

No. 2008-1597

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**United States Court of Appeals  
For the Federal Circuit**

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LABORATORY CORPORATION OF AMERICA HOLDINGS  
(DOING BUSINESS AS LABCORP),

*Plaintiff-Appellee,*

v.

METABOLITE LABORATORIES, INC.,

*Defendant-Appellant.*

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**Appeal from the United States District Court  
for the District of Colorado in Case No. 04-cv-01662,  
Senior Judge Zita L. Weinshienk**

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**BRIEF OF PLAINTIFF-APPELLEE LABCORP**

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## CERTIFICATE OF INTEREST

Counsel for plaintiff-appellee hereby certifies the following:

1. The full name of every party represented by me is:

Laboratory Corporation of America Holdings (doing business as LabCorp)

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

None.

3. All parent corporations and any publicly held companies that own 10 percent of more of the stock of the party or amicus curiae represented by me are:

LabCorp has no parent corporations. No publicly held company owns ten percent or more of LabCorp's stock.

4. The name of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are appearing in this Court are:

Faegre & Benson LLP: Natalie Hanlon-Leh; Nina Y. Wang; and Mary V. Sooter.

Hogan & Hartson LLP: Andrew R. Shoemaker; Eric J. Moutz; and Cynthia A. Mitchell.

Jones Day: Gregory A. Castanias and Leon F. DeJulius, Jr.

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## TABLE OF ABBREVIATIONS

<u>Term</u>	<u>Description</u>
'658 patent	U.S. Patent No. 4,940,658, entitled “Assay for Sulfhydryl Amino Acids and Methods for Detecting and Distinguishing Cobalamin and Folic Acid Deficiency,” issued on July 10, 1990, to Robert H. Allen <i>et al.</i> , and assigned to Competitive Technologies, Inc.; expired on July 9, 2007
A___	Appendix page number ___
Appellant’s Br. ___	Metabolite’s Opening Brief at page ___
Court	United States Court of Appeals for the Federal Circuit
CTI	Competitive Technologies, Inc., not a party below but plaintiff and appellee in <i>Metabolite I</i> and owner of the '658 patent
LabCorp	Laboratory Corporation of America Holdings, plaintiff below and appellee in this Court
License Agreement or Agreement	Agreement between Metabolite and LabCorp’s predecessor relating to certain patent and know-how rights, effective January 31, 1991
Metabolite	Metabolite Laboratories, Inc., defendant below and appellant in this Court
<i>Metabolite I</i>	<i>Metabolite Labs., Inc. v. Laboratory Corp. of Am. Holdings</i> , No. 99-870 (D. Colo.)
<i>Metabolite II</i>	<i>Metabolite Labs., Inc. v. Laboratory Corp. of Am. Holdings</i> , 370 F.3d 1354 (Fed. Cir. 2004)
<i>Metabolite III</i>	<i>Laboratory Corp. of Am. v. Metabolite Labs., Inc.</i> , No. 04-1662 (D. Colo.)
Specialty	Specialty Laboratories, a third-party company to which LabCorp has referred assays for testing

All emphasis in this brief is added unless otherwise indicated.

## STATEMENT OF RELATED CASES

In the present civil action, there has been no previous appeal brought before this or any other appellate court. A separate, earlier lawsuit resulted in *Metabolite Laboratories, Inc. v. Laboratory Corp. of America Holdings*, No. 03-1120, 370 F.3d 1354 (Fed. Cir. 2004), *cert. granted*, 546 U.S. 999 (2005), *cert. dismissed*, 548 U.S. 124 (2006). That case was decided on June 8, 2004, by Judges Rader, Friedman, and Schall. LabCorp is not aware of any pending cases in this or any other court that will directly affect or be directly affected by the Court's decision in this appeal.

## **JURISDICTIONAL STATEMENT**

LabCorp believes that this Court lacks appellate jurisdiction over this state-law contract matter. LabCorp filed a Motion To Dismiss Or, In the Alternative, Transfer Appeal For Lack of Jurisdiction on October 9, 2008. Metabolite filed a brief in opposition on October 21, and LabCorp replied on October 29. This Court, on February 2, 2009, denied LabCorp's motion to dismiss without prejudice to allow the parties to raise the issue in their merits briefs. LabCorp does so in Argument Part I, *infra*.

## **STATEMENT OF ISSUES**

1. Whether this Court has jurisdiction over this state-law contract case regarding non-patentable "know-how" rights, as the case does not involve a substantial question of patent law and the issues can be and were resolved without implicating any patent rights.

2. Whether the district court correctly held that Metabolite chose to terminate the parties' License Agreement with respect to homocysteine-only assays in a 2001 lawsuit in which it recovered millions of dollars based on the jury's finding that "LabCorp breached the license agreement by terminating it."

## **INTRODUCTORY STATEMENT**

Metabolite views this case through Alice's looking glass, where up is down and down is up, and where a word means whatever Metabolite wants it to mean. No matter how hard it tries, Metabolite cannot ignore its lawsuit in *Metabolite I*, its

successful arguments in that case, or the jury's verdict there, by simply declaring that what occurred in that first case never occurred. In this case (*Metabolite III*), the district court—which presided over *Metabolite I*—held, and the record amply supports, that Metabolite, not LabCorp, chose to treat LabCorp's breach of contract as a termination of the parties' License Agreement with respect to homocysteine-only assays. Rather than addressing the district court's decision and the outcome of *Metabolite I* resulting from its successful strategy, Metabolite attempts to turn reality on its head and argues as if *LabCorp* is now attempting to terminate the License Agreement. Once that fantasy is debunked—and it can be debunked in short order—Metabolite's arguments crumble. Metabolite has no valid retort and, as the district court correctly held, no valid claim.

In 2001, in *Metabolite I*, Metabolite sued LabCorp for breach of contract. Metabolite, at that time, contended that LabCorp's failure to pay royalties was not only a contract breach, but that LabCorp's failure terminated the License Agreement with respect to the homocysteine-only assay. LabCorp denied wrongdoing and denied that the Agreement had been breached or had been terminated. LabCorp, in fact, argued that termination was not possible because the technical requirements of the License Agreement were not followed (this is the same argument that Metabolite now embraces). But LabCorp's arguments did not prevail in *Metabolite I*—Metabolite's did. The jury specifically found, at

Metabolite’s urging, that “LabCorp breached its license agreement by terminating it” with respect to homocysteine-only assays, and it awarded Metabolite substantial damages for that termination. (A21073.) And this Court, on appeal in *Metabolite II*, affirmed, rejecting LabCorp’s argument that the Agreement had not been terminated. As this Court explained, in addressing Metabolite’s breach-of-contract claim, “[a] material breach . . . constitutes termination even where the license agreement termination clause does not expressly so provide.” *Metabolite II*, 370 F.3d at 1370.

Metabolite now abandons the facts and arguments that allowed it to prevail in *Metabolite I* and *II*. After having successfully secured a judgment based on contract termination in the first trial, Metabolite asks the Court to ignore its prior arguments and the jury’s verdict and urges this Court to conclude that it did not really terminate the License Agreement with respect to homocysteine-only assays. To prevail, Metabolite must convince the Court that—although it successfully urged the *Metabolite I* jury that the License Agreement was terminated with respect to homocysteine-only assays—Metabolite really meant, and the jury should have found, that only a “patent license” was terminated. Metabolite’s attempt to artificially divide the singular License Agreement into separate “patent” and “know-how” licenses is a late-minted and unavailing theory; it is not the way the parties drafted the Agreement, not the way Metabolite tried its case, and not the

way the jury rendered its verdict in *Metabolite I*. The Court should not now allow Metabolite to rewrite the parties' contract by rewriting history. If this Court should conclude that it has jurisdiction over this appeal, which is a doubtful proposition, it should affirm the district court's judgment.

### STATEMENT OF FACTS

LabCorp is in the business of conducting medical tests and assays of bodily tissues and fluids. In the early 1990s, LabCorp became interested in obtaining rights to the '658 Patent, which involves *inter alia*, assaying total homocysteine levels and correlating an elevated level of total homocysteine with a deficiency in either cobalamin or folate.<sup>1</sup> (A21015-17.) LabCorp wanted to offer these assays to the medical community to aid in diagnosing various medical issues. CTI, the owner of the '658 Patent, had licensed the right to use the patent to Metabolite, a company owned by Dr. Robert Allen, one of the inventors of the '658 Patent. (A21003.) Metabolite developed "know-how" technology to automate the testing process. This "know-how" was not patented, nor was it claimed to be patentable.

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<sup>1</sup> As LabCorp urged the U.S. Supreme Court, one of the patent claims in suit in *Metabolite I* and *Metabolite II* claimed only a mental calculation and thus falls outside the scope of patentable subject matter under 35 U.S.C. § 101. Indeed, it is doubtful that the claim could survive after this Court's intervening decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc), *petition for cert. filed*, 77 U.S.L.W. 3442 (U.S. Jan. 29, 2009). But that case is over; this case (*Metabolite III*) is an entirely different civil action, which involves only a state-law licensing agreement—and the owner of that patent is not even a party to this case.

In 1991, LabCorp entered into a nonexclusive licensing agreement with Metabolite to offer the assays to the medical community.<sup>2</sup> The Agreement provided that LabCorp would pay patent and “know-how” royalties for performance or referrals of “Licensed Assays,” a defined term which covered four separate types of assays: homocysteine, methymalonic acid, 2-methylcritic acid, and cystathionine. (A21002-03.) The License Agreement specifically provided that it could be terminated “with respect to a particular Licensed Assay.” (A21008.)

Under the Agreement, the payment of royalties was limited to the performance or referral of a Licensed Assay to Metabolite. LabCorp was to pay CTI a 6% royalty on all Licensed Assays performed by LabCorp as well as those Licensed Assays referred to Metabolite for testing.<sup>3</sup> (A21003-04.) LabCorp also agreed to pay Metabolite a 21.5% “know-how” royalty for Licensed Assays that were not referred to Metabolite for testing, but rather were performed by LabCorp using the “know-how.”<sup>4</sup> (A21005.)

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<sup>2</sup> LabCorp’s predecessor-in-interest, Hoffman-La Roche, actually entered into the Agreement with Metabolite. For ease of reference, however, LabCorp is used throughout the brief rather than Hoffman-La Roche.

<sup>3</sup> At no time did Metabolite have any ownership interest in that patent; Metabolite’s patent license with CTI allowed it to grant nonexclusive sublicenses to the CTI patent.

<sup>4</sup> When tests were referred to Metabolite (defined in the Agreement as “referral assays”), Metabolite collected a higher royalty because it was also doing the labor involved in the test.

One of the Licensed Assays LabCorp offered was a total homocysteine assay performed on serum samples. (A21003.) In 1998, LabCorp began using an alternative procedure for homocysteine-only tests developed by Abbott Laboratories and stopped paying royalties to Metabolite on homocysteine-only assays under the Agreement.<sup>5</sup> (A21048, A21049-55.) LabCorp contended that the Abbott test did not infringe the patent and thus was not a Licensed Assay.

Metabolite objected and claimed that by stopping royalty payments LabCorp terminated the License Agreement. (A21058.) Shortly thereafter, in *Metabolite I*, Metabolite and CTI joined together to sue LabCorp. Metabolite claimed breach of contract for failing to pay “know-how” royalties and sought contract damages; CTI claimed patent infringement and sought infringement damages. (*See id.*)

**I. Metabolite Argued That LabCorp Terminated the License Agreement With Respect to the Homocysteine-only Assay.**

One of the central issues in *Metabolite I* was whether LabCorp terminated the License Agreement with respect to the homocysteine-only assay. While Metabolite perhaps could have prevailed on a breach-of-contract claim without claiming termination of the Agreement, Metabolite and CTI (who were co-plaintiffs and jointly represented by the same counsel representing Metabolite alone here) made a strategic choice to pursue termination with respect to all rights

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<sup>5</sup> The parties have referred to the Abbott test, test number 706994, as the “homocysteine-only test” or “homocysteine-only assay.” LabCorp continues to do so here.



and obligations under the Agreement related to homocysteine-only assays so that CTI could recover for patent infringement. This strategic decision also opened the door for the co-plaintiffs to seek enhanced damages under 35 U.S.C. § 284, and attorneys' fees under 35 U.S.C. § 285, which would not have been permitted had they pursued only a breach-of-contract claim.

Metabolite's representative, Dr. Allen, the President and owner of Metabolite, thus testified that LabCorp's decision to stop paying "know-how" royalties on the homocysteine-only assays meant that LabCorp was "terminating the license agreement with respect [to] that individual assay." He testified that LabCorp's actions were "an absolute termination with respect to the single homocysteine [test] done by the Abbott procedure." (A21058.) The alleged "absolute termination" was not qualified in any way, save by limiting it to "that individual assay." LabCorp disagreed that it had terminated the Agreement, and the issue was sent to the jury.

With specific reference to Metabolite's breach-of-contract claim, the district court instructed the jury on the parties' contentions surrounding the alleged termination. With Metabolite's consent, the district court instructed the jury that Metabolite contended that "LabCorp terminated the license agreement with respect to the homocysteine-only test and stopped paying royalties on that test." (A21069.) The court further instructed the jury that Metabolite argued that because the Abbott

test was covered by the Agreement, “LabCorp’s termination of the license agreement and discontinuance of its royalty payments with respect to that test constitutes breach of its contract with Metabolite.” (*Id.*) The court then instructed the jury that LabCorp disputed Metabolite’s claim of termination, and that LabCorp was arguing that “[it] did not terminate the license agreement or any part of it with respect to homocysteine tests.” (*Id.*)

The parties’ agreed-upon Special Verdict Form was thus based on Metabolite’s termination theory. (*See* A21072-75, reproduced *infra* at 11-14.) The threshold question for *both* Metabolite’s breach-of-contract claim and CTI’s patent-infringement claim was whether the License Agreement had been terminated. If the jury found the License Agreement had *not* been terminated, it was required to answer Questions 2, 3, and 4, dealing with whether the Agreement was breach, and, if so, the amount of patent and “know-how” royalties owed to CTI and Metabolite respectively under the Agreement for breach. (A21072.) If the jury concluded that the License Agreement *had* been terminated, it was then instructed to go to Question 5, which asked whether the Agreement had been terminated specifically with respect to the Abbott test, *i.e.*, the homocysteine-only assay. (*Id.*; *see also* A21311 (flowchart graphic of Special Verdict Form).)

Under the court’s instructions and pursuant to the Special Verdict Form, if the jury determined that a termination had occurred, it would then state the

damages LabCorp owed to Metabolite for its breach of contract. As the court instructed, breach-of-contract damages “are designed under the law to place the injured party in as good a monetary position as it would have enjoyed if the contract had been performed as promised.” (A21066.)

Metabolite emphasized in its closing argument that the jury should find the contract terminated. Based on the Special Verdict Form, Metabolite argued to the jury: “First, the question will come up: Was the Metabolite license agreement terminated wrongfully by LabCorp, thus creating a breach, at least with those Abbott assays?” (A21314.) In such a case, Metabolite argued, “there is no license agreement in place.” (*Id.*) Metabolite further explained to the jury that LabCorp’s failure to pay royalties for the homocysteine-only assay terminated the License Agreement entirely as to that particular assay as to *both* the 6% patent royalty *and* 21.5% “know-how” royalty. Metabolite contended:

LabCorp wrongfully terminated the Metabolite license agreement to get out of paying these royalties, and thus, the license agreement evaporates for them. That leaves us with 21.5 payment for all the assays that were done when the license agreement was wrongfully set aside and 6 percent for all the infringement that was done by CTI—or by LabCorp—again, when that license agreement was just shut aside.

(A21315-16.)

## **II. The Jury Found That LabCorp Terminated the License Agreement With Respect to the Homocysteine-only Assay.**

Although LabCorp disagreed with Metabolite's contention that it had terminated the License Agreement, the jury ultimately agreed with Metabolite. As shown below, the jury in Questions 1 and 5 found that the Agreement had been terminated with respect to the homocysteine-only assay, and awarded Metabolite breach-of-contract damages based on that termination.

FIL  
UNITED STATES  
DISTRICT COURT  
NOV 2  
JAMES M.  
[Signature]

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO

Civil Action No. 99-Z-870

METABOLITE LABORATORIES, INC.,  
a Colorado corporation, and  
COMPETITIVE TECHNOLOGIES, INC.,  
a Delaware corporation,

Plaintiffs,

vs.

LABORATORY CORPORATION OF AMERICA  
HOLDINGS d/b/a LabCorp, a Delaware corporation,

Defendant.

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SPECIAL VERDICT FORM

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We, the jury, upon our oath, unanimously answer the questions in this Special Verdict Form as follows:

1. Do you find, by a preponderance of the evidence, that Defendant LabCorp is licensed under the '658 patent and that license has not been terminated in whole or in part?

\_\_\_\_\_ Yes  No

IF YOU ANSWERED "YES" TO QUESTION NO. 1, THEN ANSWER QUESTION NO. 2. IF YOU ANSWERED "NO" TO QUESTION NO. 1, THEN GO TO QUESTION NO. 5 AND 6.

2. Do you find, by a preponderance of the evidence, that LabCorp breached the License Agreement with Plaintiff Metabolite by failing to pay Plaintiffs royalties on the Abbott homocysteine test?

\_\_\_\_\_ Yes \_\_\_\_\_ No

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A21072

IF YOU ANSWERED "YES" TO QUESTION NO. 2, ANSWER QUESTION NOS. 3 AND 4. IF YOU ANSWERED "NO" TO QUESTION NO. 2, DO NOT ANSWER QUESTION NOS. 3, 4, 5, 6, 7, 8 and 9, ANSWER QUESTION NOS. 10 AND 11.

3. State the amount of royalties due, if any, to Plaintiff Metabolite under the License Agreement, Section 2.02, which provides for a royalty of 21.5%. (Exhibit AC)

\$ \_\_\_\_\_

4. State the amount of royalties due, if any, to Plaintiff CTI under the License Agreement, Section 2.03, which provides for a royalty of 6%. (Exhibit AC)

\$ \_\_\_\_\_

UPON COMPLETION OF QUESTION NOS. 3 AND 4, DO NOT ANSWER QUESTIONS NOS. 5, 6, 7, 8 AND 9 BUT ANSWER QUESTION NOS. 10 AND 11.

5. Do you find, by a preponderance of the evidence, that LabCorp breached its license agreement by terminating it with respect to its performance of the Abbott test?

Yes  No

IF YOU ANSWERED "YES" TO QUESTION NO. 5, THEN ANSWER THE REST OF THE QUESTIONS. IF YOU ANSWERED "NO" TO QUESTION NO 5, THEN GO TO QUESTION NO 10 AND 11.

6. State the damages, if any, to plaintiff Metabolite for the breach of contract.

\$ # 3,652,724.61

7. Do you find, by a preponderance of the evidence, that Defendant LabCorp has contributed to or induced infringement of claim 13 of the '658 patent?

Induced infringement of Claim 13:  Yes  No

Contributed to infringement of Claim 13:  Yes  No

A21073

IF YOU ANSWERED "YES" TO ANY PART OF QUESTION NO. 7, COMPLETE QUESTION NOS. 8 AND 9. IF YOU ANSWERED "NO" TO BOTH PARTS OF QUESTION NO. 7, THEN DO NOT ANSWER QUESTION NOS. 8 AND 9 AND ANSWER QUESTION NOS. 10 AND 11.

8. State the amount of damages, if any, to Plaintiff CTI caused by Defendant LabCorp's infringement by inducement or by contributory infringement.

\$ # 1,019,365.01

9. Do you find, by clear and convincing evidence, that LabCorp has willfully infringed claim 13 of the '658 patent?

Yes  No

YOU MUST ANSWER QUESTION NOS. 10 and 11.

10. Do you find, by clear and convincing evidence, that claims 13 or 18 of the '658 patent are invalid?

Yes  No

IF YOU ANSWERED "YES" STATE WHICH CLAIMS ARE INVALID:

Invalid for Nonenablement: Claim 13 \_\_\_\_\_ Claim 18 \_\_\_\_\_

Invalid for Insufficient  
Written Description: Claim 13 \_\_\_\_\_ Claim 18 \_\_\_\_\_

Invalid for Indefiniteness: Claim 13 \_\_\_\_\_ Claim 18 \_\_\_\_\_

Invalid for Obviousness: Claim 13 \_\_\_\_\_ Claim 18 \_\_\_\_\_

Invalid for Anticipation: Claim 13 \_\_\_\_\_

A21074

11. Do you find, by clear and convincing evidence, that:

- (a) CTI or one of the inventors of the '658 patent withheld information or misrepresented information that was material to the patent examiner's examination of the claims of the patent?

\_\_\_\_\_ Yes        X   No

- (b) CTI or one of the inventors of the '658 patent withheld material information or made material misrepresentations with the intent to deceive the patent examiner in allowing the '658 patent to issue?

\_\_\_\_\_ Yes        X   No

After answering the appropriate questions, the foreperson should date and sign the verdict form.

DATED: November 20, 2001

John MacKay  
FOREPERSON

ENTERED  
ON THE DOCKET

NOV 21 2001

AMES K. WINDREAKER  
CLERK

AW

A21075



### **III. The District Court Entered An Injunction Prohibiting Patent Infringement.**

Following trial, the court incorporated the jury's findings set forth in the Special Verdict Form into the Amended Judgment. (A21076-79.) The district court also entered a permanent injunction pursuant to Section 283 of the Patent Act prohibiting LabCorp from infringing CTI's patent by performing homocysteine-only tests. (A21080-86.) The injunction did not apply to Metabolite's breach-of-contract claim regarding "know-how" technology. (*See* A14394-95 (In dissolving the injunction, the district court stated: "[I]t was clear that both the Plaintiffs' request and this Court's subsequent order [granting the injunction] were solely concerned with Defendant's infringement of the '658 Patent. . . . The injunction was not designed to address any other outstanding issues between the parties.").)

Eventually, all parties agreed on and the district court entered a stipulated stay order, which stayed the injunction pending appeal. (A21088-92.) The stay order required LabCorp to pay patent royalties to CTI, but did not require the payment of "know-how" royalties to Metabolite. Instead of the payment of any royalties, the stipulation provided that LabCorp would provide an "accounting" to Metabolite. (A21089.) The accounting was secured with a letter of credit and by the terms of the order, and would be due only if LabCorp were later held liable for them. (*Id.*) The stay order expressly noted that it "does not compromise or otherwise affect any claim for damages, or defenses thereto, for assays performed

by LabCorp subsequent to the date of the Special Verdict in this case or during the pendency of the appeal or any remand.” (A21090.)

**IV. This Court Affirmed The Jury’s Verdict That LabCorp Had Terminated the License Agreement With Respect to the Homocysteine-only Assay.**

LabCorp simultaneously appealed the patent-infringement and breach-of-contract claims to this Court. Regarding Metabolite’s breach-of-contract claim, LabCorp argued that it did not terminate the Agreement with respect to homocysteine-only assays. Metabolite disagreed. Metabolite argued that Dr. Allen viewed LabCorp’s breach “as a termination of the license agreement with respect to that particular total homocysteine assay” and that “the license agreement explicitly sets forth a mechanism for termination on an assay-by-assay basis.” (A14318-19.) Thus, Metabolite argued, “the jury reasonably found that LabCorp had terminated with respect to the total homocysteine assay.” (A14319.)

This Court, too, agreed with Metabolite, holding that “substantial evidence supports the jury’s finding” that “LabCorp breached the license agreement by terminating it.” *Metabolite II*, 370 F.3d at 1370. This Court expressly rejected LabCorp’s argument that “it did not formally terminate the contract, because the contract requires that the licensee provide written notice.” *Id.* Instead, the Court concluded that LabCorp’s “[r]efusal to pay royalties is a material breach of the license,” and a “material breach, in turn, constitutes termination even where the

license agreement termination clause does not expressly so provide.” *Id.* In so holding, the Court cited New Jersey law that permits the non-breaching party, *i.e.*, Metabolite, to treat a material breach of a contract as a termination. *Id.* The Court, accordingly, affirmed the jury’s finding that “LabCorp breached the license agreement by terminating it” for the Abbott test. *Id.*

**V. The District Court Confirmed That The License Agreement Had Been Terminated With Respect to Homocysteine-only Assays.**

Once this Court’s mandate issued, LabCorp satisfied the judgment in full. The district court also lifted the stay on the permanent injunction pursuant to the stipulated stay order.<sup>6</sup> Because LabCorp could no longer perform the homocysteine-only assay, LabCorp informed Metabolite that it would refer the assays to a third-party laboratory, Specialty Laboratories, which held a separate patent license from CTI.<sup>7</sup> (A21104-08.) LabCorp continued to pay royalties on all Licensed Assays *except* the homocysteine-only test.

Metabolite, following the entry of this Court’s mandate, demanded additional “know-how” license royalties on the homocysteine-only test from

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<sup>6</sup> The Supreme Court of the United States granted LabCorp’s petition for certiorari, 546 U.S. 999 (2005), but later, in 2006, dismissed it as improvidently granted, 548 U.S. 124.

<sup>7</sup> LabCorp filed a motion seeking clarification of the scope of the injunction. The Court ultimately ruled that “LabCorp may refer the homocysteine-only test to a laboratory, such as Specialty, that is licensed under the ‘658 patent without violating the permanent injunction.” (A21127.)

LabCorp for the period following the district court's judgment. Metabolite made this demand notwithstanding the jury's verdict (and this Court's affirmance thereof) finding the agreement terminated with respect to the homocysteine-only test, and further despite the fact that neither LabCorp nor Specialty had used any "know-how" technology related to homocysteine-only assays since that time.

Metabolite's position was that LabCorp owed "know-how" royalties for any performance or referral of the homocysteine-only test even if that "know-how" is not used.

In response, on August 12, 2004, LabCorp filed this separate civil action, *Metabolite III*, naming only Metabolite as a defendant, and seeking a declaratory judgment that LabCorp did not owe Metabolite additional "know-how" royalties. CTI, the owner of the '658 patent, is not a party to this action. In its complaint, which was amended in 2005, LabCorp sought a declaration regarding "whether Metabolite can recover damages for activity . . . with respect to a part of an Agreement that has been terminated." (A21113.) LabCorp did not assert any federal patent claims in this second complaint, nor was its declaratory-judgment complaint based in any way on a fear of a patent-infringement suit by CTI. Rather, the action was based solely on state law and invoked the court's diversity jurisdiction. (A21110.) Metabolite filed state-law counterclaims, *inter alia*, based on breach of contract, fraud, and estoppel. (A21138-43.)

Both parties moved for summary judgment. On August 15, 2008, the district court held that Metabolite had chosen to treat LabCorp’s contract breach as a termination of the License Agreement with respect to the homocysteine-only assay and that the jury so found, in Metabolite’s favor, in *Metabolite I*. (ADD 028.) Because the Agreement was terminated, the court granted LabCorp’s motion for summary judgment and denied Metabolite’s motion. (ADD 033.)

**A. The District Court Held That Metabolite Chose To Terminate The Agreement With Respect To Homocysteine-only Assays.**

The district court, at the outset of its analysis, rejected Metabolite’s argument that the Agreement could not have been terminated because LabCorp did not follow the termination provisions in the License Agreement.<sup>8</sup> This was the same argument that LabCorp had made—and had lost—before the district court in *Metabolite I* and this Court in *Metabolite II*. The district court held that “[r]egardless of which party is making this claim, *Metabolite II* already addressed and rejected the argument that written notification was necessary.” (ADD 022.) The court explained that in *Metabolite II*, this Court specifically held that a material breach of the Agreement could constitute a termination if Metabolite

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<sup>8</sup> The district court first examined the Stipulated Stay Order to determine whether it affirmatively provided any enforceable, independent contractual rights. The district court held that it did not and indeed, that LabCorp had specifically reserved its right “to fight over the know-how issue in the future.” (ADD 018.) Metabolite no longer contends that the Stipulated Stay Order granted it any affirmative right.

elected to terminate the contract. (ADD 023-024.) The question was thus whether Metabolite had exercised that right.

The court held that Metabolite had done so. Turning to the language of the Agreement, the court noted that Licensed Assays were divided into four categories: homocysteine, methylmalonic acid, 2-methylcritic acid, and cystathionine. The court explained that the Agreement expressly anticipated that it could be terminated “with respect to a particular Licensed Assay.” (ADD 025 (emphasis in original).) In other words, “the parties bargained for an agreement which allowed exclusion of individual Licensed Assays without consequences to the rest of the agreement.” (ADD 025-026.)

The court held that the Agreement, however, did *not* contemplate termination with respect to only certain “licenses” (whether they be patent or “know-how”) within a particular assay. As the court explained, “[t]he logical result of this severability [of particular assays], and the conclusion critical to resolving the current conflict, is that the License Agreement is terminable to an individual assay as opposed to the licenses associated with an assay.” (ADD 026 (emphases in original).) Because “the contract provides clearly and consistently throughout that it is severable with respect to individual Licensed Assays” (ADD 027), the court held that LabCorp necessarily terminated the Agreement entirely with respect to the homocysteine-only assay in *Metabolite I*.

The court concluded that there could be no further royalties due under the Agreement for LabCorp's (or Specialty's) use of the homocysteine-only assay. As the court held, "[t]ermination of a Licensed Assay, whether through expiration of its corresponding patent or by a material breach, results in the loss of all rights under the contract, albeit only for that assay." (ADD 026.) There is no distinction between patent or "know-how" royalties on this point. No royalties, accordingly, could be due. (*Id.*)

The court declined to "rewrite" the contract in the manner suggested by Metabolite. The court held that because "the contract allows severability, and it makes no distinction between the various licenses regarding this severability[,] [c]hanging the contract at this stage would be akin to 'rewrit[ing] the contract or [giving Metabolite] a better deal than that for which [it] expressly bargained.'" (ADD 027 (quoting *Solondz v. Kornmehl*, 721 A.2d 16, 19 (N.J. Sup. Ct. App. Div. 1998) (citing *Hartford Fire Ins. v. Riefolo Constr. Co.*, 390 A.2d 1210, 1217 (N.J. Super. Ct. App. Div. 1978), *aff'd*, 410 A.2d 658 (N.J. 1980) ("Plaintiff is bound by the deal he made. Th[e] court may not relieve plaintiff from the hardship that might have been guarded against. [The court] must enforce the contract which the parties themselves have made."))))).

In sum, the court held, the contract allowed Metabolite to either regard the Agreement as terminated entirely with respect to a Licensed Assay or not at all.

Thus, when Metabolite chose to treat the Agreement in *Metabolite I* as terminated with respect to homocysteine-only assays, the Agreement was terminated for all purposes with respect to that assay.

**B. The District Court Held That The Jury Verdict Proves That LabCorp Terminated The Agreement Entirely With Respect To Homocysteine-only Assays.**

The court then explained that the *Metabolite I* Special Verdict Form further supports the view that the Agreement was “terminated with respect to the Homocysteine-Only Test without regard to any individual royalty license.” (ADD 028.) The court explained that in Question No. 1 the jury found that some portion of the License Agreement had been “*terminated*, not just breached.” (*Id.*) The jury thus skipped Questions 2-4, which “directly deal with the situation where the License Agreement was not terminated but instead was only breached. . . . If the jury found the contract was breached, the instructions required them to answer both Question 2 (know-how royalties due) and Question 4 (patent royalties due).” (ADD 029.) The court explained that “a finding of breach but no termination would have required determination of damages of all licenses, not a selected subset, again consistent with an assay-based view of the License Agreement rather than a license-based view.” (*Id.*)

The court noted the jury then found in Question No. 5, “by a preponderance of the evidence, that LabCorp breached its license agreement by terminating it with



respect to its performance of the Abbott Test.” (*Id.*) (emphasis in original). As the court explained, “[r]ead together with the answer to Question No. 1, the combined answers indicate the jury found that the License Agreement had been terminated in part and that termination was limited to removing the Homocysteine-Only Test from the assays allowed to be performed under the contract.” (ADD 030.) Based on the answer to Question No. 5, the jury awarded breach-of-contract damages to Metabolite.

Accordingly, the court held, “[a] plain reading of the verdict form, coupled with the language of the License Agreement, leads to the conclusion that the License Agreement was both breached and terminated with respect to the Homocysteine-Only Test.” (*Id.*)

## **SUMMARY OF ARGUMENT**

**I.** This Court lacks jurisdiction over Metabolite’s appeal. To invoke this Court’s jurisdiction, Metabolite must demonstrate that a substantial question of patent law is “a necessary element of one of the well-pleaded claims.”

*Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988).

Metabolite never even attempts to meet its burden. Nor could it. Metabolite is asserting a breach-of-contract action under New Jersey law for non-patentable “know-how” royalties. The district court’s jurisdiction was premised solely on diversity jurisdiction, and Metabolite’s breach-of-contract action can be and was

resolved without reference to any patent. No matter how this Court rules, it will not affect any patent rights. The patent royalties were paid fully, were not disputed, and are not part of this case. Indeed, CTI's '658 patent expired on July 9, 2007. Patent law, accordingly, is not relevant, much less "necessary" to Metabolite's claims. The Court should dismiss Metabolite's appeal, or in the alternative, transfer the appeal to the Tenth Circuit.

**II.** In the unlikely event the Court reaches the merits of Metabolite's appeal, it should affirm the district court's judgment. The district court correctly held that the License Agreement was severable only on an assay-by-assay basis and that Metabolite, in conjunction with CTI, chose to terminate the Agreement with respect to homocysteine-only assays in *Metabolite I*. (ADD 025-27.) Indeed, in *Metabolite I*, Metabolite expressly urged the jury to find the Agreement terminated. (A21315-16.) And the jury, based solely on that finding of termination, awarded Metabolite damages for breach of contract related to "know-how" royalties. (A21072-73.) Moreover, at Metabolite's urging, this Court in *Metabolite II* affirmed the jury's finding that "LabCorp breached the license agreement by terminating it." 370 F.3d at 1370. Having terminated the contract and having received millions of dollars in damages for that termination, Metabolite cannot now seek to enforce a contract that no longer exists. Further, Metabolite

was required to seek prospective damages in *Metabolite I* and is barred from doing so now.

**III.** Instead of responding to the district court’s actual holding that Metabolite terminated the Agreement in *Metabolite I*, Metabolite instead argues that LabCorp cannot now attempt to unilaterally terminate the Agreement. Metabolite’s entire appeal is premised on that mistaken ground, so its arguments are therefore irrelevant. Metabolite chose to terminate the Agreement, succeeded in doing so, and now is estopped from seeking to collaterally attack that judgment in a separate lawsuit. The Court should not be misled by Metabolite’s arguments and, if it reaches the merits, should affirm the district court’s judgment.

## **ARGUMENT**

### **I. THIS COURT LACKS JURISDICTION OVER THIS STATE-LAW DIVERSITY CASE.**

Metabolite contends that its appeal in this case—an entirely different civil action from the one that yielded the decisions in *Metabolite I* and *Metabolite II*—“necessarily depends on resolution of a substantial question of federal patent law.” (Appellant’s Br. 2 (citing *Christianson*, 486 U.S. at 808-09).) Saying so, however, does not make it so. As the Appellant, Metabolite bears the burden of demonstrating that patent law is “essential” for *every* theory under its claim to invoke this Court’s jurisdiction. *Christianson*, 486 U.S. at 810. Metabolite never attempts to meet this burden. The Court, accordingly, should dismiss Metabolite’s

appeal or, in the alternative, transfer the case to the Tenth Circuit. *See* 28 U.S.C. § 1631; *Christianson*, 486 U.S. at 818 (Section 1631 “confers on the Federal Circuit authority to make a single decision upon concluding that it lacks jurisdiction—whether to dismiss the case or, ‘in the interest of justice,’ to transfer it to a court of appeals that has jurisdiction.”).

**A. Metabolite Does Not Contend That It Has A Hypothetical Patent-Infringement Claim.**

Metabolite does not have, and does not claim to have, a patent-infringement claim.<sup>9</sup> By filing this declaratory-judgment action, LabCorp set the parameters of the dispute, invoking only the diversity statute as a basis for jurisdiction, and Metabolite never suggested that the district court’s jurisdiction was grounded anywhere else. Indeed, Metabolite’s own counterclaims were also grounded in the diversity statute. On this point, there does not appear to be any dispute. As Metabolite explained, “the ’658 patent has no bearing on this case. This is not a patent infringement case or even a patent license case; it is a case for breach of LabCorp’s obligation to pay know-how royalties in consideration of a know-how

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<sup>9</sup> This Court has jurisdiction where the district court’s jurisdiction “aris[es] under any Act of Congress relating to patents.” 28 U.S.C. § 1338(a); *see also id.* § 1295(a). While the complaint ordinarily determines jurisdiction, as LabCorp explained in its Motion to Dismiss, *in declaratory-judgment actions*, such as here, the Court must look to “the action that the declaratory defendant would have brought,” not to the complaint itself. *Speedco, Inc. v. Estes*, 853 F.2d 909, 912 (Fed. Cir. 1988); *see also* Mot. to Dismiss at 8. LabCorp’s Amended Complaint is relevant only insofar as it establishes the contours of the claim; jurisdiction, if it is to be had, must be derived from Metabolite’s hypothetical claims.

license.” *See* A22095 (Metabolite’s Feb. 7, 2008 Proposed Final Pretrial Order); A21078 (final judgment awarding damages to Metabolite for “Defendant LabCorp’s breach of contract”). Moreover, Metabolite is not the owner of the patent (CTI, which is not a party to this second suit, is the patent owner) and so Metabolite could not have brought an infringement case even if it had wanted to. *See, e.g., Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1571-72 (Fed. Cir. 1997) (“To invoke the jurisdiction of a federal court under § 1338, it is necessary that plaintiff allege facts that demonstrate that he . . . owns the patent rights on which the infringement suit is premised.”).

**B. Metabolite Cannot Establish That Patent Law Is “Essential” To Every Potential Theory Of Its Hypothetical Case.**

Where, as here, patent infringement is not alleged, the Appellant must demonstrate that a substantial question of patent law under Section 1338(a) is “a necessary element of one of the well-pleaded claims.” *Christianson*, 486 U.S. at 809. As such, “the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws.” *Speedco*, 853 F.2d at 911 (quoting *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897)); *see also Christianson*, 486 U.S. at 809. Furthermore, it is not “sufficient that a well-pleaded claim alleges a single theory under which resolution of a patent-law question is essential.” *Christianson*, 486 U.S. at 810. Patent law

must be “essential” in every possible alternate theory that a plaintiff could use to prove its cause of action in order to invoke this Court’s jurisdiction. *Id.* As the United States Supreme Court has made clear, “[n]ot all cases *involving* a patent-law claim fall within the Federal Circuit’s jurisdiction.” *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 834 (2002).

**1. This Case Does Not Involve A Substantial Question of Patent Law.**

This Court recently reaffirmed that contract actions, even those involving patent royalties, do not arise “under any Act of Congress relating to patents.” 28 U.S.C. § 1338(a). In *ExcelStor Tech., Inc. v. Papst Licensing GMBH & Co. KG*, 541 F.3d 1373 (Fed. Cir. 2008), the declaratory-judgment plaintiff asserted that the defendant had breached a patent-licensing agreement by collecting patent royalties twice, once from the plaintiff and once from a third party, in violation of the patent exhaustion doctrine. This Court held that subject-matter jurisdiction did not exist because “there is no federal cause of action for collecting royalties twice on the same goods.” *Id.* at 1376-77. Even if such conduct “may, eventually, prove to have been prohibited by the terms of the licensing agreements . . . patent law is not a necessary element of such determinations.” *Id.* at 1377. The interpretation of the license agreement is to be decided under state contract law. *Id.*; *see also Speedco*, 853 F.2d at 913 (“[T]he fact that patent issues are relevant under state contract law to the resolution of a contract dispute ‘cannot possibly convert a suit for a breach

of contract into one “arising under” the patent laws as required to render the jurisdiction of the district court based on section 1338.” (quoting *Ballard Med. Prods. v. Wright*, 823 F.2d 527, 530 (Fed. Cir. 1987)).

This case is even further removed from patent law than *ExcelStor*. Here, the case is a state-law contract dispute over *non*-patent royalties under the district court’s diversity jurisdiction. Metabolite contends that LabCorp owes additional “know-how” royalties under the Licensing Agreement. (See A21133.) The dispute is governed by well-defined elements under state law that have no connection to patent law. See *Speedco*, 853 F.2d at 913 (“The elements of a state law cause of action for breach of contract are a duty under a valid contract and a failure to perform the duty.”). There is no federal cause of action for breach of contract for alleged “know-how” rights.

In addition, no interpretation or determination of patent rights is relevant (let alone “essential,” *Christianson*, 486 U.S. at 810) to deciding the right to contractual “know-how” royalties. Cf. *Speedco*, 853 F.2d at 913 (holding that even a contract claim that required examining the underlying validity and strength of patent was not related to federal patent laws). Indeed, no patent rights will be affected no matter how the contract is interpreted. The patent royalties were paid fully, were not disputed, and are not part of this case. And CTI’s ’658 patent expired on July 9, 2007. (ADD 010.) Metabolite’s entire argument, in fact, is that

the License Agreement should be read to provide a “know-how license” *completely separate* from any “patent license.” Clearly patent law is not “essential” to any of Metabolite’s theories of recovery in this case.

## **2. Metabolite Cannot Meet Its Burden of Establishing Jurisdiction.**

Metabolite does not dispute that it must prove that patent law is “essential” for *every* theory under a particular claim to invoke this Court’s jurisdiction. *Christianson*, 486 U.S. at 810. Nonetheless, Metabolite fails to point to *any* theory for its contractual claim that would rest on patent law.

First, Metabolite, without citation to the record, wrongly contends that LabCorp’s Amended Complaint “asserts this case turns in part on the construction of U.S. Patent No. 4,940,658.” (Appellant’s Br. 2.) That is false. LabCorp in its Amended Complaint cited the ’658 patent and explained that Licensed Assays are defined in part with reference to that patent. (A20438.) But, as the Amended Complaint and the parties’ arguments have made clear, the current dispute does not involve the scope or construction of any patent; there is no dispute regarding whether the homocysteine-only test falls within the scope of “Licensed Assays,” for *Metabolite I* established that they did. Neither party in this action had asked the district court to revisit *Metabolite I*’s conclusion or otherwise construe the patent. Nor would the court have had reason to engage in any patent interpretation. The issue in this case is whether the judgment in *Metabolite I* estopped Metabolite



from seeking additional “know-how” royalties. This does not raise a substantial question of patent law. *See, e.g., Holmes Group*, 535 U.S. at 828, 830 (no dispute that declaratory-judgment action seeking collateral-estoppel effect of trade-dress decision “did not assert any claim arising under federal patent law,” even when patent-infringement counterclaim is raised by defendant).

Second, Metabolite suggests, again without offering any analysis, that jurisdiction is proper because the district court cited this Court’s breach-of-contract analysis in *Metabolite I*, and because the district court’s decision “implicated” patent principles in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), and *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). (Appellant’s Br. 2.) The district court’s mere citation to a prior decision in another case involving the same parties does not, of course, raise a substantial question of patent law. And the district court never relied on or even cited *Lear* or *Aronson*. Metabolite cites these cases in its brief now only to suggest that “know-how” royalties can survive the expiration of a patent. But that theoretical point is neither in dispute nor does it present a substantial question of patent law. The question is not whether “know-how” royalties in general can survive once the patent expires, but whether “know-how” royalties were in fact terminated by the verdict in the first case. That question is purely a matter of state contract law. *See ExcelStor*, 541 F.3d at 1377 (In a royalty dispute involving the construction of “individual license

agreements, . . . patent law is not a necessary element of such determinations. They are properly made in this case by state, not federal, courts, under state law of contract and fraud.”); *Jim Arnold Corp.*, 109 F.3d at 1574 (finding no jurisdiction where “the complaint leaves no doubt that plaintiff’s suit is premised on a state-law based set of claims arising out of an alleged breach of an assignment and royalty agreement”).

Indeed, *Lear* and *Aronson* themselves confirm that even the “implicat[ion]” of patent principles is not enough for a case to “arise under” the federal patent laws, for neither of those disputes “arose under” the federal patent laws, which provide for exclusive federal jurisdiction. *Lear* originated as a contract dispute in California state court, so it could not have arisen under federal patent law. *See Lear*, 395 U.S. at 660. And *Aronson*, which was also a state-law contract dispute, originated in federal court only because (as in this case) the parties were diverse and the amount-in-controversy requirement was satisfied under 28 U.S.C. § 1332. *See Quick Point Pencil Co. v. Aronson*, 567 F.2d 757, 758-59 (8th Cir. 1977), *rev’d*, 440 U.S. 257 (1979).

In sum, the claims can be and, in fact, were resolved without any reference to patent law, so this Court lacks jurisdiction over this appeal. Whatever obligation LabCorp was alleged to have to pay “know-how” royalties was exclusively a matter of state contract law, and, therefore, does not raise a substantial question of

federal patent law under Section 1338. *See, e.g., Speedco*, 853 F.2d at 911; *Bonzel v. Pfizer, Inc.*, 439 F.3d 1358, 1363 (Fed. Cir. 2006) (finding no jurisdiction under Section 1338(a) because “[t]he defendants are not charged with infringement nor asked for infringement damages; they are charged with breach of contract and asked to perform their contract obligations”). The Court should dismiss Metabolite’s appeal, or, in the alternative, transfer the appeal to the Tenth Circuit.

**II. THE DISTRICT COURT CORRECTLY HELD THAT METABOLITE CHOSE TO TERMINATE THE LICENSE AGREEMENT WITH RESPECT TO HOMOCYSTEINE-ONLY ASSAYS.**

On the merits, the district court’s decision is straightforward and correct. Metabolite, in *Metabolite I*, chose to treat LabCorp’s failure to pay “know-how” royalties as not only a breach of contract, but as a termination of the Agreement with respect to homocysteine-only assays. Based *solely* on that position, the jury decided that a termination occurred and awarded Metabolite millions of dollars for breach of contract. The district court, which had presided over *Metabolite I* and was familiar with the facts and arguments made by the parties in the case, held that Metabolite could not now disavow its choice and under New Jersey law could not seek additional contract damages for homocysteine-only assays. The court’s decision is based on bedrock legal principles and should not be disturbed. *See, e.g., Hallco Mfg. Co. v. Foster*, 256 F.3d 1290, 1298 (Fed. Cir. 2001) (“We will not give parties the power to agree to waste the resources of the courts in

revisiting . . . determinations that have already been made.”). The Court, accordingly, should affirm.

One of the most fundamental legal principles in play in this case is that a party cannot collaterally attack a court’s prior judgment in a new lawsuit. As the U.S. Supreme Court has explained, a “right, question or fact distinctly put in issue and directly determined by a court of competent jurisdiction . . . cannot be disputed in a subsequent suit between the same parties or their privies. . . .” *Montana v. United States*, 440 U.S. 147, 153-54 (1979) (internal quotation marks omitted; ellipses in original). This “fundamental precept” “is central to the purpose for which civil courts have been established, the conclusive resolution of disputes within their jurisdictions.” *Id.* Such a rule also “protects their adversaries from the expense and vexation attending multiple lawsuits, conserves judicial resources, and fosters reliance on judicial action by minimizing the possibility of inconsistent decisions.” *Id.* at 153-54. The court’s interest in preventing collateral attacks is heightened, as a matter of equity, when the litigant prevails and secures a judgment in the first case.

The district court here correctly applied these principles to hold that Metabolite is prevented from collaterally attacking the judgment in *Metabolite I*. As the court explained, the Special Verdict Form in *Metabolite I* imposed liability because of a necessary threshold finding of contract termination. The jury decided

in answering Question No. 1 that the Agreement had been terminated, and, with respect to the scope of that termination, found in its answer to Question No. 5 that the Agreement had been terminated with respect to homocysteine-only assays. The jury form did not distinguish between patent and “know-how” licenses, but was based on the assay itself. Indeed, the jury awarded damages for both patent infringement *and* breach of contract *solely* on its determination of termination of the Agreement with respect to homocysteine-only assays in Question No. 5.

The jury had the opportunity to find a mere non-terminating breach, but it did not. Question 1 (A21072) asked the jury if it had found a termination; had the jury found no termination, it would have then had to address Question 2, whether LabCorp breached the contract. (*Id.*) Had it found a mere non-terminating breach in answering Question 2, it would have then calculated the contract damages due to Metabolite and CTI in Questions 3 and 4, and would not have addressed the questions of patent infringement at all. (A21073.) Instead, the jury found termination (Question 1), and found that LabCorp breached the contract “by terminating it” (Question 5). (A21072-73.) In fact, consistent with the way the license agreement was drafted to allow severability only on an assay-by-assay basis, there was no scenario pursuant to the Special Verdict Form that allowed the jury to consider “patent” rights separate from “know-how” rights. (*See* A21311 (flowchart graphic of Special Verdict Form).)

For the verdict to have any weight, then, it must be read to have found termination for both patent and “know-how” royalties regarding the homocysteine-only assay, as this was the *only* determination of liability for breach of contract the jury made. The district court’s interpretation of its own verdict form is both correct and entitled to deference. *See Webb v. ABF Freight Sys., Inc.*, 155 F.3d 1230, 1249 (10th Cir. 1998) (in response to a challenge to allegedly misleading “wording” of a verdict form, reviewing “the language of a special verdict form with the same abuse of discretion standard that we apply to jury instructions”); *see generally Radvansky v. City of Olmsted Falls*, 496 F.3d 609, 618 (6th Cir. 2007) (“On appeal, a district court’s interpretation of a verdict rendered pursuant to Fed. R. Civ. P. 49 is reviewed for an abuse of discretion.”) (internal quotation marks omitted).

Moreover, the record from *Metabolite I* and *II* directly refutes Metabolite’s position that the jury’s determination was limited to patent rights. Metabolite, which had only a breach of contract claim for “know-how” royalties, argued in *Metabolite I* that LabCorp’s decision to stop paying “know-how” royalties on the homocysteine-only assays meant that LabCorp was “*terminating* the license agreement *with respect [to] that individual assay.*” Metabolite contended that “LabCorp *wrongfully terminated the Metabolite license agreement* to get out of paying these royalties; and thus, *the license agreement evaporates for them.*”

(A21315-16.) Metabolite made no distinction between the payments for “know-how” and those for patents, arguing that, with its single act of non-payment, LabCorp had “wrongfully set aside” the Agreement with respect to both the “know-how” and patent royalties. *Id.* And before this Court in *Metabolite II*, Metabolite argued that it considered LabCorp’s breach “*as a termination of the license agreement with respect to that particular total homocysteine assay*” and that “the license agreement explicitly sets forth a mechanism for *termination on an assay-by-assay basis.*” (A14318, A14319.)

Metabolite did not attempt to distinguish termination of patent rights from those of “know-how” royalties for good reason. As the district court held, the License Agreement itself only provides for termination on an assay-by-assay basis; the rights granted by the License Agreement cannot be divided any other way. Under the Agreement, when a Licensed Assay is terminated “by a material breach . . . all rights under the contract [terminate], albeit only for that assay.” (ADD 026.) The Agreement, however, does not provide for termination for just patent or just “know-how” royalties; either the Agreement is terminated for the assay or it is not. In short, the Agreement, if it were to be terminated, *had* to be terminated entirely with respect to homocysteine-only assays. That is precisely what Metabolite argued, and the jury found, in *Metabolite I*, and this Court agreed

in *Metabolite II*. Metabolite is not now entitled to reanimate the license agreement that it successfully urged in the first case had “evaporate[d].” (A21315-16.)

The district court’s decision is correct and should be affirmed.

**III. THE COURT SHOULD REJECT METABOLITE’S ATTEMPTS TO MISCONSTRUE THE RECORD.**

Metabolite never addresses the district court’s actual holding in *Metabolite III*—that Metabolite in *Metabolite I* chose to treat LabCorp’s contract breach as a termination of the License Agreement with respect to the homocysteine-only assay. Metabolite, instead, attempts to obscure the basis for the court’s holding and tries to argue that the court erred because LabCorp had no authority to terminate the contract. This is simply a misstatement of the facts and of the record. Not one of Metabolite’s arguments, which all presume LabCorp acted unilaterally and affirmatively tried to terminate the contract following *Metabolite II*, has any relevance to this appeal. The Court should not be misled by Metabolite’s attempt to confuse the issue and rewrite the history of *Metabolite I* and *II*.

**A. This Court Has Held That Termination Occurred Even Though LabCorp Did Not Follow The License Agreement’s Termination Provisions.**

Metabolite first tries to obscure the real issues in this case by setting up a straw-man argument that LabCorp could not have unilaterally terminated the License Agreement without following the written notice provisions of the Agreement. (*See* Appellant’s Br. 30-33, 35-41.) But LabCorp never made such an



argument in *Metabolite III*, and the district court never adopted such an argument there. As described *supra*, LabCorp argued and the district court correctly held that Metabolite chose to treat LabCorp's failure to pay as not just a mere breach, but as a termination of the License Agreement with respect to homocysteine-only assays in *Metabolite I*. Thus, far from contradicting LabCorp's position, Metabolite's cited cases support termination under the actual history of the case. (*See, e.g.*, Appellant's Br. 33.)

Moreover, this Court in *Metabolite II* expressly held that the contract was terminated even though LabCorp did not follow the formal notice provisions. LabCorp, in fact, had argued in *Metabolite I* and *Metabolite II* (without any success) that it could not have terminated the Agreement because the formal notice provisions were not followed—the same argument Metabolite now makes. This Court rejected LabCorp's argument, holding that LabCorp's "[r]efusal to pay royalties is a material breach of the license," and a "*material breach, in turn, constitutes termination even where the license agreement termination clause does not expressly so provide.*" 370 F.3d at 1370. For support, this Court cited the fact that under New Jersey law a non-breaching party, *i.e.*, Metabolite, could treat a material breach of a contract as a termination at its option. *Id.* The Court, on that basis, affirmed the jury's finding that "LabCorp breached the license agreement by terminating it' for the Abbott test." *Id.* Metabolite's argument, accordingly, is

meritless. *See San Carlos Irrigation & Drainage Dist. v. United States*, 111 F.3d 1557, 1568 (Fed. Cir. 1997) (When a litigant, SCIDD, had “itself argued” for a particular damages measure and persuaded a court to deny summary judgment “on the basis of SCIDD’s argument,” that litigant “was barred by judicial estoppel from relitigating the issue.”).

**B. Metabolite Cannot Now Challenge The Jury Verdict.**

Metabolite next argues that the district court’s judgment should be reversed because the *Metabolite I* jury had no authority to terminate a contract. (*See* Appellant’s Br. 34-35, 57-59.) Metabolite, however, again misstates the district court’s holding in *Metabolite III*.

The *Metabolite I* jury did not itself terminate the contract, but, instead, agreed with Metabolite’s argument that LabCorp had terminated the contract by failing to pay “know-how” royalties. (ADD 029.) As Metabolite argued to this Court in *Metabolite II*, “[t]he jury’s finding that LabCorp breached and partially terminated is thus entitled to deference.” (A14317 (citation omitted).) As Metabolite elaborated, “This Is A Fact Question,” and “the jury reasonably found that LabCorp had terminated with respect to the total homocysteine assay.” (A14317, A14319.) Based on Metabolite’s arguments, this Court affirmed that jury finding based on “substantial evidence” in the record. 370 F.3d at 1370; *see also Kirtley v. Sovereign Life Ins. Co. of Cal. (In re Durability Inc.)*, 212 F.3d 551,

557-58 (10th Cir. 2000) (noting that “a genuine issue of material fact” existed as to whether “termination of the insurance contract was not proper because of lack of notice”). Metabolite’s argument that the jury’s decision—the one Metabolite itself sought, obtained, and convinced this Court to uphold—was somehow improper is disingenuous, and Metabolite is estopped from making it. *See New Hampshire v. Maine*, 532 U.S. 742, 755 (2001) (applying estoppel based on “considerations of equity” and to avoid “undermining the integrity of the judicial process”: “Having convinced this Court to accept one interpretation . . . , and having benefited from that interpretation, New Hampshire now urges an inconsistent interpretation to gain an additional advantage at Maine’s expense.”); *Hartley v. Mentor Corp.*, 869 F.2d 1469, 1474 (Fed. Cir. 1989) (A litigant “should not be allowed to win a suit on one theory and seek to win a second suit before the same court by asserting the exact opposite.”) (emphasis omitted).

In addition, even assuming *arguendo* that Metabolite were correct that the jury should not have made any findings regarding termination or that the district court’s instructions were insufficient, Metabolite waived this argument long ago, during the first case. *See* Fed. R. Civ. P. 51(c) (objections to jury instructions must be timely and must state “distinctly the matter objected to and the grounds for the objection.”); *see also Avern Trust v. Clarke*, 415 F.2d 1238, 1241 (7th Cir. 1969) (“Rule 51 of the Federal Rules of Civil Procedure precludes the assignment of

error when no specific objection to an instruction is made.”). Indeed, Metabolite not only failed to object, but it affirmatively chose to argue termination, chose to submit the issue to the jury, and agreed to the Special Verdict Form. (A21058, A21069, A21072-75.) And, although Metabolite now takes issue with the district court’s instruction that the jury must use its “best judgment” in determining termination, the record notes that at the time, “[t]he attorneys basically have agreed to this answer.” (A14076.) Metabolite’s collateral attack on its own successful verdict should not be accepted.

**C. The Jury Verdict In *Metabolite I* Was Not Limited To An Undisclosed Separate Patent “License.”**

Metabolite does not dispute that in *Metabolite I* the License Agreement with respect to homocysteine-only assays was terminated in part. Nor could it. Metabolite, rather, tries to argue that the Agreement regarding homocysteine-only assays was terminated only with respect to patent rights, but, silently and contrary to the language of the jury form, was not terminated with respect to “know-how” rights. Because the record does not support Metabolite, and neither the Agreement nor the Special Verdict Form makes such a distinction, Metabolite bases its argument on several legally irrelevant concepts, none of which has any bearing on this case.

As an initial matter, Metabolite has waived its specific argument that the License Agreement must be interpreted in light of the UPI Sales Agreement, as it

did not make that argument in the district court. The district court did not directly address Metabolite's argument regarding the UPI Sales Agreement because Metabolite never argued that it had any relevance to this case. Metabolite cannot now try to assign error to the district court for not addressing arguments that Metabolite did not raise and did not contend had any relevance to this case in the proceedings below. *See Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997) ("If a litigant seeks to show error in a trial court's overlooking an argument, it must first present that argument to the trial court. . . . [T]his court does not 'review' that which was not presented to the district court."); *Wilburn v. Mid-South Health Dev., Inc.*, 343 F.3d 1274, 1280 (10th Cir. 2003) ("An issue is waived if it was not raised below in the district court.").

Waiver aside, Metabolite's main argument is that "know-how" royalties are not necessarily dependent upon the validity of a patent. Although that might be true in some cases, the point is entirely irrelevant here. As Metabolite concedes, "know-how" royalties are purely a matter of state contract law. Parties are largely free to contract as they wish under the "general principles of contract law pursuant to which the parties are free to adopt any reasonable terms, not otherwise contrary to public policy, upon which they could agree." *Saul v. Midlantic Nat'l Bank/South*, 572 A.2d 650, 658 (N.J. Super. Ct. App. Div. 1990).

The relevant point is how the parties' *actual* contract treated "know-how." Here, the actual Agreement, as Metabolite has conceded previously, provided "for termination on an assay-by-assay basis." (A14318.) The Agreement does not contain any provision that would allow a party to chose to terminate the Agreement with respect to the patent rights separate from the "know-how" rights. (And, understandably, the *Metabolite I* trial record is devoid of any indication that Metabolite tried to, or thought it even could, do so.) As the district court held, once Metabolite chose to terminate the Agreement, it was terminated for all purposes with respect to homocysteine-only assays.<sup>10</sup>

Similarly, Metabolite's argument that the district court failed to consider that patent and "know-how" royalties have different terms of payment is misleading. While Metabolite points out that "know-how" royalties are paid on all Licensed Assays and patent royalties were paid only on Licensed Assays covered by the '658 Patent (Appellant's Br. 44), in both instances only Licensed Assays are covered. If a test is not a Licensed Assay, no royalties, neither patent nor "know-how," are due. With respect to "know-how" royalties, the Agreement expressly permits LabCorp to use "know-how" without paying royalties for assays that are

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<sup>10</sup> Because the Agreement provided for the severability on an assay-by-assay basis, the Agreement was otherwise not affected. LabCorp's decision to continue to pay post-patent-expiration "know-how" royalties on other Licensed Assays for which the Agreement was not terminated, therefore, is entirely consistent with LabCorp's argument and the district court's holding.

not Licensed Assays. Any further limitation on payment of patent royalties, *i.e.*, payment under the terms and conditions of the UPI Sales Agreement, is of no import because the initial condition of a Licensed Assay is not met.

**D. Metabolite Misconstrues The Record And Attempts To Mislead The Court By Arguing That LabCorp Acted Inconsistently.**

**1. Metabolite Is Barred From Changing Its Position.**

Metabolite's further argument that LabCorp has somehow acted improperly by arguing against termination in *Metabolite I* but embracing it here demonstrates a fundamental misunderstanding. In that case, LabCorp did argue against termination of the Agreement, and LabCorp did try to convince the jury and later this Court that the Agreement was not terminated. *But LabCorp lost.* The jury found that the Agreement had been terminated with respect to the homocysteine-only assay, this Court affirmed, and LabCorp paid millions of dollars to satisfy that judgment. That is the unvarnished history of the case, and that is precisely why Metabolite cannot succeed in its appeal.

A party's past *losing* argument, having been rejected by the court, is not considered a judicial admission, nor is the party precluded from seeking to enforce that decision. When a party loses an argument, and a lawsuit along with it, that party is entitled to embrace the argument it previously lost. (Indeed, principles of preclusion and estoppel encourage, and often mandate, that result.) Where a plaintiff brings a second lawsuit partly contradicting a position unsuccessfully

taken in the first lawsuit, there is no inconsistency, since the plaintiff was merely relying on the court decision in the first lawsuit. *See Gens v. Resolution Trust Corp.*, 112 F.3d 569, 573 (1st Cir. 1997) (holding that a “current FDIC litigation position is not inconsistent with that advanced by its predecessor, . . . since [the predecessor] failed to persuade the district court”). Indeed, “[t]here could be no possible affront to the . . . court by [the losing party] adopting the position in a second suit which that court held was correct.” *Hartley*, 869 F.2d at 1475; *see also Stevens Technical Servs., Inc. v. S.S. Brooklyn*, 885 F.2d 584, 589 (9th Cir. 1989) (In an earlier action, the district court “simply resolved the dispute against the position which Stevens asserted; . . . Stevens abided by that decision in filing the present action.”).

On the other hand, the doctrine of judicial estoppel prohibits successful litigants *like Metabolite* from changing their positions. As this Court has explained, a litigant “should not be allowed to *win* a suit on one theory and seek to *win* a second suit before the same court by asserting the exact opposite.” *Hartley*, 869 F.2d at 1474 (emphasis in original). “[W]here a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position, especially if it be to the prejudice of the party who has acquiesced in the position formerly taken by him.” *New Hampshire v. Maine*, 532 U.S. at 749 (internal quotation marks



omitted); *see also Johnson v. Lindon City Corp.*, 405 F.3d 1065, 1069 (10th Cir. 2005). The purpose of judicial estoppel is “to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment.” *New Hampshire v. Maine*, 532 U.S. at 749-50 (citations and internal quotation marks omitted); *see also Gould, Inc. v. United States*, 67 F.3d 925, 930 (Fed. Cir. 1995) (explaining that the law of the case doctrine “prevent[s] the relitigation of issues that have been decided” absent narrow exceptional circumstances, none of which apply here) (internal quotation marks omitted); *United States v. Monsisvais*, 946 F.2d 114, 115 (10th Cir. 1991) (“The law of the case ‘doctrine posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.’”) (quoting *Arizona v. California*, 460 U.S. 605, 618 (1983)).

That is exactly what Metabolite is attempting to do here. In *Metabolite I*, Metabolite chose to terminate the License Agreement with respect to the homocysteine-only assay. As Metabolite’s President told the jury, LabCorp’s decision to stop paying royalties under the contract was “an absolute *termination*” of the contract. (A21058; *see also* A21069 (“LabCorp’s *termination* of the license agreement and discontinuance of its royalty payments with respect to that test constitutes breach of its contract with Metabolite.”).) And Metabolite successfully

argued to this Court that “the jury reasonably found that LabCorp had terminated with respect to the total homocysteine assay.” (A14319.)

Metabolite and CTI chose to argue that the Agreement was terminated rather than just breached so that CTI could pursue its patent-infringement claim and collect enhanced damages and attorneys’ fees. Having made that strategic choice—and having succeeded on its arguments—Metabolite cannot now change its position.<sup>11</sup> Any argument to the contrary is frivolous. *Cf. Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1345 (Fed. Cir. 2001) (Judicial estoppel aims to prevent “the perversion of the judicial process resulting from adopting inconsistent legal positions.”); *Hockerson-Halberstadt, Inc. v. Converse Inc.*, 183 F.3d 1369, 1374 (Fed. Cir. 1999) (“Ordinarily, doctrines of estoppel, waiver, invited error, or the like would prohibit a party from asserting as ‘error’ a position that it had advocated at the trial.”) (internal quotation marks omitted).

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<sup>11</sup> Metabolite’s argument that the district court failed to properly assess the burden of proof because “termination is an affirmative defense to a breach of contract claim” is similarly misplaced. Appellant’s Br. 54. In *Metabolite I*, Metabolite chose to treat LabCorp’s breach of contract as a termination, and Metabolite bore the burden of proof. Based on Metabolite’s arguments, the jury found, by a preponderance of the evidence, “that ‘LabCorp breached its license agreement by terminating it’ for the Abbott test” and this Court affirmed. 370 F.3d at 1370. *Metabolite I* and *II* are now binding on the parties, and LabCorp is entitled to rely on those final decisions and findings without relitigating them. *See Montana v. United States*, 440 U.S. at 153-54. Indeed, the Seventh Amendment would prevent the Court from re-examining the jury’s findings in *Metabolite I*. *See, e.g., Ag Servs. of Am., Inc. v. Nielsen*, 231 F.3d 726, 730-31 (10th Cir. 2000).

## 2. LabCorp And The Court Acted Consistently Following Verdict.

Furthermore, neither LabCorp nor the district court acted inconsistently by seeking to enforce the judgment in *Metabolite I* by its terms. The district court, which presided over both *Metabolite I* and *Metabolite III*, rejected any suggestion that, following the adverse decision, LabCorp acted inconsistently with its current legal arguments. LabCorp has never paid “know-how” royalties on the homocysteine-only test following the Amended Judgment and has always maintained that it does not owe such royalties.<sup>12</sup> The district court noted that “LabCorp’s actions are consistent with its theory that only the licenses associated with the Homocysteine-Only Test were terminated. LabCorp does not dispute that the remainder of the License Agreement is still in effect.” (ADD 024.) If anything, LabCorp’s actions support its current position.

The district court’s stay order, similarly, was not inconsistent with LabCorp’s argument. The order was clear that the actual payment of “know-how” royalties was dependent upon a future determination of liability and that the order

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<sup>12</sup> In addition, LabCorp has not used any “know-how” in conjunction with homocysteine tests since it stopped the former method and started using an immunoassay. Furthermore, after the mandate from *Metabolite II* and until the expiration of the ’658 Patent, LabCorp did not perform homocysteine-only tests, but referred them to an independent third-party laboratory that has its own separate patent license and uses a different technology to perform the test. *Metabolite* nonetheless contends that “know-how” royalties are due on all referred homocysteine-only tests regardless of whether the “know-how” is actually used.

“does not compromise or otherwise affect any claim for damages, or defenses thereto, for assays performed by LabCorp subsequent to the date of the Special Verdict in this case or during the pendency of the appeal or any remand.” Rather than paying “know-how” royalties, LabCorp established a letter of credit for payment *in the event that* it was found to owe them. LabCorp has never been found to owe “know-how” royalties, which is why the letter of credit was released by the district court. (*See* A101.)

**E. Metabolite Chose Not To Seek Full Damages At Trial In *Metabolite I*.**

**1. Metabolite Was Required To Seek Full Damages In *Metabolite I*.**

Metabolite, without any citation to the record, argues that it was prohibited from seeking full damages in *Metabolite I*. (Appellant’s Br. 62-66.) As with Metabolite’s other arguments, this contention has no support in the record or the law. Metabolite is a sophisticated party with sophisticated counsel. Metabolite chose how to present its case, the arguments to make, and the damages to seek. Having made the strategic decision to argue that LabCorp had terminated the License Agreement with respect to homocysteine-only assays—a position that enabled its co-plaintiff CTI to recover millions of dollars beyond a mere contract breach—Metabolite was obligated to seek full damages that it contends it would be

entitled to. If it failed to do so, the failure merged into the prior judgment and bars a later suit. There is no one to blame for the failure but Metabolite.

Metabolite's argument is premised on a misunderstanding of contract law. Metabolite argues that "if the breach of an entire contract is only partial, the plaintiff can recover only such damages as he or she has sustained, leaving prospective damages to a later suit in the event of further breaches." (Appellant's Br. 62 (quoting 22 Am. Jur. 2d *Damages* § 488 (2003)).) In so doing, Metabolite ignores that this case deals with not just a partial breach of contract but with the *termination* of a contract; termination is entirely different than a partial breach of contract. "If the breach is material . . . the aggrieved party can elect to terminate the contract and claim *damages for total breach*. . . . In contrast, if the breach is not material or if the party aggrieved by a material breach elects not to terminate, the breach is deemed partial, and the contract remains in force." *Cary Oil Co. v. MG Ref. & Mktg., Inc.*, 90 F. Supp. 2d 401, 408-09 (S.D.N.Y. 2000).

Metabolite understood the consequences of termination at the time of *Metabolite I*. As Metabolite explained to the jury, in the event of termination "the license agreement evaporates" and "there is no license agreement" for the homocysteine-only assay. (A21314.) Metabolite insisted in *Metabolite I* that the Special Verdict Form must be based on termination for this very reason: Metabolite could not collect royalties under the Agreement if the Agreement no

longer existed. (A14318-20.) By the same rationale, Metabolite cannot bring a second lawsuit, or seek additional royalties, based on a breach of contract when that contract, as to the homocysteine-only assay, no longer exists.

Indeed, in the event of a termination, as even Metabolite's cited authorities recognize, Metabolite was required to seek all damages related to that breach—past and future damages. *See Totaro, Duffy, Cannova & Co. v. Lane, Middleton & Co.*, 921 A.2d 1100, 1107 (N.J. 2007) (In the event of a material breach, the plaintiff may seek damages as would “put the innocent party into the position he or she would have achieved had the contract been completed . . . .”); *see also Cities Serv. Helix, Inc. v. United States*, 543 F.2d 1306, 1313 (Ct. Cl. 1976) (In case of a material breach, “the injured party can choose between canceling the contract and continuing it. If he decides to close the contract and so conducts himself, both parties are relieved of their further obligations and the injured party is entitled to damages to the end of the contract term (to put him in the position he would have occupied if the contract had been completed).”). And the district court in *Metabolite I* correctly instructed the jury on this point, instructing that breach of contract damages “are designed under the law to place the injured party in as good a monetary position as it would have enjoyed if the contract had been performed as promised.” (A21066.)

That the termination occurred on only part of the Agreement is not unusual. The Agreement contained a severability clause, which permitted the parties to terminate the contract on an assay-by-assay basis. *See Stone Forest Indus., Inc. v. United States*, 973 F.2d 1548, 1552 (Fed. Cir. 1992) (“The consequence of, and remedy for, breach of a contract depends in part upon whether the contract was divisible. If only a severable portion of a contract was breached, the non-breaching party can recover damages for that portion of the contract but its remaining contractual duties are not discharged.”).

Metabolite chose to treat LabCorp’s breach as a termination of the contract with respect to the homocysteine-only assay. By making that choice, Metabolite was required to seek all damages it was due for its termination. As the district court stated: “The manner in which Metabolite argued damages to the jury, and the corresponding amount of damages claimed, was Metabolite’s own decision. Metabolite was not limited by this Court to arguing only preverdict damages, and it was entitled to all damages arising from LabCorp’s breach of contract.” (ADD 031.) If Metabolite believed it was entitled to additional monies for future performance or referrals, it should have sought them at the time. The district court cannot be blamed for Metabolite’s decision.<sup>13</sup>

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<sup>13</sup> It is no excuse to complain, as Metabolite does, that “it could not have anticipated and proved at trial LabCorp’s variable future sales over the course of many years.” (Appellant’s Br. 65.) “Although it complicates the precise

## 2. LabCorp Is Not Estopped From Enforcing *Metabolite I*.

Metabolite’s final argument is another misapplication of estoppel. It argues that LabCorp should be estopped from enforcing *Metabolite I* because its counsel made remarks during a post-judgment hearing regarding the potential need for additional trials. But LabCorp did not succeed on any legal claim based on these arguments. The jury’s verdict was in and judgment had already been entered. These stray statements do not create a contractual right in and of themselves, and they certainly do not excuse, after the fact, Metabolite’s prior duty to have requested at trial all the damages to which it may have been entitled to for the terminated contract. Estoppel has no application here.

Furthermore, the cited statements were made during negotiations on the entry of the stay of the patent injunction. The negotiations eventually led to the entry of the Stipulated Stay Order, which “speaks for itself.” (ADD 020.) LabCorp’s comments thus are immaterial given the terms and provisions of the Order itself, into which all prior discussions merged. As the district court explained, “Whatever the parties’ positions during the negotiation phase, these

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(continued...)

calculation of damages, our courts have long held that “[p]roof of damages need not be done with exactitude . . . . It is therefore sufficient that the plaintiff prove damages with such certainty as the nature of the case will permit . . . .” *Totaro*, 921 A.2d at 1108 (quoting *Lane v. Oil Delivery, Inc.*, 524 A.2d 405, 420 (N.J. Super. Ct. App. Div. 1987)) (brackets and first ellipsis in original).



differences were necessarily resolved when a stipulation was reached on the issues in contention.” (*Id.*) Indeed, as the court noted, the events and statements leading up to the entry of the Stipulated Stay Order likely are inadmissible to prove liability for a claim under Federal Rule of Evidence 408(a)(2), as “conduct or statements made in compromise negotiations regarding the claim”—a ruling that Metabolite does not challenge in its opening brief.<sup>14</sup> (*See* ADD 020.)

Importantly, the Stipulated Stay Order clearly reserved all of LabCorp’s defenses, including all defenses on liability. (A21090.) LabCorp, by now seeking to enforce the judgment in *Metabolite I* and *II*, is acting within its rights and is not estopped from doing so.

\* \* \* \*

Metabolite made the strategic decision to treat LabCorp’s breach of contract as a termination of the Agreement with respect to homocysteine-only assays, and Metabolite received a final judgment and millions of dollars based on its termination of the Agreement. Metabolite should not now be able to rewrite history (or the parties’ Agreement) and seek to re-litigate these matters. Judicial economy and equity demands that the finality of *Metabolite I* and *II* be respected, and the district court’s judgment affirmed.

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<sup>14</sup> Metabolite’s argument is therefore waived. *See SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed. Cir. 2006) (“[A]rguments not raised in the opening brief are waived.”).

## CONCLUSION

As this Court lacks appellate jurisdiction over this state-law contract matter, the Court should dismiss Metabolite's appeal, or in the alternative, transfer the appeal to the Tenth Circuit. In the event the Court reaches the merits, however, the Court should affirm the district court's decision, and perhaps summarily so.

Dated: May 12, 2009

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that on May 12, 2009, two bound copies of the foregoing BRIEF OF PLAINTIFF-APPELLEE were served by overnight mail through a third-party commercial carrier (UPS) upon the following principal counsel:

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I also certify that on May 12, 2009, twelve bound copies, including the original, of the foregoing BRIEF OF PLAINTIFF-APPELLEE were filed, by hand delivery, in the Office of the Clerk, United States Court of Appeals for the Federal Circuit.

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## CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B), because it contains 12,182 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6), because it has been prepared in a proportionally spaced typeface using Microsoft Word 2000 in Times New Roman 14 point font.

Dated: May 12, 2009

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