IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

MICHAEL J. THERIEN,	:	
Plaintiff,	:	**CIVIL ACTION**
v.	:	
	:	
THE TRUSTEES OF THE	:	**No. 04-4786**
UNIVERSITY OF PENNSYLVANIA,	:	
Defendant.	:	

MEMORANDUM AND ORDER

Schiller, J. **January 10, 2006**

Plaintiff, Dr. Michael J. Therien, brings this action against the Trustees of the University of Pennsylvania ("Penn"), alleging breach of contract, breach of fiduciary duty, negligent misrepresentation and negligence. These claims were originally brought in the Philadelphia County Court of Common Pleas in September 2004. Penn filed a notice of removal on October 12, 2004, asserting federal subject matter jurisdiction because the resolution of Therien's claims requires interpretation of the Bayh-Dole Act, a federal statute. Presently before the Court is Plaintiff's motion raising lack of subject matter jurisdiction. The Court concludes that it lacks subject matter jurisdiction over this action and, accordingly, remands this case to state court.

I. BACKGROUND

Therien, a tenured chemistry professor, has worked at Penn since 1990. (Compl. ¶¶ 6-7.) He, like Defendant, is a citizen of Pennsylvania. (*Id*. ¶¶ 1-2.) As a requirement of his employment and of Penn's patent policy, Therien signed a Participation Agreement in which he agreed to assign to Penn his rights in any future inventions he developed while working there. (*Id*. ¶¶ 10-13.) Several patents have been issued to Penn based on technology developed by Therien. (*Id*. ¶ 8.)

In September 2004, Therien brought suit against Penn in the Philadelphia County Court of Common Pleas asserting state law claims of breach of contract, breach of fiduciary duty, negligent misrepresentation and negligence. (*Id*. ¶¶ 27-42.) Therien averred that Penn failed to satisfy its obligations to him under: (1) its patent policy; (2) its conflict of interest policy; (3) its internal grievance procedure; and (4) his employment contract. (*Id*. ¶¶ 19-24.) Therien also alleged that Penn failed to commercialize properly the technology that he developed and assigned to Penn. (*Id*. ¶¶ 8, 16, 18, 24.) Therien claimed to have "suffered harm in the form of lost income, equity and other revenues and benefits, and injury to his reputation." (*Id*. ¶ 29.) The Complaint raises no federal claims, nor does it invoke any federal standards. (*Id*. ¶¶ 1-2.)

On October 12, 2004, Penn filed a notice of removal with this Court and asserted that the Court has original jurisdiction because the action arises under the federal patent laws. (Def.'s Notice of Removal ¶ 12.) Penn claimed that "[w]ithout expressly stating so, this Complaint claims a breach of the obligations of the Bayh-Dole Act, 35 U.S.C. § 200 *et seq*., which provides the statutory basis for technology transfer practices and obligations with respect to inventions discovered with federal funding." (*Id*. ¶ 5.) Penn argued the Bayh-Dole Act provides the parameters relevant to Penn's commercialization of technology based on Therien's inventions. (*Id*. ¶ 8) Likewise, in its Answer, Penn asserted the defense that the federal patent laws and the Bayh-Dole Act barred the action, and Penn noted the Bayh-Dole Act does not give rise to a private cause of action. (Answer at 7.)

Since removal, Plaintiff has twice amended his Complaint, with the second amended complaint adding a claim for nominal damages and expanding his request for relief to include rescission. (Second Am. Compl. ¶¶ 45-51 & *ad damnum* clause.) Discovery has ended, and the Court currently has before it Defendant's motion for summary judgment.

II. STANDARD OF REVIEW

Federal courts are courts of limited jurisdiction. *See Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994). Federal district courts have original jurisdiction over civil actions arising under federal law and original and exclusive jurisdiction over civil actions arising under the federal patent laws. 28 U.S.C. § 1331 (2005) ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."); 28 U.S.C. § 1338(a) ("The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . . . . Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases."). A defendant may remove to federal court a civil action brought in state court if the federal court has original jurisdiction. 28 U.S.C. § 1441(a) ("any civil action brought in a State court of which the district courts of the United States have original jurisdiction, may be removed by the defendant . . . .").

"The presence or absence of federal-question jurisdiction is governed by the well-pleaded complaint rule, which provides that federal jurisdiction exists only when a federal question is presented on the face of the plaintiff's properly pleaded complaint." *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987). When state law creates the cause of action, a case may arise under federal law only if the well-pleaded complaint demonstrates that the right to relief "necessarily depends on resolution of a substantial question of federal law." *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 28 (1983); *see also Merrell Dow Pharms., Inc. v. Thompson*, 478 U.S. 804, 808 (1986).

The defendant bears the burden of showing federal jurisdiction exists. *See Pullman Co. v.*

Jenkins, 305 U.S. 534, 540 (1939); *Abels v. State Farm Fire & Cas. Co.*, 770 F.2d 26, 29 (3d Cir. 1995). A court should resolve any doubts about the propriety of removal in favor of remand. *See Brown v. Francis*, 75 F.3d 860, 864-65 (3d Cir. 1996); *Abels*, 770 F.2d at 29. Lack of subject matter jurisdiction can be raised by a party at any time during the civil action. *See Kontrick v. Ryan*, 540 U.S. 443, 455 (2004); *see also* 28 U.S.C. § 1447(c) ("If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded.").

III. DISCUSSION

The Complaint contains four counts, none of which arise under federal law: (1) breach of contract; (2) breach of fiduciary duty; (3) negligent misrepresentation; and (4) negligence. (Compl. ¶¶ 27-42.) Therien alleges Penn has failed in its duty to commercialize technology he has developed, including technology that has resulted in patents issued to Penn. (*Id*. ¶¶ 8, 16, 18, 24.) That allegation, however, does not create a case arising under the patent laws; any discussion of patent law is tangential to Therien's state law claims. Therien neither asserts a claim of patent infringement nor questions Penn's existing patents or its ability to patent technology he has assigned. Rather, Therien challenges Penn's handling of the business follow-up on these patented technologies. (*Id*. ¶¶ 24.) The contracts that Therien alleges have been breached include his employment contract as well as various Penn policies, including its patent policy. (*Id*. ¶¶ 14-19.) The Complaint does not demonstrate a right to relief that depends on resolution of a substantial question of federal law.

In its Answer, Penn raises the Bayh-Dole Act and federal patent laws as affirmative defenses. (*See* Answer at 7.) Specifically, Penn asserts that the Bayh-Dole Act establishes that Penn has no duties to Therien as an inventor and an assignor of his invention rights. (Def.'s Br. in Opp'n to Pl.'s

Mot. Raising Lack of Subject Matter Jurisdiction at 4 [hereinafter Def.'s Br.].) Penn claims it "has sole discretion to control the steps taken to achieve practical application of the invention, subject only to the 'march-in' rights of the federal funding agency." (*Id*. (*citing* 35 U.S.C. § 203).) It is well-settled that a case may not be removed to federal court based on federal issues raised by the defendant. *See Caterpillar, Inc.*, 482 U.S. at 393; *see also Dukes v. U.S. Healthcare, Inc.*, 57 F.3d 350, 353-54 (3d Cir. 1995).

Furthermore, the Bayh-Dole Act may not impose any duties on Penn to commercialize an inventor's technology, but Penn fails to acknowledge that it could incur such obligations independent of Bayh-Dole, as the Act does not determine the relationship between universities and their faculty members. *See* 35 U.S.C. § 200 *et seq*. (2005). Rather, the Bayh-Dole Act regulates the relationship between government agencies and institutions that receive federal funding. *See Fenn v. Yale Univ.*, 393 F. Supp. 2d 133, 137-38, 140-42 (D. Conn. 2004) (concluding Bayh-Dole Act did not preempt state law counterclaims in suit between faculty member and university involving invention and resulting patent). The Bayh-Dole Act does not define the relationship between inventors and these institutions beyond specific situations such as royalty sharing or when an institution elects not to retain title to an invention. *See id*. at 137. Penn claims that "Therien's demands for relief seek to alter the relationship between the federal funding agency, the university, and the faculty inventor, and require the resolution of substantial questions under Bayh-Dole." (Def.'s Br. at 4 n.3.) The Court disagrees and concludes that this action amounts to a contract dispute wholly-governed by state law. Neither the Bayh-Dole Act or the federal patent laws have any bearing on the resolution of this dispute.

In arguing that federal question jurisdiction exists, Penn emphasizes that Therien amended

his Complaint to expand his request for relief to include rescission, a remedy which he later acquiesced would take place in accordance with any relevant requirements of the Bayh-Dole Act. (Def.'s Br. at 1-4, 6.) Rescission is not a claim for relief or a cause of action, but rather it is an equitable remedy within a court's discretion. *See Coram Healthcare Corp. v. Aetna U.S. Healthcare, Inc.*, 94 F. Supp. 2d 589, 595 (E.D. Pa. 1999). Rescission will not be applied when the facts indicate that a return to the status quo ante is not feasible. *Id*. at 596. Here, the contracts at issue have been in place since Therien's initial employment at Penn and his receipt of tenure. Additionally, Therien's request for rescission does not demonstrate a right to relief that "necessarily depends on resolution of a substantial question of federal law." *Franchise Tax Bd.*, 463 U.S. at 28. Although complete rescission of Therien's contracts with Penn would necessarily involve the existing patents, it does not follow that the Complaint raises a substantial question of federal law. Thus, the request for rescission does not confer federal jurisdiction over this action. *See Merrell Dow Pharms., Inc.*, 478 U.S. at 813 ("[T]he mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction.").

Penn's reliance on *Platzer v. Sloan-Kettering Institute for Cancer Research*, 787 F. Supp. 360, 365 (S.D.N.Y.), *aff'd*, 983 F.2d 1086 (Fed. Cir. 1992), is misplaced. (*See* Def.'s Br. at 4-5.) The *Platzer* complaint, unlike the Complaint in this action, contained three claims that were based explicitly on the Bayh-Dole Act's provisions for royalty sharing. *Platzer*, 787 F. Supp. 360, 362-63. Specifically, the *Platzer* plaintiffs alleged in their breach of contract claim that they were "entitled to a larger share [of royalties] on the ground that the [the Bayh-Dole Act] created an implicit term of their employment agreement." *Id*. at 363. Therien's claims do not similarly invoke federal law or rely on its interpretation. The *Platzer* court concluded that two of the claims required

interpretation of the Bayh-Dole Act and thus established "arising under" jurisdiction. *Id*. at 367. Having found jurisdiction, the court ultimately dismissed these claims, which were based on misinterpretation of the Bayh-Dole Act, for failure to state a claim on which relief could be granted. *Id*. at 368.

Penn argues that Therien's claims are preempted by the Bayh-Dole Act. (Def.'s Br. at 7-8.) Preemption exists under the following circumstances: (1) when state and federal law directly conflict so that compliance with both is not possible; or (2) when state law directly interferes with Congressional goals in the context of a specific case. *See Crosby v. Nat'l Foreign Trade Council*, 530 U.S. 363, 372-73 (2000). Penn suggests preemption exists because the "damages that [Therien] claims to arise from these common law claims, stand as an obstacle to the purpose of Bayh-Dole, which is to promote 'the utilization of inventions arising from federally supported research' and the 'commercialization of and public availability of inventions made in the United States by United States industry and labor.'" (Def.'s Br. at 8 (*citing* 35 U.S.C. § 200).) A strong presumption exists against federal preemption of state laws. *See Fenn*, 393 F. Supp.2d at 140 (*citing Medtronic, Inc. v. Lohr*, 518 U.S. 470, 485 (1996); *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)). Penn does not support this preemption argument with case law, and it does not address the contention that Therien's claims further the goals of Bayh-Dole. (*See id*. at 7-8.) The Court concludes the Bayh-Dole Act does not preempt Therien's state law claims.

Penn alleges jurisdiction is proper under 28 U.S.C. § 1338 as a civil action arising under a federal patent law. (Def.'s Notice of Removal at 3.) However, "nothing in that statute confers federal jurisdiction over mere private contract disputes . . . . [as federal courts] have consistently held for over 130 years that contract disputes involving patents do not arise 'under any Act of Congress

relating to patents . . . . '" *Beghin-Say Int'l v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1571 (Fed. Cir. 1984). A contract case does not become a federal question simply because a patent is involved. *See Speedco, Inc. v. Estes*, 853 F.2d 909, 913 (Fed. Cir. 1988). Moreover, an action removed to federal court is properly dismissed for lack of subject matter jurisdiction when the case is essentially a patent-related contract dispute. *See McArdle v. Bornhofft*, 980 F. Supp. 68 (D. Me. 1997) (remanding case involving agreement concerning patent in which causes of action were based in common law); *Kleinerman v. Snitzer*, 754 F. Supp. 1 (D. Mass. 1990) (remanding case in which inventor sought patent infringement damages under common law torts rather than under federal patent laws); *Jacobson v. Bittner*, 694 F. Supp. 507 (N.D. Ill. 1988) (remanding case in which resolution of claims involving patent did not require application of federal patent law); *Coditron Corp. v. AFA Protective Sys., Inc.*, 392 F. Supp. 158 (S.D.N.Y. 1975) (concluding that complaint involving patents as subject of general contract law claims failed to provide basis for removal). Likewise, this case must be remanded.

The Court concludes that Penn has failed to meet its burden of showing that federal subject matter jurisdiction exists.[1] Therefore, remand is required. *See* 28 U.S.C. § 1447(c).

IV. CONCLUSION

For the reasons set forth above, Plaintiff's motion raising lack of subject matter jurisdiction is granted. An appropriate Order follows.

---

[1] While subject matter jurisdiction can be raised at any point in a civil action, even on appeal, the Court is disappointed that Plaintiff waited a year to raise the issue. Moreover, the timing of Plaintiff's motion, following a disappointing performance at oral argument, indicates to the Court that Plaintiff was willing to let this jurisdictional defect remain unaddressed until it presented a strategic advantage to Plaintiff.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

MICHAEL J. THERIEN,	:	
Plaintiff,	:	
	:	**CIVIL ACTION**
v.	:	
	:	
THE TRUSTEES OF THE	:	**No. 04-4786**
UNIVERSITY OF PENNSYLVANIA,	:	
Defendant.	:	

ORDER

AND NOW, this **10th** day of **January**, **2006**, upon consideration of Plaintiff's Motion Raising Lack of Subject Matter Jurisdiction (Document No. 31), Defendant's response thereto, and for the foregoing reasons, it is hereby **ORDERED** that:

1. Plaintiff's motion is **GRANTED**.
2. This case is **REMANDED** to the Court of Common Pleas for Philadelphia County.
3. Plaintiff's unopposed Motion for Leave to File a Reply to Defendant's Opposition to Plaintiff's Motion Raising Lack of Subject Matter Jurisdiction (Document No. 35) is **GRANTED**.
4. Defendant's Motion for Summary Judgment (Document No. 21) is **DENIED as moot**.
5. Defendant's Motion for Leave to File Reply (Document No. 27) is **DENIED as moot**.
6. Plaintiff's Motion to Dismiss Defendant's Counterclaims (Document No. 29) is **DENIED as moot**.

7. The Clerk of Court is directed to close this case for statistical purposes.

BY THE COURT:

Berle M. Schiller, J.