No. 07-956

In the Supreme Court of the United States

BIOMEDICAL PATENT MANAGEMENT CORPORATION,
Petitioner,

v.

STATE OF CALIFORNIA,
DEPARTMENT OF HEALTH SERVICES,
Respondent.

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

SUPPLEMENTAL BRIEF FOR PETITIONER

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

CASES

TABLE OF AUTHORITIES—continued

Page

CONSTITUTION, RULES, AND REGULATIONS

SUPPLEMENTAL BRIEF FOR PETITIONER

The Solicitor General concedes that the petition "undeniably implicates important issues" that have not been resolved by this Court. Br. 14-15. And he offers no response to the concern that future litigants facing similar inequitable litigation conduct will be unlikely to pursue their claims in this Court because of the binding determination by the Federal Circuit here. See Pet. 26-27; Reply Br. 11. Denial of the petition would thus give the Federal Circuit the final say on issues that have an "enormous impact" on the relationship between "state and private intellectual property rights." Br. of Amici Chamber of Commerce and Software & Info. Indus. Ass'n 3-4.

The petition and reply brief show that the Federal Circuit's holdings rest almost entirely on misinterpretations of this Court's Eleventh Amendment decisions, misinterpretations that can be corrected only by this Court. The Federal Circuit's errors allowed respondent to insist upon its immunity from patent infringement liability—even though respondent unambiguously waived that very immunity in a prior action against petitioner concerning this same patent, and even though respondent has systematically and repeatedly invoked the jurisdiction of the federal courts to extract patent-license fees from others. Both of these categorical holdings of the Federal Circuit warrant this Court's review.

A. Certiorari Should Be Granted To Decide When A State's Waiver Of Immunity In One Action Extends To A Subsequent Action Between The Same Parties Concerning The Same Transaction Or Occurrence.

The Solicitor General argues that the court below correctly concluded that the state's waiver of immunity in the prior action between the same parties concerning the very same patent did not extend to this action, and that the issue is not sufficiently important to warrant this Court's review. Both conclusions are wrong.

1. All agree that California waived its immunity in the first action by filing a complaint in intervention. That unambiguous waiver was not a matter of sovereign grace. Rather, the state sought the benefits of a judicial determination of the legality of its "Prenatal (Multiple Marker) Testing Program" and determined that those benefits outweighed the costs of exposing itself to countersuit. See Pet. App. 66a-69a.

The Solicitor General questions whether the State's waiver was sufficiently "clear" to extend to the current action. Br. 6-7 (quoting *Lapides* v. *Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619-620 (2002)). But *Lapides* unequivocally holds that "[t]he relevant 'clarity'" is provided by "the litigation act the State takes that creates the waiver," not by the state's subjective intent. *Id.* at 620. In *Lapides*, that act was removing a state-court action, even though the state did *not* intend to waive its sovereign immunity in federal court. Here, the state's intervention in the first action is "the litigation act * * * that creates the waiver" and provides the requisite clarity under *Lapides*.

Apart from the erroneous assertion that the waiver here was not "clear," the Solicitor General relies on five "factors" to support his contention that the state's waiver in the first action does not extend to the third. None of the factors remotely justifies that conclusion.

First, the first and third actions are not "entirely separate." U.S. Br. 7. To the contrary, the state *stipulated* that they constitute "Related Cases" under the applicable Local Rule. C.A. J.A. 39; see N.D. Cal. R. 3-12(a)(1). It is undisputed that these actions involve the same parties, the same patent, the same program, the same form of alleged infringement, and the same legal claims.

Second, it is irrelevant that respondent "intervened" in the first action rather than "initiat[ing] it." U.S. Br. 7. Respondent has never claimed that its voluntary intervention in the first action was anything less than a plenary waiver; the Federal Circuit found that it was (Pet. App. 7a-8a); and there is no authority to suggest that waiver by intervention allows a state to reserve immunity that it would otherwise have surrendered by initiating the action itself. To the contrary, this Court held in *Clark* v. *Barnard*, 108 U.S. 436, 447 (1883), that a State waives Eleventh Amendment immunity by "intervening as a claimant * * * in court." Indeed, *Lapides* itself cited *Clark* for that very proposition. 535 U.S. at 619.

Third, the fact that the first action was dismissed without prejudice does not "leave[] the situation as if the action never had been filed." U.S. Br. 7. As we have already explained (see Pet. 19-20 & n.8; Reply Br. 2-3), it is a voluntary dismissal under Rule 41(a) that has that effect, and the dismissal of the first action was not voluntary.

Fourth, this Court has expressly repudiated the notion that a state must manifest its intent as to the scope of the waiver. In *Lapides*, this Court emphasized that waiver does *not* turn on "a State's actual preference or desire, which might, after all, favor selective use of 'immunity' to achieve litigation advantages." 535 U.S. at 620. Thus, whether respondent "manifested any intent * * * that its waiver extend beyond th[e] first suit" (U.S. Br. 8) is irrelevant as a matter of law.

Fifth, the first and third actions do not concern "different acts of infringement." U.S. Br. 8. Petitioner's initial counterclaim sought prospective relief in addition to damages for prior infringement. Pet. App. 75a. And the alleged infringement in both actions concerns respondent's promulgation of a state regulation—unchanged since 1996—that not only establishes respondent's Prenatal (Multiple Marker) Testing Program, but also forbids petitioner's potential licensees from practicing the patent-at-suit within the state. CAL. CODE REGS. tit. 17, § 6525.

For the same reason, the Solicitor General is mistaken in his contention (Br. 12-13) that this case is an unsuitable vehicle for resolving the first question in the petition. Notably, respondent does not argue that the first and third actions involve different acts of infringement.

2. As the petition and reply brief demonstrate, the decision of the Federal Circuit conflicts with decisions of other courts of appeals. See Pet. 15-20; Reply Br. 6-7. The Solicitor General's effort to distinguish those cases is unpersuasive.

The Solicitor General argues (Br. 10) that the holdings of *Rose* v. *U.S. Department of Education (In*

re Rose), 187 F.3d 926 (8th Cir. 1999), and *Schulman* v. *California (In re Lazar)*, 237 F.3d 967 (9th Cir. 2001), are limited to the context of bankruptcy. We have already explained why that is not so (see Pet. 15-18 & n.6; Reply Br. 6-7) and this Court can decide for itself whose reading of the decisions is correct.

Rather than repeating our arguments, we will simply note that, notwithstanding the Solicitor General's narrow view of the decisions' effect, courts of appeals have relied upon *Lazar*'s analysis of Eleventh Amendment immunity *outside* the context of bankruptcy. See, *e.g.*, *Embury* v. *King*, 361 F.3d 562, 565 n.12 (9th Cir. 2004); *Regents of the Univ. of N.M.* v. *Knight*, 321 F.3d 1111, 1125 (Fed. Cir. 2003). Those decisions are dispositive of the Solicitor General's assertion.

The Solicitor General also argues (Br. 11) that this case is unlike *New Hampshire* v. *Ramsey*, 366 F.3d 1 (1st Cir. 2004), because, in that case, the state was the party that moved to dismiss for failure to exhaust. But the relevant consideration in *Ramsey* was not that the state had moved to dismiss; it was that the state had invoked federal jurisdiction in the later proceedings through its litigation conduct in the initial proceedings. So, too, here, respondent effectively invoked federal jurisdiction in the third action by intervening in the first action in an improper venue. See Pet. 19. Allowing a state to initiate proceedings in an improper venue without any risk of facing countersuit in a proper venue would vitiate the fairness principle that underlies *Lapides*. See Pet. 11-12.

3. Contrary to the Solicitor General's assertion (Br. 13), the first question in the petition is not fact-bound. The Federal Circuit categorically rejected the

principle that "waiver of immunity in one suit should extend to a separate action simply because the action involves the same parties and same subject matter." Pet. App. 20a. The petition seeks review of that general proposition of law, as to which there is a conflict among the lower courts, and which is squarely presented in this case.[1]

B. Certiorari Should Be Granted To Decide When A State's Repeated Invocation Of Federal Jurisdiction To Enforce Its Patent Rights Constitutes Waiver Of Its Immunity In Patent Actions.

The second question in the petition is whether a state that repeatedly invokes federal jurisdiction to enforce its own patents is as a result subject to federal jurisdiction to face allegations that it has infringed the patents of others. The Solicitor General

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[1] The Solicitor General's accusations that petitioner acted inequitably (Br. 9-10) are groundless. He notes that petitioner could have "proceeded on its claims against respondent in the first suit," but surely there is no constitutional obligation to submit to an improper venue. He next criticizes petitioner's motion to voluntarily dismiss the second action. As the record demonstrates, this motion was filed to conserve judicial resources while this Court considered *College Savings Bank*. Pet. App. 47a-48a. The district court held that respondent suffered no prejudice and that, "[a]lthough not required to do so, BPMC * * * provided a valid reason for the dismissal." Pet App. 49a. Finally, the Solicitor General attacks the third action because it was filed in the same venue as the first action. He does not question the fact that petitioner filed in a proper venue, nor that the first action—in which respondent intervened—was filed in an improper venue. It is difficult to imagine how petitioner's conduct affects the appropriateness of this case for review, let alone the constitutional analysis that should govern its resolution.

agrees that this issue is "undeniably important." Br. 6. He acknowledges that "[p]rivate inventors need a remedy to protect their patent rights against infringement by state entities" and that "such remedies should be available in federal court." Br. 14. And he recognizes—contrary to the mistaken understanding of the Federal Circuit—that the issue implicates multiple Supreme Court precedents but is controlled by none of them. Br. 14-15. These acknowledgments weigh heavily in favor of certiorari.

At bottom, the Solicitor General's only argument against certiorari is his contention that the Federal Circuit's decision is correct. That would not be a reason to deny certiorari even if the Solicitor General's assessment of the merits of the issue were correct. In any event, the Solicitor General is wrong.

1. The Federal Circuit held that the state's frequent invocations of federal jurisdiction do not result in waiver by litigation conduct because such a conclusion would constitute a finding of "constructive waiver" within the meaning of *College Savings Bank* v. *Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999). See Pet. App. 27a. The Solicitor General agrees that the petition does not raise "the constructive-waiver argument rejected in *College Savings Bank*." Br. 15. He nevertheless maintains that this case is more similar to *College Savings Bank* than to *Lapides*. *Ibid.* That view rests on a misreading of the two decisions.

Unlike *College Savings Bank*, *Lapides* involved waiver by litigation conduct. In *Lapides* itself, the Court pointed out that "*College Savings Bank* distinguished the kind of constructive waivers repudiated there from waivers effected by litigation conduct." 535 U.S. at 620 (citing *College Savings Bank*, 527

U.S. at 681 n.3). This case, like *Lapides*, raises an issue of waiver by litigation conduct, and that issue ought to be resolved under the principles set forth in *Lapides*, see 535 U.S. at 620-621.

The flaw in the Solicitor General's view that this case should ultimately be governed by *College Savings Bank* is highlighted by his assertion that that case "specifically rejected the notion that a State's 'decision to engage in otherwise lawful activity' could provide the basis for waiving its Eleventh Amendment immunity." Br. 14 (quoting 527 U.S. at 679 n.2). What the quoted portion of the Court's opinion in *College Savings Bank* in fact says is that a State's "decision to engage in otherwise lawful *commercial* activity" cannot provide the basis for a waiver. 527 U.S. at 679 n.2 (emphasis added). The Solicitor General's omission obscures the line drawn by this Court between participation in the marketplace—the issue in *College Savings Bank*—and a State's litigation activity—the issue in *Lapides* and here. Indeed, *Lapides* expressly holds that a specific type of lawful activity—litigation conduct like the conduct here—*can* result in a waiver.

Because *College Savings Bank* involved a state's marketplace activity *without* litigation conduct, it would require an expansion of *College Savings Bank* to reach the Solicitor General's conclusion. And there are strong reasons that *College Savings Bank* should not be expanded beyond its specific holding—and certainly not without careful analysis by this Court. For one thing, the case was resolved in a 5-4 decision issued over vigorous dissents. For another, the Court has repeatedly recognized that litigation conduct *does* provide the basis for a waiver and is therefore different in kind from the commercial activity at is-

sue in *College Savings Bank*. Finally, the decision overruled a 35-year-old precedent that had endorsed the doctrine of constructive waiver that *College Savings Bank* rejected. If it was a close question whether constructive waiver itself was a viable doctrine, it is surely wrong to think that the holding of the case can be so casually extended to the very different circumstances here.

2. The Solicitor General's other proffered reasons for denying review on the second question are equally unconvincing. He repeats the argument that a waiver must be clear (Br. 15), but as we have already discussed (see p. 2, *supra*), the requisite clarity focuses on the litigation conduct, not on the scope of the resulting waiver. See *Lapides*, 535 U.S. at 620. And California's repeated invocation of federal jurisdiction to press patent claims is quite clear.

Nor is there any basis for the Solicitor General's contention (Br. 6, 16) that the standard for waiver by litigation conduct is unworkable. As we have explained (Pet. 25-26), an appropriate standard would be akin to that for personal jurisdiction—a standard that courts have managed for more than half a century. See *Int'l Shoe Co.* v. *Washington*, 326 U.S. 310 (1945). Judges have considerable experience administering the "minimum contacts" standard, which is based on "'traditional notions of fair play and substantial justice,'" *id.* at 316 (quoting *Milliken* v. *Meyer*, 311 U.S. 457, 463 (1940)), and thus parallels the standard for waiver by litigation conduct set forth in *Lapides*, 535 U.S. at 620 (relying on the "judicial need to avoid inconsistency, anomaly, and unfairness").

In the case of personal jurisdiction, the constitutional requirement of "general fairness" is satisfied

when a court exercises general jurisdiction over a defendant engaging in "continuous and systematic" activities in the forum. *Perkins* v. *Benguet Consol. Mining Co.*, 342 U.S. 437, 445 (1952). Employing a similar standard is especially appropriate because, as it has rightly been observed, "[Eleventh Amendment] immunity bears substantial similarity to personal jurisdiction requirements." *Wis. Dep't of Corrections* v. *Schacht*, 524 U.S. 381, 394 (1998) (Kennedy, J., concurring).

In any event, California's recovery of hundreds of millions of dollars in more than 20 lawsuits over 18 years—including 16 lawsuits since 1998—is more than sufficient to satisfy whatever standard might be adopted. See Pet. App. 99a-101a; *Invitrogen Corp. & Regents of the Univ. of Cal.* v. *Evident Techs., Inc.*, No. 6:08-cv-00163 (E.D. Tex. filed Apr. 29, 2008).[2]

CONCLUSION

The petition for a writ of certiorari should be granted.

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[2] The Solicitor General's statement (Br. 6) that this waiver argument "has less to commend it than the more straightforward approach[]" rejected in *College Savings Bank* is bizarre. The fact that the Court has rejected a clear, but constitutionally unjustified, standard says nothing about whether a different, albeit somewhat more complex, standard is justified under the controlling legal principles. Thus, the government would not argue that because the "more straightforward" principle of absolute immunity from damages does not protect all federal officials, the courts should have rejected the more complex qualified immunity principle. See *Harlow* v. *Fitzgerald*, 457 U.S. 800 (1982) (rejecting claim of absolute immunity but adopting qualified immunity rule).

Respectfully submitted.

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