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Arising Under Jurisdiction and Uniformity in Patent Law

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“ARISING UNDER” JURISDICTION AND UNIFORMITY IN PATENT LAW

*Christopher A. Cotropia**

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INTRODUCTION	254
I. DEVELOPMENT OF FEDERAL CIRCUIT’S JURISDICTION OVER PATENT CASES PRIOR TO <i>HOLMES</i>	259
A. <i>Creation of the Federal Circuit</i>	259
B. <i>Statutory Basis for the Federal Circuit’s Appellate Jurisdiction</i>	261
C. “ <i>Arising Under</i> ” <i>Jurisdiction</i>	262
1. Step One to Determining “ <i>Arising Under</i> ” <i>Jurisdiction</i>	263
2. Step Two to Determining “ <i>Arising Under</i> ” <i>Jurisdiction</i>	264
D. “ <i>Arising Under</i> ” <i>Jurisdiction as Applied to the Federal Circuit</i>	264
1. Step One Cases Regarding the Federal Circuit’s Appellate Jurisdiction	266
2. Step Two Cases Regarding the Federal Circuit’s Appellate Jurisdiction	275
II. SUPREME COURT’S DECISION IN <i>HOLMES</i>	279
A. <i>Procedural History</i>	279
B. <i>Supreme Court’s Decision</i>	280
1. Majority’s Opinion	280
2. Justice Stevens’s Concurrence.....	284
3. Justice Ginsburg’s Concurrence	285
III. <i>HOLMES’S IMPACT ON THE UNIFORMITY OF PATENT LAW</i>	286
A. <i>Patent Cases Holmes Diverts From the Federal Circuit and Federal Courts</i>	286

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- 1. Federal Circuit’s Appellate Jurisdiction over Patent Law Claims.....286
- 2. Federal Courts’ Jurisdiction over Patent Law Claims294
- 3. Cases Diverted from Federal Circuit297
- B. *Choice of Patent Law for Regional Circuits and State Courts* 300
- IV. NON-UNIFORMITY IN PATENT LAW.....302
 - A. *Holmes’s Impact on Doctrinal Stability in Patent Law*..... 303
 - B. *Holmes’s Impact on Horizontal Equity in Patent Law*..... 305
- V. WAYS TO ENSURE UNIFORMITY IN PATENT LAW
 - AFTER *HOLMES*.....306
 - A. *Legislation*.....306
 - B. *Regional Circuits’ and State Courts’ Choice of Federal Circuit Law*309
 - C. *Patentee’s Procedural Solutions*310
- CONCLUSION.....311

INTRODUCTION

The United States Court of Appeals for the Federal Circuit (“Federal Circuit”) was created by Congress through the Federal Courts Improvement Act of 1982.¹ Congress created the Federal Circuit, in part, to establish nationwide uniformity in patent law. The Federal Circuit was seen as a mechanism to provide uniform interpretation of patent law and patent policy—a necessary alternative to the inconsistent application of patent law at the time by the regional circuit courts. In order to achieve this goal, Congress drafted 35 U.S.C. § 1295(a)(1) to give the Federal Circuit exclusive jurisdiction over “an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part,” on 28 U.S.C. § 1338. Section 1338(a) provides, in part, that district courts shall have original jurisdiction over “any civil action arising under any Act of Congress relating to patents”

From 35 U.S.C. § 1295(a)(1), the appellate jurisdiction of the Federal Circuit over patent claims was born. While § 1295(a), in combination with § 1338, defined the Federal Circuit’s appellate jurisdiction, Congress left the specific boundaries of the Federal Circuit’s jurisdiction to be decided by the courts. Over its lifetime, the Federal Circuit, regional circuits, and the Supreme Court have spoken to the Federal Circuit’s appellate jurisdiction. Based on this case law, the

1. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

Federal Circuit's jurisdiction over appeals evolved to include cases wherein at least one claim was based on a patent law cause of action and cases whose resolution necessarily depended on answering a substantial question of patent law. The Federal Circuit's jurisdiction included cases with patent law claims in the complaint, as well as in counterclaims. The Federal Circuit's jurisdiction also encompassed cases that were consolidated with cases containing patent law claims. Even in circumstances in which the only patent law claim was dismissed, the Federal Circuit exercised exclusive jurisdiction over any appeal from the case as long as the dismissal of the patent law claim was with prejudice.

The law governing the Federal Circuit's appellate jurisdiction was brought into question in *Holmes Group, Inc. v. Vornado Circulation Systems, Inc.*² The Federal Circuit's appellate jurisdiction over Vornado's appeal rested solely on Vornado's counterclaim alleging patent infringement by Holmes.³ Holmes's complaint sought a declaratory judgment of no trade dress infringement and did not include any patent law claims.⁴ While the Federal Circuit found appellate jurisdiction over Vornado's appeal based on the counterclaim of patent infringement, the Supreme Court disagreed.⁵ The Court focused on the language in 35 U.S.C. § 1338(a), which defines the Federal Circuit's appellate jurisdiction by the statute's reference in 35 U.S.C. § 1295(a)(1).⁶ The Court indicated that the "arising under" language in § 1338(a) invokes the well-pleaded complaint rule.⁷ The Court noted that the well pleaded complaint rule provides that whether a case "aris[es] under" federal law, or in this case patent law, must be determined from the plaintiff's complaint.⁸ The Court therefore concluded that a counterclaim, such as Vornado's, did not "aris[e] under" patent law because it was not contained within the plaintiff's, in this case Holmes's, complaint, and thus could not give the Federal Circuit appellate jurisdiction.⁹

The Court's holding in *Holmes* stated that the Federal Circuit's appellate jurisdiction is governed by the well-pleaded complaint rule and specifically rejected counterclaims as a vehicle to vesting appellate jurisdiction with the Federal Circuit. The Supreme Court's decision opens the door for claims of patent infringement under 35 U.S.C. § 271, and other patent law claims, to be reviewed by regional circuits, instead of

2. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889 (2002).

3. *Id.* at 1893.

4. *Id.*

5. *Id.*

6. *Id.*

7. *Id.*

8. *Id.*

9. *Id.*

the Federal Circuit. The Supreme Court recognized as much in *Holmes*, concluding that “[n]ot all cases involving a patent-law claim fall within the Federal Circuit’s jurisdiction.”¹⁰ As Justice Stevens noted in his concurrence, the Supreme Court’s decision in *Holmes* will have even a greater impact on patent law, allowing “other circuits [to] have some role to play in the development of [patent] law.”¹¹ The impact of *Holmes* may also be felt with respect to a federal district court’s removal jurisdiction over patent counterclaims. The Indiana Supreme Court has already applied *Holmes* in the state court context in *Green v. Hendrickson Publishers, Inc.*,¹² involving a copyright claim—whose federal jurisdiction is also defined by 28 U.S.C. § 1338. State courts may now decide patent law claims, based on the *Holmes* decision, because such claims do not “aris[e] under” the patent laws, within the meaning of § 1338, and therefore cannot give a federal district court removal jurisdiction.

The door is clearly open for the possible development of substantive patent law outside of the hands of the Federal Circuit and, even more significant, outside of the federal courts. The very uniformity Congress attempted to introduce through its creation of the Federal Circuit may become undone by the Supreme Court’s interpretation of § 1295(a)(1) and § 1338(a) in *Holmes*. The *Holmes* decision may very well plant the seeds for the growth of non-uniformity in patent law.

To what extent significant patent law developments will occur outside the Federal Circuit’s jurisdiction will hinge on two crucial developments post-*Holmes*:

First, both federal and state courts will need to determine the effects of the rule of law established in *Holmes*. More particularly, courts will decide under what circumstances a patent law claim is properly appealed to the applicable regional circuit instead of the Federal Circuit. In addition, courts will also have to decide whether patent claims can stay in state court and outside the exclusive jurisdiction of federal courts. Questions that *Holmes* presents include: (1) What specific types of cases does *Holmes* take out of the Federal Circuit’s hands? (2) Does this universe of cases represent a significant portion of all litigated cases including patent law claims? (3) In addition, will the Supreme Court’s decision in *Holmes* affect the Federal Circuit’s jurisdiction over cases where patent law claims have been added to or dismissed before and after appeal? (4) Furthermore, will federal district courts lose original and exclusive jurisdiction over patent law claims due to the holding in *Holmes*? (5) And, finally, will the decision in *Holmes* be used by a significant

10. *Id.* at 1895.

11. *Id.* at 1898.

12. *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784 (Ind. 2002).

number of practitioners to craft complaints in such a way so as to avoid Federal Circuit appellate jurisdiction or even federal district court original jurisdiction?

Second, once cases including patent law claims are appealed to a regional circuit, or stay in a state court, the question becomes whether Federal Circuit law will still control those cases. The potential for non-uniform development of patent law will, at that point, hinge on the "choice of law" rules adopted by regional circuits and state courts when deciding patent law issues. The choice of law questions presented by *Holmes* include: (1) Will regional circuits and state courts choose to be controlled by Federal Circuit law or their own regional circuit or state law when deciding patent law claims? (2) Even for those courts that adopt Federal Circuit law as controlling law on patent issues, how will these courts approach unsettled questions of patent law—will the regional circuits and state courts try to answer unsettled questions as the Federal Circuit would or will they look to earlier law of their own, or will they chose to answer the question *de novo*?

If regional circuits and state courts begin to apply their own patent law, as opposed to following established Federal Circuit law, certain patent law issues that were once decided by the Federal Circuit will be reopened. Such reopened patent law issues may not even be decided at the federal level, with state courts playing an active role in the development of federal patent law. The Supreme Court will be placed, as it was before the creation of the Federal Circuit, in the position of being the only Court that can assure uniformity in the field of patent law, a field Congress has already recognized is uniquely suited for, and indeed needy of, homogeneity.

The Supreme Court's decision in *Holmes* presents significant questions about the scope of the Federal Circuit's appellate jurisdiction and the removal and exclusive jurisdiction of federal district courts over patent law claims. This uncertainty threatens the uniformity in patent law that the Federal Circuit was charged with creating. This Article addresses these questions and concludes that the potential for non-uniformity resulting from the ruling in *Holmes* is real. The rationale underlying the *Holmes* decision will divert patent law counterclaims from the federal judicial system, not just the Federal Circuit's appellate review. In addition, situations will likely arise where regional circuits revisit issues already decided by the Federal Circuit in light of the circuit's pre-1982 case law. A body of state law on patent issues may also be developed.

To prevent these situations from occurring, the effect of *Holmes* on the Federal Circuit's appellate jurisdiction must be limited and regional circuits and state courts must look to the Federal Circuit for guidance on

patent law issues. Just as the Federal Circuit gives proper deference to regional circuit decisions on non-patent law issues, regional circuits and state courts should give deference to the Federal Circuit on issues related to patent law. Additionally, legislative responses could provide an absolute solution to the problem presented by *Holmes*. Congress can amend § 1295(a) and § 1338 to return the Federal Circuit's appellate jurisdiction, and federal district court jurisdiction, to its state before *Holmes*. This would ensure, even post-*Holmes*, that patent law claims are litigated at the federal level and reviewed by the Federal Circuit.

This Article reaches these conclusions in the following manner. Part I of this Article begins by looking at the creation of the Federal Circuit, including the reasons Congress created a specialized appellate court for patent law. Part I proceeds to examine the development of the case law that defined the Federal Circuit's appellate jurisdiction over patent law claims, up to the Supreme Court's decision in *Holmes*. Part II of this Article examines, in-depth, the Supreme Court's decision in *Holmes*.

Part III attempts to further define the specific types of cases that must, under *Holmes*, be appealed to a regional circuit as opposed to being appealed to the Federal Circuit. The effect of *Holmes* on federal district court removal and exclusive jurisdiction over patent law claims will also be examined. To provide an empirical prospective, published Federal Circuit cases, since the Federal Circuit's inception in 1982, will be reviewed to determine which of these cases would, under the *Holmes* decision, have gone to the regional circuit or stayed in state court. Part III also discusses the "choice of law" rules that regional circuits and state courts may adopt to handle the patent law claims they will review or decide. Part III also examines the non-uniformity and conflicts that will be created if regional circuits and state courts ignore the Federal Circuit's case law and begin to develop their own, independent precedent on patent issues. Part III takes as an example specific areas of patent law, such as the patentability of business method patents, and looks to how different regional circuits and state courts may treat these patent law issues.

Part IV focuses on the non-uniformity that the holding in *Holmes* creates. In particular, Part IV investigates the harm the result of *Holmes* will have on doctrinal stability and horizontal equity in patent law. Finally, Part V presents potential solutions to prevent this breach of uniformity in patent law post-*Holmes*, suggesting that regional circuits and state courts observe Federal Circuit law as controlling on patent law claims and that, in order to truly preserve patent law uniformity, legislation must be passed to restore the Federal Circuit's appellate jurisdiction, and federal district court exclusive jurisdiction, to where it stood before the Supreme Court's decision in *Holmes*.

I. DEVELOPMENT OF FEDERAL CIRCUIT'S JURISDICTION OVER PATENT CASES PRIOR TO *HOLMES*

A. Creation of the Federal Circuit

The United States Court of Appeals for the Federal Circuit was created by the Federal Courts Improvement Act of 1982.¹³ The Federal Circuit was formed in response to a perceived crisis in the federal courts system, and, more particularly, in the judicial handling and development of patent law.¹⁴ Prior to the Federal Circuit, patent cases, while within the original jurisdiction of the federal district courts,¹⁵ were appealed to the appropriate regional circuit.¹⁶ Certain patent issues could also be decided by the Court of Customs and Patent Appeals ("CCPA"), which had exclusive jurisdiction over appeals from decisions made by the United States Patent and Trademark Office ("USPTO").¹⁷ The CCPA did not have appellate review jurisdiction over claims of patent infringement filed in district court, leaving the decisions on patent enforcement to be made by regional circuits. With this division in labor between the CCPA and regional circuits, regional circuit decisions on patent law issues were differing greatly from those of the CCPA and the USPTO.¹⁸

Further division on patent law issues arose amongst the regional circuits. The handling of patent appeals by multiple circuits led to circuit splits on different patent law issues.¹⁹ In addition, certain regional circuits gained a reputation as being pro-patentee, while other circuits were

13. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

14. See H.R. REP. NO. 97-312, at 22-23 (1981); S. REP. NO. 97-275, at 5-6 (1981), reprinted in 1982 U.S.C.C.A.N. 11, 15-16; Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedure: Recommendations for Change, reprinted in 67 F.R.D. 195, 214, 361-76 (1975) [hereinafter "Hruska Commission"]. See also Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 6-8 (1989); Emmette F. Hale, III, *The "Arising Under" Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 FLA. ST. U. L. REV. 229, 238-42 (1986); Thomas H. Case & Scott R. Miller, *An Appraisal of the Court of Appeals for the Federal Circuit*, 57 S. CAL. L. REV. 301, 301 (1984).

15. 28 U.S.C. § 1338 (1980).

16. See 28 U.S.C. § 1294 (1980) (indicating that, prior to the creation of the Federal Circuit, patent cases appealed from district courts went to regional circuits). See also H.R. REP. NO. 97-312, at 22-24 (1981).

17. H.R. REP. NO. 97-312, at 22-24 (1981) (also noting that patent issues could be decided by the Court of Claims).

18. See, e.g., *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966) (noting that there was "a notorious difference between the standards [of patentability] applied by the Patent Office and by the courts").

19. See H.R. REP. NO. 97-312, at 23-24 (1981); Hruska Commission, 67 F.R.D. 195 at 361-76 (1975).

perceived as being patent unfriendly.²⁰ To make matters worse, the Supreme Court's docket was overloaded, and the number of patent cases granted cert was dwindling.²¹ The CCPA, while a central location for all appeals from PTO administrative decisions, had little to no influence on the decisions of the regional circuit on non-administrative patent issues.²² The handling of patent appeals by regional circuits, coupled with the Supreme Court's inability to resolve any conflicts amongst the circuits due to docket overload, created a lack of uniformity in patent law across the United States.²³ The fact that certain circuits were both doctrinally and statistically beneficial for the alleged infringer, while others were not, led to forum shopping by patentees and alleged infringers.²⁴ A race to the courthouse between these two parties was common, each trying to file its case first in the forum most favorable to them.²⁵ This lack of uniformity and forum shopping caused the technology community to lose faith in the patent system, leading to a devaluation of patents.²⁶ The lack of certainty and predictability in patent law hampered technological growth, innovation, research, and business planning.²⁷

In the early 1980s, Congress set out to remedy the problems in the patent system. The Hruska Commission, which studied the caseload crisis in the federal courts, suggested a patent court that sat between the regional circuits and the Supreme Court.²⁸ Congress relied on the results of the Commission's study but adopted a different solution—creating a single forum for hearing patent appeals, both from district courts and the USPTO, sitting at the same level as other regional courts.²⁹ The court, named the United States Court of Appeals for the Federal Circuit, would, in addition to other areas of appellate jurisdiction, assume the jurisdiction of the CCPA and obtain jurisdiction over appeals of from patent cases be-

20. See H.R. REP. NO. 97-312, at 22–23 (1981) (noting that some circuits were considered “pro-patent” and others “anti-patent”); Hruska Commission, 67 F.R.D. at 370 (1975) (noting that “patentees now scramble to get into the 5th, 6th, and 7th circuits since the courts there are not inhospitable to patents whereas infringers scramble to get anywhere but in these Circuits”). See also Dreyfuss, *supra* note 14, at 6–7.

21. See Hruska Commission, 67 F.R.D. 195, 217–20 (1975).

22. See Dreyfuss, *supra* note 14, at 6.

23. See H.R. REP. NO. 97-312, at 22–23 (1981); S. REP. NO. 97-275, at 4–5 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 14–15.

24. See H.R. REP. NO. 97-312, at 23–26 (1981); Hruska Commission, 67 F.R.D. 195, 370 (1975).

25. *Id.*; see also Dreyfuss, *supra* note 14, at 6–7; Hale, *supra* note 14, at 239–40.

26. See H.R. REP. NO. 97-312, at 24–25 (1981); S. REP. NO. 97-275, at 5, *reprinted in* 1982 U.S.C.C.A.N. 11, 15; Hruska Commission, 67 F.R.D. 195, 361–76 (1975).

27. *Id.*

28. Hruska Commission, 67 F.R.D. 195, 236–47 (1975); Case and Miller, *supra* note 14, at 302.

29. See H.R. REP. NO. 97-312, at 22–27 (1981); S. REP. NO. 97-275, at 4–6 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 14–16.

fore federal district courts.³⁰ Congress believed that the Federal Circuit, being "[a] single court of appeals for patent cases[,] will promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, the forum-shopping that now occurs."³¹

B. Statutory Basis for the Federal Circuit's Appellate Jurisdiction

Congress defined the scope of the Federal Circuit's appellate jurisdiction over patent appeals from district courts through 28 U.S.C. § 1295(a)(1). The Federal Circuit's appellate jurisdiction over district court patent cases³² is based on § 1295(a)(1) jointly interpreted with the patent jurisdiction statute for district courts, 28 U.S.C. § 1338.³³ Section 1295(a)(1) reads, in relevant part:

The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—(1) of an appeal from a final decision of a district court . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of [28 U.S.C.], except that a case involving a claim arising under any Act of Congress, relating to copyrights, exclusive rights in mask works, or trademarks and no other claim under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title.³⁴

As noted in the language of § 1295(a)(1), the Federal Circuit has exclusive appellate jurisdiction over a final district court decision as long as the district court's jurisdiction "was based, in whole or in part, on" patent jurisdiction defined in "section 1338."³⁵

30. *Id.*

31. H.R. REP. NO. 97-312, at 25 (citing Hruska Commission, 67 F.R.D. at 625, 628); see also S. REP. NO. 97-275, at 5 (1981), reprinted in 1982 U.S.C.C.A.N. at 15 (noting that the establishment of the court of appeals for the Federal Circuit also provides a forum that will increase doctrinal stability in the field of patent law).

32. In addition to district courts of the United States, § 1295(a)(1) also gives the Federal Circuit jurisdiction over patent appeals from "the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands."

33. Section 1295 also defines the Federal Circuit's jurisdiction over subject matter other than patent appeals from district courts. See, e.g., 28 U.S.C. § 1295(a)(2-14), (b), (c) (1994).

34. 28 U.S.C. § 1295(a)(1) (1994).

35. Congress specifically drafted § 1295(a)(1) to "give[] the Court of Appeals for the Federal Circuit jurisdiction of any appeal in which the trial court jurisdiction was based, in whole or in part, on section 1338 of title 28 (which as stated above confers on the district court original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks), except that jurisdiction of an appeal in a case involving a claim arising under any Act of Congress related to copyrights or trademarks,

Section 1338³⁶ reads, in relevant part:

(a) 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.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws.³⁷

These two statutes—35 U.S.C. §§ 1295(a)(1), 1338, linked together by the language in § 1295(a)(1), define the Federal Circuit’s “exclusive” appellate jurisdiction over patent appeals from district court final decisions. Notably, the jurisdiction over patent cases for both the Federal Circuit and federal district courts is tied to § 1338. Both § 1295(a)(1) and § 1338(a) use a legally significant phrase, “arising under,” to define those cases that the Federal Circuit and federal district courts have jurisdiction over. Congress emphasized the “arising under” language of the statutes, noting that “[c]ases will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to ‘arise under’ federal law for purposes of federal question jurisdiction.”³⁸

C. “*Arising Under*” Jurisdiction

The phrase “arising under” originated from Article III of the Constitution, defining the jurisdiction of the federal court system.³⁹ This constitutional grant extends federal judiciary power to every case in which federal law potentially forms an ingredient of the claim.⁴⁰ Article

and no other claims under section 1338(a) will continue to go to the regional appellate courts, pursuant to 1294 of title 28.” H.R. REP. NO. 97-312, at 41 (1981). “[T]he statutory language in question requires that the district court have jurisdiction under 28 U.S.C. 1338” S. REP. NO. 97-275, at 19 (1981). The Supreme Court and Federal Circuit have also observed that § 1295(a)(1), as drafted, defines the Federal Circuit’s appellate jurisdiction with reference the district court’s jurisdiction over the case on appeal. *See* *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807–08 (1988); *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1428–30 (Fed. Cir. 1984).

36. Section 1338(c), not shown, was added in 1998 by Pub. L. 105–304 to equate a district court’s jurisdiction over rights in mask works with those defined in parts (a) and (b) of the statute with regards to copyrights.

37. 28 U.S.C. § 1338(a),(b) (1994).

38. H.R. REP. NO. 97-312, at 41 (1981).

39. “The judicial Power shall extend to all Cases, in Law and Equity, *arising under* this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority.” U.S. CONST. art. III, § 2, cl. 1 (emphasis added).

40. *Osborn v. Bank of United States*, 22 U.S. (9 Wheat.) 738, 822–27 (1824).

III allowed "[t]he mere existence of a latent federal 'ingredient' that might in theory be dispositive of the outcome of a case . . . to bring the entire case, including ancillary nonfederal issues, within the jurisdiction of the federal courts."⁴¹ The power conferred by Article III, however, cannot be exercised by lower federal courts without an implementing statute allowing such courts to use some or all of this constitutional grant of jurisdiction.⁴²

Such a statutory grant is provided by 28 U.S.C. § 1331, which states that "district courts shall have original jurisdiction of all civil actions *arising under* the Constitution, laws, or treaties of the United States."⁴³ Case law has established that this statutory grant of judicial power is considerably narrower than that provided by the Constitution.⁴⁴ The Supreme Court has provided a test to determine whether a case falls within the "arising under" jurisdiction defined by § 1331 that has both a procedural and substantive component.

1. Step One to Determining "Arising Under" Jurisdiction

The first step ("Step One") in defining "arising under" jurisdiction consists of an "analytical filter"⁴⁵ termed the "well-pleaded complaint rule."⁴⁶ "The first step dictates" where, *i.e.*, in which pleading or paper, "the jurisdiction-conferring federal question must appear," limiting the scope of where "arising under" jurisdiction can be found.⁴⁷ The well-pleaded complaint rule, Step One, is set forth below:

[W]hether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute, ... must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, unaided by anything alleged in anticipation of avoidance of defenses which it is thought the defendant may interpose.⁴⁸

Case law prior to the Supreme Court's decision in *Holmes* places a defense based on federal law outside the lens of the well-pleaded

41. Oakley, *Federal Jurisdiction and the Problem of the Litigative Unit: When does what 'Arise Under' Federal Law?*, 76 TEX. L. REV. 1829, 1832-33 (June 1998) (citing *Osborn*, 22 U.S. at 823).

42. *Osborn*, 22 U.S. at 823.

43. 28 U.S.C. § 1331 (1994) (emphasis added).

44. *Franchise Tax Bd. of Ca. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 8 at n.8 (1983).

45. Oakley, *supra* note 41, at 1834.

46. *Philips Petroleum Co. v. Texaco, Inc.*, 415 U.S. 125, 127 (1974) (*per curiam*).

47. Oakley, *supra* note 41, at 1834-35.

48. *Franchise Tax Bd.*, 463 U.S. at 10 (quoting *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914)).

complaint.⁴⁹ In addition, parts of the complaint that merely “anticipate” a defense based on federal law do not fall within the well-pleaded complaint.⁵⁰ A declaratory judgment action, while fundamentally defensive in nature, can still confer “arising under” jurisdiction. With a complaint for a declaratory judgment, a court must construct a hypothetical complaint, which the declaratory-judgment defendant would have filed to resolve the claim in dispute.⁵¹

2. Step Two to Determining “Arising Under” Jurisdiction

The second step (“Step Two”) looks at the substance of those claims that can be seen through Step One’s filter, determining whether they truly “aris[e] under” federal law.⁵² Step Two is divided into two types of federal claims—Category I claims and Category II claims.⁵³ Category I claims are those where federal law creates the cause of action.⁵⁴ Category II claims are those where “it appears that some substantial, disputed question of federal law is a necessary element of one of the well-pleaded state claims.”⁵⁵ Category II “arising under” jurisdiction is predicated on the fact that “the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction”—the federal issue must be both “substantial” and “necessary.”⁵⁶

D. “Arising Under” Jurisdiction as Applied to the Federal Circuit

The Supreme Court, in *Christianson v. Colt Operating Industries, Inc.*, linked the “arising under” language in § 1338, which defines both the Federal Circuit’s and district court’s jurisdiction over patent cases to the same language in § 1331.⁵⁷ The case considered whether antitrust claims plead by the plaintiff fell within the Federal Circuit’s appellate jurisdiction.⁵⁸ The Court held that “[l]inguistic consistency, to which [the Supreme Court] historically adhered, demands that § 1338(a) jurisdic-

49. See e.g., *Louisville & Nashville R.R. v. Mottley*, 211 U.S. 149, 152 (1908).

50. *Id.*

51. *Skelly Oil Co. v. Philips Petroleum Co.*, 339 U.S. 667, 671–72 (1950) (noting that the federal Declaratory Judgment Act, 28 U.S.C. § 2201, does not create federal court jurisdiction on its own.)

52. Oakley, *supra* note 41, at 1834.

53. *Id.* at 1834–43.

54. *Id.* at 1838–39. Category I claims meet Justice Holmes’s test that “[a] suit arises under the law that creates the cause of action.” *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916).

55. Oakley, *supra* n. 31, at 1839 (citing *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 813–17 (1986)); see also *Franchise Tax Bd.*, 463 U.S. at 13.

56. *Merrell Dow*, 478 U.S. at 813.

57. *Christianson*, 486 U.S. at 807–09.

58. *Id.*

tion" be determined in the same manner as general federal question jurisdiction under § 1331.⁵⁹ The Supreme Court concluded that:

[Section] 1338(a) jurisdiction . . . extend[s] only to those cases in which a well-pleaded complaint establishes either that [I] federal patent law creates the cause of action or [II] that the 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.⁶⁰

Federal Circuit appellate jurisdiction can therefore be determined, just like federal question jurisdiction, by applying two steps. First, the well-pleaded complaint rule is applied, acting as a filter to define the universe of claims before the district court that can confer "arising under" patent jurisdiction (Step One). Second, those claims seen through the well-pleaded complaint rule are analyzed to see if they fall within either Category I or Category II and thus arise under patent law (Step Two). The Supreme Court, in *Christianson*, was faced with a Step Two question—whether an antitrust claim, contained in the plaintiff's complaint, fell within either Category I or Category II.⁶¹ While the Supreme Court referenced Step One in *Christianson*, noting that the well-pleaded complaint applied to Federal Circuit appellate jurisdiction analysis, the Court's decision did not turn on deciding a complex Step One question because the claims in question were in the plaintiff's complaint.⁶² The Supreme Court handles Step One in detail in its decision in *Holmes*, discussed *infra*.

Prior to the Supreme Court's decision in *Holmes*, the Federal Circuit, other regional circuits,⁶³ and the Supreme Court in *Christianson* spoke to the scope of appellate jurisdiction conferred by § 1295(a)(1). The pre-*Holmes* case law on this issue can be divided into both Step One and Step Two cases.

59. *Id.* at 808–09.

60. *Id.* (numerals added).

61. *Id.* at 810–14 (finding that Colt's Sherman Act claims did not necessarily depend on the resolution of a substantial question of patent law and remanding the case to be transferred the case to the Seventh Circuit).

62. *Id.* at 809.

63. Regional Circuits have jurisdiction to determine whether an appeal lies with it or the Federal Circuit. See *Smith v. Orr*, 855 F.2d 1544, 1547–49 (Fed. Cir. 1988); *Chabal v. Reagan*, 822 F.2d 349, 355–56 (3d Cir. 1987); *Shaw v. Gwatney*, 795 F.2d 1351, 1353 (8th Cir. 1986); but see *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 877–78 (Fed. Cir. 1983).

A case may be transferred from any circuit court to another pursuant to 28 U.S.C. § 1631. When a case is transferred from one appellate court to another, the receiving court should be deferential to the transferring court's decision and not transfer the appeal back unless the ruling is "clearly erroneous" or "not plausible." *Christianson*, 486 U.S. at 819.

1. Step One Cases Regarding the Federal Circuit's Appellate Jurisdiction

Part of Federal Circuit appellate jurisdiction jurisprudence has involved answering questions presented by Step One—questions regarding the manner or fashion a patent law claim must be presented to the district court in order to be eligible to form the basis for the Federal Circuit's appellate jurisdiction.⁶⁴ Claims in the complaint are clearly eligible,⁶⁵ as are claims in declaratory judgment actions.⁶⁶ Other Step One questions have been more difficult to answer. Before *Holmes*, the Federal Circuit, and other circuits, addressed whether the addition of other claims in a case, in addition to patent law claims, removed that case from Federal Circuit appellate jurisdiction. Courts have also addressed whether the presentation of a patent law claim in a counterclaim or in one of a group of cases that are consolidated affected the Federal Circuit's jurisdiction over the case. Courts have further examined whether patent law claims added to or dismissed from a complaint prior to appeal change the Federal Circuit's jurisdiction over the case. The case law on these issues, prior to *Holmes*, is explored below.

a. Issue versus Case Jurisdiction⁶⁷

Early on, the Federal Circuit rejected construing its appellate jurisdiction to cover only patent issues, as opposed to the complete case. This so-called "issue jurisdiction" would have limited the Federal Circuit's appellate jurisdiction to the individual patent issues in a case.⁶⁸ The Federal Circuit rejected "issue jurisdiction" early on in favor of appellate jurisdiction over all of the claims in a case.⁶⁹ In *Atari*, the

64. Notably, the Step One questions, in the patent law context, arise almost exclusively when deciding what appellate court a case should proceed to, not whether a district court has jurisdiction over the case.

65. See *Christianson*, 486 U.S. at 809; *Pixton v. B&B Plastics, Inc.*, 291 F.3d 1324, 1327 (Fed. Cir. 2002).

66. See *Speedco, Inc. v. Estes*, 853 F.2d 909, 911–12 (Fed. Cir. 1988) (citing *Skelly Oil*, 339 U.S. at 672).

67. Technically, the question of whether the Federal Circuit should exercise issue or case jurisdiction over an appealed case does not present a traditional Step One question. But, determining whether issue or case jurisdiction applies defines, like most Step One inquiries, the universe of cases procedurally eligible to arise under federal law.

68. Such "issue jurisdiction" defined the appellate jurisdiction of the Temporary Emergency Court of Appeals ("TECA") that had jurisdiction over Economic Stabilization Act ("ESA") issues that would be bifurcated from non-ESA issues, and then appealed to the appropriate regional circuit. See *Coastal States Mktg., Inc. v. New England Petroleum Corp.*, 604 F.2d 179, 183–87 (2d Cir. 1979).

69. See, e.g., *Cygnus Therapeutics Sys. v. Alza Corp.*, 92 F.3d 1153, 1157–58 (Fed. Cir. 1996) (finding appellate jurisdiction over both a declaratory judgment action of invalidity and unenforceability of a patent and antitrust claims); *Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1116 (Fed. Cir. 1996) (finding appellate jurisdiction over both a patent infringe-

Federal Circuit, sitting *en banc*, rejected the argument that a single case, that includes patent and non-patent claims, could be bifurcated on appeal between the Federal Circuit and a regional circuit court as contrary to § 1295(a)(1) and the accompanying congressional intent.⁷⁰ Even though the district court separated the patent claims from the copyright claims for trial pursuant to Fed. R. Civ. P. 42(b), the Federal Circuit noted that Congress "specifically rejected . . . that [the Federal Circuit] should have only 'issue' jurisdiction and that appeals involving patent and non-patent issues should be bifurcated."⁷¹ Section 1295(a)(1) gives the Federal Circuit jurisdiction over the "§ 1338 cases," not issues.⁷² The Court noted that case jurisdiction, as opposed to issue jurisdiction, avoids "undue and unnecessary burden of cost, confusion, and delay . . . on litigants, and on the judicial process."⁷³

Using the same basic rationale for rejecting "issue jurisdiction," the concept that Federal Circuit's appellate jurisdiction depends on the specific issues or claims on appeal was also rejected. Section 1295(a)(1) bases the Federal Circuit's appellate jurisdiction on the district court's jurisdiction over the *case*, which must be based "in whole or in part" on patent law.⁷⁴ This jurisdiction is defined regardless of what claims are actually on appeal. As the Supreme Court noted in *Christianson*, the Federal Circuit's appellate jurisdiction, just like the district court's, is not based on the "well-tryed case," but the well-plead complaint.⁷⁵ The Federal Circuit indicated in *Atari* that "the congressional reports reveal Congress' clear intent to define [the Federal Circuit's] jurisdiction in relation to that of the district court, and to assign to [the Federal Circuit] appellate jurisdiction over all final, i.e., appealable, decisions of district courts in cases . . . where the district court's jurisdiction was and is based in part on a continuing non-frivolous patent claim under § 1338, whether

ment claim and trade secret and breach of contract claims); *Imagineering, Inc. v. Van Klansens, Inc.*, 53 F.3d 1260, 1262-63 (Fed. Cir. 1995) (finding jurisdiction over a claim for attorney fees under 35 U.S.C. § 285 and trade dress and unfair competition claims); *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 908-09 (Fed. Cir. 1984) (denying the bifurcation of patent and trademark claims on appeal); *Atari*, 747 F.2d at 1440-41 (denying the bifurcation of patent and copyright claims on appeal). See also *Marsh v. Austin-Fort Worth Coca-Cola Bottling Co.*, 744 F.2d 1077, 1079-80 (5th Cir. 1984) (remanding the case back to the district court because the court was unable to determine from the record whether a patent claim was at issue before the district court in addition to Marsh's claims of unfair trade practices and fraud).

70. *Atari*, 747 F.2d at 1430-41.

71. *Id.* at 1435 (noting that Congress contrasted the Federal Circuit's jurisdiction with that of TECA's) (citing H. Rep. No. 97-312 at 41).

72. *Id.* at 1435-36.

73. *Id.* at 1435.

74. 28 U.S.C. § 1295(a)(1).

75. *Christianson*, 486 U.S. at 813-14.

the appealed decision relates to an existing patent claim or to a non-patent claim.”⁷⁶ The case law on this point gives the Federal Circuit jurisdiction over appeals from determinations on non-patent issues, as long as the district court’s jurisdiction was based, at least in part, on a patent claim.⁷⁷ Even when the appeal at issue is from a district court’s grant of a partial judgment, under Fed. R. Civ. P. 54(b),⁷⁸ on non-patent claims, the Federal Circuit has appellate jurisdiction as long as patent law claims existed below.⁷⁹ The Federal Circuit also has jurisdiction over ancillary

76. *Atari*, 747 F.2d at 1433 (citing H. Rep. No. 97-312 at 23–24).

77. See *Bradley v. Chiron Corp.*, 136 F.3d 1317, 1320–21 (Fed. Cir. 1998) (noting that “Federal Circuit jurisdiction of this appeal derives from the counts for declaration of inventorship and unenforceability under the patent laws” even though only state law issues were the subject of the appeal); *Abbott Labs. v. Brennan*, 952 F.2d 1346, 1349–50 (Fed. Cir. 1991) (finding appellate jurisdiction over a judgment on state law counterclaims, including tortious interference and abuse of process, while Abbott did not appeal the district court’s decision on its inventorship claims); *Windsurfing Int’l, Inc. v. AMF Inc.*, 828 F.2d 755, 756–57 (Fed. Cir. 1987) (taking appellate jurisdiction over AMF’s counterclaims seeking declaratory judgment canceling *Windsurfing International’s* registered trademarks, while *Windsurfing International’s* patent infringement claims had been stayed pending the outcome of a reissue proceeding); *Atari*, 747 F.2d at 1440–41 (exercising jurisdiction over an appeal from the grant of a preliminary injunction based on copyright infringement, while the patent claims had yet to be resolved); *Albert v. Kevox Corp.*, 729 F.2d 757, 759 (Fed. Cir. 1984) (hearing an appeal from a summary judgment regarding Albert’s claims of interference with a prospective business advantage and antitrust violations, with the patent infringement claim having yet to be adjudicated).

See also *Breed v. Hughes Aircraft Co.*, 253 F.3d 1173, 1177–80 (9th Cir. 2001) (transferring an appeal regarding multiple state law claims relating to breach of contract and trade secret misappropriation because, while at oral argument Breed indicated he would not continue to assert his inventorship claims, Breed’s well-plead complaint still contained these patent law claims and therefore vested the Federal Circuit with appellate jurisdiction); *Kennedy v. Wright*, 851 F.2d 963, 964–69 (7th Cir. 1988) (transferring an appeal because, while the appeal involved no issues of patent law due to the basis for the district court’s decision on appeal, the complaint below still contained a patent law claim).

78. Fed. R. Civ. P. 54(b) reads:

Judgment Upon Multiple Claims or Involving Multiple Parties.

When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, or when multiple parties are involved, the court may direct the entry of a final judgment as to one or more but fewer than all of the claims or parties only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties shall not terminate the action as to any of the claims or parties, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims and the rights and liabilities of all the parties.

79. See *U.S. Philips Corp. v. Windmere Corp.*, 861 F.2d 695, 697, 701–02 (Fed. Cir. 1988) (finding appellate jurisdiction over a Fed. R. Civ. P. 54(b) certified judgment on antitrust counterclaims where patent infringement claims still served as part of the district court’s jurisdiction over the case); *Korody-Colyer Corp. v. Gen. Motors Corp.*, 828 F.2d 1572, 1573–74 (Fed. Cir. 1987) (finding appellate jurisdiction over a partial summary judgment regarding

discovery proceedings,⁸⁰ petitions for writ of mandamus,⁸¹ and interlocutory appeals⁸² that involve non-patent issues in cases where patent claims are present.

b. Counterclaims

While patent-related defenses have never conferred Federal Circuit appellate jurisdiction,⁸³ patent law counterclaims, both compulsory and permissive, could serve as the basis for the Federal Circuit's appellate jurisdiction. The First Circuit was the first appellate court to hold⁸⁴ that a

antitrust claims entered pursuant to Fed. R. Civ. P. 54(b) when the court had previously heard an appeal from the patent claims before the district); *see also* Technicon Instruments Corp. v. Alpkem Corp., 866 F.2d 417, 418–20 (Fed. Cir. 1989) (exercising appellate jurisdiction over antitrust counterclaims that were separated from patent infringement claims). *But see* Denbicare U.S.A., Inc. v. Toys "R" Us, Inc., 84 F.3d 1143, 1147–48 (9th Cir. 1996) (denying Federal Circuit appellate jurisdiction over a finding of copyright infringement that was separated from patent claims, pursuant to Fed. R. Civ. P. 54(b), that were dismissed with prejudice); Unique Concepts Inc. v. Manuel, 930 F.2d 573, 575 (7th Cir. 1991) (noting that if non-patent claims were separated by the district court using Fed. R. Civ. P. 54(b), then there would be "a better argument" for regional circuit appellate jurisdiction), *affirmed on transfer*, 937 F.2d 622, 1991 WL 93202 (Fed. Cir. 1991) (unpublished table opinion); USM Corp. v. SPS Technologies, Inc., 770 F.2d 1035, 1036–37 (Fed. Cir. 1985) (transferring the case to the Seventh Circuit where the patent claims were heard by the Seventh Circuit before the Federal Circuit's creation and the patent claims were separated from the antitrust claims under Fed. R. Civ. P. 54(b)).

The Federal Circuit distinguished *USM Corp.* based on the fact that a transfer in *USM Corp.* advanced judicial economy, with the Seventh Circuit already having heard the patent claims, and the separation of claims occurred before the Federal Circuit had come into existence. *See Korody-Colver*, 828 F.2d at 1574.

80. *See* *McCook Metals LLC v. Alcoa, Inc.*, 249 F.3d 330, 330–34 (4th Cir. 2001) (transferring an appeal from an order to enforce a subpoena to the Federal Circuit because the underlying action was based in part on § 1338); *Dorf & Stanton Communications, Inc. v. Molson Breweries*, 56 F.3d 13, 14–15 (2d Cir. 1995) (transferring an appeal from a discovery ruling ancillary to a patent case and trademark case to the Federal Circuit).

81. *See* *Lights of Am., Inc. v. U. S. Dist. Court for the Cent. Dist. of Ca.*, 130 F.3d 1369, 1370–71 (9th Cir. 1997) (transferring a petition for mandamus to the Federal Circuit because the district court's jurisdiction was based, at least in part, on patent law claims); *In re BBC Int'l, Ltd.*, 99 F.3d 811, 813 (7th Cir. 1996) (transferring a petition for mandamus to the Federal Circuit because the district court's "jurisdiction rests on a patent claim" and therefore "an appeal from an entirely non-patent disposition goes to the Federal Circuit").

82. *See* 28 U.S.C. § 1292(c).

83. *See* *Christianson*, 486 U.S. at 809 ("[A] case raising a federal patent-law defense does not, for that reason alone, 'arise under' patent law, 'even if the defense is anticipated in the plaintiff's complaint, and even if both parties admit that the defense is the only question truly at issue in the case.'" (quoting *Franchise Tax Bd.*, 463 U.S. at 14)); *Louisville & Nashville R.R. Co.*, 211 U.S. at 152; *Speedco*, 853 F.2d at 912–13; *Schwarzkopf Development Corp. v. TI-Coating, Inc.*, 800 F.2d 240, 244 (Fed. Cir. 1986); *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 at 879 (Ca. Fed. 1983).

84. Before the First Circuit spoke on the issue, the Federal Circuit addressed the possibility of a counterclaim providing arising under jurisdiction in *dicta* in two cases, *Schwarzkopf* and *In re Innotron Diagnostics*, 800 F.2d 1077 (Fed. Cir. 1986). In *Schwarzkopf*, the Federal

patent law counterclaim, on its own, could vest the Federal Circuit with appellate jurisdiction.⁸⁵ The Federal Circuit followed up with its decision in *Aerojet-Gen. Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,⁸⁶ which held that, while the well-pleaded complaint rule governed “arising under” jurisdiction under § 1338, the legislative history behind the creation of the Federal Circuit and its jurisdictional statutes required the Federal Circuit to have jurisdiction over patent law counterclaims.⁸⁷ The court’s holding in *Aerojet* was later expanded to cover permissive counterclaims.⁸⁸ The Federal Circuit found “no sufficient basis in the language or purpose of section 1295(a)(1) to distinguish between compulsory and permissive counterclaims.”⁸⁹ The Federal Circuit has continued to exercise jurisdiction over an appeal where the only patent law claims before the district court are counterclaims.⁹⁰ For example, the court heard an appeal of a complaint alleging antitrust violations due to the refusal to sell patented repair parts and copyrighted instruction manuals, where the only patent claim resided in a counterclaim.⁹¹

Circuit held that the patent law counterclaims were dismissed voluntarily, and therefore could not confer jurisdiction. *See Schwarzkopf*, 800 F.2d at 244–45. But the court did note that “[t]he patent counts of Ti-Coating’s counterclaim, for declaratory judgment of patent invalidity, non-infringement, and unenforceability, are within the jurisdiction of the district court under § 1338 . . . [and] [t]hus appellate jurisdiction over suits involving a § 1338 counterclaim is assigned to the Federal Circuit.” *Id.* at 244.

The Federal Circuit made a similar statement in *Innotron*, commenting that “whether allegations of patent infringement be filed and maintained as a viable, non-frivolous counterclaim in a non-patent case, or as a separate complaint which is then consolidated with the non-patent case, the district court’s jurisdiction is based ‘in part’ on § 1338(a) and this court must exercise its exclusive appellate jurisdiction over the entire case.” 800 F.2d at 1080 (finding appellate jurisdiction over a consolidated case including an antitrust complaint and patent infringement complaint).

85. *Xeta, Inc. v. Atex, Inc.*, 825 F.2d 604, 604–07 (1st Cir. 1987) (transferring the appeal of the denial of a preliminary injunction on an antitrust claim to the Federal Circuit because *Atex* alleged patent infringement counterclaims below). The First Circuit concluded that “patent counts of a counterclaim fall within the district court’s jurisdiction under 28 U.S.C. § 1338,” and therefore the appellate jurisdiction of the Federal Circuit under § 1295(a)(1). *Id.* at 607.

86. *Aerojet-Gen. Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 745 (Fed. Cir. 1990).

87. *Id.* at 740–45 (exercising jurisdiction over *Aerojet*’s unfair competition claims). The Federal Circuit came to this conclusion while considering the Supreme Court’s decision in *Christianson* that the well-pleaded complaint rule applied to § 1338(a). *Id.*

88. *See DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir. 1999).

89. *Id.* at 1359 (exercising jurisdiction over the judgment on DSC’s copyright and trade secret claims and Pulse Communications unrelated patent infringement counterclaims).

90. The court’s appellate jurisdiction in *Holmes* over the district court’s decision regarding a trade dress claim was based on a patent law counterclaim. *See Holmes*, 122 S.Ct. at 1892–93.

91. *In re Indep. Serv. Org. Antitrust Litig.*, 203 F.3d 1322, 1324 (Fed. Cir. 2000). *See also Leatherman Tool Group Inc. v. Cooper Indus.*, 131 F.3d 1011, 1013–15 (Fed. Cir. 1997) (con-

c. Amendments and Dismissals

The Federal Circuit has also taken jurisdiction over appeals where patent claims were added to the initial complaint by amendment. Under the well-pleaded complaint rule, the "amended complaint . . . is controlling for the purpose of determining jurisdiction" on appeal.⁹² The Federal Circuit has even exercised jurisdiction over an appeal from a case in which the patent claim was added to the complaint after remand from a decision by another regional circuit.⁹³ The Federal Circuit looks at the complaint, at the time of appeal and determines whether the claims asserted arise under patent law, regardless of whether these claims were present in the initial filings.⁹⁴

Whether a patent law claim dismissed prior to appeal can confer jurisdiction appears to depend on the nature and circumstances surrounding the patent claim's dismissal or removal from the case. The Federal Circuit's appellate jurisdiction over those cases relies on whether the patent law claim is dismissed with or without prejudice.⁹⁵ Whether the patent claim was dismissed voluntarily or not has also been seen as part of the decision calculus for determining Federal Circuit appellate

sidering whether a counterclaim to a complaint alleging trade dress infringement included a substantial and necessary issue of patent law so as to give the Federal Circuit appellate jurisdiction).

92. *Kunkel v. Topmaster Int'l, Inc.*, 906 F.2d 693, 695–97 (Fed. Cir. 1990) (exercising appellate jurisdiction over a case in which a patent infringement claim was amended to the original complaint); *A.H.J. Vink v. Hendrikus Johannes Schijf, Rolkan N.V.*, 839 F.2d 676, 677–78 (Fed. Cir. 1988).

93. *Eaton Corp. v. Appliance Valves Corp.*, 790 F.2d 874, 876 & n.2. The original complaint in *Eaton* alleged three state law counts of trade secret misappropriation, which the district court had jurisdiction over because of diversity. *Id.* at 875. Eaton moved for a preliminary injunction on these claims that was denied, and Eaton appealed this denial to the Seventh Circuit. *Id.* at 875–76. The Seventh Circuit affirmed the denial and remanded the case to the district court, which granted Eaton leave to file an amended complaint that contained, among other things, a claim of patent infringement. *Id.* at 876.

94. *See, e.g., MCV, Inc. v. King-Seeley Thermos Co.*, 870 F.2d 1568, 1569–71 (finding appellate jurisdiction over claims for determination and correction of inventorship under 35 U.S.C. § 256 that were added to a complaint initially only alleging violations of the Lanham Act).

None of the Federal Circuit cases discussing its appellate jurisdiction over an amended complaint address amendments under Fed. R. Civ. P. 15(b), which allows a complaint to be amended to include a new and independent cause of action that has been "tried by express or implied consent of the parties." Fed. R. Civ. P. 15(b). Fed. R. Civ. P. 15(b) operates to treat such issues tried as if they were "raised in the pleadings." *Id.* The Supreme Court, in *Christianson*, while mentioning Fed. R. Civ. P. 15(b), did not address whether "a court of appeals could furnish itself a jurisdictional basis unsupported by the pleadings by deeming the complaint amended" under Fed. R. Civ. P. 15(b) because there was no evidence in that case of any consent by the parties to the litigation of a new patent law claim. *Christianson*, 486 U.S. at 814–15.

95. *See Joseph R. Re, Brief Overview of the Jurisdiction of the U.S. Court of Appeals for the Federal Circuit Under § 1295(a)(1)*, 11 FED. CIRCUIT B.J. 651, 661 (2001–2002).

jurisdiction.⁹⁶ If a dismissal is without prejudice and/or voluntary, the Federal Circuit has no jurisdiction over the appeal.

The Federal Circuit has maintained its appellate jurisdiction over cases in which the patent law claims have been dismissed with prejudice prior to appeal by entry of a joint stipulation and proposed order.⁹⁷ Whereas, the Federal Circuit has transferred to regional circuits, those cases in which the only patent claims before the district court were dismissed without any opposition by the pleading party.⁹⁸ The Federal Circuit also did not exercise jurisdiction over a case where the only patent claims were voluntarily dismissed by the plaintiff without prejudice prior to appeal.⁹⁹ The court denied appellate jurisdiction over an appeal in which the only patent law claim was dismissed without prejudice under Fed. R. Civ. P. 41(b).¹⁰⁰

96. See Douglas Y'Barbo, *On the Patent Jurisdiction of the Federal Circuit: A Few Simple Rules*, 79 J. PAT. & TRADEMARK OFF. SOC'Y 651, 660–61 (Sept. 1997).

97. *Zenith Electrics. Corp. v. Exzecs, Inc.*, 182 F.3d 1340, 1346–47 (Fed. Cir. 1999). The substance of the appeal in *Zenith* focused on the district court's dismissal, pursuant to Fed. R. Civ. P. 12(b)(6), of Exzecs counterclaims of unfair competition under § 43(a) of the Lanham Act and corresponding state law. *Id.* at 1342–43. The district court had dismissed Zenith's patent claims with prejudice upon a joint order presented by the parties. *Id.* at 1346. The Federal Circuit concluded that this dismissal with prejudice “constitute[d] an adjudication of the claims on the merits, not an amendment of the complaint,” and therefore the district court still had jurisdiction over the patent claims, and, as a result, the Federal Circuit had appellate jurisdiction. *Id.* (citing *Hartley v. Mentor Corp.*, 869 F.2d 1469, 1473 (Fed. Cir. 1989)).

98. *Schwarzkopf*, 800 F.2d at 243–45. The patent claims in *Schwarzkopf* that were dismissed without opposition were counterclaims plead by Ti-Coating. *Id.* at 241. The court reasoned that:

Ti-Coating's entire counterclaim was dismissed during the pleading stage. Since no objection was interposed by Ti-Coating, that dismissal was final and not appealable. Whatever the merits of the dismissal, the transient appearance of the counterclaim did not give it irrevocable control of the jurisdictional basis of the case.

Id. at 245.

99. *Gronholz v. Sears, Roebuck, & Co.*, 836 F.2d 515, 516–19 (Fed. Cir. 1987). Gronholz moved, without opposition, to have both his patent infringement claim and trade secret misappropriation claim dismissed without prejudice. *Id.* at 516. The district court granted Gronholz's unopposed motion with respect to the patent law claim, but not the trade secret claim. *Id.* The court then entered judgment with respect to the trade secret claim, and Gronholz appealed to the Federal Circuit. *Id.* The Federal Circuit addressed its appellate jurisdiction over Gronholz appeal, first noting that that Fed. R. Civ. P. 41(a) governed the motion for voluntary dismissal of the patent infringement claim. *Id.* at 517. However, the court observed that a voluntary dismissal under Fed. R. Civ. P. 41(a) is more properly viewed in the case as an amendment under Fed. R. Civ. P. 15, and therefore, Gronholz motion “constituted an amendment of his complaint” leaving only non-patent claims in the complaint before the district court. *Id.* at 517–18. The court also noted that Gronholz's actions did not appear to be an effort to manipulate appellate jurisdiction. *Id.* at 518 n.2.

100. *Nilssen v. Motorola, Inc.*, 203 F.3d 782, 783–85 (Fed. Cir. 2000). The district court in *Nilssen* dismissed Nilssen's patent infringement claims before trial upon Motorola's motion to bifurcate the patent claims from the state law trade secret claims, giving Nilssen leave to file a new complaint alleging patent infringement. *Id.* at 783. While Nilssen did not formally oppose Motorola's bifurcation motion, “Nilssen protested the separation of the claims during a

Regional circuits have also addressed the issue of pre-appeal dismissal, looking at similar factors such as whether the claim was dismissed with prejudice or whether the dismissal was voluntary. For example, the Seventh Circuit transferred an appeal to the Federal Circuit when the district court granted a patentee's motion to dismiss its patent infringement claims "conditioned on the execution of a covenant to not re-file the patent suit against" the defendant.¹⁰¹ On the other hand, the Fifth Circuit assumed jurisdiction over a case in which the patent claims were dismissed by the district court without prejudice.¹⁰²

d. Consolidation

The Federal Circuit also exercised its appellate jurisdiction over appeals in cases where patent law claims were consolidated with other district court cases. This issue was first addressed by the Federal Circuit in *Interpart Corp. v. Italia*, where the Federal Circuit took jurisdiction over both the appeal from a patent case and an unfair competition case

status hearing." *Id.* The Federal Circuit held that "[t]he voluntariness or involuntariness of a dismissal is not controlling in this context because, regardless whether the patent claims were dismissed without prejudice or extinguished by amendment, the effect is the same. The parties were left in the same legal position with respect to the patent claims as if they had never been filed." *Id.* at 784–85.

Judge Rader dissented in *Nilssen*, arguing that based on prior controlling Federal Circuit case, namely *Atari*, 747 F.2d at 1431, the Federal Circuit had jurisdiction because "the district court dismissed over Nilssen's objection under Fed. Re. Civ. P. 41(b)," making it an involuntary dismissal. *Nilssen*, 203 F.2d at 785 (Rader, J., dissenting).

Interestingly, the Seventh Circuit, hearing the transferred case, ordered the district court to reconsolidate the patent and trade secret claims because the claims rested on a common nucleus of facts and bifurcation would squander judicial resources and risk potentially inconsistent appellate decisions between the Seventh Circuit, with jurisdiction over the trade secret case, and Federal Circuit, with jurisdiction over the patent infringement case. *Nilssen v. Motorola, Inc.*, 255 F.3d 410, 412–15 (7th Cir. 2001). The court noted that once consolidated, the case would again be appealed to one circuit, the Federal Circuit. *Id.* at 414–15.

101. See *Unique Concepts, Inc. v. Manuel*, 930 F.2d 573, 574–75 (7th Cir. 1991). Unique Concepts's motion asked the district to dismiss the patent claims without prejudice. *Id.* at 574. The patent claims were pending with counterclaims by Manuel under state deception and consumer protection law. *Id.* at 573–74. The Federal Circuit ruled on the merits of the transferred case, affirming the district court's decision below. See *Unique Concepts v. Manuel*, 937 F.2d 622, 1991 WL 93202 (Fed. Cir. June 4, 1991) (unpublished table decision).

102. *Logan v. Burgers Ozark Country Cured Hams*, 263 F.3d 447, 453–55 (5th Cir. 2001). The court noted that Logan moved to dismiss the patent infringement claims with prejudice, but the district court failed to specify whether the dismissal was with or without prejudice. *Id.* at 453. The district court amended its order to indicate the dismissal was with prejudice, but this amendment occurred after the filing of Logan's notice of appeal, and therefore the district court was without jurisdiction to make such a substantive change. *Id.* at 454. The Fifth Circuit based its decision to exercise jurisdiction on the Federal Circuit's holding in *Nilssen*, noting that the only question relevant to the Federal Circuit's appellate jurisdiction is whether the dismissal is with or without prejudice. *Id.* at 454–55.

that were consolidated.¹⁰³ The Federal Circuit commented that it did not have jurisdiction over Interpart's declaratory judgment suit regarding unfair competition, but that once Italia's patent suit was combined with Interpart's suit, "the case became one that would fall within [the Federal Circuit's] jurisdiction when appealed."¹⁰⁴ The Federal Circuit came to a similar holding in another case, exercising jurisdiction over a petition for writ of mandamus requesting that the district court re-consolidate a patent and an antitrust case for trial.¹⁰⁵ The Federal Circuit concluded that "[a]t the time the district court issued the separation order . . . jurisdiction of the entire consolidated case was based 'in part' on 28 U.S.C. § 1338" due to one of the complaints below alleging patent infringement, and "[h]ence [the Federal Circuit] has exclusive jurisdiction of an appeal from the final judgment in this case."¹⁰⁶ The court further noted that the appeal was from "one lawsuit" and that the consolidation "produced the same status as that which would have obtained if [one party] had filed its patent claim as a counterclaims."¹⁰⁷ The Federal Circuit reasoned that it would be inconsistent to not find jurisdiction over a consolidated case but entertain jurisdiction over a counterclaim.¹⁰⁸ Since this holding, the Federal Circuit has exercised appellate jurisdiction over a petition for an extraordinary writ from an order consolidating five pending lawsuits, one of which included no patent law claims.¹⁰⁹

Other regional circuits have followed the Federal Circuit's holdings in this area, transferring appeals from cases in which patent claims were consolidated with a breach of contract suit¹¹⁰ or a trademark suit¹¹¹ to the Federal Circuit. The Fifth Circuit agreed with the Federal Circuit stating that "[s]o long as the [patent and non-patent] actions were consolidated, section 1295 unquestionably vested the Federal Circuit with exclusive jurisdiction of the entire action; however, when the consolidation order

103. *Interpart Corp. v. Italia*, 777 F.2d 678, 680–81 (Fed. Cir. 1985) (consolidated pursuant to Fed. R. Civ. P. 42(a)).

104. *Id.*

105. *Innotron*, 800 F.2d at 1080–81 (consolidated under Fed. R. Civ. P. 42(a) and then separated for trial under Fed. R. Civ. P. 42(b)).

106. *Id.* at 1080.

107. *Id.*

108. *Id.* "Thus the mere labeling and sequencing of pleadings in the trial tribunal cannot be allowed to control every exercise of [the Federal Circuit's] appellate jurisdiction." *Id.*

109. *In re Regents of Univ. of Ca.*, 964 F.2d 1128, 1130–31 (Fed. Cir. 1992).

110. *Wang Labs, Inc. v. Applied Computer Sciences, Inc.*, 926 F.2d 92, 93–94 (1st Cir. 1991) ("The breach of contract suit" that was consolidated with the contempt action "was grounded in Massachusetts state law; had it not been consolidated with the contempt case, the contract appeal could be heard by [the First Circuit].")

111. *Dorf & Stanton Communications, Inc. v. Molson Breweries*, 56 F.3d 13, 15–16 (2d Cir. 1995) (finding Federal Circuit appellate jurisdiction over a consolidated discovery ruling regarding a patent case and a separate trademark case).

was vacated, the antitrust action returned to its original independent status. Therefore, appellate jurisdiction over the appeal from the antitrust complaint dismissal "is proper in [the Fifth Circuit] under 28 U.S.C.A. § 1291."¹¹² However, the Seventh Circuit transferred an appeal from an antitrust case, that was consolidated with a patent case for pretrial purposes only, to the First Circuit instead of the Federal Circuit.¹¹³ The court concluded that if the antitrust case was tried separately, the appeal would lie with the regional circuit, not the Federal Circuit.¹¹⁴

2. Step Two Cases Regarding the Federal Circuit's Appellate Jurisdiction

The other area of jurisprudence regarding the Federal Circuit's appellate jurisdiction focuses on Step Two of the "arising under" analysis—whether the substance of those claims that fall within the well-pleaded complaint filter arise under patent law. The way in which Step Two questions are handled in the patent law context was addressed by the Supreme Court in *Christianson*. The Federal Circuit cases, as well as regional circuit cases, on the subject of appellate jurisdiction over patent issues fall into one of the two categories listed in *Christianson*. It is important to note that even if a claim falls into one of these two categories, frivolous claims cannot serve as the basis for Federal Circuit appellate jurisdiction.¹¹⁵

a. Category I—Patent Law Creates the Cause of Action

The easier cases to decide under the substantive prong of the "arising under" jurisdictional test involve those cases where federal patent law creates the cause of action.¹¹⁶ The Federal Circuit has held, for example, that federal patent law creates the cause of action for (1) claims of patent

112. *Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d 83, 85 (5th Cir. 1997) (finding appellate jurisdiction over the antitrust case because it was unconsolidated from the patent case).

113. *FMC Corp. v. Gloucester Eng'g Co.*, 830 F.2d 770, 772–73 (7th Cir. 1987).

114. *See id.* The Seventh Circuit noted, however, that for some circuits, consolidation for pretrial purposes can also be considered consolidated for appeals purposes. *Id.* at 773.

115. *See, e.g., Eaton*, 790 F.2d at 876 n.3 (Claims that are "baseless or frivolous or" whose "addition to the complaint was a tactical procedural maneuver" cannot form the basis for Federal Circuit appellate jurisdiction.).

116. The Supreme Court noted that the Holmes's test, which Category I is based on, is "more useful for describing the vast majority of cases that come within the district court's original jurisdiction than it is for describing which cases are beyond the district court jurisdiction." *Franchise Tax Bd.*, 463 U.S. at 9.

infringement;¹¹⁷ (2) claims regarding inventorship under 35 U.S.C. §§ 116, 256;¹¹⁸ (3) claims for attorney fees under 35 U.S.C. § 285;¹¹⁹ and (4) claims regarding the suspension of a patent attorney's license to practice pursuant to 35 U.S.C. § 32.¹²⁰ The Federal Circuit has also found that statutes outside of Title 35 are part of federal patent law and confer § 1338 jurisdiction. For example, a claim for compensation regarding the Tennessee Valley Authority's right to practice patents pursuant to 16 U.S.C. § 831r are created by federal patent law,¹²¹ as well as a claim that

117. See, e.g. *Kidde, Inc. v. E.F. Bavis & Associates, Inc.*, 735 F.2d 1085, 1085–86 (8th Cir. 1984) (transferring an appeal of a declaratory judgment action of non-infringement and invalidity to the Federal Circuit).

Based on how a plaintiff pleads their claims, a claim of patent infringement can still confer jurisdiction on the district court and Federal Circuit even when conditioned upon the resolution of a licensing contract dispute. See *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915); *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1912); *Littlefield v. Perry*, 88 U.S. (21 Wall.) 205, 223 (1874) (finding claim brought by licensee arose under patent laws); *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U.S. 282, 291 (1902) (same); *Kunkel v. Topmaster Int'l*, 906 F.2d 693, 695–97 (Fed. Cir. 1990) (finding jurisdiction under § 1338 even though answering a question of contract law may moot the claims of patent infringement); *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 273 (Fed. Cir. 1985) (finding § 1338 jurisdiction even though the dispute was between contracting parties); *Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 1562–63 (Fed. Cir. 1985) (finding jurisdiction under § 1338 because the plaintiff averred that the defendant infringes, and continues to infringe, one of the plaintiff's patents); see also *Hale, supra* note 14, at 245–46.

Also, the Federal Circuit, and district courts, retain jurisdiction over disputes regarding settlements and consent judgments resulting from patent infringement cases, particularly when these agreements are integrated into the district court's final judgment. See *Novamedix, Ltd. v. NDM Acquisition Corp.*, 166 F.3d 1177, 1179–80 (Fed. Cir. 1999); *Gjerlov v. Schuyler Laboratories, Inc.*, 131 F.3d 1016, 1019 (Fed. Cir. 1997); *Interspiro USA, Inc. v. Figgie Int'l Inc.*, 18 F.3d 927, 930 (Fed. Cir. 1994) (applying regional circuit law); *Joy Mfg. Co. v. Nat'l Mine Serv. Co.*, 810 F.2d 1127, 1128–29 (Fed. Cir. 1987) (looking to the regional circuit law for guidance); but see *Clausen Co. v. Dynatron/Bonso Corp.*, 889 F.2d 459, 464–65 (3d Cir. 1989).

118. See *Banks v. Unisys Corp.*, 228 F.3d 1357, 1359 (Fed. Cir. 2000) (exercising appellate jurisdiction over a claim for correction of multiple patents due to failure to name the proper inventors); *Bradley*, 136 F.3d at 1320 (noting that "Federal Circuit jurisdiction of this appeal derives from the counts for declaration of inventorship and unenforceability under the patent laws"); *Fina Oil & Chem. Co. v. Ewen*, 123 F.3d 1466, 1473–74 (Fed. Cir. 1997) (exercising appellate jurisdiction over a declaratory judgment action of proper inventorship); *MCV*, 870 F.2d at 1569–71 (finding appellate jurisdiction over a claim for correction of improper inventorship); see also *Re, supra* note 95, at 658.

119. See *Imagineering*, 53 F.3d at 1263; see also *Re, supra* note 95, at 658–59.

120. See *Wyden v. Comm'r of Patents & Trademarks*, 807 F.2d 934, 935–37 (Fed. Cir. 1986) (*en banc*) ("deciding that § 32 is an Act of Congress which related to patents within the meaning of § 1338(a) and that Wynden's action is a civil action" [challenging his suspension from practice before the USPTO] "arising under § 32"); *Jaskiewicz v. Mossinghoff*, 802 F.2d 532, 533–37 (D.C. Cir. 1986) (transferring an appeal to the Federal Circuit because the case included a claim challenging the USPTO's suspension of Jaskiewicz's license pursuant to 35 U.S.C. § 32).

121. See *Alco Standard Corp. v. Tenn. Valley Auth.*, 808 F.2d 1490, 1493–95 (Fed. Cir. 1986) (noting that "[i]t would be anomalous if appeals in patent infringement suits against

the Department of Energy does not own a patent pursuant to 42 U.S.C. § 5908(a).¹²² In contrast to these cases, the Federal Circuit held that 35 U.S.C. § 294, which gives district courts the ability to enforce agreements to arbitrate patent disputes, cannot form the basis for a cause of action or district court jurisdiction because no claims arise under that statute.¹²³

b. Category II—Substantial and Necessary Question of Patent Law

The tougher question for courts to answer under Step Two is whether a claim meets the Category II test enumerated in *Christianson* "that the 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."¹²⁴ As exemplified by the Supreme Court's application of this test in *Christianson*, a claim that is "supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories."¹²⁵ The Federal Circuit has found a substantial and necessary question of patent law, for example, in the following cases: (1) a claim seeking an earlier patent filing date from the USPTO;¹²⁶ (2) a claim asserting that the USPTO should revive a patent application or at least allow the filing of a continuation;¹²⁷ (3) a claim seeking to invalidate a rule issued by the Commissioner of the USPTO;¹²⁸ (4) a state law claim

TVA were heard by the regional circuit, when all other appeals in patent infringement suits come to this court").

122. *Cedars-Sinai Med. Ctr. v. Watkins*, 11 F.3d 1573, 1577–80 (Fed. Cir. 1993) (finding that 42 U.S.C. § 5908(a) "clearly 'relat[es] to' patents").

123. *Ballard Med. Prods. v. Wright*, 823 F.2d 527, 531 (Fed. Cir. 1987).

124. *Christianson*, 486 U.S. at 808–09. "The Supreme Court has been more successful in defending the existence of this category than in defining its scope." Oakley, *supra* note 41, at 1839.

125. *Christianson*, 486 U.S. at 810 (noting that, while a patent-law issue was "arguably necessary to at least one theory under each [Sherman Act] claim," resolution of a patent-law issue "is not necessary to the overall success of either claim").

126. *See* *Dubost v. U.S. Patent & Trademark Office*, 777 F.2d 1561, 1565–1566 (Fed. Cir. 1985) (noting that *Dubost's* claim required a construction of 35 U.S.C. § 111 to determine if an unsigned check meets the fee requirements for filing an application).

127. *Morganroth v. Quigg*, 885 F.2d 843, 846 (Fed. Cir. 1989) (finding appellate jurisdiction because *Morganroth's* claim asserted that her right to revival, or at least the right to file a continuation, was supported by the proper interpretation of 35 U.S.C. §§ 41(a)(7), 133 and 35 U.S.C. § 120 respectively).

128. *Animal Legal Defense Fund v. Quigg*, 900 F.2d 195, 197 (9th Cir. 1990) (transferring the appeal to the Federal Circuit because the claims below required the resolution of whether the Commissioner exceeded his statutory authority under the Patent Act by promulgating the rule in dispute).

requiring the proof of the falsity of patent infringement accusations¹²⁹ or statements of patent validity;¹³⁰ (5) a claim for breach of contract that requires a determination of patent infringement;¹³¹ (6) a claim challenging a bankruptcy court decision including allegations of patent infringement;¹³² (7) a claim under the Administrative Procedure Act (“APA”) to review the denial of a petition to the USPTO to accept a patent application;¹³³ and (8) non-patent claims that require the determination of whether a particular patent application is the continuation-in-part of another application.¹³⁴ In contrast, the Federal Circuit has not found a substantial and necessary question of patent law, for example, in the following cases: (1) a contract claim regarding ownership of a patent;¹³⁵ (2) a contract claim that, as plead, simply involves patents, but does not require answering questions of infringement, invalidity, or unenforceability;¹³⁶ (3) a counterclaim “based on a federal right to copy

129. *3d Sys., Inc. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 1377 n.2 (Fed. Cir. 1998); *Adaptive Controls & Measurements Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 477–79 (Fed. Cir. 1993).

130. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1324–31 (Fed. Cir. 1998), *overruled in part*, *Midwest Trailer, Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1359 (Fed. Cir. 1999) (*en banc*).

131. *U.S. Valves Inc. v. Dray*, 190 F.3d 811, 813–15 (7th Cir. 1999) (transferring the appeal to the Federal Circuit because the only way to determine the breach of the exclusivity provision of the license agreement depended on whether certain valves sold infringed the licensed patents); *Scherbatskoy v. Halliburton Co.*, 125 F.3d 288, 291 (5th Cir. 1997) (transferring the appeal to the Federal Circuit because “determining whether [one defendant] infringed the [plaintiff’s] patents is a necessary element to recovery of additional royalties or a finding that [another defendant] breached the Patent License Agreement” by acquiring a new company that allegedly infringed the patents).

132. *In re Cambridge Biotech Corp.*, 186 F.3d 1356, 1369–70 (Fed. Cir. 1999).

133. *Helfgott & Karas v. Dickenson*, 209 F.3d 1328, 1333–35 (Fed. Cir. 2000) (noting that the APA claims involved the Commissioner’s duties identified in 35 U.S.C. § 364).

134. *Univ. of W. Va. v. Vanhoorhies*, 278 F.3d 1288, 1295 (Fed. Cir. 2002).

135. *Am. Tel. & Tel. Co v. Integrated Network Corp.*, 972 F.2d 1321, 1323–25 (Fed. Cir. 1992) (remanding a contract case back to the district court with instructions to remand to state court); *Speedco*, 853 F.2d at 911–15 (finding no jurisdiction because the only patent law issues would be an element of a defense to the contract suit, and therefore did not satisfy the well-plead complaint rule); *Consol. World Housewares, Inc. v. Finkle*, 831 F.2d 261, 264–65 (Fed. Cir. 1987) (finding no appellate jurisdiction over a contract case that “may involve a determination of the true inventor”); *Beghin-Say Int’l, Inc. v. Rasmussen*, 733 F.2d 1568, 1570–72 (Fed. Cir. 1984) (finding no appellate jurisdiction over a case involving a question of contract interpretation as to whether title was “conveyed . . . to two then non-existent U.S. patent applications”).

136. *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1576–79 (finding that the wording of the patent claim, as plead in a contract suit, to rob the district court of jurisdiction); *In re Oximetrix, Inc.*, 748 F.2d 637, 641–43 (Fed. Cir. 1984) (denying appellate jurisdiction over a petition for mandamus from a district court’s remand of a case back to state court) (“The action arose under state contract laws, not under the patent laws”—“[t]he complaint spoke only of contract claims—[i]t said not a word about patent infringement”).

what is in the public domain" that mentions patent law;¹³⁷ (4) a trade secret misappropriation claim that involves material contained in a patent application;¹³⁸ and (5) a declaratory judgment claim from state bar disciplinary proceeding asserting that federal patent law preempted the proceedings.¹³⁹

The above is a quick review of the state of the law governing the Federal Circuit's appellate jurisdiction. With this setting, the Supreme Court's recent decision in *Holmes* will be examined.

II. SUPREME COURT'S DECISION IN *HOLMES*

A. Procedural History

On November 26, 1999, Vornado lodged a complaint with the United States International Trade Commission ("ITC") claiming that Holmes's fan and heater products infringed Vornado's protectable trade dress under § 43(a) of the Lanham Act.¹⁴⁰ The next month, Holmes sued Vornado in the United States District Court for the District of Kansas, with its complaint setting forth seven causes of action: "(1) declaratory judgment of non-liability under 15 U.S.C. § 1125(a) [§ 43 of the Lanham Act]; (2) violation of Mass. Gen. L. ch. 93A, §§ 2 and 11; (3) violation of 15 U.S.C. § 1125(a); (4) [] interference with prospective economic advantage; (5) defamation; (6) unfair competition; and (7) injurious falsehood."¹⁴¹ Vornado answered Holmes's complaint, specifically alleging counterclaims of trade dress infringement and patent infringement.¹⁴² The parties agreed that the trade dress at issue "is the exact same mechanical configuration which the Tenth Circuit has explicitly held 'cannot be protected by trade dress.'"¹⁴³

Holmes requested a preliminary injunction which the district court granted, finding that Vornado could not claim that the fan grill at issue

137. *Leatherman Tool Group*, 131 F.3d at 1013–15 (transferring the appeal because federal patent laws do not create any affirmative right to make, use, or sell anything).

138. *Uroplasty, Inc. v. Advanced Uroscience, Inc.*, 239 F.3d 1277, 1279–80 (Fed. Cir. 2001) (noting that "the mere presence of the patent does not create a substantial issue of patent law").

139. *Kroll v. Finnerty*, 242 F.3d 1359, 1365–66 (Fed. Cir. 2001) (noting that Kroll's claim, while requiring some understanding of the duties before the USPTO, does not raise a substantial question of patent law).

140. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 93 F. Supp. 2d 1140, 1141 (D. Kan. 2000); Petitioner's Brief to the Supreme Court in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.* No. 01-408, 2002 WL 24105, *3 n.2 (Jan. 4, 2002).

141. See Petitioner's Brief, 2002 WL 24105 at *3.

142. See *Holmes*, 93 F. Supp.2d at 1141; Petitioner's Brief, 2002 WL 24105 at *4–5 n.3.

143. See *Holmes*, 93 F. Supp. 2d at 1141.

was protectable trade dress in light of the Tenth Circuit's earlier decision.¹⁴⁴ Vornado appealed this holding to the Federal Circuit, but after the appeal was filed, the district court granted Holmes' motion for summary judgment on the same issue.¹⁴⁵ Vornado dismissed its earlier appeal, and filed an appeal from the grant of summary judgment to the Federal Circuit. Vornado withdrew its ITC complaint, and the ITC investigation was terminated on July 20, 2000.¹⁴⁶ In addition, Vornado entered into a joint stipulation that its patent infringement counterclaims would be stayed pending the result of the Federal Circuit appeal, and that if it lost its appeal, the patent infringement counterclaims would be dismissed with prejudice.¹⁴⁷

On appeal, in addition to arguing the merits, Holmes contended that the proper venue for appeal was the Tenth Circuit, not the Federal Circuit because its complaint did not allege any claims "arising under" patent law and Vornado's patent infringement counterclaim cannot create "arising under" jurisdiction because that would violate the well-pleaded complaint rule.¹⁴⁸ After the appeal was heard by the Federal Circuit, the Supreme Court's decision in *Traffix Devices, Inc. v. Marketing Displays, Inc.*¹⁴⁹ was handed down. The Federal Circuit remanded the case to the district court to reevaluate its decision in light of the Supreme Court's holding in *Traffix*.¹⁵⁰

B. Supreme Court's Decision

Holmes challenged the Federal Circuit's appellate jurisdiction in its petition for certiorari to the Supreme Court. The Court granted Holmes's petition "to consider whether the Federal Circuit properly asserted jurisdiction over [Vornado's] appeal."¹⁵¹

1. Majority's Opinion

The Supreme Court began its decision by focusing on the specific statute that vests the Federal Circuit with its exclusive appellate jurisdic-

144. See Petitioner's Brief, 2002 WL 24105 at *3.

145. *Holmes*, 93 F. Supp. 2d at 1142-45.

146. See *id.*; 65 Fed. Reg. 45999 (July 26, 2000).

147. See Petitioner's Brief, 2002 WL 24105 at *10 n.8.

148. See *id.* at *11.

149. See *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001).

150. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, No. 00-1286, 13 Fed. Appx. 961, 961-62 (Fed. Cir. June 5, 2001).

151. *Holmes*, 122 S.Ct. at 1892. The Court indicated in a footnote that, just as in *Christianson*, "this case does not call upon us to decide whether the Federal Circuit's jurisdiction is fixed with reference to the complaint as initially filed or whether an actual or constructive amendment to the complaint raising a patent-law claim can provide the foundation for the Federal Circuit's jurisdiction." *Id.* at 1893 n.1.

tion over patent cases, 28 U.S.C. § 1295(a).¹⁵² The Court noted that § 1295(a)(1) provided the Federal Circuit had exclusive jurisdiction over cases in which the district court's jurisdiction "was based on, in whole or in part, [28 U.S.C. §] 1338."¹⁵³ The Court then turned to the language of § 1338, which it noted provided for district courts to have jurisdiction over "civil action[s] arising under any Act of Congress relating to patents"¹⁵⁴ After looking at the text of the statute, the Court concluded that "the Federal Circuit's jurisdiction is fixed with reference to that of the district court, and turns on whether the action arises under federal patent law."¹⁵⁵

The Court then indicated that the language, "arising under," in § 1338(a) is the same "operative language as 28 U.S.C. § 1331, the statute conferring general federal-question jurisdiction."¹⁵⁶ Turning to its decision in *Christianson*, the Court stated that "[l]inguistic consistency" required it to apply the same "arising under" test employed under § 1338(a) as is applied under § 1331.¹⁵⁷ Considering that the well-pleaded-complaint rule case law "has long governed whether a case 'arises under' federal law for purposes of § 1331," the Court applied the rule to determine the appellate jurisdiction of the Federal Circuit.¹⁵⁸ Quoting *Christianson*, the Court concluded that "appropriately adopted to § 1338(a)," the well-pleaded complaint rule provides that whether a case "arises under" patent law "must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration"¹⁵⁹ *Holmes*, the plaintiff below, did not assert any claim arising under federal patent law in its complaint, and therefore, based on the well-pleaded complaint rule, the civil action did not "aris[e] under" federal patent law and the Federal Circuit did not have appellate jurisdiction.¹⁶⁰ The requirements of § 1338(a) were not met, and thus, in turn, § 1295(a)(1) did not confer jurisdiction on the Federal Circuit.

The Court turned to *Vornado's* argument that the well-pleaded-complaint rule allows "counterclaim[s] to serve as the basis for a district court's 'arising under' jurisdiction."¹⁶¹ While having never directly

152. *See id.* at 1892–93.

153. *Id.*

154. *Id.* at 1893 (emphasis added).

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.* The Court also indicated, in a footnote, that the well-pleaded complaint rule governs the removability of a case from state to federal court under 28 U.S.C. § 1441(a). *Id.* at 1893 n.2 (citing *Franchise Tax Bd.*, 463 U.S. 1 (1983)).

159. *Holmes*, 122 S.Ct. at 1893.

160. *See id.*

161. *Id.*

addressed whether counterclaims can establish “arising under” jurisdiction, the Court first focused on the fact that its case law, regarding the well pleaded complaint rule, looked at the “plaintiff’s properly pleaded complaint.”¹⁶² Citing previous case law holding that answers cannot be consulted to determine whether a case arises under federal law, the Court declined to adopt Vornado’s proposed well-pleaded complaint rule that allowed a counterclaim, “which appears as part of the defendant’s answer, not as part of the plaintiff’s complaint,” to “serve as the basis for ‘arising under’ jurisdiction.”¹⁶³

In addition to its case law regarding answers and arising under jurisdiction, the Court discerned that to “[a]llow[] a counterclaim to establish ‘arising under’ jurisdiction would . . . contravene the longstanding policies underlying [the Court’s] precedents” in three distinct ways.¹⁶⁴ First, allowing a counterclaim to determine jurisdiction runs antithetical to the fact that the plaintiff is “the master of the complaint.”¹⁶⁵ Allowing a defendant’s response to a plaintiff’s complaint to be determinative, takes away the plaintiff’s control of which appellate forum the case is appealed. Including counterclaims under the rule would also destroy the plaintiff’s control over removal jurisdiction.¹⁶⁶ Traditionally, the plaintiff, being the master of the complaint, could control whether its claims were heard in federal or state court. For example, by not pleading those claims based in federal law, the case would be heard in state court. If the well-pleaded-complaint rule included those claims arising under a defendant’s counterclaim, the plaintiff would lose its ability to raise its claims in the forum of choice—state or federal.

This lack of control by the plaintiff on the acceptance or rejection of a state forum leads to the Court second reason for rejecting a well-pleaded complaint rule that included counterclaims—expansion of removal jurisdiction.¹⁶⁷ The Court noted that “conferring this power upon the defendant [to control the choice of forum] would radically expand the class of removable cases contrary to the ‘[d]ue regard for the rightful independence of state governments’ that [the Courts] cases addressing removal require.”¹⁶⁸ As the Court indicated earlier in *Holmes*, “arising under” jurisdiction also controls the removability of a case from state to federal court.¹⁶⁹ The removal statute, 28 U.S.C. § 1441(a), provides, in

162. *Id.*

163. *Id.* at 1894.

164. *Id.*

165. *Id.*

166. *Id.*

167. *See id.*

168. *Id.*

169. *Id.* at 1893 n.2.

relevant part, that "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. . . ." ¹⁷⁰ The original jurisdiction of a district court, in patent cases, and federal question cases in general, is determined with reference to "arising under" jurisdiction. ¹⁷¹ If the "arising under" jurisdiction expands to include defendants' counterclaims, the potential for more cases to become removable based on a defendants' pleadings in state court increases.

Third, the Court reasoned that "allowing responsive pleadings by the defendant to establish 'arising under' jurisdiction would undermine the clarity and ease of administration of the well-pleaded-complaint doctrine, which serves as a 'quick rule of thumb' for resolving jurisdiction conflicts." ¹⁷²

Vornado argued, in the alternative, that "arising under" should have a unique interpretation when it comes to the Federal Circuit's appellate jurisdiction in order to give effect to Congress's intent to have patent claims be exclusively reviewed by the Federal Circuit. ¹⁷³ The Court concluded that it could not negate the well understood definition of both "arising under" in title 28 and the well-pleaded complaint rule. ¹⁷⁴ The Court felt its hands were further tied by the fact that § 1295(a)(1) defined the Federal Circuit's jurisdiction through its reference to § 1338, which defines the original jurisdiction of federal district court's over patent law cases, as well as copyright and trademark cases. ¹⁷⁵ The Court indicated that "[i]t would be an unprecedented feat of interpretive necromancy to say that § 1338(a)'s 'arising under' language means one thing (the well-pleaded-complaint rule) in its own right, but something quite different ([Vornado's] complaint-or-counterclaim rule) when referred to by § 1295(a)(1)." ¹⁷⁶ The Court also noted, in a footnote, that the Federal Circuit's jurisdiction could not be determined by looking at what claims were actually adjudicated, a method the Court expressly rejected in *Christianson*. ¹⁷⁷

The Court concluded that "[n]ot all cases involving a patent-law claim fall within the Federal Circuit's jurisdiction. By limiting the Federal Circuit's jurisdiction to cases in which district courts would have jurisdiction under § 1338, Congress referred to a well-established body

170. 28 U.S.C. § 1441(a).

171. See 28 U.S.C. §§ 1331, 1338.

172. *Holmes*, 122 S.Ct. at 1894 (citing *Franchise Tax Bd.*, 463 U.S. at 11).

173. *Id.* at 1894.

174. *Id.* at 1895.

175. See *id.*

176. *Id.*

177. *Id.* at 1894 n.3 (citing *Christianson*, 486 U.S. at 814).

of law that requires courts to consider whether a patent-law claim appears on the face of the plaintiff's well pleaded complaint."¹⁷⁸ The Federal Circuit's judgment was therefore vacated and the case remanded to the Federal Circuit with instructions to transfer the case to the Tenth Circuit.¹⁷⁹

2. Justice Stevens's Concurrence

Three Justices wrote concurrences to the majority's opinion. First, Justice Stevens, concurred in part and concurred in the judgment.¹⁸⁰ Agreeing with the majority that the appellate jurisdiction of the Federal Circuit is fixed with reference to the jurisdiction of the district court, Justice Stevens added that appellate jurisdiction does not become fixed until the filing of a notice of appeal.¹⁸¹ Justice Stevens explained that, if the district court case begins as an antitrust case, but patent claims are amended to the complaint and pending or decided before an appeal is taken, then, at the time of appeal, the district court's jurisdiction "aris[es] under" the patent laws and § 1295(a)(1) provides the Federal Circuit with appellate jurisdiction.¹⁸² Justice Stevens noted, conversely, that if a patent claim, originally in the complaint, was "voluntarily dismissed in advance of trial," the appellate jurisdiction lay in the appropriate regional circuits, not the Federal Circuit.¹⁸³ "Any other approach 'would enable an unscrupulous plaintiff to manipulate appellate court jurisdiction by the timing of the amendments to its complaint,'" ¹⁸⁴ Justice Stevens made these comments because "[t]o the extent that the Court's opinion might be read as endorsing a contrary result by reason of its reliance on cases involving removal jurisdiction of the district," he disagreed.¹⁸⁵

Justice Stevens then proceeded to agree with the majority's conclusion that the Federal Circuit's exclusive jurisdiction "is limited to those cases in which the patent claim is alleged in either the original complaint or an amended pleading filed by the plaintiff."¹⁸⁶ Justice Stevens noted that such a rule maintains the plaintiff as the master of the complaint and in control of both the forum for trial and appellate review.¹⁸⁷ Justice Steven also observed that Congress, in drafting § 1295(a)(1), specifically left claims arising under copyright and trademark law out of the Federal

178. *Id.* at 1895.

179. *Id.*

180. *Id.* at 1895–98 (Stevens, J., concurring).

181. *Id.* at 1895–96.

182. *Id.* at 1896.

183. *Id.*

184. *Id.* (quoting *Christianson*, 486 U.S. at 824 (Stevens, J. concurring)).

185. *Id.*

186. *Id.* at 1896–97.

187. *Id.* at 1897.

Circuit's jurisdiction, but still within the district court's original jurisdiction under § 1338(a), demonstrating Congress's desire to have copyright and trademark claims handled by the regional circuits.¹⁸⁸ Justice Stevens stated that, as the *Holmes* case demonstrated, copyright and trademark claims are commonly "bound up with patent counterclaims," and to allow such counterclaims to force those cases to the Federal Circuit would run counter to the specific appellate jurisdiction Congress defined.¹⁸⁹ Justice Stevens also noted that "the interest in maintaining clarity and simplicity in rules governing appellate jurisdiction will be served by limiting the number of pleadings that will mandate review in the Federal Circuit."¹⁹⁰

Justice Stevens concluded that "other circuits will have some role to play in the development of this area of law. An occasional conflict in decision may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the rise that the specialized court may develop an institutional bias."¹⁹¹

3. Justice Ginsburg's Concurrence

The other concurrence was filed by Justice Ginsburg, who was joined by Justice O'Connor.¹⁹² Justice Ginsburg concluded that "when the claim stated in a compulsory counterclaim 'aris[es] under' federal patent law and is adjudicated on the merits by a federal district court, the Federal Circuit has exclusive appellate jurisdiction over the adjudication and other determinations made in the same case."¹⁹³ Justice Ginsburg framed the issue before the Court as one regarding a choice of appellate forum, not trial forum, because the statute at issue, 35 U.S.C. § 1295(a)(1), is focused on the Federal Circuit's authority given to it by Congress.¹⁹⁴ Justice Ginsburg, however, concurred in the judgment, because "no patent claim was actually adjudicated."¹⁹⁵

188. *Id.*

189. *Id.*

190. *Id.*

191. *Id.* at 1897-98.

192. *See id.* at 1898 (Ginsburg, J., concurring).

193. *Id.* at 1898 (citing *Aerojet*, 895 F.2d at 741-44). Justice Ginsburg noted that a patent infringement counterclaim gives a district court an independent jurisdictional basis under 28 U.S.C. § 1338. *Id.*

194. *Id.*

195. *Id.*

III. HOLMES'S IMPACT ON THE UNIFORMITY OF PATENT LAW

The rule of law set forth in *Holmes*, that both the Federal Circuit's and district court's jurisdiction over patent cases is governed by the well-pleaded complaint rule, which does not include counterclaims, has the potential to disrupt the uniformity in patent law Congress attempted to create in 1982.¹⁹⁶ Patent law claims, after *Holmes*, may be decided by regional circuits. Some patent law claims, as a result of the rule set forth in *Holmes*, may never make it into the federal court system, allowing state courts to decide patent claims. The role of regional circuits and state courts in the development of patent law has the potential to increase significantly, which, in turn, will reduce the Federal Circuit's and the federal judiciary's influence over patent law. Any impact on patent law uniformity post-*Holmes* will depend on two factors: (i) the number of the cases diverted from the Federal Circuit's and federal courts' jurisdiction and (ii) what control Federal Circuit law will have over patent law decisions made by regional circuits and state courts.¹⁹⁷

A. Patent Cases *Holmes* Diverts From the Federal Circuit and Federal Courts

1. Federal Circuit's Appellate Jurisdiction over Patent Law Claims

The clearest impact of the Supreme Court's holding in *Holmes* is that the Federal Circuit's appellate jurisdiction cannot be based on patent law counterclaims. This impact has already been witnessed with recent decisions by the Federal Circuit to transfer cases in light of *Holmes*. But the Supreme Court's decision may have an even farther reaching impact. *Holmes* solidifies the well-pleaded complaint rule as the test to determine the Federal Circuit's appellate jurisdiction under § 1295(a)(1). The impact such a holding will have on other Step One questions, such as dismissals before appeal and consolidation, is unclear. In addition, the foundations under the Court's analysis in *Holmes*, particularly the

196. See *Vardon Golf Co. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1336 (Fed. Cir. 2002) (Dyk, J., concurring) (noting that "the recent decision of the Supreme Court in [*Holmes*] may make . . . uniformity more elusive"); Janice M. Mueller, "Interpretive Necromancy" or Prudent Patent Policy? *The Supreme Court's "Arising Under" Blunder in Holmes Group v. Vornado*, 2 J. MARSHALL REV. INTELL. PROP. L. 57, 59 (2002) ("The decision in *Holmes Group* resurrects the specter of regional circuit-specific, non-uniform patent jurisprudence and the potential for forum shopping that entails, the very problem that the Federal Circuit was created to remedy."); Edward G. Poplawski, *Patent Litigation After Vornado*, 725 *PLI/Pat* 407, 420 (Sept.-Oct. 2002) ("Time will only tell whether the state of patent law [after *Vornado*] will eventually return to the way it was before 1982.").

197. See Poplawski, *supra* note 196, at 420 ("The level of unpredictability in patent law may largely depend on whether the regional circuits apply Federal Circuit precedent or choose to apply their own law to the cases before them.").

Court's reliance on removal case law, may impact the Federal Circuit's jurisprudence as to whether dismissed or amended patent claims can form the basis of appellate jurisdiction. The effects *Holmes* has on the current law governing the Federal Circuit's appellate jurisdiction will be explored in detail below.

But, it is important to note that *Holmes* did not address any of the case law regarding Step Two of "arising under" jurisdiction—whether the substance of the claims before the district court fall within the Federal Circuit's appellate jurisdiction.¹⁹⁸ The decision in *Holmes* focused solely on Step One—the scope of the lens through which patent law claims may be found. Therefore, the two possible criteria under which a claim may substantively arise under patent law, enumerated in *Christianson*, remain unchanged.¹⁹⁹ In addition, frivolous patent law claims, no matter how they are presented, still cannot form the basis for Federal Circuit appellate jurisdiction.

a. Issue versus Case Jurisdiction

While the Supreme Court did not directly address this issue in *Holmes*, it stayed true to its statement in *Christianson* that the point of reference for determining Federal Circuit appellate jurisdiction is the "well-pleaded complaint, not the well-trying case."²⁰⁰ The majority in *Holmes* made their comment in response to Justice Ginsburg's statement in her concurrence that the Federal Circuit has jurisdiction only over a patent claim that was "actually adjudicated."²⁰¹ The Supreme Court, in *Holmes*, continued its focus on the jurisdiction of the district court, as opposed to the specific substance of the appeal. If the Supreme Court believed issue jurisdiction was appropriate, the Supreme Court did not have to decide whether counterclaims can confer jurisdiction and simply stop at the fact that only *Holmes*'s trade dress claim was on appeal.²⁰² *Holmes* left the case law in this area of Federal Circuit appellate jurisdiction jurisprudence undisturbed. Furthermore, footnote 3 of the Court's decision can be read as reaffirming that the Federal Circuit's appellate jurisdiction is over the entire case, not just patent issues on appeal.²⁰³

198. See Poplawski, *supra* note 196, at 419.

199. See *Holmes*, 122 S.Ct. at 1893 (quoting *Christianson*, 486 U.S. at 809).

In addition, the Federal Circuit has concluded, even after *Holmes*, the court has jurisdiction over those appeals where the "well-pleaded complaint sought declarations of patent noninfringement." *Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1366–67 (Fed. Cir. 2002).

200. *Holmes*, 122 S.Ct. at 1894 n.3 (quoting *Christianson*, 486 U.S. at 814).

201. *Holmes*, 122 S.Ct. at 1894 n.3.

202. See *id.* at 1893–84.

203. See *id.* at 1894 n.3.

b. Counterclaims

The Supreme Court's decision in *Holmes* expressly held that the Federal Circuit's appellate jurisdiction is found in the district court's "arising under" jurisdiction, which is governed, at least in part, by the well-pleaded complaint rule.²⁰⁴ The Court also stated, for the first time, that a counterclaim cannot form the basis for "arising under" jurisdiction because it violates the well-pleaded complaint rule.²⁰⁵

Therefore, a patent law counterclaim cannot create Federal Circuit appellate jurisdiction, regardless of whether it is compulsory or permissive.²⁰⁶ The Federal Circuit has already applied *Holmes* to cases in which the only patent law claim in an appealed case was a counterclaim.²⁰⁷ In *Telecomm*, the Federal Circuit raised the question of appellate jurisdiction *sua sponte* after oral argument due to the Supreme Court's decision in *Holmes*.²⁰⁸ A group of independent service organizations ("ISO") sued Siemens alleging monopolization and attempted monopolization under the Sherman Act.²⁰⁹ Siemens counterclaimed for patent and copyright infringement.²¹⁰ The ISO's appealed a jury verdict of patent and copyright infringement and the grant of summary judgment in Siemens's favor on ISO's Sherman Act claims.²¹¹ The Federal Circuit noted that "[w]hen the ISOs originally filed the appeal, [the Federal Circuit's] jurisdiction was predicated on the patent infringement counterclaim."²¹² But, in light of the Supreme Court's decision in *Holmes* that "is directly on point," the Federal Circuit lacked jurisdiction over the appeal, and thus the case was transferred to the Eleventh Circuit pursuant to 28 U.S.C. § 1631.²¹³

204. *Id.* at 1893–94. "Arising under" jurisdiction also requires there the claims found in the complaint "establis[h] either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law." *Christianson*, 486 U.S. at 809.

205. *Holmes*, 122 S.Ct. at 1893–95.

206. The Supreme Court completely rejected counterclaims, without qualification, from meeting the well-pleaded complaint rule. *See id.* at 1893–95; *see also* Mueller, *supra* note 196, at 57–58; Poplawski, *supra* note 196, at 419–20.

207. *See* *Telecomm Tech. Servs., Inc. v. Siemens Rolm Communications, Inc.*, 295 F.3d 1249, 1251–52 (Fed. Cir. 2002); *Medigene AG v. Loyola Univ. of Chicago*, No. 02-1235, 02-1308, 2002 WL 1478674, *1 (Fed. Cir. June 27, 2002) (unpublished order); *see also* *Mattel, Inc. v. Lehman*, No. 02-1307, 49 Fed. Appx. 889, 889 (Fed. Cir. Oct. 2, 2002) (noting that, after *Holmes*, the "court does not have jurisdiction over claims presented in an answer or counterclaim if the complaint does not involve patent issues.").

208. *See Telecomm*, 295 F.3d at 1251.

209. *See id.* at 1251.

210. *See id.*

211. *See id.*

212. *See id.* at 1251–52 (citing *Aerojet*, 895 F.2d 739 (Fed. Cir. 1990)).

213. *Id.* at 1252.

A similar result was reached by the Federal Circuit in its unpublished decision in *Medigene*.²¹⁴ The only apparent patent claims in *Medigene* were Loyola University's counterclaims seeking a declaration that *Medigene* is not a co-inventor of a particular U.S. patent.²¹⁵ The Federal Circuit, "[u]pon consideration of the parties' consent motion . . . under the principles of [*Holmes*]" transferred the appeal to the Seventh Circuit.²¹⁶ Presumably, the court concluded that, based on *Holmes*, the patent law counterclaim, as in *Telecomm*, did not confer Federal Circuit appellate jurisdiction.

c. Amendments and Dismissals

The Supreme Court specifically did not answer whether "the Federal Circuit's jurisdiction is fixed with reference to the complaint as initially filed or whether an actual or constructive amendment to the complaint raising a patent-law claim can provide the foundation for the Federal Circuit's jurisdiction."²¹⁷ However, the Supreme Court's holding that the well-pleaded complaint rule governs both Federal Circuit and district court jurisdiction over patent law claims provides some guidance on how the addition or dismissal of patent law claims before appeal effect jurisdiction. Furthermore, Justice Stevens's statements in his concurrence support the current case law on this subject.²¹⁸

An amended complaint can form the basis for federal question jurisdiction.²¹⁹ An amended complaint can also establish a federal district court's removal jurisdiction over a state case.²²⁰ Thus, just as an amended complaint confers district court jurisdiction, such a complaint can confer

214. See *Medigene*, 2002 WL 1478674, at *1.

215. See *Medigene AG v. Loyola Univ. of Chicago*, No. 98 C 2026, 2001 WL 1636425, *1-2 (N.D. Ill. Dec. 19, 2001).

216. See *Medigene*, 2002 WL 1478674, at *1.

217. *Holmes*, 122 S.Ct. at 1893 n.1.

218. *Holmes*, 122 S.Ct. at 1896 (Stevens, J. concurring).

219. See WRIGHT, MILLER, & COOPER, FEDERAL PRACTICE AND PROCEDURE § 3566 (3d ed. 1998); *Coastal Corp. v. Tx. E. Corp.*, 869 F.2d 817, 821 n.3 (5th Cir. 1989) (noting that "Coastal's amended complaint filed on January 31 conferred jurisdiction on the district court at least from thence forward"); *Boelens v. Redman Homes, Inc.*, 759 F.2d 504, 506-08 (5th Cir. 1985); *Johnson v. Hussmann Corp.*, 805 F.2d 795, 797 (8th Cir. 1986) ("Appellant's amended complaint had been artfully pleaded to avoid federal jurisdiction."), overruled on other grounds by *Lingle v. Norge Div. of Magic Chef, Inc.*, 108 S.Ct. 1877, 1882 (1988).

220. See 28 U.S.C. § 1446(b) ("If the case stated by the initial pleading is not removable, a notice of removal may be filed within thirty days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable, except that a case may not be removed on the basis of jurisdiction conferred by section 1332 of this title [diversity jurisdiction] more than 1 year after commencement of the action.") (emphasis added); see also *Ayers v. General Motors Corp.*, 234 F.3d 514, 517-518, 518 n.7 (11th Cir. 2000).

appellate jurisdiction to the Federal Circuit. The decision in *Holmes* ties Federal Circuit appellate jurisdiction to district court original and removal jurisdiction. Thus, *Holmes* reinforces earlier case law that the amended complaint can establish Federal Circuit appellate jurisdiction.²²¹ Justice Stevens came to the same conclusion in his concurrence, noting that the Federal Circuit, as well as a district court, would have patent jurisdiction over a case when “an amendment to the complaint added a patent claim.”²²² *Holmes* does not disturb the prior case law holding that patent claim amendments confer jurisdiction.²²³

The state of the law regarding patent law claims dismissed before appeal is not as clear after *Holmes*. The focus on the district court’s jurisdiction over the case in *Holmes* supports the current law governing dismissals. As the Federal Circuit observed in *Nilssen* and *Zenith*, a dismissal “with prejudice constitutes an adjudication on the merits, not an amendment of the complaint.”²²⁴ For such a dismissal to act as an adjudication, the district court necessarily must have jurisdiction over the patent claim. A dismissal without prejudice operates like an amendment to the complaint, leaving the parties “in the same legal position with respect to the [dismissed] claims as if they had never been filed.”²²⁵ Claims dismissed without prejudice cannot serve as a jurisdictional basis over the case.²²⁶ Therefore, by looking at the foundation for the Federal

221. There is still a question as to whether constructive amendments to a complaint can create Federal Circuit appellate jurisdiction. See *Holmes*, 122 S.Ct. at 1893 n.1. The removal statutes look to “an amended pleading, motion, order or other paper” to ascertain whether removal jurisdiction is present. 28 U.S.C. § 1446(b); see also *Eyak Native Village v. Exxon Corp.*, 25 F.3d 773, 779 (9th Cir. 1994). While based, in part, on statute, district court’s can exercise removal jurisdiction based on evidence of a federal question not formally introduced by amending the complaint, suggesting that after *Holmes* the Federal Circuit should be able to do the same—exercising appellate jurisdiction when it appears, from any paper, that a question of patent law has been presented by the plaintiff. *Holmes* identified the link between removal jurisdiction and the Federal Circuit’s appellate jurisdiction. See *Holmes*, 122 S.Ct. at 1892–94.

222. *Holmes*, 122 S.Ct. at 1896 (Stevens, J. concurring).

223. Notably, just as with original counterclaims, amendments to counterclaims cannot create Federal Circuit appellate jurisdiction. See *Holmes*, 122 S.Ct. at 1894 (noting that a counterclaim cannot form the basis for “arising under” jurisdiction under the well-pleaded complaint rule).

224. *Zenith*, 182 F.3d at 1346; see also *Nilssen*, 203 F.3d at 784–85.

225. *Nilssen*, 203 F.3d at 784–85 (citing MOORE, MOORE’S FEDERAL PRACTICE ¶¶ 41.40[9][b], 41.50[7][b] (3d ed. 1999); 9 WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE, §§ 2367, 2373 (2d ed. 1994)); see also *Zenith*, 182 F.3d at 1346; *Gronholz*, 836 F.2d at 516.

226. Justice Stevens, in his concurrence, also focused on whether the dismissal was voluntary as a factor to determine whether the appeal should be directed to the Federal Circuit or regional circuit. *Holmes*, 122 S.Ct. at 1896 (Stevens, J., concurring). The Federal Circuit, and other circuits, have also focused on the voluntariness of the dismissal. See *Gronholz*, 836 F.2d at 517–18 (noting that the dismissal was voluntary); *Schwartzkopf*, 800 F.2d at 243–45; *Denbicare U.S.A.*, 84 F.3d at 1147–48. In fact, the Ninth Circuit, in *Denbicare*, found no appellate

Circuit's appellate jurisdiction identified in *Holmes*—the district court's jurisdiction—dismissals with prejudice of patent law claims still confer Federal Circuit appellate jurisdiction after *Holmes*, while dismissals without prejudice do not.²²⁷ So, as explained in Justice Stevens's example, if a patent claim is "voluntarily dismissed in advance of trial, it would seem . . . clear that the appeal should be taken to the appropriate regional court of appeals rather than the Federal Circuit."²²⁸

But, as Justice Stevens suggested, the majority's reliance on removal law in *Holmes* "might be read as endorsing a contrary result."²²⁹ Removal jurisdiction is determined by looking at the complaint at the time the case is removed to the federal district court.²³⁰ Therefore, if, at the time of removal, a claim falling under federal jurisdiction is not present in the complaint, the case is not within the federal district court's jurisdiction.²³¹ This analysis, applied in the context of Federal Circuit appellate jurisdiction, may suggest that if the complaint, at the time it is originally filed, contains a patent law claim, the case must be appealed to the Federal Circuit, regardless of whether the patent law claim is later dismissed without prejudice.²³² Such a result would be contrary to current case law on dismissals prior to appeal. However, it is unlikely that this analysis will trump the fact that, at the relevant time period of determining appellate jurisdiction—the time of the appeal—the district court's jurisdiction is not based on a patent law claim.²³³ As Justice Stevens indicated, the Federal Circuit's appellate jurisdiction is "fixed" at the time the "notice of appeal is filed."²³⁴ Therefore, if removal case law is to be applied, it should be applied at the time of appeal to the Federal Circuit, not when the case begins in the federal district court. When applied in this manner, removal case law supports the Federal

jurisdiction in the Federal Circuit for case where the patent claim was dismissed voluntarily but with prejudice. See *Denbicare U.S.A.*, 84 F.3d at 1147–48) (the court also focused on the separation of patent claims from non-patent claims pursuant to Fed. R. Civ. P. 54(b)).

227. *Nilssen*, 203 F.3d at 783–85; *Zenith*, 182 F.3d at 1346–47.

228. *Holmes*, 122 S.Ct. at 1896 (citing *Christianson*, 486 U.S. at 823–24 (Stevens, J. concurring)).

229. *Id.*

230. See 28 U.S.C. § 1446(b); *Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987); *Ayres*, 234 F.3d at 517–18.

231. See *id.*; see also *Boelens*, 759 F.2d at 506–08.

232. By applying removal case law, the decision in *Holmes* may also suggest that those cases in which patent claims are dismissed with prejudice before appeal, and therefore no longer found in the well-pleaded complaint, do not fall within the Federal Circuit's jurisdiction.

233. As noted *supra*, the district court's jurisdiction is based on patent claims dismissed with prejudice before appeal. See *Zenith*, 182 F.3d at 1346–47.

234. *Holmes*, 122 S.Ct. at 1896 (Stevens, J., concurring) (citing *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58–59 (1982) (per curiam)).

Circuit not having appellate jurisdiction over those cases where patent law claims were dismissed without prejudice.²³⁵ Based on the Supreme Court's analysis in *Holmes*, the case law governing the Federal Circuit's appellate jurisdiction over cases in which patent claims are dismissed prior to appeal is left undisturbed.²³⁶

d. Consolidated Cases

While the Supreme Court in *Holmes* was not confronted with a consolidated action, the holding in *Holmes* will, at the very least, require the Federal Circuit to revisit the scope of its appellate jurisdiction over a consolidated case. One of the Federal Circuit's rationales for exercising appellate jurisdiction over a consolidated case that contained a patent law claim was specifically negated by *Holmes*. In *Innotron*, the Federal Circuit analogized a patent law-based complaint in a consolidated action to that of a counterclaim and noted that "[i]t would, of course, be incongruous to hold that consolidation of a separate suit, as in *Interpart*, is distinct, in relation to this court's jurisdiction, from the presence of a counterclaim raising the same allegation."²³⁷ The incongruity is no longer an issue after *Holmes*, considering that counterclaims now cannot confer Federal Circuit appellate jurisdiction. While this was only part of the Federal Circuit's reasoning for exercising jurisdiction over the consolidated case, the change in law introduced by *Holmes* brings such appellate jurisdiction into question.

Consolidation, under Fed. R. Civ. P. 42(a),²³⁸ can take many forms, from consolidating cases at various stages of discovery to consolidating cases for trial.²³⁹ Rule 42(a) can even result in the filing of a consolidated pleading.²⁴⁰ Consolidation of separate cases "does not merge the suits

235. See *Nilssen*, 203 F.3d at 784–85 (denying appellate jurisdiction over a case in which the patent law claims were dismissed without prejudice before appeal to the Federal Circuit).

236. See *Poplawski*, *supra* note 196, at 422 (coming to a similar conclusion—that *Holmes* will not effect the Federal Circuit's appellate jurisdiction over cases involving dismissed patent claims).

237. *Innotron*, 800 F.2d at 1081.

238. Fed. R. Civ. P. 42(a) reads:

Consolidation.

When actions involving a common question of law or fact are pending before the court, it may order a joint hearing or trial of any or all the matters in issue in the actions; it may order all the actions consolidated; and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

239. See WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE § 2382 (3d ed. 1998).

240. See MOORE, MOORE'S FEDERAL PRACTICE § 41.13[5][a] (3d ed. 2000); see also *Katz v. Reality Equities Corp.*, 521 F.2d 1354, 1358 (2d Cir. 1975).

into a single cause of action."²⁴¹ Cases maintain their own separate identity when consolidated,²⁴² and each case must have its own jurisdictional basis.²⁴³ However, while still treated as separate cases, most circuits, for practical reasons, prefer that the complete consolidated case be treated as a single case for purposes of appellate review.²⁴⁴ This requirement for a single appeal is especially true when cases are consolidated for all parts of the litigation.²⁴⁵

Taking the basic case law governing consolidation, and applying the holding in *Holmes*, the Federal Circuit clearly has jurisdiction over the patent law based complaint in a consolidated case.²⁴⁶ Based on its complaint, the individual case still arises, at least in part, under § 1338(a), meeting the criteria set forth in *Holmes*.²⁴⁷ The decision in *Holmes* focused on the well-pleaded complaint rule, and a case that is consolidated and includes a complaint alleging patent infringement would meet that rule.²⁴⁸ Furthermore, the district court's jurisdiction over such a complaint is based, at least in part, on § 1338.²⁴⁹

The tougher question presented by consolidation is whether the Federal Circuit has appellate jurisdiction over the non-patent based complaints. Prior to *Holmes*, the Federal Circuit, and other regional circuits, have exercised jurisdiction over all of the consolidated case.²⁵⁰ The jurisdiction of each complaint, however, is considered separately.²⁵¹ One circuit observed that the Federal Circuit's case law requiring the complete consolidated case to fall within the court's appellate

241. *Johnson v. Manhattan Ry. Co.*, 289 U.S. 479, 496–97 (1933); see also WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE, § 2382; MOORE, MOORE'S FEDERAL PRACTICE § 42.13[2] (3d ed. 2000).

242. See, e.g., *Boardman Petroleum, Inc. v. Federated Mut. Ins. Co.*, 135 F.3d 750, 752 (11th Cir. 1998) ("[C]onsolidation of cases under Fed. R. Civ. P. 42 does not strip the cases of their individual identities."); MOORE, MOORE'S FEDERAL PRACTICE § 42.13[2] (3d ed. 2000).

243. See *Cole v. Schenley Indus., Inc.*, 563 F.2d 35, 38 (2d Cir. 1977); but see *Dooley v. United Tech. Corp.*, 786 F. Supp. 65, 81 (D.D.C. 1992); MOORE, MOORE'S FEDERAL PRACTICE § 42.13[4][b] (3d ed. 2000) (noting that ancillary jurisdiction may allow a federal court to hear a state law claim that shares a common nucleus of operative facts with a federal law claim).

244. *Huene v. U. S.*, 743 F.2d 703, 705 (9th Cir. 1994).

245. *Sandwiches, Inc. v. Wendy's Int'l, Inc.*, 822 F.2d 707,709–10 (7th Cir. 1987); WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE § 2386 (3d ed. 1998).

246. See *Poplawski*, *supra* note 196, at 422.

247. *Holmes*, 122 S.Ct. at 1893–94 (defining the Federal Circuit's appellate jurisdiction with respect to what is plead on the face of the plaintiff's complaint).

248. *Id.*

249. *Tank Insulation*, 104 F.3d at 85 ("So long as the actions were consolidated, section 1295 unquestionably vested the Federal Circuit with exclusive jurisdiction of the entire action.").

250. See *Innotron*, 800 F.2d at 1080–81; *Interpart*, 777 F.2d at 680–81; *Wang Laboratories*, 926 F.2d at 93–94.

251. See *Cole*, 563 F.2d at 38.

jurisdiction²⁵² runs afoul of this distinct jurisdictional nature of each consolidated complaint.²⁵³ A regional circuit court even held that if the patent case is just consolidated for pretrial purposes, appeals concerning the non-patent case should be heard by the appropriate regional circuit.²⁵⁴ Strictly applying *Holmes* to these cases would result in the non-patent complaints, which are consolidated with patent-based complaints, to be appealed to regional circuits, not the Federal Circuit. The non-patent case, which has its own separate jurisdiction, does not meet the well-pleaded complaint rule and thus does not fall within the district court's § 1338 jurisdiction. Basically, considering that each case is treated separately, the well-pleaded complaint rule may be applied to each case subject to consolidation, and those complaints that fail to assert a patent law claim may be directed to regional circuits.

But, separating the consolidated case for appeal purposes creates many of the problems that issue jurisdiction generates. Separate appeals that, by rule, involve common questions of law or fact,²⁵⁵ create the potential for inconsistent decisions on common issues between the cases. For this reason, circuit courts will likely apply the same pragmatic approach utilized most often in consolidated cases—requiring the judgments from each case that is consolidated to be combined for appeal. Thus, while the rule of law established in *Holmes* may dictate that appeals from consolidated cases be separated, federal courts may, in practice, combine the appeals to the Federal Circuit. Furthermore, even if such consolidated cases are separated, the patent-based complaints will still be appealed to the Federal Circuit, preventing such patent law claims from falling outside the Federal Circuit's jurisdiction.

2. Federal Courts' Jurisdiction over Patent Law Claims

While, at first blush, *Holmes* appears to have implications only for the Federal Circuit's jurisdiction, the Supreme Court's decision also effects the scope of patent cases, and copyright and trademark cases, that are removable to federal district court. As the Court noted in *Holmes*, the well-pleaded complaint rule helps define "arising under" jurisdiction, which is used in determining Federal Circuit appellate jurisdiction under § 1295(a)(1) and district court jurisdiction under § 1338.²⁵⁶ The well-pleaded complaint rule, therefore, limits a district court's jurisdiction

252. *Innotron*, 800 F.2d at 1079–81; *Interpart*, 777 F.2d at 680–81.

253. *Dorf & Stanton*, 56 F.3d at 15 (noting that the "Federal Circuit appears to attach greater significance to consolidation than our decision in *Cole* suggests).

254. See *FMC Corp.*, 830 F.2d at 772–73.

255. See Fed. R. Civ. P. 42(a).

256. *Holmes*, 122 S.Ct. at 1893–94.

over patent, copyright, and trademark claims,²⁵⁷ as well as "whether a case is removable from state to federal court pursuant to 28 U.S.C. § 1441(a)."²⁵⁸ After *Holmes*, removal of a case from state to federal court cannot be based on a counterclaim asserting a patent, copyright, or trademark claim because such counterclaims do not "aris[e] under"²⁵⁹ federal law pursuant to the well-pleaded complaint rule.

Many regional circuit and district courts, before *Holmes*, held that a counterclaim cannot form the basis for removal from state to federal court.²⁶⁰ District courts specifically concluded, before *Holmes*, that patent law counterclaims do not create removal jurisdiction over the state court cases.²⁶¹ The Supreme Court's decision in *Holmes* solidifies this case law. District courts have already cited *Holmes* for the proposition that "a federal defense nor counterclaim will create removal jurisdiction."²⁶² Therefore, while it may have been unclear prior to *Holmes*, *Holmes* prevents defendants from removing cases to federal court in which patent, copyright, and trademark counterclaims are present.

257. *See id.*

258. *Id.* at 1893 n.2. Section 1441(b) employs "arising under" language, stating that:

Any civil action of which the district courts have original jurisdiction founded on a claim or right *arising under* the Constitution, treaties or laws of the United States shall be removable without regard to the citizenship or residence of the parties. 28 U.S.C. § 1441(b) (emphasis added).

259. *See Holmes*, 122 S.Ct. at 1893–94; *see also*, *R.F. Shinn Contractors, Inc. v. Shinn*, No. 1:01CV00750, 2002 WL 31942135, *2 (M.D.N.C. Nov. 8, 2002) (finding that, in light of the holding in *Holmes*, "[d]efendant's counterclaim for patent infringement cannot serve as [a] federal jurisdictional hook").

260. *See Federal Deposit Ins. Corp. v. Elefant*, 790 F.2d 661, 667 (7th Cir. 1986); *Takeda v. Northwestern Nat'l Life Ins. Co.*, 765 F.2d 815, 821–22 (9th Cir. 1985) (citing numerous cases supporting the proposition that "[r]emovability cannot be created by defendant pleading a counterclaim presenting a federal question"); *Duckson, Carlson, Bassinger, LLC v. Lake Bank*, 139 F. Supp. 2d 1117, 1118–19 (D. Minn. 2001) (finding no removal jurisdiction based on counterclaims and a third party defendants' claims that were not separate and independent from the other claims in the case).

261. *See Commercial Sales Network v. Sadler-Cisar, Inc.*, 755 F. Supp. 756, 758–60 (N.D. Ohio 1991) (granting a motion for remand because plaintiff's complaint contained no patent law claims and defendants' counter-suit, handled as counterclaims, could not form the basis for removal); *Coditron Corp. v. AFA Protective Systems, Inc.*, 392 F. Supp. 158, 160 (S.D.N.Y. 1975) (holding that "the answer and [patent law] counterclaims of AFA do not provide a basis for removal").

262. *See Flanders Diamond USA, Inc. v. Nat'l Diamond Syndicate, Inc.*, No. 02 C 4605, 2002 WL 31681474 *2–4 (N.D. Ill. Nov. 27, 2002) (denying removal to federal court because there were no claims arising under patent law in the plaintiff's well-pleaded complaint); *R.F. Shinn*, 2002 WL 31942135 at *2 (remanding a case that included a patent infringement counterclaim to state court because of lack of subject matter jurisdiction); *United Mutual Houses v. Andujar*, No. 02 CIV.3503(SAS), 2002 WL 1467807, *1 (S.D.N.Y. July 8, 2002); *see also In re Tamoxifen Citrate Antitrust Litig.*, No. MDL 1408(ILG), 2002 WL 1962125, *4 (E.D.N.Y. Aug. 26, 2002) (citing *Holmes* for the proposition that "answers and counterclaims cannot serve as the basis for 'arising under' jurisdiction") (patent case).

Holmes has also brought into question the federal district court's exclusive jurisdiction over the areas of law enumerated in § 1338(a). Prior to *Holmes*, many state courts concluded that federal district courts had exclusive jurisdiction over all patent and copyright claims.²⁶³ State courts decided that exclusive jurisdiction lay in the federal courts even for patent or copyright counterclaims.²⁶⁴ Again, due to its holding that counterclaims do not "aris[e] under" federal law, *Holmes* may have also dissolved the exclusive jurisdiction district court's enjoyed over counterclaims including patent and copyrights, as listed in § 1338(a).²⁶⁵ The second sentence of § 1338(a) defines the scope of a federal district court's exclusive jurisdiction over patent cases to be the same as a district courts "original jurisdiction" over "any civil action arising under" patent laws. If a case in which the only patent claim is presented in a counterclaim does not qualify as a "civil action arising under" patent law, then, based on the plain reading of the statute, § 1338(a) does not confer the federal court with exclusive jurisdiction over the case.²⁶⁶

The Indiana Supreme Court came to a similar conclusion in *Green v. Hendrickson Publishers, Inc.*²⁶⁷ *Hendrickson Publishers* sued *Mary and Jay Green* in *Tippecanoe Superior Court* in Indiana for breach of a publishing contract.²⁶⁸ The *Greens*' counterclaimed, alleging, inter alia, that *Hendrickson Publishers* violated their copyrights on the books covered by the publishing contract.²⁶⁹ The *Greens* attempted to remove the case to federal district court, but the federal court remanded "because a defendant's counterclaim based on federal law does not confer federal court

263. See *Tewarson v. Simon*, 750 N.E.2d 176, 183 (Ct. App. Ohio 2001) (finding state court lacked jurisdiction over copyright counterclaim because federal courts have exclusive jurisdiction "over claims arising under federal copyright law"); *EMSA Ltd. P'ship v. Lincoln*, 691 So.2d 547, 549 (Fla. Dist. Ct. App. 1997) (holding that "the trial court lacked subject matter jurisdiction over the counterclaim because it involved rights arising out of the federal copyright laws and pled copyright infringement"); *Superior Clay Corp. v. Clay Sewer Pipe Assn.*, 215 N.E.2d 437, 440 (Ct. Common Plea Ohio 1963); *Pleatmaster v. Consolidated Trimming Corp.*, 111 U.S.P.Q. 124 (Supr. Ct. N.Y. 1956); *Am. Home Products Corp. v. Norden Laboratories*, No. 11615, 1992 WL 368604, *3 (Del. Ch. 1992) (unpublished opinion).

264. See *id.*

265. Section 1338(a) excludes trademarks from the exclusive jurisdiction given to federal district courts. 28 U.S.C. § 1338(a).

266. Some may argue that the second sentence in § 1338(a), which defines the scope of exclusive jurisdiction, refers to a federal court's exclusive jurisdiction over specific claims, not the whole case. However, the plain language of § 1338(a) defines both original and exclusive jurisdiction in terms of the "civil action," not particular claims. See 28 U.S.C. § 1338(a). Therefore, any effect *Holmes* has on the district court's "arising under" jurisdiction over patent and copyright cases also impacts the federal court system's exclusive jurisdiction over such cases.

267. *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784 (Ind. 2002).

268. *Id.* at 787.

269. *Id.*

jurisdiction."²⁷⁰ Hendrickson then argued that the Greens' counterclaims, now amended, were preempted by federal copyright law and the state court had no jurisdiction to decide them.²⁷¹ The trial court agreed and granted partial summary judgment, but the Court of Appeals reversed "holding that the copyright issues were merely tangential to the contract claims, and the trial court had jurisdiction over the offending portions of the counterclaim."²⁷² The Indiana Supreme Court granted transfer and initially noted that the appeal presented two issues: "whether the Greens have a valid state law claim" and "what court may entertain the Greens' claim."²⁷³

In response to the first question, the Indiana Supreme Court concluded that the Greens' counterclaim was preempted by federal copyright law and therefore the only relief available to the Greens is under the federal Copyright Act.²⁷⁴ This brought the Indiana Supreme Court to the second question, the question on which *Holmes* may have an impact—can a state court hear a copyright counterclaim?²⁷⁵ The Indiana Supreme Court noted that "until very recently the logic and language of a consistent body of federal decisions appeared to preclude a state court from entertaining a counterclaim under copyright law."²⁷⁶ This body of case law, in the Indiana Supreme Court's eyes, is now "trumped by the Supreme Court's ruling in *Holmes*," opening the door for "a state court [to] entertain a counterclaim under patent or copyright law."²⁷⁷ The Indiana Supreme Court noted that, under *Holmes*, a counterclaim does not confer "arising under" jurisdiction under § 1338(a), and therefore, counterclaims are not within the exclusive jurisdiction defined by § 1338(a).²⁷⁸ The Court, therefore, remanded the case to the trial court to decide the copyright counterclaim.²⁷⁹

3. Cases Diverted from Federal Circuit

Initially, as noted above, all cases where the only patent law claim is a counterclaim are now, as a result of *Holmes*, out of the Federal

270. *Id.*

271. *Id.* at 787–88.

272. *Id.* at 788 (citing *Green v. Hendrickson Publishers, Inc.*, 751 N.E.2d 815–824–25 (Ind. Ct. App. 2001)).

273. *Id.* at 788.

274. *Id.* at 788–90.

275. *Id.* at 790–91.

276. *Id.* at 792 (discussing *Aerojet* and the following cases that interpreted district court "arising under" jurisdiction in § 1338(a) to include counterclaims).

277. *Id.* at 793.

278. *Id.*

279. *Id.* at 793–94.

Circuit's hands, and potentially, federal jurisdiction. Antitrust cases,²⁸⁰ trade dress and trademark cases,²⁸¹ copyright cases,²⁸² and trade secret cases²⁸³ invoking compulsory patent counterclaims will now be reviewed by regional circuits. *Holmes*, however, as discussed *supra*, will unlikely change any of the other case law regarding which patent law claims meet the well-pleaded complaint rule. In the end, it appears that *Holmes* will only take patent law counterclaims out of the Federal Circuit's jurisdiction.²⁸⁴ The reported cases prior to *Holmes* which based Federal Circuit jurisdiction on patent law counterclaims total less than ten.

While this is an insignificant number, the real difficulty in trying to determine the number of cases that will be diverted from the Federal Circuit is determining if litigants will bring suits including, for example, antitrust claims, that force compulsory patent law counterclaims which will now fall outside the scope of the Federal Circuit's scope of review.²⁸⁵ If a potential infringer believes the threat of a patent suit is imminent, that infringer may file suit first, alleging a non-patent claim that "arises out of the [same] transaction or occurrence"²⁸⁶ as the patent issues so that the patent claims are tied up as compulsory counterclaims in a lawsuit that will be appealed to a regional circuit.²⁸⁷ A similar strategy may take place at the state court level, preventing compulsory patent or copyright

280. See, e.g., *Telecomm*, 295 F.3d at 1251–52, *Independent Serv. Organizations*, 203 F.3d at 1324, *Xtex*, 825 F.2d at 604–07.

281. See, e.g., *Holmes*, 99 F. Supp. 2d at 1141.

282. See, e.g., *DSC Communications*, 170 F.3d at 1358–59.

283. See, e.g., *Leatherman Tool Group Inc.*, 131 F.3d at 1013–15; *Aerojet*, 895 F.2d at 745.

284. Obviously, patent law counterclaims that arise in cases including patent-law based complaints will fall within the Federal Circuit's jurisdiction.

285. As a result of the decision in *Independent Serv. Organizations*, it is more likely that alleged infringers with antitrust claims will try to avoid the Federal Circuit. See generally Stempel & Terzaken, *Casting a Long IP Shadow over Antitrust Jurisprudence: The Federal Circuit's Expanding Jurisdictional Reach*, 69 ANTITRUST B. J. 711 (2002).

286. Fed. R. Civ. P. 13(a) defines compulsory counterclaims. Rule 13(a) reads:

A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction. But the pleader need not state the claim if (1) at the time the action was commenced the claim was the subject of another pending action, or (2) the opposing party brought suit upon the claim by attachment or other process by which the court did not acquire jurisdiction to render a personal judgment on that claim, and the pleader is not stating any counterclaim under this Rule 13.

287. Practitioners have already recognized that the rule in *Holmes* provides "opportunities for forum and claim shopping for both prospective plaintiffs and defendants." Poplawski, *supra* note 196, at 420–21.

claims from being tried in federal court.²⁸⁸ Thus, while the historical number of cases that *Holmes* would divert from the Federal Circuit is small, litigants may use the rule in *Holmes* to shop for certain regional circuits or state courts, leaving a significant universe of cases that will be diverted in the future.²⁸⁹ History suggests that patent litigants will engage in forum shopping if given the opportunity.

Such attempts at forum shopping will likely prove successful. Compulsory counterclaims will be the tool litigants will use to force patent law claims to be presented in responsive pleadings that cannot, after *Holmes*, be the basis for Federal Circuit appellate jurisdiction or district court removal and exclusive jurisdiction. Empirically, patent law counterclaims have been found to be compulsory in response to many different causes of action. For example, claims of patent infringement can, in certain circumstances, "arise[] out of the [same] transaction or occurrence" as claims of antitrust,²⁹⁰ unfair competition,²⁹¹ trademark infringement,²⁹² trade dress infringement,²⁹³ and trade secret misappropriation.²⁹⁴ In the appropriate factual setting, when claims such as these are asserted against a patent holder in federal court, the patentee is required to assert any patent claims

288. If the counterclaims are permissive, they do not need to be asserted in response to the non-patent claims. See Fed. R. Civ. P. 13(b) ("A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim").

289. Furthermore, even if the number of cases diverted from the Federal Circuit post-*Holmes* is small, the cases that are diverted "can be relatively high-profile," involving important antitrust/patent questions. Mueller, *supra* note 196, at 69.

290. See, e.g., *Telecomm*, 295 F.3d at 1251–52; *Xtex*, 825 F.2d at 604–07. But see *Hydranautics v. Filmtec Corp.*, 70 F.3d 533, 536 (9th Cir. 1995).

291. See, e.g., *Holmes*, 122 S.Ct. at 1892 (indicated that the "[r]espondent's answer asserting a compulsory counterclaim alleging patent infringement").

292. See, e.g. *id.*

293. See, e.g. *id.*

294. See, e.g., *Aerojet*, 895 F.2d at 745.

In these types of cases, it may be argued that the claims in the complaint that force a patent law counterclaim pursuant to Fed. R. Civ. P. 13(a) cause the complaint itself to present a substantial and necessary question of patent law—qualifying the case for Federal Circuit appellate jurisdiction under the second category described by the Supreme Court in *Christianson*. See *Christianson*, 486 U.S. at 808–09. If a patent law claim "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim[s]" in the complaint, then it is possible that the complaint itself requires a substantial and necessary question of patent law to be answered. The case under Category II of Step Two, therefore, falls under the Federal Circuit's appellate jurisdiction regardless of the ruling in *Holmes*.

However, a plaintiff can avoid this result and still engage in forum shopping. "[A] plaintiff who desires to avoid Federal Circuit jurisdiction may now more easily defeat Federal Circuit jurisdiction under [Category II] by alleging some alternative theories in its non-patent claims for which the right to relief does not necessarily depend on resolution of validity or another patent issue." Poplawski, *supra* note 196, at 419–20. The presence of such alternative theories cause the complaint to not meet the requirements of the second category enumerated in *Christianson*. See *Christianson*, 486 U.S. at 808–09.

required by Fed. R. Civ. P. 13(a) or be precluded from asserting such a claim in a future suit.²⁹⁵ An alleged infringer, faced with the possibility of being sued for patent infringement can, after *Holmes*, file suit in federal court alleging claims that require the patentee to respond with her patent claims, which now will go to a regional circuit, not the Federal Circuit.

Even more disturbing is the possibility of the patentee being forced to present patent law claims in state court without the ability to either remove such claims to federal court or, at the very least, deny the state court jurisdiction to adjudicate the patent claims. Similar to the scenario that diverts the patentee from the Federal Circuit, a patentee can be forced to file her patent law claims, if they are compulsory under the respective state law or rule, in response to a complaint filed in state court.²⁹⁶ A complaint filed in state court asserting state unfair competition claims, for example, may require the responding patentee to file any federal patent law claims in state court. If the counterclaims are compulsory, failure to assert such claims in state court will bar the patentee from presenting them in a future federal suit.²⁹⁷ After *Holmes*, the scope of forum shopping expands to more than just choices between regional circuits and includes forum choice between the state and federal level. It is likely that a patentee, after *Holmes*, may, in addition to not seeing the Federal Circuit on appeal, not even get a chance to litigate her patent law counterclaims in federal court.

B. Choice of Patent Law for Regional Circuits and State Courts

Considering that cases containing patent law claims will be diverted from the Federal Circuit, and the federal courts, as a result of the holding in *Holmes*,²⁹⁸ the next question presented is what law these courts will apply to the diverted claims. The choice of law made by regional circuits and state courts is the final measure of *Holmes* impact on the development and uniformity of patent law. Pursuant to the Evans Act,²⁹⁹ regional

295. If a defendant fails to plead a compulsory counterclaim, the defendant is barred from raising the claim in a future suit. See *Vivid Technologies, Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 801 (Fed. Cir. 1999); Poplawski, *supra* note 196, at 421; 6 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & MARY KAY KANE, FEDERAL PRACTICE AND PROCEDURE § 1417, at 129 (2d ed.1990); MOORE, MOORE'S FEDERAL PRACTICE § 13.14[1]-[2] (3d ed. 2000) (noting that such a bar is supported under either the waiver theory or claim preclusion theory).

296. A defendant's failure to bring compulsory counterclaims in a state court action bars bringing the claim in a subsequent federal court action. See *Montgomery Ward Dev. Corp. v. Juster*, 932 F.2d 1378, 1381-82 (11th Cir. 1991); MOORE, MOORE'S FEDERAL PRACTICE § 13.14[1] (3d ed. 2000).

297. See *id.*

298. See *supra*.

299. The Circuit Courts of Appeals Act of 1891, ch. 517, 26 Stat. 826 (1891).

circuits are not bound by the legal holdings on issues of law decided by their sister courts.³⁰⁰ Furthermore, Congress, when forming the Federal Circuit in 1982, passed no statutes requiring that Federal Circuit law control decisions by the regional circuits on patent issues. Therefore, at the outset, there is no steadfast requirement that regional circuits follow the patent decisions of the Federal Circuit. Statements by Justice Stevens in *Holmes* go a step further, affirmatively instructing regional circuits to make independent decisions on patent law claims. Justice Stevens indicated that, in light of the holding in *Holmes*, "other circuits will have some role to play in the development of [patent] law" and that "[a]n occasional conflict in decisions may be useful in identifying questions [of patent law] that merits this Court's attention."³⁰¹ The choice of law regional circuits make with regard to patent claims will trickle down to federal district courts, who, when handling a patent law counterclaim, for example, will look to regional circuit law, instead of Federal Circuit law, for precedential authority. Based on Justice Stevens statements and the lack of control over the law applied by regional circuits and state courts, Federal Circuit law will have little to no influence on decisions made outside its appellate jurisdiction.

To complicate matters further, regional circuits have their own patent law jurisprudence, developed before the creation of the Federal Circuit.³⁰² The amount of regional circuit caselaw is extensive and covers many substantive areas of patent law. Some of the regional circuit precedent varies dramatically from current Federal Circuit caselaw. For example, prior to the formation of the Federal Circuit, regional circuits employed a subjective test for obviousness³⁰³ and gave little deference to the USPTO's decision to grant the issuance of a patent.³⁰⁴ This pre-Federal Circuit patent law led to uncertain and non-uniform results amongst district courts and circuits.³⁰⁵ Some regional circuits also held that business

300. See Schaffner, *Federal Circuit "Choice of Law": Erie Through the Looking Glass*, 81 IOWA L. REV. 1173, 11195 (May 1996) (noting that "each circuit court of appeals is free to interpret federal law independent of the other circuits").

301. See *Holmes*, 122 S.Ct. at 1897-98 (Stevens, J., concurring).

302. The Federal Circuit did not adopt this regional circuit law as controlling precedent, but did adopt the case law of the CCPA and Court of Claims as controlling. See *South Corp. v. U.S.*, 690 F.2d 1368, 1369 (Fed. Cir. 1982).

303. See Markey, *The Phoenix Court*, 10 AIPLA Q. J. 227, 232 (1982) (noting that regional circuits asked whether the patent was obvious to an "ordinary designer" or an "ordinary intelligent man"); see also Dreyfuss, *supra* note 14, at 14-17 (noting how the Federal Circuit corrected the problems with these obviousness tests).

304. See Dreyfuss, *supra* note 14, at 18-20 (noting that the Federal Circuit revived the presumption of validity).

305. See *id.*

methods were not patentable statutory subject matter,³⁰⁶ coming to an opposite conclusion to that of the Federal Circuit.³⁰⁷ Even individual regional circuits had a “morass of conflict” internally with regard to their holdings on patent law.³⁰⁸

Under basic rules of precedent, regional circuits would be bound by this prior patent law precedent, to the extent such precedent is consistent with current Supreme Court decisions.³⁰⁹ Regional circuits would have to go en banc to divert from their previous patent law precedent and follow a contrary holding by the Federal Circuit.³¹⁰ These institutional barriers, when combined with the independence given to the regional circuits by the Evarts Act and the comments made by Justice Stevens, create an environment that forces regional circuits, at least initially, to speak independently on patent law issues funneled their way after *Holmes*. “[I]t can be expected that regional circuits may incrementally develop and apply their own patent jurisprudence.”³¹¹ The potential exists for regional circuits to revert patent law to its circa 1982 state. This reversion to pre-Federal Circuit patent law will filter its way down from regional circuits to federal district courts adjudicating patent counterclaims³¹² to state courts handling similar counterclaims.³¹³

IV. NON-UNIFORMITY IN PATENT LAW

As discussed *supra*, the Supreme Court’s holding in *Holmes* will divert patent law claims away from the Federal Circuit to regional circuits and state courts. In these regional circuits and state courts, pre-Federal Circuit caselaw on patent issues will again control and these courts will resume their independent development of patent law doctrine—a role they played prior to 1982. With the reintroduction of varying regional circuit law on patent issues, the impedance for forum

306. See, e.g., *Hotel Security Checking Co. v. Lorraine Co.*, 160 F.2d 467, 469 (2d Cir. 1908).

307. See *State St. Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1360, 1375–77 (Fed. Cir. 1998).

308. See, e.g., *Mfg. Research Corp. v. Graybar Electric Co.*, 679 F.2d 1355, 1361 n.11 (11th Cir. 1982) (referring specifically to the circuit’s law regarding the presumption of validity).

309. See, e.g. *Anderson v. Recore*, 317 F.3d 194 (2d Cir. 2003).

310. See, e.g. *id.*; *McCormick v. Dep’t of Air Force*, 307 F.3d 1339, 1342 (Fed. Cir. 2002).

311. Poplawski, *supra* note 196, at 422.

312. See THOMAS BAKER, RATIONING JUSTICE ON APPEAL 15–17 (1994).

313. The Supremacy Clause requires state courts to apply federal law when hearing federal claims. See *Howlett by Howlett v. Rose*, 496 U.S. 356, 367–72 (1990); Nicole A. Gordon & Douglas Gross, *Justiciability of Federal Claims in State Court*, 59 NOTRE DAME L. REV. 1145, 1152 (1984).

shopping will reintroduce itself. Potential infringers will purposely file lawsuits that spark compulsory patent infringement counterclaims in regional circuits that look unfavorably on patents and patentees. Potential infringers may even file suits in state courts in order to deny the responding patentee-defendant of having her patent law counterclaims adjudicated in federal court. With the development of differing law will come the filling of more suits that use the rule set forth in *Holmes* as a forum shopping tool to avoid the Federal Circuit or federal court altogether. The cycle then feeds back on itself, with more regional circuit or state court cases will come further development of patent law outside of the Federal Circuit review, which will lead to even more regional circuit or state court cases as litigants attempt to exploit advantages that present themselves from this case law developing outside the Federal Circuit. The litigation of lawsuits outside the Federal Circuit's appellate review as a result of *Holmes* in combination with regional circuit's applying and developing their own patent law, independent of the Federal Circuit, will lead to non-uniformity in patent law. This non-uniformity created by the *Holmes* decision will manifest itself in two areas—(a) an increase in doctrinal instability in patent law due to both regional circuits and state courts handling of patent law claims and (b) a lack of horizontal equity between the law applied during the patent procurement process before the USPTO and the enforcement of patents in different federal and state courts.

A. *Holmes's Impact on Doctrinal Stability in Patent Law*

The development of patent law under the regional circuits prior to 1982 was extremely uneven, with certain circuits adopting rules of law excessively favorable to patentees while other circuits were just the opposite, adjudicating cases in favor of alleged infringers.³¹⁴ The Supreme Court was unable to provide some stability to the nationwide development of patent law, mainly because of its overloaded docket and absence in patent law jurisprudence.³¹⁵ The Federal Circuit was created to introduce some doctrinal stability into patent law.³¹⁶ Congress choose a single intermediate-level appellate court to review all patent cases to interject certainty and predictability in the adjudication of patent claims.³¹⁷ This increase in certainty and predictability was to provide better guidance to both investors in technology, both patentees and potential infringers, and

314. See *supra* notes 14–27.

315. See Dreyfuss, *supra* note 14, at 2.

316. See *supra* note 31.

317. See *id.*

administrative agencies that applied patent law, such as the USPTO.³¹⁸ Additionally, in the early to mid-1800s, federal courts were given exclusive jurisdiction over patent cases to achieve similar goals.³¹⁹ This exclusive handling of patent cases by the federal judiciary, rather than by the states, promoted uniform decisions on patent law issues.³²⁰ Allowing a single tribunal, such as the Federal Circuit, or a single judicial body, the federal court system, to be the main, if not only, player in the development of a particular area of law ensures some level of stability in how that law develops. Basically, “that forum [uses] its monopoly to inject doctrinal stability into the law it administers.”³²¹ And, while absolute doctrinal stability has certainly not been achieved,³²² the Federal Circuit’s handling of patent appeals over the past twenty years has introduced doctrinal stability that was clearly absent before its creation.³²³ The same can be said with respect to the federal court’s exclusive jurisdiction over patent cases.

Holmes disrupts the Federal Circuit’s and the federal courts’ monopoly over patent law cases. Each of the twelve regional circuits can now play a part in the development of patent law, returning the patent landscape to its pre-1982 form. Regional circuit law that conflicts on certain patent law issues, noted *supra*, will immediately present instability once cases are handled by regional circuits. Unless the Supreme Court can

318. See Dreyfuss, *supra* note 14, at 6–7; Ninth Annual Judicial Conference of the Court of Customs and Patent Appeals, 94 F.R.D. 350, 359 (1982) (statements of Rep. Kastenmeier).

319. See Donald Shelby Chism, *The Allocation of Jurisdiction Between State and Federal Courts in Patent Litigation*, 46 WASHINGTON L. REV. 633, 635–36 (1971).

320. See *id.* at 636.

321. See Dreyfuss, *supra* note 14, at 2.

322. Many commentators have spoken as of late on the lack of uniformity in Federal Circuit precedent. See, e.g., Paul R. Michel, *The Court of Appeals for the Federal Circuit Must Evolve to Meet the Challenges Ahead*, 48 AM. U. L. REV. 1177, 1191 (Aug. 1999) (noting that “[t]he problem most frequently mentioned by practitioners” as the source of the uncertainty of the Federal Circuit’s decision “is known as ‘panel-dependency’”); Matthew F. Weil & William C. Rooklidge, *Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making*, 80 J. PAT. & TRADEMARK OFF. SOC’Y 791, 804–07 (Nov. 1998). Yet, even with this uneven precedent, commentators recognize that the Federal Circuit still serves the “fundamental reason for its creation . . . namely, national uniformity in the application of federal patent law.” Poplawski, *supra* note 196. If the Federal Circuit creates non-uniformity, that non-uniformity would be magnified if patent law claims were also handled by regional circuits and state courts.

323. See Gerald J. Mossinghoff & Donald R. Dunner, *Increasing Certainty in Patent Litigation: The Need for Federal Circuit Approved Pattern Jury Instructions*, 89 J. PAT. & TRADEMARK OFF. SOC’Y 431, 432 (June 2001) (“Though in a field of law as dynamic as patent law there cannot be 100% assurance of the outcome of any case, business executives and their counsel can now look to a much more coherent and consistent body of case law to guide their fundamental research and development decisions.”); Glenn L. Archer, Jr., *Conflicts and the Federal Circuit*, 29 J. MARSHALL L. REV. 835, 835–36 (Summ. 1996) (“By nearly all accounts, the Federal Circuit was successful in fulfilling the mandate of Congress” to establish uniformity in patent law.).

hear enough patent law cases to bring stability to the patent law arena,³²⁴ non-uniformity will go unchecked, and any certainty or predictability Federal Circuit review created will be eroded. The handling of patent law claims by courts in the fifty states expands the potential for fragmented patent decisions and even more doctrinal instability.³²⁵ Conflicts amongst the regional circuits, the Federal Circuit, and even state courts, will emerge. Businesses and investors in technology, after *Holmes*, will need to evaluate how all of the regional circuits and states handle patent law issues in order to adequately determine the scope of a particular patent.

B. *Holmes's Impact on Horizontal Equity in Patent Law*

The introduction of the Federal Circuit has created horizontal equity³²⁶ in the patent law in two ways. First, the Federal Circuit has insured that the same rule of law applies to those individuals proceeding before the USPTO and those individuals in district court. Before the Federal Circuit, appeals from the USPTO were handled by the CCPA while appeals from enforcement actions in federal district court were handled by the appropriate regional circuit.³²⁷ The Federal Circuit combined the CCPA responsibility to review USPTO decisions with the regional circuits' responsibility to review appeals from patent cases.³²⁸ With the creation of the Federal Circuit, the same appellate law governed the USPTO and federal district court patent cases. The same rule of law applied to a patent before the USPTO and a patent in federal court, creating a degree of horizontal equity. Second, the Federal Circuit also introduced horizontal equity between federal district court cases. Regardless of where a patent case was geographically filed, the patent issues would be governed and reviewed by the same appellate court. Any uniformity in patent law the Federal Circuit creates is enjoyed by "all similarly situated parties—those engaged in patent-related activities."³²⁹

324. While there have been recent cases by the Supreme Court in the patent area, *see, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002); *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Intern., Inc.*, 534 U.S. 124 (2001), in general, the Supreme Court has been "invisible" in the area of patent law during the first twenty years of the Federal Circuit's existence. *See, e.g., Mark D. Janis, Patent Law in the Age of the Invisible Supreme Court*, 2001 U. ILL. L. R. 387 (2001).

325. Commentators have also noted additional improprieties resulting from state courts handling patent law claims. *See Chism, supra* note 320, at 663–64 (noting specifically that state courts should not handle questions of patent validity).

326. "Horizontal equity," when referred to in this article, means the same or equal treatment under the law for the same or similarly situated litigants. *See, e.g., Dreyfuss, supra* note 14, at 8; *Schaffner, supra* note 300, at 1196.

327. *See supra* note 17.

328. *See supra* note 30.

329. *See Schaffner, supra* note 300, at 1196.

Before the Federal Circuit's creation, regional circuit law caused some geographic regions to be extremely pro-patentee, while others were anti-patentee-creating horizontal inequalities.³³⁰

After *Holmes*, regional circuits and state courts play a larger role in the development of patent law, hampering the Federal Circuit's ability to create horizontal equity. A regional circuit will apply its own law to a patent law claim, law that does not effect individuals before the PTO or outside the regional circuit's geographical bounds. Furthermore, due to *Holmes*, a patentee's claims may be handled by a state court—a completely different environment than federal court. It is no longer possible that an individual patent will be governed by the same appellate law in every case, particularly with the potential for the patent to be litigated in state court. The lack of uniformity introduced by *Holmes*, with claims being litigated in regional circuits or state courts, generates a situation where it becomes even tougher for the same or similar result to be reached under the same or similar facts in a patent case.

V. WAYS TO ENSURE UNIFORMITY IN PATENT LAW AFTER *HOLMES*

A. Legislation

The Supreme Court's decision was controlled by the "arising under" language in § 1338 and the fact that the Federal Circuit's appellate jurisdiction is based on a district court's jurisdiction.³³¹ A legislative solution, amending the statutes at issue in *Holmes*, is the most direct approach to negate the impact of the Supreme Court's decision. However, after one looks at the two statutes involved, and their impact on both Federal Circuit and federal district court jurisdiction, returning patent law to its pre-*Holmes* status is not that easy.

An initial way of negating the impact of *Holmes* is to change the specific language that formed the basis of the Supreme Court's ruling—the "arising under" language in § 1338(a). For example, the "arising under" language in § 1338(a) could be removed and replaced with the phrase "asserting a claim under," used in § 1338(b), so as to not trigger the well-pleaded complaint rule. Section 1338(a) would read:

The district courts shall have original jurisdiction of any civil action [asserting a claim under] any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.

330. See *supra* note 20.

331. See *Holmes*, 122 S.Ct. at 1893–95.

Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

With this amendment, both appellate jurisdiction and removal jurisdiction over patent cases would no longer depend on the well-pleaded complaint rule. Every patent law claim asserted, including counterclaims, would confer jurisdiction, both for the Federal Circuit and federal district courts. Such a change to § 1338(a) arguably creates too broad of a result—giving district court's removal jurisdiction over copyright and trademark counterclaims. Amending § 1338(a) in this way would dramatically shift the balance of forum choice in favor of the defendants, allowing any defendant in state court to assert a patent, copyright, or trademark counterclaim, compulsory or permissive, and create removal jurisdiction. This manufactures the very situation that worried the Supreme Court in *Holmes*.³³²

Another legislative solution would be to change § 1295(a)(1) reliance on § 1338 when defining the Federal Circuit's appellate jurisdiction. Section 1295(a)(1) could still refer to the district court's jurisdiction, but do so explicitly within the statute, as opposed to through reference to § 1338(a). In addition, when referring to the district court's jurisdiction, the amendment would not use the specific "arising under" language. Section 1295(a)(1) would read:

The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—(1) of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on ~~section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title~~ [any claim under any Act of Congress relating to patents or plant variety protection].

This change, while still basing the Federal Circuit's jurisdiction on that of the district courts but does not using "arising under" language, makes counterclaims eligible to confer appellate jurisdiction. The amendment also unties the scope of the Federal Circuit's jurisdiction from the removal jurisdiction of the district court. By changing § 1295(a)(1) alone, the effects of *Holmes* on state court jurisdiction would remain—with counterclaims not serving as a basis for removal jurisdiction. Unlike the amendment to § 1338(a) discussed *supra*, this

332. See *Holmes*, 122 S.Ct. at 1893–94.

amendment still allows a plaintiff to control whether a case will stay in state court or be removed to federal court. However, this amendment, while ensuring that patent counterclaims filed in federal court are appealed to the Federal Circuit, does not ensure that patent law counterclaims are adjudicated at the federal level. By only amending § 1295(a)(1), the effect of *Holmes* on the exclusive federal jurisdiction over patent and copyright counterclaims remains—state courts can still maintain jurisdiction over such claims even after this amendment.

In order to perfect exclusive federal jurisdiction over patent law claims, including those presented as counterclaims, § 1338(a) must be amended. Such an amendment that is only concerned with the impact the Supreme Court's interpretation of "arising under" on exclusive jurisdiction would focus on the second sentence of § 1338(a), which defines the scope of federal exclusive jurisdiction. An amendment could read:

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~~ [The district courts shall have exclusive jurisdiction] of the courts of the states in patent, plant variety protection and copyright cases.

This amendment would confer federal courts exclusive jurisdiction over all patent and copyright claims, including counterclaims, while preventing the creation of removal jurisdiction by the assertion of a patent or copyright counterclaim.³³³ After such an amendment, patent law counterclaims would fall within the exclusive jurisdiction of federal courts, but could not make a state case removable. This legislative solution attempts to balance the interests of federal courts adjudicating federal claims, even if they are presented as counterclaims, while maintaining the ability of a state court plaintiff to maintain control over the venue in which her state claims are adjudicated.³³⁴

In light of the possible amendments discussed *supra*, there is not one simple legislative solution that returns us to the pre-*Holmes* environment. One simple amendment cannot both try to preserve patent law uniformity and maintain a plaintiff's forum choice. The only legislative solution that comes close is to combine the amendments of § 1295(a) described

333. The language of the amendment is based on the language used in both the admiralty, 28 U.S.C. § 1333, and bankruptcy, 28 U.S.C. § 1334(a), statutes that confer the federal district courts with exclusive jurisdiction over cases in those areas of law.

334. One problem this type of amendment presents is that both a federal and state court may, in co-pending matters, be attempting to adjudicate claims based on the same factual issues. A patent claim may be pending in federal district court that is part of the same transaction or occurrence as state law claims before the state court. The exclusive federal jurisdiction, combined with the lack of removal jurisdiction after *Holmes*, can create such a situation.

above with the amendments of § 1338(a) targeted at the scope of exclusive jurisdiction. An easy legislative answer is not available.

*B. Regional Circuits' and State Courts'
Choice of Federal Circuit Law*

Another potential method of preventing the non-uniformity likely to result from *Holmes* is for regional circuits and state courts to adopt choice of law rules that look to Federal Circuit law as controlling on patent issues. Under this approach, even if patent law counterclaims are handled outside the Federal Circuit's jurisdiction, Federal Circuit law would still control the patent claims' resolution. Regional circuits and state courts could look to the Federal Circuit's choice of law criteria applied to non-patent law issues for guidance. With regard to legal issues that are outside of the Federal Circuit's jurisdictional mandate, the Federal Circuit's decision is controlled by the law of the regional circuit from which the case was heard.³³⁵ Substantive law issues regarding non-patent claims and procedural law issues that are not unique to patent law are controlled by the appropriate regional circuit's jurisprudence.³³⁶ If an issue of law falling outside the Federal Circuit's jurisdictional mandate has not been decided by the regional circuit, the Federal Circuit attempts to "to determine how the circuit would likely resolve the issues."³³⁷ The Federal Circuit adopted these rules to avoid "encouragement of forum shopping on non-patent claims and appropriation by th(e) court of elements of law not exclusively assigned to it."³³⁸

For the same reasons, regional circuits and state courts should apply Federal Circuit law for all substantive patent law issues and procedural law issues unique to patents.³³⁹ While there will still be differences between courts applications of law to fact in patent cases, adoption of these choice of law rules would minimize forum shopping between venues. Regardless of which regional circuit or state court hears the patent law counterclaim, Federal Circuit law would still apply. In addition, applying

335. See *Bowers v. Baystate Technologies, Inc.*, No. 01-1108, -1109, 2002 WL 1917337, 6 (Fed. Cir. Aug. 20, 2002); *Atari*, 747 F.2d at 1439-40.

336. See *Atari*, 747 F.2d at 1437-41 (holding that non-patent law issues are controlled entirely by regional circuit law); *Bandag*, 750 F.2d at 909; *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 858-59 (Fed. Cir. 1990) (holding that procedural law issues not unique to patent law are governed by regional circuit law).

337. *Indep. Serv. Organizations*, 203 F.3d at 1328-29.

338. *Atari*, 747 F.2d at 1441; see also Schaffner, *supra* note 300, at 1189-91.

339. Presumably, regional circuits would need to go *en banc* to deviate from their own precedent and adopt the Federal Circuit's case law on patent issue. See, e.g. *Bonner v. City of Prichard*, 661 F.2d 1206, 1207-08 (11th Cir. 1981) (*en banc*) (holding that the newly formed Eleventh Circuit will be bound by Fifth Circuit law issued prior to the Fifth Circuit's split).

Federal Circuit law is in line with congressional intent for the Federal Circuit to provide uniformity in the patent area. Although not as complete a solution as a legislative amendment, discussed *supra*, choice of law rules that favor Federal Circuit law for patent issues would reduce *Holmes's* potential impact on patent law uniformity.

C. Patentee's Procedural Solutions

Patentees may also employ some procedural theatrics of their own to ensure that their patent claims do not get appealed to a regional circuit or heard by a state court. As noted above, after *Holmes*, alleged infringers may file non-patent suits that require patentees to assert their patent claims as compulsory counterclaims. This forced filing of patent counterclaims could occur in federal district court or state court. One potential solution is for the patentee to, in addition to filing the compulsory counterclaim, file a complaint of its own in federal district court asserting the compulsory patent law claims. This complaint will meet the criteria established in *Holmes*, with a patent law claim presented in a well-pleaded complaint.³⁴⁰ The appeal from the patentee filed case would lie in the Federal Circuit.

Additionally, the patentee can attempt to consolidate its complaint with the one filed by the alleged infringer. Under the current case law, the complete consolidated case, including the non-patent complaint that sparked the controversy, is appealed to the Federal Circuit.³⁴¹ The patentee could create a situation similar to that in *Interpart* and *Innotron*.³⁴² In both cases, in response to non-patent complaints, the patentee filed separate patent infringement cases which were later consolidated with the non-patent complaints.³⁴³ In *Innotron*, in response to a claim asserting antitrust violations, Abbot Laboratories filed compulsory patent law counterclaims to the antitrust case as a complaint in the same district court.³⁴⁴ In both cases, the patent case was consolidated with the non-patent case and the appeal from the entire consolidated case was found to lie with the Federal Circuit.³⁴⁵ While the exact effect of the holding in *Holmes* on consolidated cases is unclear, as discussed *supra*, the filing of a separate case and, possibly, moving for consolidation with the non-patent, but related, case may be worthwhile if the patentee wants its claims heard by the Federal Circuit.

340. See *Holmes*, 122 S.Ct. at 1893–94.

341. See *Innotron*, 800 F.2d at 1079–81; *Interpart*, 777 F.2d at 680–81.

342. See *id.*

343. *Innotron*, 800 F.2d at 1078–79; *Interpart*, 777 F.2d at 679–80.

344. *Innotron*, 800 F.2d at 1078.

345. See *Innotron*, 800 F.2d at 1080–81; *Interpart*, 777 F.2d at 680–81.

CONCLUSION

The Supreme Court's decision in *Holmes* opens the door for the development of patent law outside of the Federal Circuit's jurisdiction. Any uniformity in patent law created by the Federal Circuit could potentially be undone by the Supreme Court's decision. *Holmes* puts both the doctrinal stability and horizontal equity in patent law Congress attempted to introduce in 1982 in jeopardy. Without a legislative solution or regional circuits and state courts following Federal Circuit law on patent issues, uniformity in patent law may become even more difficult to achieve. Finally, when looking at any potential solution, care must be taken to both successfully remedy the problem created by *Holmes* and address the concerns regarding broadening removal jurisdiction noted by the Supreme Court.