

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF INDIANA  
SOUTH BEND DIVISION



Provided by:  
[Overhauser Law Offices LLC](http://www.iniplaw.org)  
[www.iniplaw.org](http://www.iniplaw.org)  
[www.overhauser.com](http://www.overhauser.com)

RICK C. SASSO, M.D.,

Plaintiff,

vs.

WARSAW ORTHOPEDIC, INC.; MEDTRONIC  
PLC; and MEDTRONIC SOFAMOR DANEK,  
INC.,

Defendants.

Civil Action No. 3:19-cv-298

**NOTICE OF REMOVAL**

Pursuant to 28 U.S.C. §§ 1338, 1446 and 1454, Defendants Warsaw Orthopedic, Inc. (“Warsaw”), Medtronic plc, and Medtronic Sofamor Danek, Inc. (“MSD”) remove this action from the Kosciusko County Superior Court, State of Indiana, to the U.S. District Court for the Northern District of Indiana. As grounds for removal, Defendants state as follows:

**BACKGROUND**

**A. Patent Licensing Agreements**

1. This action arises from a dispute concerning several patents.
2. In 1999, Sofamor Danek Holdings, Inc. (“SDH”) and Plaintiff Dr. Rick C. Sasso entered into a contract (“the 1999 Agreement”) by which Dr. Sasso assigned to SDH the intellectual property that gave rise to two U.S. patents, in exchange for royalties on the sale of certain products. Defendant Warsaw Orthopedic, Inc. subsequently acquired SDH through merger.
3. In 2001, SDH and Dr. Sasso entered into an additional contract (“the 2001 Agreement”) by which Dr. Sasso assigned to SDH additional intellectual property, in exchange for royalties on the sale of certain products.

4. The term provision of the 1999 Agreement states: “Unless sooner terminated, this Agreement shall expire upon the last to expire of the patents included in the Intellectual Property Rights, or if no patent application(s) issue into a patent having valid claim coverage of the Medical Device, then seven (7) years from the Date of First Sale of the Medical Device.” Ex. 1 § 7. Thus, if no valid claims of patents relevant to the 1999 Agreement cover relevant Medical Devices, then the agreement terminated years ago.

5. The royalty provision of the 2001 Agreement similarly states that SDH’s obligation to pay royalties extends for eight years after the first sale of the devices in question, except that “if the Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights” assigned under the Agreement, then the royalty is “payable for the life of the patent.” Ex. 2 § 4(B). Thus, if no valid claims of patents relevant to the 2001 Agreement cover relevant Medical Devices, then the obligation to pay royalties under this agreement terminated years ago.

**B. Prior State-Court Litigation**

6. In August 2013, Dr. Sasso sued Warsaw and MSD in Indiana state court, claiming among other things that those entities had breached the 2001 Agreement by failing to pay him royalties he alleges were due on products purportedly covered by a patent transferred under that agreement and other patents he claims “arise out of” the same intellectual property.<sup>1</sup> Dr. Sasso

---

<sup>1</sup> In that action, Dr. Sasso also sued Medtronic, Inc., which is not named in this action. The prior litigation did not involve Medtronic plc.

In 2014, Medtronic removed the action—which then included allegations of breach only of the 2001 Agreement—to this Court, arguing that Dr. Sasso’s claim for breach of that Agreement fell within exclusive federal jurisdiction because it turned on whether certain Medtronic products were covered by certain patents. *See* 28 U.S.C. § 1338(a); *Gunn v. Minton*, 568 U.S. 251, 258 (2013). This Court remanded the action to state court, on the view that federal courts do not “have subject matter jurisdiction over suits involving patent licensing unless the validity of the patent is brought into question.” Hearing Tr. 3:12-14, *Sasso v. Warsaw Orthopedic, Inc.*, Dkt. 38 (N.D. Ind. Feb. 24, 2014); *see* Order, *Sasso v. Warsaw Orthopedic*,

later amended his complaint to include a claim for damages under the 1999 Agreement as well, alleging that he was owed royalties on additional products covered by the two patents transferred under that agreement.

7. The state-court action proceeded to trial in November 2018. The jury found in Dr. Sasso’s favor and awarded him \$79,794,724 for breach of the 1999 Agreement and \$32,657,548 for breach of the 2001 Agreement, for a total of \$112,452,272. Warsaw, MSD, and Medtronic, Inc. have appealed the resulting judgment to the Indiana Court of Appeals.

8. The judgment in the state-court action encompassed damages on the 1999 Agreement through December 31, 2017 and on the 2001 Agreement through November 1, 2018. Dr. Sasso did not seek an award of future damages on either breach-of-contract claim.<sup>2</sup>

**C. This Litigation**

9. Dr. Sasso filed this action in state court on March 13, 2019. The complaint alleges that Dr. Sasso is entitled to an audit and, presumptively, additional royalties under both

---

*Inc.*, Dkt. 37 (N.D. Ind. Apr. 2, 2014) (granting motion to remand “for the reasons stated in open court on February 24, 2014”). The Court’s remand decision predated the Federal Circuit’s opinion in *Jang v. Boston Scientific Corp.*, 767 F.3d 1334 (Fed. Cir. 2014), holding that a breach-of-contract suit necessarily raised issues of patent law because the inventor’s “right to relief on the contract claim ... depend[ed] on ... whether the stents sold by [the defendant] would have infringed [the inventor’s] patents.” *Id.* at 1336. The prior removal and remand did not involve the 1999 Agreement.

<sup>2</sup> In June 2018, several months before the state-court trial, Warsaw, MSD, and Medtronic, Inc. filed suit in this Court, seeking a declaratory judgment that they did not breach the 1999 Agreement because the patents assigned under that Agreement did not cover any Medtronic products for which Dr. Sasso sought royalties, and that to the extent those claims did cover Medtronic’s products, the claims were invalid. Complaint (Dkt. 1), *Warsaw Orthopedic, Inc. v. Sasso*, No. 18-cv-1437 (N.D. Ind. June 8, 2018). They argued that the dispute fell within the exclusive subject-matter jurisdiction of the federal courts for the reasons noted above. *Id.* ¶ 17. This Court declined to entertain the action, on the view that the exercise of federal declaratory-judgment jurisdiction would serve no “legitimate purpose” given the Court’s inability to vacate the state-court judgment. *Warsaw Orthopedic, Inc. v. Sasso*, 2019 WL 428574, at \*4 (N.D. Ind. Jan. 31, 2019). The Court assumed, however, that it did possess exclusive subject-matter jurisdiction. *Id.* at \*2. An appeal of that ruling is now pending before the U.S. Court of Appeals for the Federal Circuit. See *Warsaw Orthopedic, Inc. v. Sasso*, No. 19-1583 (Fed. Cir.).

the 1999 Agreement and the 2001 Agreement, on the same theories as he pursued at trial. Ex. 3 ¶¶ 14-18 (alleging that Dr. Sasso is entitled to “continued ... royalties” under the 2001 Agreement and that Defendants are required “to continue paying royalties” under the 1999 Agreement).

10. The complaint invokes provisions of the 1999 and 2001 Agreements stating that SDH “shall keep and maintain complete and accurate records relating to [each] Agreement” and that Dr. Sasso “shall ... have the right ... to inspect, examine, audit and copy such records ... to verify SDH’s compliance with the terms of [each] Agreement.” *Id.* ¶¶ 9-10.

11. Pursuant to those provisions, the complaint seeks “an injunction ordering Medtronic to provide full and complete remote access to its ... sales ledger ... so that Dr. Sasso may investigate and determine” the further royalties to which he claims to be entitled under the 1999 and 2001 Agreements. *Id.* at 11.

12. The complaint further asks that Defendants be ordered “to account for and pay additional amounts due if shown due by the audit.” *Id.* at 11-12.

13. On April 8, 2019, Defendants timely answered the complaint. Warsaw and MSD (but not Medtronic plc) counterclaimed for a judicial declaration that Dr. Sasso has no right to further royalties under the 1999 and 2001 Agreements because there is no valid patent claim coverage of relevant products, and that Dr. Sasso is accordingly not entitled to audit Defendants’ records to determine the amount of further royalties.

#### VENUE

14. Venue in this Court is proper under 28 U.S.C. § 1454(a) because the South Bend Division of the U.S. District Court for the Northern District of Indiana includes Kosciusko County, where Dr. Sasso filed this action.

## JURISDICTION

### A. Jurisdiction Based On Dr. Sasso's Claims

15. “A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents ... may be removed to the district court of the United States for the district and division embracing the place where the action is pending.” 28 U.S.C. § 1454(a).

16. Cases “aris[e] under” the patent laws not only where a patent statute supplies the cause of action, but also where an issue of patent law is “(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.” *Gunn v. Minton*, 568 U.S. 251, 258 (2013).

17. Dr. Sasso's claim that he is entitled to audit Defendants' records rests on the premise that he is entitled to additional royalties under the 1999 Agreement and the 2001 Agreement; that is the sole basis on which he asserts the need to audit the records. *See* Ex. 3 at 11 (seeking access to records “so that Dr. Sasso may investigate and determine royalties owed”). If Dr. Sasso is *not* entitled to additional royalties, then he has no right to audit Defendants' records to determine the proper amount of such royalties.

18. As noted above, the term provision of the 1999 Agreement states in relevant part: “Unless sooner terminated, this Agreement shall expire upon the last to expire of the patents included in the Intellectual Property Rights, or if no patent application(s) issue into a patent having valid claim coverage of the Medical Device, then seven (7) years from the Date of First Sale of the Medical Device.” Ex. 1 § 7.

19. Dr. Sasso's entitlement to further royalties under the 1999 Agreement requires that the Agreement is enforceable and not expired. Ex. 1 § 17 (providing that “[s]ections 3, 4A, 5, 6, 8, and 9 shall survive termination of this Agreement,” but not section 4B, which provides for royalty payments); *see also id.* § 4B (royalty obligation). This action therefore requires a

determination whether the patents arising out of the intellectual property assigned pursuant to the 1999 Agreement have “valid claim coverage” of a relevant product. If they do not, then the Agreement is no longer in force, and Dr. Sasso is owed no further royalties.

20. The royalty provision of the 2001 Agreement similarly states that Dr. Sasso’s right to royalties extends for eight years after the first sale of the devices in question, except that “if the Medical Device is covered by a valid claim of an issued U.S. patent arising out of the Intellectual Property Rights” assigned under the Agreement, then the royalty is “payable for the life of the patent.” Ex. 2 § 4B.

21. Dr. Sasso’s entitlement to further royalties under the 2001 Agreement requires a determination of whether the payment obligation under that Agreement is enforceable and not expired. This action therefore requires a determination whether the patents arising out of the intellectual property assigned under the 2001 Agreement have valid claim coverage of the products for which Dr. Sasso seeks royalties.

22. In other words, this action turns on the validity and scope of patents arising from the intellectual property assigned under the 1999 and 2001 Agreements.

23. The Federal Circuit and other courts have consistently held that cases involving royalty agreements arise under patent law, and thus fall within federal jurisdiction, when they turn on a patent’s validity or scope. *See Jang v. Boston Scientific Corp.*, 767 F.3d 1334, 1336-1338 (Fed. Cir. 2014); *U.S. Valves, Inc. v. Dray*, 190 F.3d 811, 814 (7th Cir. 1999); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1329 (Fed. Cir. 1998), *overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999); *Scherbatskoy v. Halliburton Co.*, 125 F.3d 288, 291 (5th Cir. 1997); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478 (Fed. Cir. 1993); *Alexsam, Inc. v.*

*WildCard Sys., Inc.*, 2015 WL 13688558, at \*7 (S.D. Fla. Nov. 20, 2015), *appeal transferred to Federal Circuit*, No. 16-15829 (11th Cir. Feb. 21, 2017), *aff'd*, 708 F. App'x 680 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 320 (2018).

24. The patent-law issues raised by this case are “actually disputed.” *Gunn*, 568 U.S. at 259. Dr. Sasso argues that the patents in question are valid and cover the relevant products; Defendants argue the opposite.

25. The patent-law issues raised by this case are also “substantial” within the meaning of *Gunn*, 568 U.S. at 258. The substantiality inquiry focuses not on the significance of an issue of patent law “to the particular parties in the immediate suit,” *Gunn*, 568 U.S. at 260, but “on the broader significance of the federal issue,” *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 646 (Fed. Cir. 2015). Issues of patent law are substantial when allowing state courts to adjudicate them “could result in inconsistent judgments between state and federal courts,” *Forrester Envtl. Servs., Inc. v. Wheelabrator Techs., Inc.*, 715 F.3d 1329, 1334 (Fed. Cir. 2013), or when allowing regional courts of appeals to adjudicate them “could result in inconsistent judgments between a regional circuit and the Federal Circuit,” *Jang*, 767 F.3d at 1338. In *Jang*, for example, the Federal Circuit explained that the adjudication of a state-law contract claim required the “resolution of underlying issues of infringement,” such that if the patentee were to “file suits alleging infringement by others,” there might well be “conflicting rulings particularly as to validity.” *Id.* at 1337-1338. That would create a risk of “serious uncertainty for parties facing similar infringement charges.” *Id.* at 1338.

26. As in *Jang*, this action requires determining both the validity of the relevant patent claims and the construction of those claims to resolve whether they cover certain products. Resolution of those issues in the Indiana courts would create a serious risk of inconsistency with

determinations that might be rendered by a federal court in litigation concerning the same patents.

27. Finally, resolution by the Indiana courts of the patent-law issues presented by this case would disturb “the appropriate ‘balance of federal and state judicial responsibilities.’” *Gunn*, 568 U.S. at 264 (quoting *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 314 (2005)). Determining the validity and construction of patent claims falls within the heartland of the responsibilities allocated to the federal courts.

28. Dr. Sasso’s claims thus arise under patent law, making jurisdiction proper under 28 U.S.C. § 1454(a).

**B. Jurisdiction Based On Counterclaims**

29. Removal is proper not only where the plaintiff’s claims arise under patent law but also where the defendant’s counterclaims arise under patent law. *See* 28 U.S.C. § 1454(a) (“A civil action in which *any party* asserts a claim for relief arising under any Act of Congress relating to patents ... may be removed[.]” (emphasis added)); *see also MPHJ Tech. Invs.*, 803 F.3d at 644 (amendments to § 1454 and other provisions “were intended to provide federal courts ... with a broader range of jurisdiction; that is, with jurisdiction over claims arising under the patent laws *even* when asserted in counterclaims, rather than in an original complaint”).

30. The counterclaims filed by Warsaw and MSD also arise under patent law. In particular, Warsaw and MSD seek a judicial declaration that none of the relevant patents has valid claim coverage of the relevant products, and therefore that Dr. Sasso has no right to further royalties under the 1999 Agreement or the 2001 Agreement and no right to audit Defendants’ records under either Agreement. Ex. 4 ¶¶ 46-70. The counterclaims thus require determining the scope and validity of patent claims, and they accordingly arise under federal patent law for the reasons discussed above.



**OTHER PROCEDURAL REQUIREMENTS**

31. In accordance with 28 U.S.C. § 1446(b)(1), this notice of removal was filed within 30 days after Defendants' receipt of Dr. Sasso's complaint.

32. In accordance with 28 U.S.C. § 1446(a), all "process, pleadings, and orders" served on Defendants to date are being filed together with this Notice of Removal.

33. In accordance with 28 U.S.C. § 1446(b)(2)(A), all Defendants consent to the removal of this action. Medtronic plc does so without prejudice to its objection that it is not subject to personal jurisdiction in Indiana.

34. In accordance with 28 U.S.C. § 1446(d), Defendants will give written notice of this notice of removal to Dr. Sasso, through his counsel of record, and will file a copy of this notice with the Kosciusko County Superior Court.

Respectfully submitted,

/s/ Timothy M. Curran

Timothy M. Curran (24463-71)

Paul E. Harold (25917-71)

SOUTHBANK LEGAL:

LADUE | CURRAN | KUEHN  
100 East Wayne Street, Suite 300

South Bend, IN 46601

Phone: (574) 968-0760

tcurran@southbank.legal

pharold@southbank.legal

April 12, 2019

*Counsel for Warsaw Orthopedic, Inc.;  
Medtronic plc; and Medtronic Sofamor  
Danek, Inc.*