

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MEDTRONIC AVE, INC.,)
)
 Plaintiff,)
)
 v.) Civ. No. 98-478-SLR
)
 BOSTON SCIENTIFIC CORPORATION,)
 SCIMED LIFE SYSTEMS, INC.,)
 BOSTON SCIENTIFIC SCIMED, INC.,)
 and MEDINOL, LTD.,)
)
 Defendants.)

Karen Jacobs Loudon, Esquire, Philip Bangle, Esquire, Morris, Nichols, Arsht & Tunnel, Wilmington, Delaware; Raphael V. Lupo, Esquire, Donna M. Tanguay, Esquire, Mark G. Davis, Esquire, McDermott, Will & Emery, Washington, D.C.. Counsel for Plaintiff.

Josy W. Ingersoll, Esquire, Sara Beth A. Reyburn, Esquire, Young Conaway Stargatt & Taylor, LLP, Wilmington, Delaware. Counsel for Defendants. Christopher A. Hughes, Esquire, Richard C. Komson, Esquire, Dorothy R. Auth, Esquire, Morgan & Finnegan, New York, New York. Counsel for Medinol Ltd.

MEMORANDUM OPINION

Dated: April 5, 2004
Wilmington, Delaware

ROBINSON, Chief Judge

I. INTRODUCTION

On August 13, 1998, Arterial Vascular Engineering, Inc. filed a complaint against Boston Scientific Corporation ("BSC") and Scimed Systems Inc. alleging willful infringement of U.S. Patent Nos. 5,291,331 and 5,674,278 (collectively "the Boneau patent) by the NIR model stents. (D.I. 1) On June 28, 2000, Medtronic AVE, Inc. ("Medtronic")¹ filed a second amended complaint to add Boston Scientific SciMed, Inc. and Medinol, Ltd. ("Medinol") as defendants in the infringement action. (D.I. 62) Medtronic also asserted a third patent, namely, U.S. Patent No. 5,879,382, and added claims for contributory and inducing infringement to the suit.² (Id. at ¶ 12)

On July 13, 2000, Medinol answered the second amended complaint, denied all infringement allegations, and asserted

¹Arterial Vascular Engineering, Inc. amended its complaint on March 11, 1999 to substitute Medtronic AVE as the plaintiff. (See D.I. 17)

²With particular regard to Medinol, Medtronic asserts:

On information and belief [d]efendant Medinol through its licensing, manufacturing and subsequent sale of the NIR model stents has actively, intentionally and knowingly assisted [d]efendants Boston Scientific and SciMed in direct infringement of the [Boneau] patents.

On information and belief [d]efendant Medinol has been aware of the [Boneau] patents and knew that direct infringement of the [Boneau] patents was likely to occur as a result of its sale to [d]efendant Boston Scientific of the NIR model stents for distribution in the United States.

(Id. at ¶¶ 18, 19)

numerous affirmative defenses. (D.I. 50) Medinol also filed a counterclaim for a declaratory judgment of invalidity, unenforceability, and noninfringement. (Id.)

Medtronic is a corporation organized under the laws of the State of Delaware with its principal place of business in Santa Rosa, California. (Id. at ¶ 1) Medtronic manufactures specialized stent delivery systems used in coronary and peripheral applications in the human body. (Id.) Medinol is an Israeli corporation with its principal place of business in Tel Aviv, Israel. (Id. at ¶ 5) Medinol manufactures and sells medical devices, including stents, that are used in the United States. (Id.)

Presently before the court is Medinol's motion to dismiss Medtronic's second amended complaint for lack of subject matter jurisdiction. (D.I. 137) For the reasons that follow, the court denies this motion.

II. BACKGROUND

Medinol entered into a supply agreement with BSC on October 25, 1995. (D.I. 139 at ¶ 3) Medinol agreed to exclusively supply BSC with NIR stents to sell in all countries of the world. (Id.) Under the terms of the agreement, Medinol performed the NIR stent manufacture at its operation in Jerusalem, Israel and then delivered the stents to locations selected by BSC. (Id.) On numerous occasions, BSC directed Medinol to ship NIR stents to

its facility in Galway, Ireland ("BSC-Ireland") where BSC finished the stents, repackaged them, and shipped them to its plant in Maple Grove, Minnesota. (Id.) There, BSC assembled the NIR stents into its balloon catheter delivery systems for sale in the United States. Title and ownership of the NIR stents passed from Medinol to BSC pursuant to the supply agreement. Section 3.05 states:

Shipment of [s]tents purchased by BSC from Medinol shall be F.C.A. at Medinol's facility for delivery to such of BSC's facilities as BSC shall from time to time designate. All freight, insurance and other shipping expenses relating to such stents, as well as any packing expenses, shall be borne licensed by BSC. Title to and risk of loss for stents purchased by BSC shall pass to BSC upon delivery to the carrier for shipment to BSC or BSC's designated ship destination.

(D.I. 157 at 3) Around February 2002, Medinol terminated the supply agreement and discontinued shipping NIR stents to BSC in May 2002. (D.I. 139 at ¶ 3)

III. STANDARD OF REVIEW

Medinol moves for dismissal for lack of subject matter jurisdiction, presumably pursuant to Federal Rule of Civil Procedure 12(b)(1). In doing so, Medinol attached materials outside the pleadings to its motion. When such occurs, the court normally treats the motion to dismiss as one for summary judgment. In the case at bar, however, the court will treat Medinol's motion as a motion to dismiss because the court may consider materials outside the pleadings when adjudicating the

question of subject matter jurisdiction. See Lear v. Apfel, 2001 WL 179861, *1 n.1 (E.D. Pa. 2001) (citations omitted). Indeed, a motion to dismiss under Rule 12(b)(1) is the appropriate vehicle to adjudicate the procedural question of subject matter jurisdiction rather than a motion for summary judgment, which goes to the merits of an action. See Brittingham v. Barnhart, 2003 U.S. Dist. LEXIS 20869, *2 (D. Del. 2003) (citing Freeman v. Herman, 1998 WL 813426, *2 (E.D. Pa. 1998)). In performing such adjudication pursuant to Rule 12(b)(1), "the trial court is free to weigh the evidence and satisfy itself as to the existence of its power to hear the case." Brittingham, 2003 U.S. Dist. LEXIS at *2. Moreover, contrary to Medtronic's assertion, "the fact that matters outside the pleadings are considered does not transform a Rule 12(b)(1) motion to dismiss into a motion for summary judgment." Id.

IV. DISCUSSION

A subject matter jurisdiction attack pursuant to Rule 12(b)(1) challenges the court's jurisdiction to address the merits of the complaint. See Lieberman v. Delaware, 2001 WL 1000936, at *1 (D. Del. 2001). A party may raise the lack of subject matter jurisdiction at any time; it cannot be waived. Fed. R. Civ. P. 12(h)(3). In fact, the court is obliged to address the issue on its own motion if not raised by the parties. See Neiderhiser v. Berwick, 840 F.2d 213, 216 (3d Cir. 1988).

Once jurisdiction is challenged, the party asserting subject matter jurisdiction has the burden of proving its existence. See Carpet Group Int'l v. Oriental Rug Importers Ass'n, Inc., 227 F.3d 62, 69 (3d Cir. 2000).

There are two types of Rule 12(b)(1) motions. The first type, a facial attack, challenges the legal sufficiency of the claim. Mortensen v. First Fed. Sav. and Loan, 549 F.2d 884, 891 (3d Cir. 1977). Under this type of challenge, the court must accept as true the allegations contained in the complaint. See 2 James W. Moore, Moore's Federal Practice § 12.30[4] (3d ed. 1997). Dismissal for a facial challenge is "proper only when the claim 'clearly appears to be immaterial and made solely for the purpose of obtaining jurisdiction or . . . is wholly insubstantial and frivolous.'" Kehr Packages, Inc. v. Fidelcor, Inc., 926 F.2d 1406, 1408-1409 (3d Cir. 1991) (quoting Bell v. Hood, 327 U.S. 678, 682 (1946)).

The second type, a factual attack, challenges the sufficiency of a jurisdictional fact (i.e., it allows the court to question the plaintiff's facts after the defendant files an answer). Mortensen, 549 F.2d at 891. Since Medinol filed an answer to the complaint, the instant attack on subject matter jurisdiction is necessarily considered a factual type of challenge. In such situation, the court is not "confine[d] to allegations in the . . . complaint, but [can] consider

affidavits, depositions, and testimony to resolve factual issues bearing on jurisdiction.” Gotha v. United States, 115 F.3d 176, 179 (3d Cir. 1997); see also Mortensen, 549 F.2d at 891-892. “No presumptive truthfulness attaches to plaintiff’s allegations, and the existence of disputed material facts will not preclude the trial court from evaluating for itself the merits of jurisdictional claims.” Carpet Group, 227 F.3d at 69 (quoting Mortensen, 549 F.2d at 891). Although the court should determine subject matter jurisdiction at the outset of a case, “the truth of jurisdictional allegations need not always be determined with finality at the threshold of litigation.” Moore at § 12.30[1]. In other words, “[n]ormal practice permits a party to establish jurisdiction at the outset of a case by means of a nonfrivolous assertion of jurisdictional elements, . . . and any litigation of a contested subject-matter jurisdictional fact issue occurs in comparatively summary procedure before a judge alone (as distinct from litigation of the same fact issue as an element of the cause of action, if the claim survives the jurisdictional objection).” Jerome B. Grubart, Inc. v. Great Lakes Dredge & Dock Co., 513 U.S. 527, 537-38 (1995) (citations omitted).

Medtronic bases subject matter jurisdiction on federal question jurisdiction pursuant to 28 U.S.C. § 1331 and original jurisdiction under patent laws pursuant to 28 U.S.C. § 1338(a). (See D.I. 62 at ¶ 8) There is no dispute that Medinol delivered

NIR stents to BSC-Ireland. Medtronic further contends, however, that Medinol also delivered stents to the United States, specifically to BSC's Minnesota facilities. Medtronic likewise asserts that Medinol engaged in many supply and pricing communications with BSC. Medtronic charges that these communications occurred between BSC personnel located in the United States as opposed to BSC personnel located in Ireland. Medtronic claims that Medinol participated in efforts to secure regulatory approval for the NIR stents in the United States, consistent with the supply agreement. In response, Medinol argues that it has not committed any act of alleged infringement in the United States as required by the provisions of 35 U.S.C. § 271. It avers that all NIR stent deliveries were made outside the U.S. to BSC-Ireland. Medinol contends, therefore, that it should be dismissed from the case.

The court disagrees with Medinol. Congress invested original subject matter jurisdiction over patent infringement actions under 35 U.S.C. § 271 in the federal district courts. In pertinent part, 28 U.S.C. 1338(a) states:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

The Supreme Court has explained that "when the plaintiff bases

his cause of action upon an act of Congress, jurisdiction cannot be defeated by a plea denying the merits of the claim." The Fair v. Kohler Die & Specialty Co., 228 U.S. 22, 25 (1912). The court is not prepared to decide on the record presently before it whether Medinol engaged in the alleged infringing activities in the United States. Because subject matter jurisdiction cannot be waived, the court denies Medinol's motion to dismiss without prejudice to renew at the completion of discovery upon a fully developed factual record.

V. CONCLUSION

For the reasons stated, the court denies Medinol's motion to dismiss for lack of subject matter jurisdiction. An order shall issue.

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SCIMED LIFE SYSTEMS, INC.,)
BOSTON SCIENTIFIC SCIMED, INC.,)
and MEDINOL, LTD.,)
)
Defendants.)

O R D E R

At Wilmington, this 5th day of April, 2004, consistent with the memorandum opinion issued this same day;

IT IS ORDERED that Medinol's motion to dismiss for lack of subject matter jurisdiction (D.I. 137) is denied without prejudice to renew at the close of discovery.

Sue L. Robinson
United States District Judge