

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF NORTH CAROLINA  
CHARLOTTE DIVISION**

C. STEVEN YATES

Plaintiff,

v.

MEDICAL SPECIALTIES, INC.

Defendant.

Civil Action No. \_\_\_\_\_  
(Jury Trial Demanded)

**NOTICE OF REMOVAL**

Defendant Medical Specialties, Inc. (“Medical Specialties”) hereby removes this action from the North Carolina General Court of Justice, Superior Court Division, Mecklenburg County, to the United States District Court for the Western District of North Carolina, Charlotte Division, pursuant to 28 U.S.C. §§ 1338, 1367, 1441, and 1446. As grounds for removal, Medical Specialties states as follows:

1. Plaintiff C. Steven Yates (“Plaintiff”) initiated this civil action on December 6, 2010, in the North Carolina General Court of Justice, Superior Court Division, Mecklenburg County, Case No. 10-CVS-24536. Ex. A.
2. Plaintiff submitted a Notice of Designation declaring the instant action a Mandatory Complex Business Case under N.C. Gen. Stat. § 7A-45.4. Ex. B.
3. The Honorable Sarah Parker, Chief Justice of the Supreme Court of North Carolina, assigned this case to the Honorable Ben F. Tennille, Chief Special Superior Court Judge for Complex Business Cases, and directed Judge Tennille to assign the case to a Business Court Judge for disposition. Ex. C. Judge Tennille assigned the case to the Honorable Albert

Diaz, Special Superior Court Judge for Complex Business Cases. Ex. D. Judge Tennille subsequently reassigned all Complex Business Cases previously assigned to Judge Diaz to the Honorable Calvin E. Murphy, Special Superior Court Judge for Complex Business Cases. Ex. E.

4. On December 7, 2010, Plaintiff effected service of the Summons and Complaint. *See* Ex. F.

5. Pursuant to 28 U.S.C. § 1446(a), all process, pleadings, orders, and other documents served on Medical Specialties are appended to this Notice as Exhibits A-H.

6. This is a civil action over which this Court has original jurisdiction under 28 U.S.C. § 1338 because Plaintiff's right to relief "necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *U.S. Valves, Inc. v. Dray*, 212 F.3d 1368, 1372 (Fed. Cir. 2000) (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

7. Plaintiff's Complaint alleges two claims for relief based upon Medical Specialties' alleged breach of an Agreement to pay Plaintiff royalties based upon the sales volume of certain patented products. *See* Ex. A, Complaint & Attach 2 thereto. Specifically, the parties' February 6, 1996 Settlement Agreement provides, *inter alia*, that Medical Specialties will pay Plaintiff certain specified royalty payments "as long as Medical Specialties and/or their assigns sells ASO and ASO Axis or similar items sold by Medical Specialties using the ASO patent number 5,607,486." *See id.*, Attach 2 at 7(b).

8. Plaintiff's first claim for relief alleges that Medical Specialties has breached the parties' Settlement Agreement by refusing to pay royalties due and owing based upon the sales of certain "Covered Devices." Ex. A, Compl. ¶27. "Covered Devices" are defined in the Complaint at Paragraph 12(a). In Paragraph 12(a), Plaintiff states Medical Specialties agreed to

pay royalties “on any other embodiment of the [ASO] invention that used the ‘486 patent that it thereafter added to its product line (hereinafter ‘the Covered Devices’).” *Id.* ¶12. Plaintiff contends that “Covered Devices” are “including but not limited to the original ASO, the ASO Flex Hinge, the ASO Speed Lacer, the ASO Universal, and the ASO W/Stays[.]” *Id.* ¶24. Additionally, the Complaint states that “Covered Devices” also include “other similar items embodying the invention disclosed in the ‘486 patent.” *Id.* ¶23.

9. Plaintiff’s second claim for relief relates to sales of a product known as the ASO EVO that was introduced by Medical Specialties in 2008. Plaintiff contends that the ASO EVO is a “Covered Device” as defined at Paragraph 12(a) of the Complaint. *Id.* ¶33. Plaintiff contends that the ASO EVO is an embodiment of the invention of the ‘486 patent, and that Medical Specialties has breached the parties’ Settlement Agreement by failing to pay royalties based upon sales of the ASO EVO.

10. Plaintiff’s state law breach of contract claims have necessary patent law components in that patent law is a necessary element of at least one of the well-pleaded claims. The elements of breach of contract are (1) the existence of a valid contract and (2) breach of the terms of the contract. *Poor v. Hill*, 138 N.C. App. 19, 26, 530 S.E.2d 838, 843 (2000). In order to prevail on Plaintiff’s claims that Medical Specialties breached the parties’ Agreement based upon sales of certain alleged “Covered Devices,” Plaintiff must establish that certain of the devices in question were in fact covered by the ‘486 patent. Specifically, Plaintiff must establish that alleged “Covered Devices,” such as the ASO EVO set forth in Plaintiff’s second claim for relief, infringe the ‘486 patent. As Plaintiff’s Notice of Designation states: “the interpretation and application of the terms of the contract *will require* consideration of certain aspects of federal patent law including, but not limited to, *determining whether particular devices*

*manufactured and sold by Defendant are within the scope of the claims of U.S. Patent No. 5,067,486.”* Ex. B, Notice of Designation at 1 (emphasis added).

11. As Plaintiff’s Complaint indicates, a court will need to construe the ‘486 patent and analyze certain devices manufactured by Medical Specialties in order to determine whether the products are covered by the ‘486 patent. This inquiry – determining the scope of the claims of the ‘486 patent and whether alleged “Covered Devices” such as the ASO EVO infringe the ‘486 patent – raises substantial issues of federal patent law.

12. Where a determination of claim scope and patent infringement is a necessary element of a state law cause of action, there is jurisdiction under 28 U.S.C. § 1338. *U.S. Valves*, 212 F.3d at 1372 (holding that a breach of contract claim requiring proof of patent infringement confers § 1338 jurisdiction); *see also Immunocept, LLC v. Fulbright & Jaworski*, 504 F.3d 1281 (Fed. Cir. 2007) (holding that there is § 1338 jurisdiction over a claim for legal malpractice requiring a determination of claim scope); *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (2007) (holding that there is § 1338 jurisdiction over a legal malpractice claim requiring determination of patent infringement); *Additive Controls v. Flowdata*, 986 F.2d 476 (Fed. Cir. 1993) (holding that there is § 1338 jurisdiction over a business disparagement claim that requires proof of patent non-infringement).

13. Jurisdiction is proper in this Court under 28 U.S.C. § 1338 based upon at least one of Plaintiff’s well-pleaded claims because Plaintiff’s claims necessarily “‘raise[] a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities.’” *Immunocept*, 504 F.3d at 1284 (quoting *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 314 (2005)). Determination of claim scope and patent infringement are

questions of law that can be complex. “Litigants will benefit from federal judges who are used to handling these complicated rules.” *Id.* at 1285 (citing *Grable*, 545 U.S. at 315). Additionally, Congress has sought to remove non-uniformity from patent law through its enactment of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25, providing “further indicium that § 1338 jurisdiction is proper here.” *Id.* at 1285-86.

14. To the extent that only one of Plaintiff’s well-pleaded claims raises Section 1338 jurisdiction, this Court has supplemental jurisdiction over any additional state-law claim pursuant to 28 U.S.C. § 1367.

15. This Notice of Removal is timely under 28 U.S.C. § 1446(b) because it is filed within thirty days after service of the Summons and Complaint.

16. Pursuant to 28 U.S.C. § 1446(d), a copy of this Notice of Removal will be filed with the Clerk of Court for the North Carolina General Court of Justice, Superior Court Division, Mecklenburg County, and the North Carolina Superior Court for Complex Business Cases.

17. Pursuant to 28 U.S.C. § 1446(d), Medical Specialties will provide Plaintiff written notice of the removal of this action.

18. By filing this Notice of Removal, Medical Specialties does not waive any claim or defense that may be available to it.

WHEREFORE, Defendant Medical Specialties, Inc. respectfully removes this civil action to this Court.

Respectfully submitted this 5th day of January, 2011.

s/John P. Higgins  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of Defendant Medical Specialties, Inc.'s NOTICE OF REMOVAL with Exhibit Nos. A-H was served on counsel on January 5, 2011, via the electronic filing system of the Western District of North Carolina and by first-class U.S.

Mail, postage prepaid, as follows:

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This 5th day of January, 2011.

s/John P. Higgins