engine of economic growth.

A. Abraxis and APP Successfully Sued Navinta for Patent Infringement.

This petition stems from a patent infringement suit. Abraxis filed against Navinta in the United States District Court for the District of New Jersey. App. 44a. Abraxis is the predecessor-in-interest of APP, which markets and sells the breakthrough drug Naropin®. App. 44a. Abraxis filed the suit on March 15, 2007, in response to Navinta's filing an Abbreviated New Drug Application (ANDA) for a generic version of Naropin. App. 4a.

Abraxis asserted claims under the Hatch-Waxman Act and the Declaratory Judgment Act. App. 4a-5a. It alleged infringement under 35 U.S.C. §§ 271(b), 271(c), and 271(e)(2). App. 4a-5a. The three asserted patents cover Naropin and methods of its use: U.S. Patent No. 4,870,086 (the "086 patent"), U.S. Patent No. 5,670,524 (the "524 patent"), and U.S. Patent No. 5,834,489 (the "489 patent"). App. 44a-45a. The district court had jurisdiction over the case under 28 U.S.C. § 1338(a).

On March 30, 2009, the district court denied Navinta's motion to dismiss the case for lack of subject matter jurisdiction. App. 32a-41a. Navinta argued that Abraxis lacked standing because it allegedly did not acquire title to the patents until several months after the complaint had been filed. App. 37a. The question of ownership turned on the interpretation and effect of a series of agreements and assignments that tracked the chain of title to the patents. App. 33a-36a. Abraxis and the party from whom it acquired the patents had agreed that New York state law would govern the interpretation and effect of these documents. App. 20a. Analyzing these documents under New York state law, the district

court ruled that Abraxis had standing. App. 39a-41a. In the same order, the district court joined APP as a plaintiff because APP had acquired the patents from Abraxis on December 5, 2008. App. 41a-43a.

Later that year, the district court held a seven-day bench trial. App. 46a. On August 3, 2009, shortly before the thirty-month statutory stay on approval of Navinta's ANDA expired, the district court issued a final judgment and a comprehensive 75-page opinion. App. 44a-121a. The district court ruled that, if the FDA approved Navinta's generic Naropin for sale, Navinta and those acting in concert with it would infringe all three asserted patents. App. 70a-120a. The district court also dismissed Navinta's invalidity counterclaims with prejudice and entered an order barring approval of Navinta's ANDA products before September 23, 2014, when the '524 and '489 patents expire. App. 121a.

B. Abraxis Had Acquired Title to the Patents-in-Suit as of the Date It Filed the Complaint.

The facts relevant to the transaction conferring standing on Abraxis are summarized below. On April 26, 2006, Abraxis entered into an Asset Purchase Agreement ("APA") with AstraZeneca ("AZ-UK"). App. 34a. The APA was the "master agreement" governing a complex \$350 million transaction in which Abraxis acquired the rights to market, sell, and license eight pharmaceutical products, including Naropin, in the United States. App. 33a-34a.

As part of this transaction, Abraxis also acquired all rights to patents relating to those products, including the patents asserted in this case. App. 33a-34a. The APA states in part that AZ-UK:

shall, or shall cause one or more of its Affiliates to, Transfer to [Abraxis], and [Abraxis] shall purchase and accept from [AZ-UK] or its Affiliates, as applicable, all of the right, title and interests of [AZ-UK] and its Affiliates in [the asserted patents].

The APA thus contemplated that further documents would be executed to paper the transaction. The parties considered all these present and future documents to be part of a single agreement. App. 38a-39a. The APA provided that all these related documents would have the same effective date. The parties later agreed that the effective date was June 28, 2006. App. 34a.

On June 28, 2006, Abraxis and AZ-UK entered into an Intellectual Property Assignment Agreement ("IPAA"). App. 34a. The IPAA provided, among other things:

[AZ-UK] hereby sells, assigns, conveys and transfers to [Abraxis], for [Abraxis's] sole and exclusive use and enjoyment, all of [AZ-UK's] right, title and interest in and to the Transferred Intellectual Property, including [the asserted patents].

The IPAA expressly identified the patents-in-suit as being among the "Transferred Intellectual Property." App. 34a. Two companies controlled by AZ-UK owned these patents. App. 34a-35a. "Astra L" owned the '086 patent and AstraZeneca AB ("AZ-AB") owned the '524 and '489 patents. App. 34a-35a.

On March 15, 2007, shortly before this lawsuit was filed, Astra L and AZ-AB executed *nunc pro tunc* assignments of the asserted patents to AZ-UK. App. 35a. The assignments provided, among other things:

[Astra I/AZ-AB] hereby sells, assigns, conveys and transfers to [AZ-UK], for [AZ-UK's] sole and exclusive use and enjoyment, all of [Astra I's/AZ-AB's] right, title and interest in and to [the asserted patents].

The assignments specifically referred to the APA and expressed the parties' intent to perfect the transfer under the APA. App. 40a.

On November 12, 2007, Abraxis and AZ-UK executed an additional document. App. 35a. This document confirmed the parties' understanding that the prior assignments constituted an assignment of the patents from AZ-UK to Abraxis effective on June 28, 2006. App. 35a-36a.

Each document discussed above had a choice of law provision. App. 20a. In all instances, the parties selected New York state law to govern contract interpretation and effect. App. 20a.

C. A Divided Panel of the Federal Circuit Ruled There Was No Standing Based on Federal Common Law Principles of Contract Interpretation and Effect.

Navinta appealed the district court's judgment to the United States Court of Appeals for the Federal Circuit. App. 9a. The Federal Circuit had jurisdiction over the appeal under 28 U.S.C. § 1295(a)(1).

On November 9, 2010, a divided panel of the Federal Circuit issued a precedential decision in the appeal. App. 1a-18a. The court held that Abraxis lacked standing to bring the lawsuit because it did not have legal title to the asserted patents on the day it filed suit. App. 9a-18a. In doing so, the court refused to give effect to the parties' agreement that

the transfer of the patents to Abraxis was effective on June 28, 2006. App. 9a-18a. The court therefore vacated the district court's judgment and remanded the case with instructions to dismiss the case without prejudice. App. 17a-18a.

Bypassing the parties' New York choice of law provisions, the Federal Circuit chose to create federal common law to interpret the relevant agreements and assignments. App. 9a-18a. Application of New York law would have required the court to honor the parties' agreement that the transfer of the patents to Abraxis was effective on June 28, 2006. App. 20a, 23a-25a. The court acknowledged that "state law governs the interpretation of contracts generally" and "the ownership of patent rights is typically a question exclusively for state courts." App. 9a, quoting *DDB Techs. L.L.C. v. MLB Advanced Media, L.P.*, 517 F.3d 1284, 1290 (Fed. Cir. 2008), and citing *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1253 (Fed. Cir. 2000). But the court stated that "the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases." App. 9a, quoting *DDB Techs.*, 517 F.3d at 1290. The court explained that it has "accordingly treated [the contract interpretation question] as a matter of federal law." App. 9a, quoting *DDB Techs.*, 517 F.3d at 1290.

The Federal Circuit previously had created federal common law to interpret agreements conveying rights in *future* inventions. App. 9a-12a, citing cases. In this case, the court further expanded the reach of federal common law by applying it to an agreement assigning *existing* patents. Applying this newly-created federal common law, the Federal Circuit held

that “the contractual language of the APA indicates that the actual transfer of the asserted patents was to occur in the future.” App. 12a. The court then ruled that the June 28, 2006 IPAA did not transfer the asserted patents from AZ-UK to Abraxis because the affiliates AZ-UK controlled (Astra L and AZ-AB) had not yet assigned those patents to AZ-UK. App. 12a.

Continuing to apply federal common law, the Federal Circuit also ruled that, even if the March 15, 2007 assignments were given retroactive effect, “title to the asserted patents did not automatically vest in Abraxis upon the March 15, 2007 transfer to AZ-UK because the June 28, 2006 IPAA did not result in an immediate transfer of ‘expectant interests’ to Abraxis.” App. 13a-14a. According to the court, “a subsequent written agreement was necessary,” and the parties had formed no such contract before suit was filed. App. 13a. The court held it was likewise irrelevant whether the November 12, 2007 agreement contained *nunc pro tunc* provisions. App. 14a-16a.

In dissent, Judge Newman disagreed with the panel majority’s decision to nullify the parties’ choice of law and instead federalize the issues. App. 19a-31a. The dissent observed that “[i]n special public policy is served, and no reason exists for creating a new commercial law, divergent from the governing state law, when the subject of the commercial sale is a patent.” App. 20a.

The dissent also observed that “the choice of law is fundamental to this court’s ruling” because the panel majority “do[es] not dispute that when New York law is applied, the district court’s decision on standing should be upheld.” App. 20a. The dissent showed that the district court’s standing ruling correctly

applied New York state law by giving effect to the contracting parties’ clearly-expressed intent. App. 23a-25a.

The dissent further pointed out that the panel majority could not shelter its decision under the Federal Circuit’s prior cases applying federal common law to the conveyance of rights in future inventions. The dissent noted that “[t]he issue here is not an expectant interest in a future invention, but the effect under New York law of the explicit transfer of existing patents, as in the Intellectual Property Assignment Agreement.” App. 29a. Finally, the dissent explained that, even if one accepted the premise that federal common law should apply, the panel majority’s decision still conflicted with the Federal Circuit’s own precedent. App. 30a-31a.

D. A Divided Federal Circuit Denied Rehearing *En Banc*.

The Federal Circuit denied APP’s petition for rehearing and rehearing *en banc* on March 14, 2011. App. 122a-124a. Judge Gajarsa (who authored the panel majority opinion), joined by Judge Linn (the other member of the panel majority) and Judge Dyk, filed an opinion concurring in the denial of rehearing *en banc*. App. 125a-127a. Judge O’Malley, joined by Judge Newman, dissented from the denial of rehearing *en banc*. App. 128a-146a.

The concurrence framed the issue in terms of the proper boundaries between federal and state law, but came out on the side of federal law. App. 126a-127a. According to the concurrence, “[t]he position advocated by the dissent would apply state law to effectivly preempt federal law.” App. 126a. The concurrence argued that 35 U.S.C. § 261, which

requires assignments to be in writing, and the federal law of standing mandated the application of federal common law to the contract issues. App. 126a. The concurrence relied on 35 U.S.C. § 261 even though there was no dispute that all the relevant assignments were in writing.

The concurrence further argued that “[n]otwithstanding New York law, it is not possible to transfer an interest in a patent unless one owns the patents at the time of the transfer.” App. 126a. The concurrence concluded that “[s]tate law cannot retroactively override federal law to revive failed agreements, thereby conferring standing in federal court.” App. 127a.

The dissent, by contrast, explained that “[t]he panel majority’s creation of federal common law to govern assignments of existing patents conflicts not only with [Federal Circuit] precedent, but with longstanding Supreme Court precedent restricting judicial preemption of state law.” App. 128a. The dissent observed that this Court’s precedent permits federal courts to create federal common law that displaces state law only where the state law poses a “significant conflict” with a federal policy or interest. App. 128a-132a. The dissent pointed out that the panel majority failed to identify any such conflict, yet nonetheless created precedent that “now requires the application of Federal Circuit contract law to transfers of existing patent rights, without regard for the state law jointly chosen by the contracting parties.” App. 128a-129a.

The dissent also noted the serious consequences of this newly-minted Federal Circuit precedent. App. 129a, 144a-145a. The dissent explained that “[t]his creation of a new body of law to govern transfers of

patent rights—one applicable in this Circuit only—will disrupt substantial expectations with respect to the ownership of existing patents and impose unnecessary burdens on future transfers thereof.” App. 129a. In particular, the dissent observed, “[p]arties may now be barred from pursuing claims for infringement of patents they indisputably own under state law, and choice of law provisions in large-scale asset purchase agreements such as that at issue here will become meaningless where patents are involved.” App. 129a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit’s decision in this case improperly federalizes large swaths of state contract and property law simply because the case involves patents. This decision breaks sharply with this Court’s precedents because there is no significant conflict between state law and any federal interest that justifies this broad displacement of state law with federal common law. The decision also widens the gulf between the Federal Circuit and the regional courts of appeals—all of whom routinely apply state law in similar circumstances—on an important matter at the heart of our federal system. This Court should grant certiorari to restore the boundary between state and federal law that is required by precedent and observed by other circuits.

The Federal Circuit’s decision also has widespread practical and commercial implications because it disrupts parties’ settled expectations that their choice of state law will govern critical aspects of their agreements. The decision especially threatens to destabilize complex and large-scale transactions involving patents, which are a vital engine of economic growth.

If allowed to persist, the Federal Circuit's improperly redrawn boundary between state and federal law for contracts involving patents will also yield inconsistent outcomes in matters involving the same transaction. And unless balance is restored now, the logic underpinning the Federal Circuit's creation of new federal common law in this case likely will lead to further encroachments on the domain of state law. This case provides an appropriate vehicle for resolving an important question of federalism and harmonizing the rules governing patent cases with the rules governing other federal cases in a realm of great significance to the global economy.

A. The Federal Circuit's Decision Conflicts with Supreme Court Precedent that Limits the Creation of New Federal Common Law.

The Federal Circuit's decision departs from this Court's precedents that circumscribe the authority of federal courts to create new federal common law. This Court has made abundantly clear that "[t]here is no federal general common law." *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938). Rather, "[j]udicial creation of a special federal rule" in areas otherwise reserved to state law is "limited to situations where there is a 'significant conflict between some federal policy or interest and the use of state law.'" *O'Melveny & Myers v. FDIC*, 512 U.S. 79, 87 (1994) (quoting *Wallis v. Pan Am. Petroleum Corp.*, 384 U.S. 63, 68 (1966)). And the cases in which the creation of such federal common law rules is justified are "few and restricted." *Wheeldin v. Wheeler*, 373 U.S. 647, 651 (1963).

Here, the Federal Circuit did not even attempt to identify a "significant conflict" between the use of state law and any federal interest. Rather, the court proceeded directly to federalize questions of state contract law simply because they were "intimately bound up with the question of standing in patent cases." App. 9a, quoting *DDB Techs.*, 517 F.3d at 1290.

This Court has never endorsed such a *blunderbuss* approach to the displacement of state law. Even an "intimate" relationship with a question of federal jurisdiction is not enough to license the creation of federal common law. Instead, this Court's precedents "uniformly require the existence of [a significant] conflict as a precondition for recognition of a federal rule of decision." *O'Melveny & Myers*, 512 U.S. at 87 (emphasis added) (collecting cases); see also *Kamen v. Kemper Fin. Servs., Inc.*, 500 U.S. 90, 98-99 (1991) ("[F]ederal courts should 'incorporate[ly] [state law] as the federal rule of decision,' unless 'application of [the particular] state law [in question] would frustrate specific objectives of the federal programs' . . . [T]he Court of Appeals was not free to promulgate a federal common law demand rule without identifying the proper source of federal common law in this area.") (citations omitted). The Federal Circuit's decision to bypass the required analysis and generate, without justification, a new body of federal common law warrants this Court's review.

The logical implications of the Federal Circuit's decision are far-reaching. Questions concerning the ownership of an asset are often "intimately bound up with the question of standing"—and not just in patent cases. Determination of ownership, in turn, ordinarily lies within the realm of state contract and

property law. If the relationship between an ownership issue and a standing issue sufficed to justify the creation of federal common law, then “we would be awash in ‘federal common-law’ rules.” *O’Melberty & Myers*, 512 U.S. at 88 (citing *United States v. Yazell*, 382 U.S. 341, 347 n.13 (1966)). Without rewriting this Court’s precedents, the Federal Circuit’s framework cannot stand.

The potential reach of the Federal Circuit’s decision also goes far beyond standing. A number of federal law issues depend on the resolution of predicate questions of state contract and property law. If courts were authorized to federalize these questions based solely on their predicate status, then cases that spawn new federal common law rules would no longer be “few and restricted,” but instead would be many and unbounded.

Nor can the presence of a patent justify the Federal Circuit’s departure from this Court’s precedents. This Court’s decision in *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), forecloses any such rationalization of the Federal Circuit’s decision. In *Aronson*, the Eighth Circuit had held that federal law should displace state contract law where patent rights are at issue. This Court reversed, explaining that “[c]ommercial agreements traditionally are the domain of state law,” and that “[s]tate law is not displaced merely because the contract relates to intellectual property which may or may not be patentable.” *Aronson*, 440 U.S. at 262. The Court held that traditional preemption analysis applied equally in the area of patent law: “In this as in other fields, the question of whether federal law pre-empt[s] state law ‘involves a consideration of whether that law stands as an obstacle to the accomplishment and

execution of the full purposes and objectives of Congress.’ . . . If it does not, state law governs.” *Id.* (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 479 (1974)).

Modeling the proper inquiry, the Court in *Aronson* examined whether enforcement of the contract at issue would be inconsistent with the purposes of the federal patent system: (1) “to foster and reward invention”; (2) to “promote[] disclosure of inventions, to stimulate further innovation and to permit the public to practice the invention once the patent expires”; and (3) “to assure that ideas in the public domain remain there for the free use of the public.” *Id.* Finding no inconsistency, the Court reversed the Eighth Circuit’s holding that “patent law principles governed [the parties’] contract,” and endorsed the district court’s application of state law. *Id.* at 261, 263. The Federal Circuit’s decision is inconsistent with *Aronson*, and this Court’s review is likewise required to reset the boundaries of state and federal law in the patent arena.

Beyond *Aronson*, this Court recently has made clear that, wherever possible, rules in patent cases should be harmonized with rules in other areas of the law rather than creating exceptions unique to patent cases. See, e.g., *Bay Inc. v. MerckExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (holding that traditional equitable principles should govern injunction decisions “in patent disputes no less than in other cases governed by such standards”); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 132 (2007) (rejecting rule of declaratory judgment standing that was specific to patent cases). The Federal Circuit’s decision runs against the grain of these recent precedents, and there is no justification for the “patent

exceptionalism” reflected in the court’s creation of new federal common law here.

This Court’s non-patent cases further illustrate the incompatibility of the Federal Circuit’s decision with this Court’s precedent. For example, in *Wallis*, 384 U.S. 63, this Court held that state law, and not federal law, governed contracts transferring interests in federally granted land rights. The Court explained: “However fitting this approach may be where a State interposes unreasonable conditions on assignability [of the federally granted leases], it can have no force in this instance because Louisiana concededly provides a quite feasible route for transferring any mineral lease or contracting to do so, namely, by written instrument.” *Wallis*, 384 U.S. at 69-70. The Court thus vacated a Fifth Circuit decision that applied federal common law to the transfer of leases obtained under the Mineral Leasing Act of 1920. *Id.* at 72.

Like the patent rights at issue here, the land rights in *Wallis* were federally granted. What is more, a federal statute itself created the right to assign the land rights in *Wallis*. This Court nonetheless held that the origin of the rights was not enough to justify displacement of state law governing their transfer. And in both cases, state law was up to the task of facilitating the transfer of the federally granted rights. *Wallis* therefore underscores the need for review and reversal here.

The Federal Circuit tried to justify its creation of new federal common law by anchoring it in its “promise to assign” line of cases. App. 9a-12a, discussing *DDB Techs.*, 517 F.3d 1284; *Speedplay*, 211 F.3d 1245; *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832,

841-42 (Fed. Cir. 2009), *aff’d*, No. 09-1159, 2011 WL 2175210 (U.S. June 6, 2011); *IpVenture, Inc. v. Prostar Computer, Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007); and *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1580-81 (Fed. Cir. 1991). In those cases, the Federal Circuit applied federal common law to the question of whether a contract provision allocating rights in future inventions creates an automatic assignment (requiring no further act) or merely an obligation to assign (requiring a further act). *See generally id.*

But this line of cases does not justify the creation of federal common law here. Rather, it shows that the present decision is not an isolated instance, and a course correction is required. In fact, at the argument in *Stanford* (where the only question presented concerned the Bayh-Dole Act), one Justice observed that the “promise to assign” line of cases creates a “very odd” distinction that is not ordinarily recognized in state contract law. Transcript at 38. Another Justice wrote that “[t]he Federal Circuit [has] provided no explanation for” the patent-specific rule created by its “promise to assign” line of cases, even though this represents “a significant change in the law.” *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, No. 09-1159, 2011 WL 2175210 at *15 (June 6, 2011) (Breyer, J., dissenting). Absent this Court’s intervention, the tide of federal common law in patent cases likely will continue to rise.

As the panel dissent observed, the panel majority’s choice of federal law was “fundamental” to its ultimate ruling because Abraxis undisputedly would have had standing if New York law were applied. App. 20a. Under New York law, “[t]he fundamental, neutral precept of contract interpretation is that agreements are construed in accord with the parties’

intent.” *Anita Babikian, Inc. v. TMA Realty, LLC*, 912 N.Y.S.2d 589, 599 (N.Y. App. Div. 2010). Consistent with this principle, New York law gives retroactive effect to agreements that the parties intend to be effective as of an earlier date. See, e.g., *Gillman v. Columbia Univ.*, 859 N.Y.S.2d 894 (N.Y. Sup. Ct. 2008) (unreported); *Viacom Int'l Inc. v. Tandem Prods., Inc.*, 368 F. Supp. 1264, 1270 (S.D.N.Y. 1974). As the district court and the dissent explained, the parties clearly intended and expressly stated that all the relevant transactions were effective as of June 28, 2006, before suit was filed.

By contrast, the federal common law rule minted by the panel majority denies effect to the parties' intent. The panel majority instead imposed a wooden requirement that all the relevant assignments be physically executed in sequential order regardless of their effective dates. The application of federal common law thus resulted in an outcome different from that which state law would have demanded and what contracting parties would legitimately expect.

Moreover, regardless of the ultimate outcome, this Court's precedents required the panel to analyze the question under state law. In applying state law to contracts, this Court has explained that “[w]hether latent federal power should be exercised to displace state law is primarily a decision for Congress,” not the courts. *Wallis*, 384 U.S. at 68. The panel majority's decision to create new federal common law in the realm of contracts and property usurped the roles of both the states and Congress. Bedrock principles of federalism and separation of powers are thus at stake. Review is warranted to ensure fidelity to fundamental principles of our federal system when

federal courts exercise their limited powers under Article III.

B. The Federal Circuit's Decision Conflicts with Decisions of Other Circuits that Faithfully Apply State Contract Law Even Though the Subject of the Transaction Has a Federal Dimension.

The Federal Circuit's burgeoning practice of unjustifiably federalizing issues of state contract and property law also creates a circuit split. No other court of appeals has embraced the Federal Circuit's expansive approach toward federal common law. A nationally uniform approach will ensure a consistent boundary between state and federal law across jurisdictions and subject matter areas. It will also prevent results that are not only inconsistent but irrational, such as forcing a district court to treat the patent elements of an asset purchase agreement under federal common law whereas copyright, trademark, and other elements are treated under state law.

The other courts of appeals have consistently held that state law governs the interpretation and effect of contracts, even when there are important federal interests at stake. See, e.g., *Bank of N.Y. v. First Millennium, Inc.*, 607 F.3d 905 (2d Cir. 2010) (applying state law to interpretation of note owner's deal with trust managed by federal agency); *Hatco Corp. v. W.R. Grace & Co.*, 59 F.3d 400 (3d Cir. 1995) (holding that contracts addressing parties' obligations under federal regulation are governed by state law); *James v. Circuit City Stores, Inc.*, 370 F.3d 417 (4th Cir. 2004) (applying state law to interpretation of tolling agreement addressing federal constitutional rights); *Compliance Source, Inc. v. GreenPoint Mortg. Funding, Inc.*, 624 F.3d 252 (5th Cir. 2010) (applying state

law to interpretation of agreement to license copyrighted technology); *Automation By Design, Inc. v. Raybestos Prods. Co.*, 463 F.3d 749 (7th Cir. 2006) (interpreting copyright licensing agreement under state law); *Connect Commcns Corp. v. Sw. Bell Telephone, L.P.*, 467 F.3d 703 (8th Cir. 2006) (interpreting contract under state law, even though “federal law plays a large role in this dispute”); *Conrad v. Ace Prop. & Cas. Ins. Co.*, 532 F.3d 1000 (9th Cir. 2008) (construing federal contracts under state law); *United States v. Dunn*, 557 F.3d 1165 (10th Cir. 2009) (interpreting deeds issued by federal government as contracts under state law); *In re Chira*, 567 F.3d 1307 (11th Cir. 2009) (applying state law to interpretation of settlement agreement arising from bankruptcy proceedings).

The other courts of appeals also recognize that state law controls predicate questions bound up with standing, even in cases involving federal causes of action. See, e.g., *Ahcom, Ltd. v. Smeding*, 623 F.3d 1248, 1250 (9th Cir. 2010) (“Although federal bankruptcy law applies to this action, state law determines whether a claim belongs to the trustee or to the creditor.”); *Williams v. Bradshaw*, 459 F.3d 846, 848 (8th Cir. 2006) (“Federal courts are to apply state law in deciding who may bring a § 1983 action on a decedent’s behalf.”); *Struogo v. Bassini*, 282 F.3d 162, 168 (2nd Cir. 2002) (“Every other court of which we are aware that has considered the question of shareholder standing under the ICA has concluded that the rule in *Kamen* controls and that state law applies.”) (collecting cases).

Here, the Federal Circuit acknowledged that “state law governs the interpretation of contracts generally.” App. 9a, quoting *DDB Techs.*, 517 F.3d at

1290. But it then created and applied new federal common law to interpret the relevant assignment agreements simply because patents were involved and standing was at issue. App. 9a-17a. No other court of appeals creates exceptions to the application of state law simply because of the federal character of the underlying right or issue presented. This Court should grant certiorari to resolve this conflict among the circuits.

C. The Federal Circuit’s Decision Has Significant Consequences for Many Transactions Involving Patents.

The practical consequences of the Federal Circuit’s decision are far-reaching. The decision destabilizes intellectual property transfers—particularly transfers of existing patents—that rest on the expectation that state law will apply. Parties’ carefully negotiated choices to have a particular state’s law govern their contracts will be supplanted by a judicial choice that federal common law should govern the patent dimensions of their transactions. If federal common law is now applied to these agreements, then many patent assignments may be unraveled, with untold effects on the economic investments and relationships built on these assignments.

The destruction of reliance interests will plague not only parties’ agreements on effective date provisions—a widely-used tool in intellectual property transfer agreements—but other key contract terms as well. See, e.g., JONATHAN E. MOSKIN & I. FRED KOENIGSBERG, *COMMERCIAL CONTRACTS: STRATEGIES FOR DRAFTING AND NEGOTIATING* § 20.09[B] (Morton Moskine ed., 2010) (“Assignment agreements can be structured to permit the seller’s cure of any defects in title after the agreement has been concluded

These flexible arrangements are helpful in deals where full due diligence may be prohibitively expensive before the transaction, but there is no question that the parties expressly agree on the complete transfer of the acquired rights.”).

Parties to future intellectual property transfers likewise need certainty about whether federal courts will honor or disregard their express intent. See *Kamen*, 500 U.S. at 98 (“The presumption that state law should be incorporated into federal common law is particularly strong in areas in which private parties have entered legal relationships with the expectation that their rights and obligations would be governed by state-law standards.”); *Bd. of Trs. of Leland Stanford Junior Univ.*, 2011 WL 2175210, at *15 (Breyer, J., dissenting) (observing that application of the Federal Circuit’s “promise to assign” line of cases “brings about an interpretation contrary to the intention of the parties to the . . . contract,” and creates “a technical drafting trap for the unwary”). The uncertainty spawned by the Federal Circuit’s decision will inhibit transfers of patents, and hence diminish their value.

Given the inherent unpredictability of the course of federal common law, it is not enough simply to leave parties to contract against the backdrop of the Federal Circuit’s new common law rule. Moreover, the mandatory application of federal common law deprives parties of the freedom to contract under the auspices of their chosen body of law. The Federal Circuit’s rule also will result in the anomalous and confusing situation of having the part of a transaction involving patents governed by federal common law while other parts are governed by the parties’ chosen state law.

The decision in this case abrogates principles of federalism, limits freedom of contract, and impairs economic value—all without warrant in law or policy. The proper boundary between federal and state law in this important realm should be restored now.

CONCLUSION

The petition for certiorari should be granted.

Respectfully submitted,

RICHARD DE BODO

Counsel of Record

SIEGMUND Y. GUTTMAN

STANLEY J. PANIKOWSKI

DLA PIPER LLP (US)

1999 Avenue of the Stars

Suite 400

Los Angeles, CA 90067-6023

(310) 595-3000

richard.debodo@dlapiper.com

Counsel for Petitioner

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