

1996

Christianson v. Colt Industries Operating Corp: The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions

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Christianson v. Colt Industries Operating Corp.: The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions

ARTICLES

CHRISTIANSON v. COLT INDUSTRIES OPERATING CORP.: THE APPLICATION OF FEDERAL QUESTION PRECEDENT TO FEDERAL CIRCUIT JURISDICTION DECISIONS

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INTRODUCTION

The forum in which to appeal a district court action ordinarily is a straightforward matter. Regardless of the subject matter of the appeal, district court decisions are appealed to the regional circuit court where the district court sits.¹ In 1982, the matter of where to

1. 28 U.S.C. §§ 1291, 1294 (1994).

appeal a district court decision involving a patent issue became somewhat more complex because of the creation of a new federal circuit court of appeals, the United States Court of Appeals for the Federal Circuit.²

Congress created the Federal Circuit, in part, to unify the application of the patent laws.³ To that end, Congress provided the Federal Circuit with exclusive jurisdiction on a national scope, over actions in which the district court's decision was based in whole or in part on 28 U.S.C. § 1338.⁴ Section 1338(a) provides for original jurisdiction in the district courts for "any civil action arising under any Act of Congress relating to patents."⁵

It is not always clear whether a district court's jurisdiction is based on an "Act of Congress relating to patents," and consequently the issue of whether an action should be appealed to the Federal Circuit or the regional circuit court is often murky. Particularly vexing are cases in which the patent count is added or dropped during the pendency of the action in the district court, or in which a patent issue is raised as a defense or counterclaim to a claim otherwise not raising a patent issue. Congress' grant of nationwide subject matter jurisdiction for patent cases to the Federal Circuit led to appellate jurisdictional conflicts with the other regional circuits.⁶

In *Christianson v. Colt Industries Operating Corp.*,⁷ the Supreme Court resolved many of the conflicts raised by the new circuit court's grant of jurisdiction over patent cases. In *Christianson*, the Court noted the similar language, "arising under," that appeared in both the grant of jurisdiction to the district courts for patent cases in § 1338 and the general grant of federal question jurisdiction to the district courts in 28 U.S.C. § 1331.⁸ The Court also noted the similar policies served

2. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified as amended in scattered sections of 28 U.S.C.).

3. S. REP. NO. 275, 97th Cong., 1st Sess. 3-6 (1981), *reprinted in* 1982 U.S.C.A.N. 11, 13-16. "Uniformity was also sought in federal personnel, government contract, and Little Tucker Act cases." *Cable Elec. Prods., Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1032 n.21, 226 U.S.P.Q. (BNA) 881, 892 n.21 (Fed. Cir. 1985).

4. *See* 28 U.S.C. § 1295(a)(1) (endowing Federal Circuit with exclusive jurisdiction over appeals from any district court's final decision).

5. *Id.* § 1338(a).

6. Subject matter also defines the jurisdiction of the Temporary Emergency Court of Appeals ("TECA"). *See Coastal States Mktg., Inc. v. New England Petroleum Corp.*, 604 F.2d 179, 182 (2d Cir. 1979) (indicating that TECA has "exclusive appellate jurisdiction in . . . cases and controversies arising under the [Economic Stabilization Act of 1970]"). It is clear, however, that the jurisdictional analysis of the Federal Circuit was not meant to parallel that of the TECA. *See infra* notes 163-64 and accompanying text (noting that "traditional" jurisdictional analysis applies to Federal Circuit jurisdiction, and TECA has "issue" jurisdiction).

7. 486 U.S. 800 (1988).

8. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807-08 (1988).

by the two grants of jurisdiction and, accordingly, interpreted the scope of § 1338 jurisdiction in the same way the scope of federal question jurisdiction under § 1331 has been interpreted.⁹ Thus, the issue of whether an action's jurisdiction arises under § 1338, and thus is appealable to the Federal Circuit, is now determined by the two part test used to determine § 1331 jurisdiction: (i) does it appear from the well-pleaded complaint that (ii) the case arises under federal law?¹⁰

The Federal Circuit has, of course, followed the *Christianson* rule, as it had prior to the Supreme Court's decision.¹¹ It has not, however, read the decision as requiring strict compliance with the "well-pleaded complaint rule," as that rule is applied in the § 1331 context.¹² Rather, due to differences in the policies served by the two statutory grants of jurisdiction among other considerations, the Federal Circuit has interpreted *Christianson* as allowing the court flexibility in interpreting its patent jurisdiction.¹³

This Article agrees with the Federal Circuit's conclusion that strict application of § 1331 precedent is neither warranted by *Christianson* nor consistent with Congress' intent in creating appellate jurisdiction in the Federal Circuit for actions based on § 1338. Specifically, the purpose underlying federal question jurisdiction case law, which appertains to state versus federal jurisdiction conflicts, is not always applicable to Federal Circuit jurisdiction decisions (federal versus federal appellate court conflicts), which may involve not only state versus federal court jurisdiction conflicts but also federal versus

9. *Id.* at 807-09.

10. *Id.* at 809.

11. The *Christianson* decision affirmed the Federal Circuit's jurisdictional analysis *in toto*. *Id. Compare* Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1429, 223 U.S.P.Q. (BNA) 1074, 1078 (Fed. Cir. 1984) (finding that unless district court based its jurisdiction on patent law claims, "mere allegation" that case involves patent laws does not give Federal Circuit jurisdiction) and *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1550, 3 U.S.P.Q.2d (BNA) 1241, 1245 (Fed. Cir. 1987) (expressing view that there was "no basis on which to posit a congressional intent to deprive the regional circuits of jurisdiction over every appeal that remotely involves a patent issue") with *Christianson*, 486 U.S. at 809 (finding that Federal Circuit has jurisdiction only when complaint includes cause of action created by federal patent laws or when plaintiff's claim involves decision of "substantial question" of federal patent law). Thus, the Federal Circuit's jurisdictional analysis has not, and presumably will not, change. Accordingly, both the post-*Christianson* and pre-*Christianson* jurisdictional decisions by the Federal Circuit are instructive.

12. *Aerogjet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, 895 F.2d 736, 741, 13 U.S.P.Q.2d (BNA) 1670, 1674 (Fed. Cir. 1990) ("It is apparent from their unanimous opinion that the Justices did not intend to make a rigid application of the well-pleaded complaint rule a Procrustean bed for this court's jurisdiction.")

13. See *id.* at 744-45, 13 U.S.P.Q.2d (BNA) at 1677 (noting that well-pleaded complaint rule should not thwart congressional goals in enacting § 1295 Federal Circuit jurisdiction and stressing need to achieve greater uniformity in patent cases and to prohibit forum-shopping).

federal jurisdiction conflicts.¹⁴ In federal versus federal jurisdiction conflicts, the constitutional concerns underlying much of the § 1331 precedent are not implicated, and accordingly, this precedent should not frustrate "Congress' goal of enhancing predictability and certainty of the patent laws."¹⁵

Part I of this Article provides a brief review of federal question jurisdiction under § 1331, including the tests developed by the Supreme Court for determining whether an action "arises under" federal law. Part II discusses the Federal Circuit's patent jurisdiction, including the reasons underlying Congress' decision to depart from the existing appellate structure and to grant the Federal Circuit exclusive jurisdiction nationwide over actions based on § 1338. Part III includes a discussion of the *Christianson* decision and why strict application of the federal question jurisdiction on which the Court relied is neither warranted by the decision nor desirable to effectuate congressional intent. Part IV examines the Federal Circuit's treatment of § 1338 jurisdiction and offers suggestions for improving the rules that determine Federal Circuit jurisdiction under *Christianson*. Specifically, the Article suggests that an expansive view of Federal Circuit jurisdiction is appropriate when the conflict is federal versus

14. Jurisdictional issues with respect to the Federal Circuit's appellate jurisdiction arise in two categories: (1) those distinguishing between federal and state jurisdiction, e.g., *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 260 (1897) ("Federal courts have no right . . . to entertain suits . . . where a subsisting contract is shown governing the rights of the party in the use of an invention, and that such suits not only may, but must, be brought in the state courts."); *Wade v. Lawder*, 165 U.S. 624, 627-28 (1897) (finding that contract for interest in patent was state claim); *Dale Tile Mfg. Co. v. Hyatt*, 125 U.S. 46, 52 (1888) (restating law that enforcement of contract for use of patent does not arise under federal law); *Albright v. Teas*, 106 U.S. 613, 616-17 (1882) (holding that failure to pay patent royalties under contract did not give rise to federal jurisdiction); *Hartell v. Tilghman*, 99 U.S. 547, 556 (1878) ("Such a [contract] case is not cognizable in a court of the United States by reason of its subject matter . . ."); *Wilson v. Sanford*, 51 U.S. (10 How.) 99, 101-02 (1850) (holding district court did not have jurisdiction to hear action to set aside contract which infringed on appellant's patent rights); *Vink v. Schijf*, 839 F.2d 676, 676-77, 5 U.S.P.Q.2d (BNA) 1728, 1730 (Fed. Cir. 1988) (involving suit that involved either ownership issue under state law or patent infringement issue under federal law); *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 875-76, 219 U.S.P.Q. (BNA) 197, 199 (Fed. Cir. 1983) (involving suit that was either contract action under state law or patent infringement suit under federal law); and (2) those distinguishing between the Federal Circuit and the regional circuit as the proper appellate tribunal, e.g., *Wyden v. Commissioner of Patents and Trademarks*, 807 F.2d 934, 935-36, 231 U.S.P.Q. (BNA) 918, 919 (Fed. Cir. 1986) (demonstrating that, although suit was properly in federal court under 35 U.S.C. § 32, question was whether it was patent "case"); *Dubost v. United States Patent and Trademark Office*, 777 F.2d 1561, 1565, 227 U.S.P.Q. (BNA) 977, 979 (Fed. Cir. 1985) (finding that suit was properly in district court under mandamus statute, but that jurisdictional issue concerned appropriate circuit court for appeal). With regard to cases in the second category, it is often clear that a case is properly in federal court; however, the question remains whether the district court's jurisdiction was based on 28 U.S.C. § 1331 (general federal question jurisdiction) or on 28 U.S.C. § 1338 (jurisdiction over intellectual property questions).

15. *Aerofjet*, 895 F.2d at 745, 13 U.S.P.Q.2d (BNA) at 1677.

federal because the Federal Circuit has a heightened interest in reviewing cases involving patent issues and because the federalism concerns underlying federal question precedent are not implicated. On the other hand, in state versus federal conflicts, significant federalism concerns underlying federal question precedent are implicated, and strict application of federal question principles is appropriate.

In the federal versus federal context, there is little harm in either the Federal Circuit or the regional circuits hearing the case; thus, bright line rules can be employed to avoid the jurisdictional "ping-pong" discussed in *Christianson*. Bright line rules may help both the courts and practitioners by simplifying the appellate process—recognizing that an occasional patent case may be decided by a regional circuit and a case involving no patent issues may be determined by the Federal Circuit. Thus, in Part IV, specific examples of cases are analyzed, including cases involving counterclaims, amended complaints, consolidated cases, and cases where there is a withdrawal, severance, or separation of a patent count. Bright line rules are suggested where appropriate.

Finally, Part IV analyzes Federal Circuit decisions deciding the outer limits of its "arising under" jurisdiction. The Article concludes that the Federal Circuit has chosen to follow a more expansive reading of its "arising under" jurisdiction, even when there is a state versus federal conflict.

I. FEDERAL QUESTION JURISDICTION UNDER § 1338

Under the United States Constitution, federal courts may be given jurisdiction over "[c]ases, 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."¹⁶ "Cases that fall under this head of jurisdiction are usually spoken of as involving a 'federal question.'"¹⁷

The jurisdiction of the Supreme Court is set out in Article III, section 1 of the United States Constitution. In addition, the Constitution provides Congress with the discretion to establish lower federal courts and, if it so chooses, to determine the number and type of federal courts.¹⁸ Congress did not exercise its constitutional

16. U.S. CONST. art. III, § 2, cl. 1.

17. CHARLES A. WRIGHT, *THE LAW OF FEDERAL CIRCUIT COURTS* 90 (4th ed. 1983).

18. U.S. CONST. art. III, § 1, cl. 1; see *Kline v. Burke Constr. Co.*, 260 U.S. 226, 233-34 (1922) ("The effect of [sections 1 and 2 of article III] is not to vest jurisdiction in the inferior courts over the designated cases and controversies but to delimit these in respect of which Congress

authority to create federal courts until 1875 when it enacted what today has become 28 U.S.C. § 1331,¹⁹ which grants the federal courts general original jurisdiction over federal question cases “in language virtually the same as the Constitution,”²⁰ both provisions using the key “arising under” phrase.²¹

A. *“Arising Under” as Interpreted in § 1331*

Under § 1331, “[t]he district courts shall have jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”²² Although the first version of this provision appeared in 1875,²³ the “[f]ormulation of a general test for determining when an action ‘arises under’ federal law has eluded the courts for more than a century.”²⁴

It is well settled that “[a]lthough the language of § 1331 parallels that of the ‘Arising Under’ Clause of Art. III, . . . Art. III ‘arising under’ jurisdiction is broader than federal-question jurisdiction under

may confer jurisdiction upon such courts as it creates”); *Sheldon v. Sill*, 49 U.S. (8 How.) 441, 448-49 (1850) (reasoning that, because Congress may create federal courts, it also must have authority to withhold certain controversies from their jurisdiction); *Carey v. Curtis*, 44 U.S. (3 How.) 236, 245 (1845) (finding that Congress’ exclusive authority to create courts and determine their jurisdiction also allows Congress to withhold jurisdiction from them).

19. Act of Mar. 3, 1875, ch. 137, § 1, 18 Stat. 470.

20. WRIGHT, *supra* note 17, at 90-91.

21. U.S. CONST. art. III, § 2, cl. 1; 28 U.S.C. § 1331 (1994).

22. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 8 (1983) (quoting 28 U.S.C. § 1331 (Supp. V 1976)).

23. Act of Mar. 3, 1875, § 1, 18 Stat. at 470-73.

24. *First Nat’l Bank v. Aberdeen Nat’l Bank*, 627 F.2d 843, 849 (8th Cir. 1980). *See generally Franchise Tax Bd.*, 463 U.S. at 8 (noting that no single definition of “arising under” has been established since passage of Act of Mar. 3, 1875).

§ 1331.²⁵ Under § 1331, a federal question must be more than an ingredient of a cause of action to create federal jurisdiction.

In *Franchise Tax Board v. Construction Laborers Vacation Trust*,²⁶ one of the Supreme Court's more recent analyses in this area, the Court held:

Under our interpretations, Congress has given the lower federal courts jurisdiction to hear, originally or by removal from a state court, only those cases in which a well-pleaded complaint establishes either that federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law.²⁷

Thus, federal question jurisdiction exists in two alternative, but overlapping, situations: either (1) federal law must create the cause of action; or (2) the plaintiff's right to relief must necessarily require the resolution of a substantial question of federal law.

1. Federal law creates the cause of action

The first test, which was elucidated by Justice Holmes in *American Well Works Co. v. Layne and Bowler Co.*,²⁸ is generally referred to as the "creation test."²⁹ Although sometimes still mistaken as the sole test

25. *Verlinden B.V. v. Central Bank of Nigeria*, 461 U.S. 480, 494-95 (1983); see also *Romero v. International Terminal Operating Co.*, 358 U.S. 354, 379-80 & n.51 (1959) (noting that federal courts have been reluctant to read jurisdictional statutes broadly, thereby limiting their jurisdiction; however, limitations placed on § 1331 jurisdiction do not limit congressional power to establish federal court jurisdiction); *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 506-07 (1900) (noting that Congress may decide whether federal courts have concurrent or exclusive jurisdiction over enforcement of given right even if such right originated by laws of United States); *Powell v. McCormack*, 395 U.S. 486, 515 (1969) (stating that "the grant of jurisdiction in § 1331 (a), while made in the language used in Art. III, is not in all respects co-extensive with the potential for federal jurisdiction found in Art. III"). See generally Ernest J. London, "Federal Question" Jurisdiction—A Snare and a Delusion, 57 MICH. L. REV. 835, 841-48 (1959) (discussing interpretation of statutory grants of jurisdiction in limited fashion by requiring federal question to be in complaint); Paul J. Mishkin, *The Federal "Question" in the District Courts*, 53 COLUM. L. REV. 157, 160-61 (1953) (revealing that although Chief Justice Marshall interpreted "arising under" language of Art. III broadly, courts have interpreted that same language in § 1331 more narrowly, not according it "sweep of its constitutional ancestor").

It is noted that some decisions have read § 1331 more restrictively while purporting to apply the *Osborn* rule which states that a case arises under federal law and the Constitution when a federal question is an element of the cause of action. See *Starin v. New York*, 115 U.S. 248, 257-58 (1885) (noting that nothing in Constitution or laws of United States revoked New York City's right to establish ferries, and therefore no federal question arose); *Gold-Washing & Water Co. v. Keyes*, 96 U.S. 199, 201-02 (1878) (requiring plaintiff to state facts giving rise to federal question) (citing *Osborn v. Bank of the United States*, 22 U.S. (9 Wheat.) 738, 822 (1824)). See generally London, *supra*, at 841-48 (finding that there has been tendency to limit federal question jurisdiction, even when cause of action clearly involved federal question).

26. 463 U.S. 1 (1983).

27. *Id.* at 27-28.

28. 241 U.S. 257 (1916).

29. *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) ("A suit arises under the law that creates the cause of action."). Interestingly, in this case, plaintiff

for federal question jurisdictional determinations,³⁰ the Supreme Court has stated:

[The "creation test"] is more useful for describing the vast majority of cases that come within the district courts' original jurisdiction than it is for describing which cases are beyond district court jurisdiction. . . . [E]ven the most ardent proponent of the Holmes test has admitted that it has been rejected as an exclusionary principle.³¹

Hence, the creation test is the most stringent test for federal jurisdiction. If this test is met, federal jurisdiction will ordinarily lie.³² The converse is not true; a cause of action may fail to meet this test, and yet federal jurisdiction may be present under the second test.

2. *Resolution of a substantial question of federal law*

Federal question jurisdiction also may lie when the right to relief necessarily depends on resolution of a substantial question of federal law. The application of this second test for finding original jurisdiction of federal district courts is more difficult and controversial than the first; it is what Justice Frankfurter termed the "litigation-provoking problem."³³

One of the most expansive interpretations of § 1331 "arising under" jurisdiction under the "resolution of a substantial question of federal law" test is found in *Smith v. Kansas City Title & Trust Co.*³⁴ In *Smith*, the Kansas City Title & Trust Co. planned to invest company funds in bonds issued by Federal Land Banks pursuant to the Federal Farm Loan Act.³⁵ Plaintiffs sued to prevent this investment, alleging that

alleged that defendant had libeled and slandered it by accusing it of patent infringement. *Id.* at 258. The Court held that the suit did not arise under the patent laws: "The fact that the justification may involve the validity and infringement of a patent is no more material to the question under what law the suit is brought than it would be in an action of contract." *Id.* at 260.

30. See *Consolidated World Housewares, Inc. v. Finkle*, 831 F.2d 261, 265, 4 U.S.P.Q.2d (BNA) 1565, 1568 (Fed. Cir. 1987) (dismissing appeal for lack of jurisdiction because patent laws "could not possibly create [the] 'cause of action' under § 1338"). The court apparently did not consider, however, whether the plaintiff's right to relief necessarily required a construction of the patent laws. *Id.*

31. *Franchise Tax Bd.*, 463 U.S. at 9 (citations omitted); *Dubost v. United States Patent and Trademark Office*, 777 F.2d 1561, 1565, 227 U.S.P.Q. (BNA) 977, 979 (Fed. Cir. 1985) (quoting *Franchise Tax Bd.*, 463 U.S. at 9).

32. Even this, however, is only "ordinarily" true. See *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 513 (1900) (denying federal jurisdiction—even though federal statute authorized suits to determine mining rights—because local rules or customs governed result); see also *Bell v. Hood*, 327 U.S. 678, 682-83 (1946) (requiring federal claim to be substantial).

33. *Textile Workers Union v. Lincoln Mills*, 353 U.S. 448, 470 (1957) (Frankfurter, J., dissenting).

34. 255 U.S. 180 (1921).

35. *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180, 195-96 (1921).

the Act was unconstitutional.³⁶ State law required investments by the company to be legal³⁷ and provided the shareholders injunctive relief if the investments were not.³⁸

The Court held that there was federal question jurisdiction in this case, stating:

[I]t appears from the bill or statement of the plaintiff that the right to relief depends upon the construction or application of the Constitution or laws of the United States '[T]he title or right set up by the party, may be defeated by one construction of the Constitution or law of the United States, and sustained by the opposite construction.'³⁹

The Supreme Court found federal question jurisdiction even though federal law neither created the cause of action nor provided the relief, both being creatures of state law. The Court later characterized this case as one in which "a case 'arose under' federal law where the vindication of a right under state law necessarily turned on some construction of federal law."⁴⁰

Other cases have refused to find federal question jurisdiction when federal law created the cause of action but local rules and customs governed the result.⁴¹ Judge Friendly acknowledged the *Smith* rationale and seemingly endorsed it in dicta in *T.B. Harms Co. v. Eliscu*,⁴² although he found that even by using this test, there was no federal jurisdiction.⁴³ Other cases have reached this result in dicta as well.⁴⁴ Only a few cases have accepted federal jurisdiction on the

36. *Id.* at 195.

37. *Id.* at 199.

38. *Id.* at 201-02.

39. *Id.* at 199 (quoting *Osborn v. Bank of the United States*, 22 U.S. (9 Wheat.) 738, 822 (1824)).

40. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983) (citations omitted).

41. *Moore v. Chesapeake & Ohio Ry. Co.*, 291 U.S. 205, 214-15 (1934) (denying federal question jurisdiction when violation of federal standard was element of state court tort suit); *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 513 (1900) (finding that federal statute authorized suit to determine adverse claims to mining right, but there was no jurisdiction because local rules or customs were to govern result); see also *Roecker v. United States*, 379 F.2d 400, 407-08 (5th Cir.) (finding that state law governed case, even though applicable federal statute did not require reference to state law), *cert. denied*, 389 U.S. 1005 (1967).

42. 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 915 (1965).

43. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 827 (2d Cir. 1964) ("Even though the claim is created by state law, a case may 'arise under' a law of the United States if the complaint discloses a need for determining the meaning or application of such a law.")

44. See, e.g., *Mountain Fuel Supply Co. v. Johnson*, 586 F.2d 1375, 1381-82 (10th Cir. 1978) (stating that, on its face, complaint raised substantial federal question based on Phase IV of oil regulations), *cert. denied*, 441 U.S. 952 (1979); *Garrett v. Time-D.C., Inc.*, 502 F.2d 627, 629 (9th Cir. 1974) (examining *Smith* test and finding case satisfied test, although jurisdiction in case arose under § 1337, rather than § 1331), *cert. denied*, 421 U.S. 913 (1975); *Warrington Sewer Co. v. Tracy*, 463 F.2d 771, 772 (3d Cir. 1972) (noting that test for presence of federal question is

basis of the *Smith* analysis alone.⁴⁵ In fact, the jurisdictional analysis by the Supreme Court in cases subsequent to *Smith* casts doubt as to the viability of the *Smith* rationale.⁴⁶

Recent Supreme Court cases have reaffirmed, however, the principle "that a case may arise under federal law 'where the vindication of a right under state law necessarily turn[s] on some construction of federal law,'"⁴⁷ but the holdings in these cases demonstrate "that this statement must be read with caution."⁴⁸

whether state claim "presents 'a pivotal question of federal law'" (citations omitted from original)).

45. See, e.g., *Stone & Webster Eng'g Corp. v. Isley*, 690 F.2d 323, 328 (2d Cir. 1982) (finding that claim not only was created by federal law, but claim turned on preemption contained in Employee Retirement Income Security Act of 1974), *aff'd mem.*, 463 U.S. 1220 (1983); *Christopher v. Cavallo*, 662 F.2d 1082, 1083-84 (4th Cir. 1981) (finding that construction of copyright law was essential element of state breach of warranty claim and, thus, posed substantial federal question); *Sweeny v. Abramovitz*, 449 F. Supp. 213, 214-16 (D. Conn. 1978) (explaining that police officer's suit against citizen for malicious prosecution was properly removed to district court when that suit was based on earlier suit by citizen against officer for alleged violation of the Civil Rights Act of 1871); see also *De Sylva v. Ballentine*, 351 U.S. 570 (1956) (resolving issue of copyright ownership when there was no question of infringement and no diversity of citizenship; presence of federal question, therefore, was only basis for jurisdiction). Although the Supreme Court did not address jurisdiction in *De Sylva*, there is little possibility that the Court overlooked the issue because the circuit court opinion included a sharply worded dissent arguing that the case should be dismissed for want of federal jurisdiction. *Ballentine v. De Sylva*, 226 F.2d 623, 634-36 (9th Cir. 1955) (Fee, J., dissenting).

46. See *Puerto Rico v. Russell & Co.*, 288 U.S. 476, 483 (1933). The Court stated:

Federal jurisdiction may be invoked to vindicate a right or privilege claimed under a federal statute. It may not be invoked where the right asserted is non-federal, merely because the plaintiff's right to sue is derived from federal law, or because the property involved was obtained under federal statute. The federal nature of the right to be established is decisive—not the source of the authority to establish it.

Id.; see *Gully v. First Nat'l Bank*, 299 U.S. 109, 116 (1937) ("The federal nature of the right to be established is decisive . . ." (quoting *Puerto Rico*, 288 U.S. at 483)). One commentator explains:

[The tests for federal question jurisdiction] announced in *Puerto Rico v. Russell & Co.* and *Gully v. First Nat'l Bank*, cannot be reconciled with *Smith v. Kansas City Title & Trust Co.* . . . The dominant trend of the cases through *Gully v. First Nat'l Bank* . . . makes clear that it is never enough, for purposes of the jurisdictional statute . . . that a case involves one or more incidental questions arising under the Constitution or laws of the United States, if the plaintiff's cause of action itself was not created by federal law.

London, *supra* note 25, at 853. Another commentator remarks:

[T]he Court in *Smith v. Kansas City Title & Trust Co.* required only that the right to relief depend on the construction or application of federal law. Subsequent cases do not resolve the apparent conflict; nor do they make clear, if *Smith* is valid, the precise sense in which the asserted right to relief must be dependent on federal law.

Note, *The Outer Limits of "Arising Under"*, 54 N.Y.U. L. REV. 978, 982 (1979) (footnotes omitted).

47. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 808 (1986) (quoting *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983)).

48. *Id.* at 809. In *Franchise Tax Bd.*, "the central issue . . . turned on the meaning of [ERISA], but [the Court] nevertheless concluded that federal jurisdiction was lacking." 463 U.S. at 28. In *Merrell Dow*, the misbranding of a drug in violation of the Federal Food, Drug, and Cosmetic Act was alleged as an element in a state law suit sounding in tort, and federal question jurisdiction was denied. 478 U.S. at 805-07.

In *Merrell Dow Pharmaceuticals Inc. v. Thompson*,⁴⁹ the Supreme Court recognized “the widely perceived ‘irreconcilable’ conflict between the finding of federal jurisdiction in *Smith* . . . and the finding of no jurisdiction in *Moore v. Chesapeake & Ohio R. Co.*”⁵⁰ The Court explained, however, that “the differences in results can be seen as manifestations of the differences in the nature of the federal issues at stake.”⁵¹ The issue of the “constitutionality of an important federal statute” addressed in *Smith* was a more significant federal interest than the issue in *Moore*, which concerned “the violation of [a] federal standard as an element of state tort recovery.”⁵² The violation of the federal standard in *Moore* “did not fundamentally change the state tort nature of the action” according to the Court in *Merrell Dow*.⁵³

The majority in *Merrell Dow* found it persuasive that, by denying federal question jurisdiction, Congress did not provide a private remedy for violation of the Food, Drug, and Cosmetic Act (“FDCA”).⁵⁴ This, according to the majority, “is tantamount to a congressional conclusion that the presence of a claimed violation of the statute as an element of a state cause of action is insufficiently ‘substantial’ to confer federal-question jurisdiction.”⁵⁵

The four dissenting Justices disagreed with this rationale, viewing *Smith* as the law instead and “*Moore* as having . . . been in a state of innocuous desuetude.”⁵⁶ The dissent was not persuaded that the failure of Congress to provide a federal remedy should affect federal jurisdiction.⁵⁷

49. 478 U.S. 804 (1988).

50. *Id.* at 814 n.12 (discussing *Moore v. Chesapeake and Ohio R. Co.*, 291 U.S. 205 (1934)).

51. *Id.* at 814-15 n.12.

52. *Id.* (explaining why federal jurisdiction was found in *Smith* but not in *Moore*).

53. *Id.*

54. *See id.* at 814 (concluding that Congress did not intend federal cause of action for FDCA violation based on congressional decision not to supply private remedy).

55. *Id.*

56. *Id.* at 822 n.1 (Brennan, J., dissenting) (explaining that Supreme Court has never relied on *Moore* but that *Smith* has been accepted widely by lower courts). The dissent in *Moore* is not persuasive because it fails to explain or even to recognize the other cases that are inconsistent with *Smith*. *See supra* note 46 (noting cases that are inconsistent with *Smith*).

57. *See Merrell Dow*, 478 U.S. at 825 (Brennan, J., dissenting) (advocating looking to reasons why Congress withheld federal remedy before concluding that Congress also intended to withhold federal jurisdiction). It should be emphasized that the dissenting Justices in *Merrell Dow* would construe federal question jurisdiction more broadly than the majority. *See id.* at 818 (Brennan, J., dissenting) (recognizing “great breadth” of federal question jurisdiction). Thus, the analysis below, *see infra* text accompanying notes 400-04, whereby the majority analysis is used to show that the Federal Circuit has broad jurisdiction over federal disputes involving patent law, would necessarily carry with it the dissent’s agreement.

It seems likely that in evaluating the “*nature* of the federal interest at stake,”⁵⁸ the Court is recognizing that the states have an interest in maintaining jurisdiction over cases involving their citizens and in being the final arbiter over their laws.⁵⁹ If there were no such interest, it would be unnecessary to evaluate the nature of the federal interest; federal courts would take jurisdiction whenever federal law was an “ingredient” of the cause of action.⁶⁰

The rule that federal jurisdiction will lie if the title or right claimed by the party may be defeated by one construction of the Constitution or law of the United States, and sustained by the opposite construction, is subject at least to the limitation that the federal question must either prescribe the remedy sought,⁶¹ create the cause of action,⁶² or be a question central to the dispute.⁶³ The “right or immunity created by the Constitution or laws of the United States must be an element, and an essential one, of the plaintiff’s cause of action.”⁶⁴ It is not sufficient that the question merely be “lurking in the background.”⁶⁵

The decision in *Smith* is consistent with the limitation that the federal question must be central to the case or must be real and substantial. There, the federal question was obviously significant.⁶⁶ State law provided only that injunctive relief would be available if the investments were not legal.⁶⁷ The determination as to whether the

58. *Merrell Dow*, 478 U.S. at 814 n.12.

59. See *infra* text accompanying notes 188-94 for a complete discussion of the state and federal interests in exercising jurisdiction over particular cases.

60. See *supra* text accompanying notes 22-27 (explaining that federal question jurisdiction requires substantial question of federal law and not merely ingredient of federal law).

61. See *Feibelman v. Packard*, 109 U.S. 421, 426 (1883) (finding remedy consisting of seizure and detention of goods, authorized by federal bankruptcy law, sustainable by district court despite contrary state law).

62. See *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (“A suit arises under the law that creates the cause of action.”); *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25-26 (1913) (finding good faith claim based on federal statute has federal jurisdiction).

63. See *Hopkins v. Walker*, 244 U.S. 486, 489 (1917) (requiring complaint to involve federal question “really and substantially”); *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 509-12 (1900) (finding no federal jurisdiction in case that merely presents question of fact and “does not involve any question as to the construction or effect of the Constitution or laws of the United States”); see also Note, *supra* note 46, at 994-95 (explaining that practical purpose of requiring federal question to be central to dispute is “to prevent the exercise of federal jurisdiction on the basis of remote or purely speculative federal propositions”).

64. *Gully v. First Nat’l Bank*, 299 U.S. 109, 112 (1936).

65. *Id.* at 117 (denying federal jurisdiction for suit involving state contract claim with only tenuous connection to federal law).

66. *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180, 199-201 (1921) (finding that claim turned on “the constitutional validity of an Act of Congress” and therefore jurisdiction was proper).

67. *Id.* at 199, 201-02.

investments were legal turned on the constitutionality of a federal statute.⁶⁸

B. *The "Well-Pleaded Complaint" Rule*

In determining whether a cause of action is one "arising under" the Constitution, laws, or treaties of the United States—that is, whether "federal law creates the cause of action or . . . the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law"⁶⁹—one "powerful doctrine" has emerged: the "well-pleaded complaint" rule.⁷⁰ This rule provides:

[W]hether a case is one arising under the Constitution or a law or treaty of the United States . . . 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.⁷¹

It is not "sufficient that a . . . claim alleges a single theory under which resolution of a [federal claim] is essential."⁷² If there is an alternate theory under which relief can be granted apart from federal law, then the claim does not "arise under" federal law.⁷³ The plaintiff's right to relief must *necessarily* require a resolution of a substantial question of federal law.⁷⁴

Under the well-pleaded complaint rule, the plaintiff is the master of his claim.⁷⁵ If a federal claim is available but not asserted, there is no federal jurisdiction.⁷⁶ The plaintiff's control of the claim is

68. See *supra* text accompanying notes 36-40 (explaining that although cause of action arose under state law, its ultimate resolution turned on some construction of federal law).

69. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983).

70. *Id.*

71. *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914); see also *Gully v. First Nat'l Bank*, 299 U.S. 109, 113 (1936) ("[T]he controversy must be disclosed upon the face of the complaint, unaided by the answer or by the petition for removal."); *Louisville & Nashville R.R. v. Mottley*, 211 U.S. 149, 152 (1908) (holding that "plaintiff's original cause of action" must "arise[] under the Constitution").

72. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 810 (1988).

73. See *id.* (stating that federal claim must be essential to each alternative theory set forth in complaint). When both state and federal grounds are available, plaintiff may rely solely on state grounds. That the complaint is subject to dismissal for failure to state a claim is irrelevant. See *Franchise Tax Bd.*, 463 U.S. at 26 & n.29 (recognizing that state law will determine whether claim is stated); *Bell v. Hood*, 327 U.S. 678, 682 (1946) (deciding whether claim has been stated is properly determined by court that assumes jurisdiction).

74. See *Christianson*, 486 U.S. at 810 (requiring entire claim, not just element of claim, to be governed by federal law).

75. See *Fair v. Kohler Die Co.*, 228 U.S. 22, 25 (1913) ("[T]he party who brings a suit is master to decide what law he will rely upon" and thus what jurisdiction will apply).

76. See *Great N. Ry. Co. v. Alexander*, 246 U.S. 276, 282 (1918) (holding that claim of negligence under common law is not removable to federal court where plaintiff did not plead federal claim even if federal claim was available). See generally 14A CHARLES A. WRIGHT ET AL.,

limited, however, insofar as the “artful pleading” rule prohibits a plaintiff from using artful pleading in order to avoid or create federal jurisdiction.⁷⁷

II. THE CREATION OF THE FEDERAL CIRCUIT AND JURISDICTION OVER ACTIONS BASED ON § 1338

The circumstances and controversies surrounding the creation of the Court of Appeals for the Federal Circuit are well documented.⁷⁸ One of the strongest motivations for creating the court was the general dissatisfaction over the disparate application of the patent laws by the various regional circuits.⁷⁹ Many believed that creating a single uniform appellate forum for all patent appeals would foster uniform application of the patent laws thus furthering the goals of the patent laws.⁸⁰

A. Congress Intended to Create a Single Forum for Patent Appeals to Unify the Patent Law

There were several ways Congress could have attempted to harmonize the application of the patent laws, including the creation of specialized trial courts. Congress instead left trial jurisdiction over patent cases in the district courts and created a single forum for taking patent appeals.⁸¹

FEDERAL PRACTICE AND PROCEDURE § 3722 (1985) (discussing cases based on existence of federal question).

77. *Federated Dep't Stores, Inc. v. Moitie*, 452 U.S. 394, 397 n.2 (1981) (stating that court may properly remove case if claims set forth in complaint are “federal in nature”).

78. See, e.g., 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, 229-30 (1986) (discussing legislative history leading to creation of Federal Circuit and jurisdiction of Federal Circuit and urging abandonment of well-pleaded complaint rule in Federal Circuit); Howard T. Markey, *The Court of Appeals for the Federal Circuit: Challenge and Opportunity*, 34 AM. U. L. REV. 595, 595 (1985) (stating challenge to Federal Circuit “is to create and maintain a uniform, reliable, predictable, nationally-applicable body of law”); Ellen E. Sward & Rodney F. Page, *The Federal Courts Improvement Act: A Practitioner’s Perspective*, 33 AM. U. L. REV. 385, 389-400 (1984) (discussing jurisdiction and procedure of Federal Circuit and noting that when only one appellate court hears cases in given area, errors may be less obvious).

79. See Hale, *supra* note 78, at 238 (“The Act’s central purpose is ‘to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exists in the administration of patent law.’” (quoting H.R. REP. NO. 312, 97th Cong., 1st Sess. 22-23 (1981))); Sward & Page, *supra* note 78, at 387 (“The lack of uniformity in patent law has long been recognized as a serious problem in American jurisprudence.”).

80. See Hale, *supra* note 78, at 239 (stating that “the change in the appellate route for patent appeals was designed to have a beneficial effect on the nation’s economy” by reducing forum shopping, creating uniformity, and increasing investments for new inventions (citing H.R. REP. NO. 312, 97th Cong., 1st Sess. 22-23 (1981))).

81. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127(a), 96 Stat. 37 (codified as amended at 28 U.S.C. § 1295(a) (1994)) (creating Federal Circuit to have jurisdiction over district court decisions involving patent claims).

Prior to the creation of the Federal Circuit, district court patent decisions were appealed, along with virtually all other district court appeals, to the regional circuit where the district court was located.⁸² After the creation of the Federal Circuit, patent cases were to be appealed to that forum exclusively.⁸³ Although in theory this appellate system was as straight forward as before, in practice the new process often created uncertainty when it was not entirely clear whether a particular action was indeed appealable to the Federal Circuit.⁸⁴

B. Demarcating the Federal Circuit's Patent Jurisdiction Requires Interpreting § 1338

Congress defined the boundary line between the regional circuit courts and the Federal Circuit in patent cases by reference to 28 U.S.C. § 1338, an existing statute that specifically grants jurisdiction to the trial courts.⁸⁵ Thus, determining the scope of the Federal Circuit's patent jurisdiction necessarily requires interpreting the jurisdictional basis of the trial court over the action.⁸⁶

By granting the Federal Circuit case jurisdiction under § 1338, Congress intended to delineate a bright line for purposes of determining which actions the new circuit was to take on appeal.⁸⁷ Whether an action is based on § 1338, in whole or in part, is not as clear an inquiry as Congress might have thought.

Section 1338 predates the creation of the Federal Circuit⁸⁸ and provides for exclusive jurisdiction in the district courts over all actions that arise under any Act of Congress relating to patents.⁸⁹ Of course, the district courts already have jurisdiction by virtue of § 1331

82. See Act of June 25, 1948, Pub. L. No. 80-773, § 1291, 62 Stat. 929 (granting courts of appeals jurisdiction over all final decisions of United States district courts).

83. 28 U.S.C. § 1295(a) (directing all appeals of district court decisions based on patent claims to go to Federal Circuit).

84. See *infra* notes 91-98 and accompanying text (discussing two types of jurisdictional conflicts relating to actions appealable to Federal Circuit).

85. 28 U.S.C. § 1338 (granting original jurisdiction to district courts over patent-related claims).

86. See *Abbott Lab. v. Brennan*, 952 F.2d 1346, 1349-50, 21 U.S.P.Q.2d (BNA) 1192, 1195 (Fed. Cir. 1992) ("The path of appeal is determined by the basis of jurisdiction in the district court, and is not controlled by the district court's decision or the substance of the issues that are appealed.")

87. H.R. REP. NO. 312, 97th Cong., 1st Sess. 22-23 (1981).

88. The Federal Circuit was created in 1982 by the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (codified as amended in scattered sections of 28 U.S.C.). Section 1338 was created by Act of June 25, 1948, Pub. L. No. 80-773, ch. 646, 62 Stat. 931.

89. 28 U.S.C. § 1338(a).

federal question jurisdiction.⁹⁰ Thus, § 1338 can provoke two types of jurisdictional conflict.

First, as in cases brought under § 1331, lawsuits filed under § 1338 may present the question whether the particular action should be in federal district court or in state court.⁹¹ For instance, the action may be a patent licensing dispute requiring possible resolution of a patent scope or a validity question.⁹² On a motion for removal or dismissal for lack of subject matter jurisdiction, absent diversity, the trial court must decide whether the case is properly in district court under § 1338 or properly in state court under a contract matter.⁹³ This type of conflict directly implicates the federalism concerns underlying federal question precedent.⁹⁴

Second, unlike § 1331 cases, § 1338 cases may involve a conflict over whether a given action's jurisdiction is based on § 1338, § 1331, or another source of federal jurisdiction.⁹⁵ The action, for example, may be for antitrust damages due to predatory acts, and resolution may require a decision whether the defendant fraudulently obtained or enforced a patent.⁹⁶ Until the advent of the Federal Circuit, the issue of whether the district court's jurisdiction was based on, say, § 1331 or § 1338 was a distinction without a difference with respect to appellate jurisdiction; both actions were brought in federal district court, and both were appealed to the regional circuit court.⁹⁷ With

90. *Id.* § 1331.

91. *See, e.g.*, *Boggild v. Kenner Prods.*, 853 F.2d 465, 468 (6th Cir. 1988) (noting that regional courts have jurisdiction over disputes when issues are "merely incidentally implicated"); *AT&T v. Integrated Network Corp.*, 972 F.2d 1321, 1324-25, 23 U.S.P.Q.2d 1918, 1920 (Fed. Cir. 1992) (transferring case to state court despite claim of "misuse and misappropriation of proprietary information" because "[t]he only possible patent issue is the purport of the language of the contract"); *Speedco Inc. v. Estes*, 853 F.2d 909, 910, 7 U.S.P.Q.2d (BNA) 1637, 1638 (Fed. Cir. 1988) (appealing district court's decision to dismiss case due to lack of federal jurisdiction).

92. *See supra* note 91 (citing cases in which issue was whether state or federal court should have jurisdiction).

93. *See Speedco*, 853 F.2d at 911, 7 U.S.P.Q.2d (BNA) at 1639 (stating that district court "could have assumed jurisdiction . . . only under 28 U.S.C. § 1338(a)" when there was no diversity).

94. *See id.* at 914-15, 7 U.S.P.Q.2d (BNA) at 1642 (recognizing that state courts may address patent-related issues, even though it is outside their jurisdiction, to decide cases properly before them).

95. *See Aerojet-Gen. Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, 895 F.2d 736, 745, 13 U.S.P.Q.2d (BNA) 1670, 1678 (Fed. Cir. 1990) (finding federal jurisdiction under 28 U.S.C. § 1338 when patent infringement was alleged in compulsory counterclaim because it was separate and nonfrivolous and thus finding appellate jurisdiction under 28 U.S.C. § 1295); *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1424, 223 U.S.P.Q. (BNA) 1074, 1075 (Fed. Cir. 1984) (raising issue of basis of federal jurisdiction).

96. *See Hydranautics v. Filmtec Corp.*, 70 F.3d 533, 535 (9th Cir. 1995).

97. *Compare* Act of June 25, 1948, Pub. L. No. 80-773, § 1291, 62 Stat. 929 ("The court of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States.") *with* 28 U.S.C. § 1295(a) (1994) (granting Federal Circuit jurisdiction over United States district court final decisions "based, in whole or in part, on Section 1338").

the creation of the Federal Circuit, however, this issue now requires close attention. Conflict of this nature does not implicate the federalism concerns underlying federal question precedent as the case is already properly in federal court.⁹⁸

III. *CHRISTIANSON* AND THE APPLICATION OF FEDERAL QUESTION JURISDICTION PRECEDENT TO FEDERAL CIRCUIT JURISDICTION DECISIONS

In 1988, the Supreme Court resolved a celebrated jurisdictional dispute between the Seventh Circuit and the Federal Circuit.⁹⁹ Both circuits were convinced the other had jurisdiction over the appeal.¹⁰⁰ In resolving the dispute, the Court provided firm ground rules for the resolution of future appellate jurisdictional conflicts by basing its decision on an existing body of case law settling a somewhat similar jurisdictional conflict: federal question jurisdiction.¹⁰¹

A. *The Christianson Decision*

In *Christianson v. Colt Industries Operating Corp.*,¹⁰² Christianson, a former employee of Colt, brought an antitrust action against Colt.¹⁰³ Colt, "the leading manufacturer . . . of M-16 rifles and their parts,"¹⁰⁴ patented many improvements to the rifle while "maintain[ing] a shroud of secrecy around certain specifications essential to the mass production of interchangeable M-16 parts."¹⁰⁵

Christianson, while employed by Colt, signed a nondisclosure agreement, contractually obligating him not to disclose some of the information that Colt considered proprietary and kept secret.¹⁰⁶ After leaving Colt, Christianson formed International Trade Services, Inc. ("ITS"), which also manufactured and sold M-16 parts.¹⁰⁷ This business utilized the alleged proprietary information.¹⁰⁸ "Colt notified several of [Christianson's] current and potential customers

98. See *Aerojet*, 895 F.2d at 743-44, 13 U.S.P.Q.2d (BNA) at 1676 (finding no threat of federal-state conflicts because case was properly in federal court).

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

100. *Id.* at 803-04 (observing that each circuit has stated that it lacks jurisdiction to decide case).

101. See *id.* at 808-09 (comparing statutory jurisdiction of Federal Circuit to federal question jurisdiction).

102. 486 U.S. 800 (1988).

103. *Id.* at 804-05.

104. *Id.* at 804.

105. *Id.*

106. *Id.* (stating that Colt contractually required employees not to disclose manufacturing specifications).

107. *Id.*

108. *Id.* (finding that ITS's business was dependent on Colt's trade secrets).

that [Christianson was] illegally misappropriating Colt's trade secrets, and urged them to refrain from doing business with [Christianson]."¹⁰⁹

Christianson and ITS sued Colt in district court under sections 4 and 16 of the Clayton Act¹¹⁰ and sections 1 and 2 of the Sherman Act,¹¹¹ alleging:

The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. § 112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

. . . ITS and anyone else has the right to manufacture, contract for the manufacture, supply, market and sell the M-16 and M-16 parts and accessories thereof at the present time.¹¹²

ITS moved for summary judgment alleging that Colt's patents were invalid for failure to satisfy the enablement and best mode requirements of 35 U.S.C. § 112.¹¹³ ITS further argued that because "Colt benefited from the protection of the invalid patents," the trade secrets lost any state-law protection they might have otherwise had.¹¹⁴

The district court based its decision to award summary judgment on the § 112 theory set forth in ITS's complaint.¹¹⁵ The Supreme Court characterized the next sequence of events as follows:

[Colt] appealed to the Court of Appeals for the Federal Circuit, which, after full briefing and argument, concluded that it lacked jurisdiction and issued an unpublished order transferring the appeal to the Court of Appeals for the Seventh Circuit. The Seventh Circuit, however, raising the jurisdictional issue *sua sponte*, concluded that the Federal Circuit was "clearly wrong" and transferred the case back. The Federal Circuit, for its part, adhered to its prior jurisdictional ruling, concluding that the Seventh Circuit exhibited "a monumental misunderstanding of the patent jurisdiction granted this court" and was "clearly wrong." Nevertheless, the Federal Circuit proceeded to address the merits in the "interest of justice" and reversed the District Court.¹¹⁶

109. *Id.* at 805.

110. 15 U.S.C. §§ 15, 26 (1994).

111. *Id.* §§ 1, 2.

112. *Christianson*, 486 U.S. at 805.

113. *Id.* at 806.

114. *Id.*

115. *Id.*

116. *Id.* at 806-07 (citations omitted).

At the outset of its analysis, the Supreme Court noted:

[I]n order to demonstrate that a case is one "arising under" federal patent law "the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws."¹¹⁷

The Court explained that it is the complainant which must establish that "federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law."¹¹⁸ Thus, the Court concluded, there will only be federal jurisdiction under § 1338(a) if "patent law is a necessary element of one of the well-pleaded claims."¹¹⁹

The Court also opined that the well-pleaded complaint cannot merely allege a single theory requiring resolution of a patent law issue, and that "a claim 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."¹²⁰ The Court noted further that "[t]he patent law issue, while arguably necessary to at least one theory under each claim, is not necessary to the overall success of either claim."¹²¹

The concurring opinion by Justice Stevens, joined by Justice Blackmun, did not read the majority opinion as "determining [the Federal Circuit's] appellate jurisdiction only through an examination of the complaint as initially filed."¹²² Instead, the concurring Justices believed that "[t]he Court expressly leaves open the question whether a constructive amendment could provide the foundation for Federal Circuit patent-law jurisdiction . . . and says nothing on the subject whether actual amendments to the complaint can so suffice."¹²³

The majority noted that its opinion does "not decide under what circumstances, if any, a court of appeals could furnish itself a jurisdictional basis unsupported by the pleadings by deeming the complaint amended in light of the parties' 'express or implied consent' to litigate a claim."¹²⁴ According to the majority, there was

117. *Id.* at 807-08 (quoting *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897)).

118. *Id.* at 808 (quoting *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 27-28 (1983)).

119. *Id.* (comparing § 1338(a) jurisdiction to federal question jurisdiction).

120. *Id.* at 810.

121. *Id.*

122. *Id.* at 824 (Steven J., concurring).

123. *Id.* (Stevens, J., concurring) (citations omitted).

124. *Id.* at 814-15.

no reason to decide this question because there was no evidence that the parties so consented.¹²⁵

B. Fundamental Assumptions Underlying the Christianson Decision

In *Christianson*, the Supreme Court upheld the Federal Circuit's determination¹²⁶ that the "arising under" language in §§ 1331 and 1338 had to be interpreted identically, that is, that cases "arise under" § 1338 as they "arise under" § 1331 and that the well-pleaded complaint rule must apply to both sections.¹²⁷

The issues which confronted the Court in *Christianson* were narrow: whether the allegation of a single theory in a well-pleaded claim, for which resolution of a patent law question is essential, can confer § 1338 jurisdiction;¹²⁸ and whether the Federal Circuit could reach the merits despite a determination at the end of briefing and oral arguments that jurisdiction was lacking.¹²⁹ There are, however, modifications which can be made to the well-pleaded complaint rule and traditional "arising under" analysis that make it better fit the unique circumstances of the Federal Circuit.¹³⁰ The underlying incentive for making such modifications is the distinction between the federal versus state context in which the traditional federal question

125. *Id.* (concluding that patent law claim was never raised nor did evidence show that parties agreed to litigate such claim).

126. *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 3 U.S.P.Q.2d (BNA) 1241 (Fed. Cir. 1987), *vacated and remanded*, 486 U.S. 800 (1988). The vacation and remand of the Federal Circuit's decision does not indicate disapproval of the Federal Circuit's jurisdictional analysis. The disposition of the case by the Supreme Court resulted from the peculiar decision by the Federal Circuit. The Federal Circuit first held that it did not have jurisdiction over the case but then held, in the interest of justice, that it would decide the appeal. 822 F.2d at 1559-60, 3 U.S.P.Q.2d (BNA) at 1252-53. The Supreme Court found that its "agreement with the Federal Circuit's conclusion that it lacked jurisdiction, compels us to disapprove of its decision to reach the merits anyway 'in the interest of justice.'" 486 U.S. at 818 (quoting *Christianson*, 822 F.2d at 1559). The Court vacated the Federal Circuit's judgment because of "[t]he age-old rule that a court may not in any case, even in the interest of justice, extend its jurisdiction where none exists . . ." *Id.*

Why the Federal Circuit resolved the appeal after acknowledging that it lacked jurisdiction is a matter of some speculation. The court was, no doubt, aware of the "age-old" rule that it could not resolve the merits of a case when it had no jurisdiction. There were, of course, other options open to the court. It expressly noted that it could have certified the case to the Supreme Court under 28 U.S.C. § 1254(3). 822 F.2d at 1560, 3 U.S.P.Q.2d (BNA) at 1252. Also, it could have accepted jurisdiction based on the doctrine of law of the case. See *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 657 (Fed. Cir.) (stating law of case doctrine precludes deciding what already had been decided), *cert. denied*, 474 U.S. 902 (1985).

127. *Christianson*, 486 U.S. at 808-09 (noting that cases concerning federal question jurisdiction and cases interpreting statutory jurisdiction "have quite naturally applied the same test" due to identical language in §§ 1331 and 1338).

128. *Id.* at 809.

129. *Id.* at 818.

130. See *infra* part IV.A.1 (suggesting that counterclaims raising patent issues be permitted to confer § 1338 jurisdiction) and part IV.B.2 (suggesting that "arising under" be interpreted more broadly in certain jurisdictional determinations).

determinations are made.¹³¹ That distinction makes the application of traditional jurisdictional case law in some circumstances inappropriate, overly restrictive, and unworkable. To the extent the *Christianson* decision can be read to require §§ 1338 and 1331 to be applied identically, the decision is overly restrictive.

1. *The rationale for interpreting "arising under" identically in §§ 1338 and 1331*

The Court in *Christianson* determined that the "clear congressional intent" is for the well-pleaded complaint rule to apply to § 1338.¹³² Noting the language of 28 U.S.C. § 1295(a)(1), which gives the Federal Circuit jurisdiction over "an appeal from . . . a district court . . . if the jurisdiction of *that court* was based . . . on § 1338,"¹³³ the Court looked to whether and how district court jurisdiction was determined.¹³⁴

Insofar as the Court was rejecting an end of the traditional approach to appellate jurisdictional determinations, it correctly concluded that it was foreclosed by the legislature from adopting such an approach.¹³⁵ Further, such an approach would promote specialization, something which Congress expressly sought to avoid.¹³⁶ To the extent the Court may have intended to preclude any modifications to traditional "arising under" jurisprudence and the well-pleaded complaint rule, however, its decision was unnecessarily restrictive and unworkable.¹³⁷

131. See *Wyden v. Commissioner of Patents & Trademarks*, 807 F.2d 934, 936, 231 U.S.P.Q. (BNA) 918, 919-20 (Fed. Cir. 1986) (finding suit was properly in federal court under 35 U.S.C. § 32, and thus only question was whether it was patent "case"); *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1563-65, 227 U.S.P.Q. (BNA) 977, 978-79 (Fed. Cir. 1985) (recounting that district court held jurisdiction under statute but determining that district court's jurisdiction also was based on 28 U.S.C. § 1338(a), thus finding proper jurisdiction in circuit court for appeal).

132. *Christianson*, 486 U.S. at 814.

133. *Id.* at 814-15 (quoting 28 U.S.C. § 1295(a)(1) (1982)).

134. *Id.* at 814.

135. Congress acted wisely in foreclosing a "case actually litigated" approach to jurisdictional determinations. Although such an approach would ensure that the jurisdictional division between the Federal Circuit and the regional circuits is drawn more accurately along subject matter lines, it would require new and unfamiliar jurisdictional determinations to be made. As experience has shown, injecting the judicial system with new jurisdictional determinations extracts a cost in uncertainty that may be too high a price to pay. See *Kennedy v. Wright*, 851 F.2d 963, 966 (7th Cir. 1988) (discussing jurisdictional determinations under 28 U.S.C. § 1253).

136. See Charles W. Adams, *The Court of Appeals for the Federal Circuit: More than a National Patent Court*, 49 MO. L. REV. 43, 58-59 (1984) (noting that congressional commission studying federal appellate court system found many objections to concept of specialized courts).

137. See *supra* notes 14-15 and accompanying text (asserting that § 1331 precedent is not implicated by *Christianson* and that *Christianson* should therefore not be used to frustrate congressional objectives concerning predictability of patent laws).

a. Identical phraseology

The Court first noted that both § 1338's precursor, which provided for jurisdiction over patent-related cases in district courts, and § 1331, which provides for jurisdiction in district court over cases which arise under federal law, use "arising under" language identical to that in § 1338.¹³⁸ These sections, according to the Court, "quite naturally" are interpreted similarly.¹³⁹ The Court explained:

Linguistic consistency, to which we have historically adhered, demands that § 1338(a) jurisdiction [like § 1331 jurisdiction] likewise extend only to those cases in which a well-pleaded complaint establishes 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, in that patent law is a necessary element of one of the well-pleaded claims.¹⁴⁰

One alternative to the well-pleaded complaint rule, which the Court recognized, was to fix the jurisdiction of the Federal Circuit "by reference to the case actually litigated."¹⁴¹ The Court rejected this approach, however, emphasizing that Congress "determined the relevant focus" in granting the Federal Circuit jurisdiction over cases in which the *district court's* jurisdiction was based on § 1338.¹⁴² The Court went on to explain that "[s]ince the district court's jurisdiction is determined by reference to the well-pleaded complaint, not the well-trying case, the referent for the Federal Circuit's jurisdiction must be the same."¹⁴³

Another option is to apply something other than the traditional "arising under" analysis and the well-pleaded complaint rule, that is, to apply a modified "arising under" analysis and a modified version of the well-pleaded complaint rule, in determining district court

138. *Christianson*, 486 U.S. at 805; *see* 28 U.S.C. § 1331 (1994) ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."); *id.* § 1338 ("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 trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."); *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1987) (distinguishing, in case involving precursor to § 1338, between *questions* arising under patent laws, which state courts may have jurisdiction over, and *cases* arising under patent laws, where federal courts have exclusive jurisdiction).

139. *Christianson*, 486 U.S. at 808.

140. *Id.* at 808-09.

141. *Id.* at 813 (quoting Brief for Respondent at 31).

142. *Id.* at 813-14.

143. *Id.* at 814.

jurisdiction under § 1338.¹⁴⁴ The Court was not precluded from interpreting § 1295 in this manner, and, in fact, as the Federal Circuit has recognized, something other than the traditional analysis should be applied because certain jurisdictional dilemmas facing the Federal Circuit never arose before the advent of that court and cannot be resolved using existing jurisdictional notions.¹⁴⁵ For example, when a case is otherwise properly in federal court, as the *Christianson* case was,¹⁴⁶ all of the pleadings,¹⁴⁷ or certain pleadings in addition to the complaint, could be considered in determining whether the case "arises under" patent law.¹⁴⁸

The identical phraseology argument contains several disputable assumptions. First, the Court is assuming that Congress appreciated the import of the "arising under" term and intended that "arising under" have the same meaning in both contexts.¹⁴⁹ The Supreme Court's admonition that "the phrase 'arising under' masks a welter of issues regarding the interrelation of federal and state authority and the proper management of the federal judicial system"¹⁵⁰ undermines that assumption.¹⁵¹

The fallacy of this assumption is accentuated in this case because the phrase "arising under" appears in both the Constitution and 28

144. See *Aerojet-General Corp. v. Machine Tool Works, Oerliken-Buehrle, Ltd.*, 895 F.2d 736, 741-44, 13 U.S.P.Q.2d (BNA) 1670, 1674-77 (Fed. Cir. 1990) (discussing need for flexibility in Federal Circuit jurisdiction under well-pleaded complaint and arising under rules).

145. *Id.* at 743-44, 13 U.S.P.Q.2d (BNA) at 1676-77 (finding that congressional goals are facilitated when appeals in non-frivolous patent cases, whether found in complaints or compulsory counterclaims, are directed to Federal Circuit).

146. See *supra* note 103 and accompanying text (noting that *Christianson* filed suit for anti-trust violations).

147. The pleadings permitted are the complaint, answer, reply to a counterclaim, answer to a cross-claim, a third-party complaint—if a person who was not an original party is summoned under FED. R. CIV. P. 14—and a third-party answer. FED. R. CIV. P. 7(a).

148. Also, the Court simply could have stated that, in view of the Federal Courts Improvement Act, jurisdiction will be determined differently when patents are involved. Although unusual, such a result would not be unprecedented. An exception to the well-pleaded complaint rule already exists when the preemptive force of a federal body of law is so powerful as to displace entirely any state cause of action. *Avco Corp. v. Aero Lodge No. 735*, 390 U.S. 557, 559-62 (1968).

149. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 814 (1988) (quoting H.R. REP. NO., *supra* note 87, at 41).

150. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 8 (1983).

151. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 35 (1989). In discussing the Federal Circuit's jurisdiction, Dreyfuss noted:

Congress had hoped to relieve the regional circuits of the burden of deciding technically difficult cases. Since that onus is no less severe when the patent issue arises in the defense, or is hidden in the plaintiff's complaint, it is difficult to believe that the legislature understood that its use of the phrase "arising under" would circumscribe the CAFC's authority.

Id. (footnotes omitted).

U.S.C. § 1331, and is interpreted differently.¹⁵² Thus, the phrase is susceptible to differing interpretations depending on the context in which it is used.¹⁵³ Moreover, when the “arising under” language was incorporated into § 1331, nearly fifty years after it was put in the Constitution, all indications were that Congress’ intention was to confer the full constitutional power upon the federal courts.¹⁵⁴

Yet another reason the identical phraseology argument does not mandate identical application of the two sections is that certain jurisdictional dilemmas facing the Federal Circuit never arose before the advent of the court. For instance, there were never pendent claims which could modify the jurisdiction of the court before the creation of the Federal Circuit,¹⁵⁵ and therefore existing “arising under” analysis cannot be dispositive. Similarly, the jurisdictional issues that attend consolidation of cases filed in district courts were unknown prior to the formation of the Federal Circuit.¹⁵⁶ Therefore, traditional well-pleaded complaint analysis does not anticipate such jurisdictional situations.

It is not clear how broad the Supreme Court intended its analysis to be. The primary jurisdiction issue presented to the Court in *Christianson* was a narrow one—whether the Federal Circuit’s jurisdiction could be determined after a trial.¹⁵⁷ The Court properly rejected this approach.¹⁵⁸ There was no defense, counterclaim, or other pleading, however, upon which Federal Circuit jurisdiction could have been predicated.¹⁵⁹

152. See *infra* part III.B.2.a (discussing “arising under” jurisdiction).

153. “[S]ubstantial identity of the words’ in the *constitutional* and *statutory* grants of federal-question jurisdiction ‘does not, of course, require on that score alone, an identical interpretation.’” *National Mut. Ins. Co. v. Tide-Water Transfer Co.*, 337 U.S. 582, 613 (1949) (Rutledge, J., concurring) (emphasis added) (quoting Harry Shulman & Edward C. Jaegerman, *Some Jurisdictional Limitations on Federal Procedure*, 45 *YALE L.J.* 393, 405 n.47 (1936)).

154. See, e.g., *Mishkin*, *supra* note 25, at 160 & n.22 (noting limited availability of legislative history, citing other sources emphasizing the inaccessibility of congressional data, and concluding that “the expressed intention [was] to confer all the ‘judicial power’ authorized by the Constitution on the federal courts”); Note, *supra* note 46, at 988-89 (stating that “statutory adoption of constitutional language manifestly links the ‘meaning’ of the statute to that of the constitution”); David L. Shapiro, *Jurisdiction and Discretion*, 60 *N.Y.U. L. REV.* 543, 568 (1985) (finding that legislative history of 1875 Act establishing federal question jurisdiction indicates that it was intended to be as broad as Constitution would allow).

155. See *infra* notes 369-73 and accompanying text (listing causes of action that Federal Circuit has determined to be related to patents).

156. See *infra* notes 318-20 and accompanying text (discussing unique issue of whether both complaints should be considered in making jurisdiction decision).

157. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807 (1988).

158. *Id.* at 813-14.

159. See *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1548, 3 U.S.P.Q.2d (BNA) 1241, 1242-43 (Fed. Cir. 1987) (listing parties’ pleadings), *vacated and remanded*, 486 U.S. 800 (1988).

b. *Legislative history*

In addition to the identical phraseology of the two sections, the Court relied on the legislative history which explains that cases fall within the Federal Circuit's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for the purposes of federal question jurisdiction."¹⁶⁰

The legislative history is susceptible to varying interpretations.¹⁶¹ The snippet of legislative history relied upon by the Supreme Court in *Christianson* and by the Federal Circuit in *Atari, Inc. v. JS & A Group, Inc.*,¹⁶² taken in context, is not instructive.

In emphasizing that "traditional" arising under analysis applies to Federal Circuit jurisdictional determinations, Congress was contrasting "traditional" jurisdictional analysis with the jurisdiction of the Temporary Emergency Court of Appeals ("TECA").¹⁶³ However, TECA has "issue" jurisdiction.¹⁶⁴ Thus, the legislative history indicates that Congress rejected "issue" jurisdiction as a possibility for the Federal Circuit.¹⁶⁵ It is not, however, a strong indication that Congress intended the well-pleaded complaint rule to apply without modification.¹⁶⁶

Furthermore, the House and Senate reports explain that one of the Congressional objectives in creating the Federal Circuit was "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law."¹⁶⁷ Accordingly, the

160. *Christianson*, 486 U.S. at 814 (quoting H.R. REP. NO. 312, *supra* note 87, at 41).

161. See Dreyfuss, *supra* note 151, at 35 n.207 (noting ambiguity between Congress' expectation that Federal Circuit's jurisdiction would be restricted and testimony before Congress that urged Federal Circuit not to miss "true" patent cases hidden in artful pleadings).

162. 747 F.2d 1422, 1428, 223 U.S.P.Q. (BNA) 1074, 1078 (Fed. Cir. 1984).

163. H.R. REP. NO. 312, *supra* note 87, at 41.

164. *Texas Am. Oil Corp. v. United States Dep't of Energy*, 44 F.3d 1557, 1563 (Fed. Cir. 1995) (in banc); see *Coastal States Mktg., Inc. v. New England Petroleum Corp.*, 604 F.2d 179, 186-87 (2d Cir. 1979). The court in *Coastal States* indicated three options for TECA jurisdiction: (1) traditional "arising under" jurisdiction; (2) case jurisdiction over all cases involving Economic Stabilization Act issues, even if not raised by the well-pleaded complaint; or (3) issue jurisdiction. *Id.* at 182. The court concluded that the TECA has issue jurisdiction. *Id.*

165. H.R. REP. NO. 312, *supra* note 87, at 41 (verifying Federal Circuit's "arising under" jurisdiction by contrasting with TECA "issue" jurisdiction).

166. See Hale, *supra* note 78, at 263 ("[The well-pleaded complaint] rule is inconsistent with the congressional mandates to avoid bifurcation of appeals, to avoid specialization, and to avoid forum-shopping.").

167. H.R. REP. NO. 312, *supra* note 87, at 23; see also S. REP. NO. 275, *supra* note 3, at 5, reprinted in 1982 U.S.C.C.A.N. at 15 ("The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity in this area of the law."). The Senate Report also states that the purpose of the Federal Courts Improvement Act was to provide "a forum for appeals from throughout the country in areas of the law where Congress determines that there is special need for national uniformity." *Id.* at 4, reprinted in 1982 U.S.C.C.A.N. at 14.

Federal Circuit should not miss "patent issues merely couched in antitrust terms."¹⁶⁸ Thus, providing the Federal Circuit with jurisdiction over cases in which an issue of patent law is actually present rather than a strict adherence to the well-pleaded complaint rule would further Congress' goal.¹⁶⁹

Moreover, the legislative history does not indicate that the well-pleaded complaint rule should apply to § 1338; it merely states that cases fall within the Federal Circuit's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for the purposes of federal question jurisdiction."¹⁷⁰ It is doubtful that Congress appreciated the nuances of the traditional "arising under" analysis and insisted on their application to Federal Circuit jurisdictional determinations. In fact, rather than get involved in such determinations, Congress left it to the courts to "establish, as they have in similar situations, jurisdictional guidelines."¹⁷¹

2. Distortions created by strict application of the Christianson rule

If the *Christianson* rule on § 1338 jurisdiction is read to require strict application of federal question precedent principles, the rule would result, as stated by the Federal Circuit, in a "Procrustean bed" for the Federal Circuit's jurisdiction.¹⁷²

a. "Arising under" analysis

The Supreme Court, in deciding that traditional "arising under" jurisdictional analysis applies to the determination of the Federal Circuit's jurisdiction, imposed a system that developed in the context of state versus federal jurisdictional problems and applied it in a federal versus federal context.¹⁷³ That is, traditional "arising under" principles arose in the context of determining whether federal courts or state courts have jurisdiction over a dispute.¹⁷⁴ In the context of

168. S. REP. NO. 275, *supra* note 3, at 37-38, reprinted in 1982 U.S.C.C.A.N. at 46-47.

169. See *Hale*, *supra* note 78, at 263-65 (suggesting that uniformity in patent law and reduction in forum shopping would result if Federal Circuit had jurisdiction over all cases with patent issues). Of course, the Federal Circuit is correct in that it is not necessary for it to have jurisdiction over every case in which an issue of patent law is raised for the Federal Circuit to create uniformity. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429, 223 U.S.P.Q. (BNA) 1074, 1078 (Fed. Cir. 1984).

170. H.R. REP. NO. 312, *supra* note 87, at 41.

171. *Id.*

172. *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, 895 F.2d 736, 741, 13 U.S.P.Q.2d (BNA) 1670, 1674 (Fed. Cir. 1990).

173. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807-10 (1988).

174. Examples of traditional "arising under" analysis include *Wade v. Lauder*, 165 U.S. 624, 627-28 (1897); *Dale Tile Mfg. Co. v. Hyatt*, 125 U.S. 46, 52 (1888); *Albright v. Teas*, 106 U.S. 613, 616-17 (1883); *Hartell v. Tilghman*, 99 U.S. 547, 552-54 (1878); *Wilson v. Sanford*, 51 U.S.

conflicts over the Federal Circuit's jurisdiction, it frequently is clear that the dispute properly lies in the federal judiciary;¹⁷⁵ the only question is which circuit court should resolve the dispute.¹⁷⁶

The rationale behind providing a federal forum for the vindication of federal rights has been the subject of extensive discussion. It was believed that a federal judiciary would foster the important and necessary goal "of *uniformity* of decisions throughout the whole United States, upon all subjects within the purview of the constitution."¹⁷⁷ It was also believed that federal judges, complete with the federal judicial appointment system and accompanying insulation and circuit court judicial review, would be more sympathetic and more likely to give full scope to Supreme Court decisions.¹⁷⁸ The federal judiciary specializes in the application of federal law, thereby developing an expertise in the area.¹⁷⁹ State courts, by comparison, have little experience with federal law.¹⁸⁰

(10 How.) 99, 101-02 (1850).

175. See *Wyden v. Commissioner of Patents & Trademarks*, 807 F.2d 934, 935-36, 231 U.S.P.Q. (BNA) 918, 919-20 (Fed. Cir. 1986) (finding suit was properly in federal court under 35 U.S.C. § 32, and only issue was whether it was patent case); *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1564-65, 227 U.S.P.Q. (BNA) 977, 978-79 (Fed. Cir. 1985) (holding suit was properly in district court under 48 U.S.C. § 1338(a), and jurisdictional issue concerned appropriate circuit court for appeal).

176. Federal Circuit jurisdiction problems arise in the traditional state versus federal context in addition to the federal versus federal context. See *Vink v. Schijf*, 839 F.2d 676, 678-79, 5 U.S.P.Q.2d (BNA) 1728, 1730-31 (Fed. Cir. 1988) (determining whether suit was either action for ownership under state law or patent infringement under federal law); *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 879-82, 219 U.S.P.Q. (BNA) 197, 201-04 (Fed. Cir. 1983) (deciding whether suit was contract action under state law or patent infringement suit under federal law).

Traditional "arising under" analysis applies to these determinations as it always has. The Supreme Court has explained:

Federal courts have no right, irrespective of citizenship, to entertain suits for the amount of an agreed license, or royalty, or for the specific execution of a contract for the use of a patent, or of other suits where a subsisting contract is shown governing the rights of the party in the use of an invention, and that such suits not only may, but must, be brought in the state courts.

Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255, 260 (1897). For examples of traditional "arising under" analysis, see *supra* note 174.

177. *Martin v. Hunter's Lessee*, 14 U.S. (1 Wheat.) 304, 347-48 (1816); see also *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 826 (Brennan, J., dissenting) (believing that although perfect uniformity may not have been achieved, availability of federal forum in federal question cases has advanced that goal); Richard E. Levy, Comment, *Federal Preemption, Removal Jurisdiction, and the Well-Pleaded Complaint Rule*, 51 U. CHI. L. REV. 634, 636 (1984) (stating federal question jurisdiction "helps insure uniformity in the construction and interpretation of federal law"); *Mishkin*, *supra* note 25, at 158 (stating that "sympathetic" application of Supreme Court decisions by lower federal courts helps achieve "widespread, uniform effectuation of federal law").

178. See *Mishkin*, *supra* note 25, at 158 (suggesting federal judges are more likely than state judges to apply Supreme Court decisions that may be unpopular locally).

179. AMERICAN LAW INSTITUTE STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS 164-68 (1969) [hereinafter ALI].

180. See *id.* at 164-65 (noting that considerable expertise in interpretation and application of federal law would be lost if federal question cases were given to state courts).

The protection of federal interests is another concern, the belief being that federal judges will be less hostile than state judges to federal governmental interests or assertions of federal rights.¹⁸¹ Reducing geographical bias is also a goal of the federal judiciary, although this is primarily addressed by providing diversity jurisdiction.¹⁸²

Counseling in favor of a narrow interpretation of federal jurisdiction is a general notion of the usurpation of state authority,¹⁸³ the concept being that states should be permitted to control the conduct of their citizens and that state courts should be the final arbiter of state laws.¹⁸⁴ States should have the authority to adjudicate disputes and interpret their own law when there is no significant federal concern. There is also a practical limit on the volume of litigation that federal courts can effectively manage.¹⁸⁵

In determining whether the Federal Circuit or a regional circuit has jurisdiction over a case, there is no concern with usurping state authority because the case will be in the federal judiciary in any event. Thus, the possibility of an overbroad jurisdictional view is not a concern.¹⁸⁶ The jurisdictional analyses by the Federal Circuit and

181. See, e.g., MARTIN H. REDISH, *FEDERAL JURISDICTION: TENSIONS IN THE ALLOCATION OF JUDICIAL POWER* 71 (1980) (stating reason for allocating general authority of federal question cases to federal courts is to assure presence of fair, sympathetic and expert protector of federal rights); Alan D. Hornstein, *Federalism, Judicial Power and the "Arising Under" Jurisdiction of the Federal Courts: A Hierarchical Analysis*, 56 *IND. L.J.* 563, 564-65 (1981) (stating original jurisdiction of federal courts protects federal interests from "state hostility, provincialism and error"); Levy, *supra* note 177, at 636 (1984) (finding federal forum would be more conducive to protection of federally created rights than possibly hostile state court).

182. Although it was recognized that the availability of Supreme Court review for state court decisions would ameliorate these problems, it was not deemed adequate in view of the state court's role as a fact finder and the necessarily limited number of cases that the Supreme Court can review. See *England v. Louisiana State Bd. of Medical Examiners*, 375 U.S. 411, 416-17 (1964) (stressing importance of fact-finding role and suggesting parties litigate in federal district court rather than appeal directly to Supreme Court); Levy, *supra* note 177, at 636 n.10 (noting impossibility of Supreme Court review of all state court decisions and desirability of obtaining federal forum through original federal question jurisdiction).

183. See *Gully v. First Nat'l Bank*, 299 U.S. 109, 113-14 (1936); *Shoshone Mining Co. v. Rutter*, 177 U.S. 505, 508-12 (1900). See generally Charles Warren, *New Light on the History of the Federal Judiciary Act of 1789*, 37 *HARV. L. REV.* 49, 53, 65-111, 125-32 (1923) (discussing legislative history of Federal Judiciary Act of 1789 in detail).

184. In fact, the absence of federal question jurisdiction until 1875 "was not an oversight but reflected a compromise made necessary by the determined opposition of the antifederalists to a national judiciary." London, *supra* note 25, at 836. The belief that federal tribunals would be impartial made the resolution of disputes by federal tribunals palatable. FELIX FRANKFURTER & JAMES M. LANDIS, *THE BUSINESS OF THE SUPREME COURT: A STUDY IN THE FEDERAL JUDICIAL SYSTEM* 7-8 (1928).

185. See London, *supra* note 25, at 839 (commenting that "[t]he national system of courts . . . has chronically suffered from the threat of paralysis through glut").

186. There was, at the time of creation of the Federal Circuit, congressional concern that the Federal Circuit would take too many cases and, in effect, become a "super" circuit. The Senate Report stated that "[c]oncern has been expressed that the Court of Appeals for the

regional circuits so far have shown the danger of overbroad jurisdiction to be minimal. In fact, the Federal Circuit has been criticized by commentators for being too modest in its jurisdictional decisions.¹⁸⁷ The interest in uniform interpretation and application of the law, on the other hand, is even stronger in view of the specific legislative intent to bring uniformity to patent law by creating the Federal Circuit.

This distinction makes it difficult to apply the *Merrell Dow* "nature of the federal interest"¹⁸⁸ test to Federal Circuit versus regional circuit jurisdictional conflicts. Determining the importance of the federal interest at stake requires that there be some countervailing consideration.¹⁸⁹ Because in a Federal Circuit versus regional circuit dispute there is little interest in preventing the Federal Circuit from exercising jurisdiction, the patent law interest at stake will always be "important" or "significant." Thus, the Federal Circuit usually should have jurisdiction when such disputes arise.

This analysis would not apply when the jurisdiction dispute is between the Federal Circuit and state courts.¹⁹⁰ In such cases the nature of the federal interest must be determined vis-à-vis the state interest.¹⁹¹ Thus, the majority's analysis in *Merrell Dow* will apply *in toto* in determining whether the case properly belongs in federal court. One could argue that the creation of the Federal Circuit, as well as the recent passage of federal legislation in the intellectual

Federal Circuit will appropriate for itself elements of Federal law under its section 1295(1) grant of jurisdiction." S. REP. NO. 275, *supra* note 3, at 19, *reprinted in* 1982 U.S.C.C.A.N. at 29. The House Report noted that there was concern that the "in part" jurisdiction of the [Federal Circuit] . . . will be a locomotive that will pull all sorts of related issues into the terminal of the court's appellate jurisdiction." H.R. REP. NO. 312, *supra* note 87, at 41. *But see* Kennedy v. Wright, 851 F.2d 963, 966, 7 U.S.P.Q.2d (BNA) 1467, 1468 (7th Cir. 1988) (noting that cases involving questions of mere ownership of patents may be adjudicated more appropriately by regional circuit courts but concluding that cases involving both validity and ownership of patent are handled more appropriately by Federal Circuit).

187. *See* Dreyfuss, *supra* note 151, at 35-37 (stating that Supreme Court's failure to extend Federal Circuit's jurisdiction to every claim involving patent was "especially surprising"); Hale, *supra* note 78, at 263-65 (stating that Federal Circuit should not be bound by well-pleaded complaint rule, but should return to "original ingredient" test).

188. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 814-15 n.12 (1988) (noting that many federal causes of action were not properly brought under federal question jurisdiction because of predominance of state law claims); *see supra* text accompanying notes 58-68 (describing tension between state's interest in maintaining jurisdiction over cases and federal interest in maintaining jurisdiction over cases in which federal law is ingredient).

189. *See supra* text accompanying notes 58-68 (explaining that federal court can usurp jurisdiction from states only when federal claim is sufficient to overcome countervailing state claim).

190. *See supra* note 14 (discussing cases involving resolution of federal versus state jurisdictional claims).

191. *See supra* part III.B.2.a (describing application of "arising under" jurisdiction).

property area, show a heightened federal interest in this area.¹⁹² This heightened interest, the argument goes, provides federal question jurisdiction under the *Merrell Dow* analysis whenever a patent law question is raised, thus providing the Federal Circuit with jurisdiction over such cases.¹⁹³ Given the long history of denying federal jurisdiction in contract and other state law actions even when a construction of patent law is at issue,¹⁹⁴ it is doubtful that such an argument would be successful.

b. The well-pleaded complaint rule

Whether a case arises under § 1338 or § 1331 is determined by looking to the well-pleaded complaint rule.¹⁹⁵ The rationale behind the well-pleaded complaint rule is that a court and litigants should be able to determine at the outset of the trial which law applies.¹⁹⁶ As with "arising under" jurisdiction, this case law arose in the context of disputes over whether cases belonged in the federal or state judicial system.¹⁹⁷ The outcome of the determination could change the court system in which the dispute would be litigated.¹⁹⁸ The potential waste of judicial resources and the resources of the parties is obvious. Determining jurisdiction at the earliest point in the

192. See Shawn K. Baldwin, Comment, "To Promote the Progress of Science and Useful Arts": A Role for Federal Regulation of Intellectual Property as Collateral, 143 U. PA. L. REV. 1701, 1727-28 (1995) (arguing that there is "strong federal interest[]" in regulating use of intellectual property); Rochelle Cooper Dreyfuss, *Dethroning Lear: Licensee Estoppel and the Incentive to Innovate*, 72 VA. L. REV. 677, 687 (1986) (noting that there are two competing federal interests implicated by intellectual property: (1) stimulating innovation; and (2) advancing public access).

193. See *supra* text accompanying notes 173-82 (explaining that "arising under" analysis involves evaluation of importance of federal interest at stake).

194. See *supra* text accompanying notes 58-59 (arguing that Supreme Court recognized state interest in being final arbiter in decisions of state law when it denied federal jurisdiction in *Merrell Dow*).

195. See *supra* text accompanying note 10 (describing two part test: (1) does it appear from well-pleaded complaint that (2) case arises under federal law).

196. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1432, 223 U.S.P.Q. (BNA) 1074, 1081 (Fed. Cir. 1984) (holding that "[t]o impart certainty throughout the entire process of filing, pre-trial, trial, and post-trial motions, appellate jurisdiction should normally be known and remain unaffected."); see Dreyfuss, *supra* note 151, at 36 (observing that rationale for well-pleaded complaint rule is as mechanism to determine quickly whether federal court has jurisdiction).

197. See Amy B. Cohen, "Arising Under" Jurisdiction and the Copyright Laws, 44 HASTINGS L.J. 337, 339-40 & n.11 (1993) (noting that question of whether federal or state court has jurisdiction depends on whether case "arises under" patent law or, more broadly, laws of United States).

198. See Mary P. Twitchell, *Characterizing Federal Claims: Preemption, Removal and the Arising-Under Jurisdiction of the Federal Courts*, 54 GEO. WASH. L. REV. 812, 813 (1986) (stating that "[i]f plaintiff's claim can be said to 'arise under' federal law, the federal courts can hear the case; if not, the dispute must be left in state court.>").

proceedings thus furthers judicial efficiency while minimizing waste to the parties.¹⁹⁹

Jurisdictional determinations in cases brought under 35 U.S.C. § 1338 are unlike traditional jurisdictional determinations in that when there is a federal circuit versus regional circuit jurisdictional dispute, the trial forum will not change.²⁰⁰ Thus, the policy concerns in favor of following the well-pleaded complaint rule to choose a forum at the outset of the trial do not apply in a federal versus federal context.

In addition, district courts should not have to modify the law they apply based on the appellate forum. Since the formation of the Federal Circuit, appeals from district courts may be taken to regional circuits or the Federal Circuit, depending on the subject matter of the case.²⁰¹ Thus, district courts have two possible bodies of binding precedent.²⁰² Believing that this was an untenable position for district courts and litigants, the Federal Circuit early on decided that it stood in a better position to adjust which law it would apply, rather than leave it for each district court to follow two separate bodies of procedural law.²⁰³

In procedural matters and substantive matters over which it does not have exclusive jurisdiction, the Federal Circuit applies regional circuit law, while in matters involving substantive patent law, it follows Federal Circuit precedent.²⁰⁴ The Federal Circuit may have assumed (and properly so) that regional circuit courts would apply the substantive law of the Federal Circuit to patent law issues that came before them.²⁰⁵ While this assumption has not always proven

199. *See id.* at 821-22 (recognizing possible benefits in clarity and efficiency of well-pleaded complaint rule).

200. *See Dreyfuss, supra* note 151, at 7 (stating that Federal Courts Improvement Act offered solution to forum shopping problem by creating single forum to hear patent appeals).

201. *See Dreyfuss, supra* note 151, at 46-47 (noting that both Federal Circuit and regional circuits hear interlocutory appeals).

202. *See* Brian S. Tomko, Comment, *Scripps or Atlantic: The Federal Circuit Squares Off Over the Scope of Product-by-Process Patents*, 60 BROOK. L. REV. 1693, 1695 (1995) (recounting conflict over interpretation of precedent).

203. *See Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574, 223 U.S.P.Q. (BNA) 465, 470-72 (Fed. Cir. 1984) (ruling as matter of law that procedural issues not unique to patent claims shall be decided according to law of regional circuit). The Federal Circuit has been criticized for not developing its own body of procedural and substantive law. *Dreyfuss, supra* note 151, at 37-46.

204. *Panduit Corp.*, 744 F.2d at 1574-76, 223 U.S.P.Q. (BNA) at 470-72.

205. *See Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1440 n.15, 223 U.S.P.Q. (BNA) 1074, 1087 n.15 (Fed. Cir. 1984) (declining to explore issue, but noting that regional circuits, confronted with need to decide certain questions of law, may find it useful to refer to Federal Circuit precedent).

correct,²⁰⁶ there is little indication that the regional circuits have addressed the matter. When they do, the substantive patent law at the Federal Circuit should be applied.²⁰⁷

IV. THE FEDERAL CIRCUIT'S TREATMENT OF § 1338 JURISDICTION AND SUGGESTIONS FOR AN IMPROVED *CHRISTIANSON* RULE

A. *The Application of the Well-Pleaded Complaint Rule by the Federal Circuit*

As discussed earlier, under the traditional well-pleaded complaint rule analysis, "arising under" jurisdiction is determined solely by the contents of the "well-pleaded complaint."²⁰⁸ The well-pleaded complaint cannot anticipate defenses, even if those defenses are virtually certain to arise.²⁰⁹

Courts and litigants will benefit most if a bright line can be drawn to insure predictability of the appellate forum, even if the bright line permits some patent issues to go to regional circuits and some non-patent issues to be appealed to the Federal Circuit.²¹⁰ The more malleable jurisdictional approach the Federal Circuit is presently using advantageously permits the Federal Circuit to review more patent issues and fewer issues not within its exclusive jurisdiction.²¹¹ The

206. See, e.g., *Kwik-Site Corp. v. Clear View Mfg. Co.*, 758 F.2d 167, 171 (6th Cir. 1985) (relying on Third, Seventh, and Ninth Circuit precedent to evaluate validity of patent); *National Business Sys., Inc. v. AM Int'l, Inc.*, 743 F.2d 1227, 1231-36 (7th Cir. 1984) (evaluating validity of patent under Fifth, Sixth, and Seventh Circuit precedent); *Hand Gards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1285-87 (9th Cir. 1984) (exercising jurisdiction despite existence of Federal Circuit), *cert. denied*, 469 U.S. 1190 (1985); *Roberts v. Sears, Roebuck Co.*, 723 F.2d 1324, 1327 & n.1 (7th Cir. 1983) (noting regional circuits soon will have to cede jurisdiction of patent claims to Federal Circuit, but retaining jurisdiction because appeal was filed prior to effective date of Federal Courts Improvement Act). But see *Christianson v. Colt Indus. Operating Corp.*, 870 F.2d 1292, 1298-99 (7th Cir. 1989) ("Although we recognize that the Federal Circuit's decision does not bind us, . . . the recognition that Congress created the Federal Circuit with the goal of achieving uniformity and coherence in the patent laws counsel[s] us against straying far from the court's thorough analysis . . ." (citation omitted)), *on remand from* 486 U.S. 800 (1988).

207. Congress' intention in creating the Federal Circuit was to unify patent law. S. REP. NO. 275, *supra* note 3, at 5-6, *reprinted in* 1982 U.S.C.C.A.N. at 15-17. This intent can best be achieved if regional circuit courts apply the Federal Circuit's precedent in substantive areas of the law over which the Federal Circuit has exclusive jurisdiction.

208. See *supra* note 71 and accompanying text (arguing that controversy at hand must be clearly presented on face of complaint).

209. See *supra* note 71 and accompanying text (stating that federal jurisdiction will not attach merely because claim anticipates defense raising federal question).

210. See *Kennedy v. Wright*, 851 F.2d 963, 967 (7th Cir. 1988) (advocating bright line test for determining jurisdiction of Federal Circuit vis-à-vis regional circuit courts).

211. See Steven R. Trybus, Comment, *Federal Circuit Jurisdiction: This Court, That Law*, 61 CHI-KENT L. REV. 731, 732 (1985) (noting that Federal Circuit has construed Federal Court Improvement Act to allow application of Federal Circuit precedent to patent claims, and regional circuit precedent to non-patent claims).

Federal Circuit, however, does not need to review *every* patent case to achieve uniformity in patent law,²¹² and, as a co-equal member of the system of thirteen appellate courts, it is competent to review any issue that may arise on appeal.²¹³ The predictability provided by a bright line rule, therefore, coupled with the inherent saving of time and expense to litigants and increased judicial efficiency, outweighs the disadvantage of the Federal Circuit declining to review a small number of appeals not involving patent issues.

1. *Jurisdiction based on a counterclaim*

Although it is likely that under the traditional application of the well-pleaded complaint rule a counterclaim will not provide a basis for federal jurisdiction, the question of whether a counterclaim should be taken into account in determining the jurisdiction of the Federal Circuit is a difficult one. There are persuasive reasons for not extending the traditional notions of the well-pleaded complaint rule to determine the jurisdiction of the Federal Circuit. The number of cases involving patent issues could be significant, thus thwarting Congress' goals in establishing the Federal Circuit.²¹⁴ As discussed above, because many of these cases would remain within the federal system otherwise, there is no real interest in avoiding Federal Circuit jurisdiction.²¹⁵ Compulsory counterclaims are distinct from permissive counterclaims and must be analyzed separately for reasons which will become apparent.

The Federal Circuit in banc has held that a compulsory counterclaim can provide the basis for Federal Circuit jurisdiction under § 1295 or § 1338.²¹⁶ In *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*,²¹⁷ the Federal Circuit affirmatively held what it had described in dictum in earlier cases, that is, that traditional

212. See *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1432, 223 U.S.P.Q. (BNA) 1074, 1081 (Fed. Cir. 1984) (recognizing that Congress was not concerned that occasional patent law decision by regional circuits would destroy uniformity).

213. *Kennedy*, 851 F.2d at 967 (concluding that because under *Christianson* regional court could end up deciding patent issue, "it follows that the Federal Circuit ends up with non-patent issues").

214. See *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, 895 F.2d 736, 744, 13 U.S.P.Q.2d (BNA) 1670, 1677 (Fed. Cir. 1990) (in banc) ("Directing appeals involving compulsory counterclaims for patent infringement to the twelve regional circuits could frustrate Congress' desire to foster uniformity and preclude forum shopping.").

215. See *supra* text accompanying notes 175-86 (arguing that Federal Circuit jurisdictional determinations involve federal versus federal, not federal versus state tensions).

216. See *Aerojet*, 895 F.2d at 744-45, 13 U.S.P.Q.2d (BNA) at 1677-78 (holding, under § 1295, that Federal Circuit had jurisdiction over case in which counterclaim, but not complaint, was based on § 1338).

217. 895 F.2d 736, 13 U.S.P.Q.2d (BNA) 1670 (Fed. Cir. 1990) (in banc).

notions of the well-pleaded complaint rule did not bar the Federal Circuit from hearing a case properly in federal district court where a counterclaim interjected a patent claim into the case for the first time.²¹⁸ The court expressly reserved decision on whether a permissive counterclaim could likewise be the basis for Federal Circuit jurisdiction even though jurisdiction for the complaint was not based in whole or in part on § 1338.²¹⁹

In *Aerojet*, plaintiff Aerojet sued Machine Tool Works for unfair competition, interference with prospective advantage, false representation, and a declaratory judgment that its trade secrets were not misappropriated.²²⁰ Jurisdiction was based on federal question and diversity of citizenship.²²¹ Machine Tool Works answered and counterclaimed for, inter alia, patent infringement.²²² On appeal from a district court interlocutory order, the Federal Circuit ordered the case in banc on the question: “[D]oes this court have jurisdiction to hear an appeal in a case in which the district court’s jurisdiction over the complaint was not based on § 1338(a) but there is a counterclaim over which the district court would have § 1338(a) if the counterclaim had been a complaint?”²²³ The court held that it did have jurisdiction.²²⁴

The court noted that its decision was foreshadowed in decisions issued prior to the *Christianson* decision.²²⁵ The Federal Circuit’s decisions in both *Schwarzkopf Development Corp. v. Ti-Coating, Inc.*²²⁶ and *In re Innotron Diagnostics*,²²⁷ indicated that, were the issue squarely presented, the court would have held a counterclaim could confer jurisdiction.²²⁸

The Federal Circuit distinguished *Christianson* on two grounds, noting that first, a counterclaim can provide jurisdiction under the well-pleaded complaint rule;²²⁹ and second, that *Christianson* did not

218. See *id.* at 741-44, 13 U.S.P.Q.2d (BNA) at 1675-77 (citing Supreme Court and circuit court dicta stating generally that well-pleaded complaint rule is not meant to be “procrustean bed” that prevents court from hearing claims properly before it merely because counterclaim interjects patent issue).

219. *Id.* at 739, 13 U.S.P.Q.2d (BNA) at 1672.

220. *Id.* at 737, 13 U.S.P.Q.2d (BNA) at 1671.

221. *Id.* at 738, 13 U.S.P.Q.2d (BNA) at 1671.

222. *Id.*, 13 U.S.P.Q.2d (BNA) at 1672.

223. *Id.*, 13 U.S.P.Q.2d (BNA) at 1672.

224. *Id.* at 745, 13 U.S.P.Q.2d (BNA) at 1678.

225. See *id.* at 739-41, 13 U.S.P.Q.2d (BNA) at 1673-75 (citing pre-*Christianson* dicta).

226. 800 F.2d 240, 245, 231 U.S.P.Q. (BNA) 47 (Fed. Cir. 1986) (stating that the counterclaim was dismissed so court did not have to rule on jurisdictional question).

227. 800 F.2d 1077, 231 U.S.P.Q. (BNA) 178 (Fed. Cir. 1986).

228. See *Aerojet*, 895 F.2d at 741, 13 U.S.P.Q.2d (BNA) at 1674 (stating that court holding accords with *Schwarzkopf* and *Innotron*).

229. *Id.* at 742, 13 U.S.P.Q.2d (BNA) at 1675.

require strict compliance with the well-pleaded complaint rule.²³⁰ The second ground is more persuasive than the first.

As to the first rationale, there is support for sustaining jurisdiction based on a counterclaim under the traditional application of the well-pleaded complaint rule.²³¹ The more accepted rule, however, and the rule supported by the weight of authority, holds that a counterclaim cannot provide the basis for federal jurisdiction.²³²

The Federal Circuit's second ground for distinguishing *Christianson*—that it did not prohibit a modification of the traditional well-pleaded complaint rule as used in federal question jurisdiction cases—is more persuasive. The Federal Circuit noted: (1) that a counterclaim was not at issue in *Christianson*,²³³ (2) that the context of the dispute was “not state/federal but federal/federal,” and thus, the reasoning behind the well-pleaded complaint rule was not as compelling;²³⁴ and (3) that the legislative history behind the creation of the court and 28 U.S.C. § 1295 supported the view that counterclaims could provide a basis for Federal Circuit jurisdiction on appeal.²³⁵

230. *Id.*

231. *See, e.g.,* Rengo Co. v. Molins Mach. Co., 657 F.2d 535, 539-40 (3d Cir.) (holding jurisdictional defect in claim will not foreclose adjudication when counterclaim states independent basis for jurisdiction), *cert. denied*, 454 U.S. 1055 (1981); *Duncan v. First Nat'l Bank*, 597 F.2d 51, 56 (5th Cir. 1979) (stating in dicta and without analysis that district court attained jurisdiction over suit to quiet title by virtue of government's equitable counterclaim); *Great Lakes Rubber Corp. v. Herbert Cooper Co.*, 286 F.2d 631, 633-34 (3d Cir. 1961) (stating compulsory counterclaim can form basis of federal jurisdiction, at least after dismissal of plaintiff's claim, which lacked basis for federal jurisdiction); *Corporation Venezolana de Fomento v. Vintero Sales Corp.*, 477 F. Supp. 615, 617, 621 (S.D.N.Y. 1979) (finding that court lacked jurisdiction based on plaintiff's claims, but acquired it by virtue of defendant's counterclaims), *rev'd on other grounds*, 629 F.2d 786 (2d Cir. 1980), *cert. denied*, 449 U.S. 1080 (1980); *Wong v. Bacon*, 445 F. Supp. 1177, 1183-84 (N.D. Cal. 1977) (holding that when district court has jurisdiction of counterclaim, it does not lose jurisdiction by dismissing original claim); *see also* *First Fed. Sav. & Loan Ass'n v. Greenwald*, 591 F.2d 417, 423 (1st Cir. 1979) (holding district court properly retained jurisdiction when parallel counterclaim was pending in state court), *cited with approval in* *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 20 n.20, 22 n.24 (1982).

232. *Rath Packing Co. v. Becker*, 530 F.2d 1295, 1305-06 (9th Cir. 1975) (“Removability cannot be created by defendant pleading a counter-claim presenting a federal question under 28 U.S.C. § 1338.”), *aff'd on other grounds sub nom.* 430 U.S. 519, *and reh'g denied*, 431 U.S. 925 (1977); *see also* 1 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 0.62[6], at 692 (2d ed. 1996) (“The charge of infringement must appear in the complaint, and not by way of defense or counterclaim”); 14A WRIGHT ET AL., *supra* note 76, § 3722, at 258-60 (“It is insufficient that a federal question has been raised as a . . . counterclaim.”). *See generally* STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS § 1312 (1969) (suggesting that either party asserting or party defending against counterclaim that is compulsory under state law and raises substantial federal claim be allowed to remove entire action).

233. *See Aerojet*, 895 F.2d at 744, 13 U.S.P.Q.2d (BNA) at 1676 (noting that only relevant pleadings in *Christianson* were complaint and answer).

234. *Id.*

235. *Id.* at 744-45, 13 U.S.P.Q.2d (BNA) at 1677.

Although the court's reasoning in *Aerojet* is ultimately persuasive, the case is not as easy as the court makes it out to be. *Christianson* actually lends support to the rule that a counterclaim cannot provide the basis for jurisdiction. The issue addressed in *Christianson* was whether there was an implied amendment to the pleadings under Rule 15(b).²³⁶ The Court recognized that "the summary judgment papers focused almost entirely on the patent-law issues, which [Christianson] deemed '[b]asic and fundamental to the subject lawsuit.' But those issues fell squarely within the purview of the theories of recovery, defenses, and *counterclaims* that the pleadings already encompassed."²³⁷ This statement implies that the counterclaim cannot form the basis for jurisdiction.²³⁸

Moreover, the legislative history of the Federal Courts Improvement Act mentions counterclaims as a basis for § 1338 jurisdiction but presents no strong indication as to the legislative intent. The Senate Report provides:

Federal District judges are encouraged to use their authority under the Federal Rules of Civil Procedure, *see* Rules 13(i), 16, 20(b), 42(b), 54(b), to ensure the integrity of the jurisdiction of the federal court of appeals by separating final decisions on claims involving substantial antitrust issues from trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction.²³⁹

It could be argued that this indicates Congress did not want the Federal Circuit to base its jurisdiction on counterclaims; however, it is likely that the emphasis in the quoted passage should be on "trivial" and "raised to manipulate appellate jurisdiction."²⁴⁰ The implication therefore would be that non-trivial counterclaims which are not raised to manipulate appellate jurisdiction should provide a basis for appellate jurisdiction.

236. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 814-15 (1988); *see also* FED. R. CIV. P. 15(b) ("When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings.")

237. *Christianson*, 486 U.S. at 815 (emphasis added) (citation to appendix omitted).

238. In fact, the counterclaims in *Christianson* were for state unfair trade claims. *Christianson*, 822 F.2d 1545, 1548, 3 U.S.P.Q.2d (BNA) 1241, 1243 (Fed. Cir. 1987). Thus, the Court in *Christianson* was not presented with the possibility of jurisdiction based on a counterclaim. The statements made to this effect, therefore, are not part of the holding and likely are not indicative of the Court's predisposition as to whether a counterclaim could provide a basis for § 1338 jurisdiction.

239. S. REP. NO. 275, *supra* note 3, at 20, *reprinted in* 1982 U.S.C.C.A.N. at 30.

240. S. REP. NO. 275, *supra* note 3, at 20, *reprinted in* 1982 U.S.C.C.A.N. at 30.

Finally, *Aerojet* involved a compulsory counterclaim. Such a claim, that is, one arising out of the same transaction or occurrence,²⁴¹ must be asserted in the pending case or it will be barred in later actions.²⁴² A compulsory counterclaim is similar to a defense in that it is necessarily closely related to the case and it requires no independent jurisdictional basis.²⁴³ It is considered within the ancillary jurisdiction of the court.²⁴⁴ In fact, a defense in a patent lawsuit can often be recharacterized as a counterclaim.²⁴⁵

It is therefore somewhat anomalous to permit a compulsory counterclaim to provide a basis for § 1338 jurisdiction when a defense cannot. This, in some circumstances, emphasizes form over substance. Also, given that a compulsory counterclaim does not require an independent jurisdictional basis, basing jurisdiction on a counterclaim does not satisfy the literal language of § 1295 because the district court's jurisdiction is not based "in part" on § 1338.²⁴⁶

Permitting a compulsory counterclaim to provide the basis for jurisdiction when a case would otherwise be tried in state court runs contrary to the principles that "the party who brings a suit is master

241. See, e.g., *Semmes Motors, Inc. v. Ford Motor Co.*, 429 F.2d 1197, 1202 (2nd Cir. 1970) (holding federal appellate jurisdiction exists when compulsory counterclaim is transactionally related to original claim); *Kissell Co. v. Farley*, 417 F.2d 1180, 1182 (7th Cir. 1969) (dismissing action due to plaintiff's attempt to raise transactionally-related counterclaim that he had failed to raise during original proceeding); *Great Lakes Rubber Corp. v. Herbert Cooper Co.*, 286 F.2d 631, 634 (3d Cir. 1961) (holding that because it arose from same occurrence, plaintiff's counterclaim to defendant's counterclaim was compulsory and therefore within appellate court's jurisdiction); *Dow Chem. Co. v. Melton Corp.*, 281 F.2d 292, 296 (4th Cir. 1960) (holding that party invoking jurisdiction of federal court may not attempt to limit jurisdiction in answer of counterclaim that arises out of same factual backdrop); *Union Paving Co. v. Downer Corp.*, 276 F.2d 468, 471 (9th Cir. 1960) (holding that federal appellate jurisdiction survives lack of diversity of citizenship when counterclaim arises out of same transaction as original claim); *United Artists Corp. v. Masterpiece Prod., Inc.*, 221 F.2d 213, 216 (2d Cir. 1955) (holding that counterclaim joining additional defendants in single copyright suit was "compulsory counterclaim" and therefore required no independent jurisdictional basis). See generally 6 CHARLES A. WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 1417, at 136 (1990) (asserting that "compulsory counterclaim" is one arising out of same facts or circumstances as original claim).

242. See generally 6 WRIGHT ET AL., *supra* note 241, § 1417, at 140-41 (noting that failure to raise compulsory counterclaim bars party from ever asserting claim in independent action).

243. See *Great Lakes Rubber Corp.*, 286 F.2d at 633 (holding compulsory counterclaim is one that arises out of same transaction of occurrence that forms subject matter of opposing party's claim).

244. See *Baker v. Gold Seal Liquors, Inc.*, 417 U.S. 467, 469 n.1 (1974) (noting that if counterclaim is compulsory, court will have ancillary jurisdiction over it, although it might be matter for state court).

245. For example, in *Schwarzkopf*, a suit filed for reformation of a license agreement, both a defense and a counterclaim for patent invalidity were raised. *Schwarzkopf Dev. Corp. v. Ti-Coating Inc.*, 800 F.2d 240, 241, 231 U.S.P.Q. (BNA) 47, 48 (Fed. Cir. 1988).

246. See 28 U.S.C. § 1295 (1994) (conferring on Federal Circuit exclusive jurisdiction over claims "based, in whole or in part, on Section 1338"). Section 1338 confers on district courts original jurisdiction over, *inter alia*, cases arising under an act of Congress relating to patent or copyright laws. *Id.* § 1338(a). Such jurisdiction is "exclusive of the courts of the states." *Id.*

to decide what law he will rely upon,"²⁴⁷ and that "[j]urisdiction generally depends upon the case made and the relief demanded by the plaintiff."²⁴⁸ Disputes over licensing agreements often arise as breach of contract actions which are controlled by state law. If a compulsory counterclaim were permitted to be the basis for federal jurisdiction, when a contract action is filed for breach of a license and the defendant defends based on invalidity, the suit will remain in state court.²⁴⁹ If, however, the defendant files a counterclaim seeking a declaration of invalidity, the suit properly may be removed to federal court.²⁵⁰

When the jurisdictional choice is federal versus federal, as it was in *Aerojet*, there is no opportunity for the plaintiff to choose the forum or decide what law he will rely upon. Congress intended that the Federal Circuit would have jurisdiction over cases raising the subject matter of the counterclaim, and, as explained earlier, the Federal Circuit is competent to review the subject matter of the complaint.²⁵¹ Thus, taking the appeal to the Federal Circuit fosters Congress' goal. Furthermore, the law applied theoretically (and usually practically) will be the same.²⁵²

Thus, compulsory counterclaims should be permitted to provide a basis for Federal Circuit jurisdiction when the case is otherwise properly in federal court, but should not provide a jurisdictional basis when the suit would go to a state court. In view of the interest in providing the Federal Circuit with jurisdiction over patent cases, and the lack of countervailing interests, the anomaly with respect to defenses²⁵³ should be permitted to exist.

247. *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913); *accord Bell v. Hood*, 327 U.S. 678, 683 (1946) (holding that when both state and federal grounds are available, plaintiff may rely solely on federal grounds).

248. *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915).

249. *See Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 16 (1983) (holding that "if, but for the availability of the declaratory judgment procedure, the claim would arise only as a defense to a state created action, jurisdiction is lacking." (quoting *WRIGHT, ET AL.*, *supra* note 241, § 2767, at 744-45)).

250. *See id.* at 7-8 ("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 or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending." (quoting 28 U.S.C. § 1441 (1982))).

251. *See supra* part III.B.1.b (asserting that one of Congress' intentions in creating Federal Circuit was to foster uniform application of patent laws).

252. *See supra* text accompanying notes 186-89 (stating that federal interest in uniformity should play major role in federal versus federal jurisdictional decisions).

253. The situation is not completely anomalous because counterclaims, of course, are not identical to defenses. One difference is that a counterclaim contains an affirmative request for relief, but a defense does not. Congress intended that such affirmative requests be reviewed by the Federal Circuit.

Any claim the defendant may have against the plaintiff which is not compulsory is termed a permissive counterclaim. A permissive counterclaim must have an independent jurisdictional basis.²⁵⁴ If a permissive counterclaim were able to provide a basis for federal jurisdiction, this could undermine the principle that the plaintiff may choose the forum and could give rise to forum shopping. Because permissive counterclaims must have an independent jurisdictional basis, however, the opportunity to manipulate appellate jurisdiction will be minimal. That is, there will be only a limited number of circumstances in which a party has an independent basis for bringing a counterclaim which arises under the patent law in order to manipulate appellate jurisdiction.

Because pleading a permissive counterclaim is, by definition, not mandatory, many of the concerns addressed by the case law involving compulsory counterclaims are not applicable to instances involving permissive counterclaims.²⁵⁵ As a practical matter, a permissive counterclaim would not be asserted as a basis for federal jurisdiction under the traditional analysis. If the suit is filed in federal court, it is the defendant who will argue that there is a lack of federal jurisdiction. Such a defendant would not assert a permissive counterclaim before so arguing. If the suit were in state court, it is the defendant who would have to remove it.²⁵⁶ A defendant removing an action would not impose a permissive federal counterclaim before doing so. Also, there is little chance a state court would accept jurisdiction over a permissive counterclaim raising only a federal issue.²⁵⁷ Thus, the Federal Circuit need not distinguish the traditional counterclaim precedent in determining whether to accept jurisdiction based on a permissive counterclaim. Thus, when a permissive counterclaim states a claim for relief which arises under the patent law, it should provide a basis for Federal Circuit jurisdiction. As discussed above, in most instances, such a case would be brought in federal court, regardless,²⁵⁸ and therefore the plaintiff's

254. See 6 WRIGHT ET AL., *supra* note 241, § 1422, at 170 (noting that federal courts consistently hold that permissive claims must have independent grounds for federal jurisdiction).

255. See 6 WRIGHT ET AL., *supra* note 241, § 1422, at 170 (noting that counterclaims must have separate jurisdictional basis).

256. 28 U.S.C. § 1441 (1994).

257. There is also some question as to whether a state court *could* grant affirmative relief for patent invalidity, as that issue is exclusively federal.

258. See *infra* text accompanying notes 300-03 (citing *Gemveto Jewelry Co. v. Jeff Cooler Inc.*, 800 F.2d 256, 230 U.S.P.Q.2d (BNA) 876 (Fed. Cir. 1986), in which Federal Circuit maintained jurisdiction over case in which only non-pendant claims were appealed).

interest in choosing the forum and the law on which it will rely is not relevant.²⁵⁹

Accordingly, permissive counterclaims which state a claim "arising under" the patent laws should provide a basis for Federal Circuit jurisdiction. Compulsory counterclaims should provide a basis for Federal Circuit jurisdiction only in federal versus federal jurisdictional disputes and not in state versus federal disputes.

2. Jurisdiction based on an amended complaint

In *Eaton Corp. v. Appliance Valves Corp.*,²⁶⁰ *MCV Inc. v. King-Seeley Thermos Co.*,²⁶¹ and *Vink v. Schiff*,²⁶² the Federal Circuit accepted jurisdiction over appeals based on amended complaints.²⁶³ The court offered little discussion of whether an amended complaint is properly considered in determining subject matter jurisdiction.

The federal rules are liberal in permitting amendments to pleadings.²⁶⁴ In some limited circumstances, amendments to pleadings are a matter of right,²⁶⁵ but otherwise leave of the court

259. See *infra* text accompanying notes 313-17 (analogizing jurisdiction based on counterclaim to pendent jurisdiction in which plaintiffs "would ordinarily expect to try" claims in single proceeding (citing *United Mine Workers v. Gibb*, 383 U.S. 715, 725 (1966))).

260. 790 F.2d 874, 876 n.3, 229 U.S.P.Q. (BNA) 668, 670 n.3 (Fed. Cir. 1986) (accepting jurisdiction over patent claim amended to include infringement *after* district and appellate court decisions on state law issues).

261. 870 F.2d 1568, 1570-71, 10 U.S.P.Q.2d (BNA) 1287, 1289-90 (Fed. Cir. 1989) (exercising jurisdiction over complaint amended after close of discovery to include two counts based on federal law).

262. 839 F.2d 676, 678, 5 U.S.P.Q.2d (BNA) 1728, 1730 (Fed. Cir. 1988) (reversing dismissal by district court when plaintiff amended complaint requesting declaratory judgment on ownership to include infringement).

263. *But see* *Gronholz v. Sears, Roebuck & Corp.*, 836 F.2d 515, 5 U.S.P.Q.2d (BNA) 1269 (Fed. Cir. 1987). In *Gronholz*, a patent infringement count was voluntarily dismissed without prejudice and summary judgment was granted on a non-patent count. *Id.* at 518-19, 5 U.S.P.Q.2d (BNA) at 1271-72. The Federal Circuit held:

Gronholz's dismissal of the patent claim constituted an amendment of his complaint. That amendment left a complaint which consisted of a single, non-patent claim for unfair competition. Applying the well-pleaded complaint rule to the complaint then remaining, we determine that the present suit does not 'arise under' the patent laws for jurisdictional purposes.

Id. at 518, 5 U.S.P.Q.2d (BNA) at 1271; see also *Beghin-Say Int'l Inc. v. Rasmussen*, 733 F.2d 1568, 221 U.S.P.Q. (BNA) 1121 (Fed. Cir. 1984). In *Beghin-Say*, the alleged basis for § 1338 jurisdiction was an amended complaint. *Id.* at 1570, 221 U.S.P.Q. (BNA) at 1122. The amended complaint was dismissed for lack of subject-matter jurisdiction, not because an amended complaint could not provide the basis for jurisdiction, but because it failed to allege a claim arising under federal law. *Id.* at 1570-72, 221 U.S.P.Q. (BNA) at 1123-24.

264. See 6 WRIGHT ET AL., *supra* note 241, § 1473, at 522 (noting language of Rule 15(a) is broad and permissive, and allows courts to grant amendments liberally).

265. FED. R. CIV. P. 15(a) (allowing party to amend pleading once "as a matter of course" subject to certain limitations).

is required.²⁶⁶ The court, however, has discretion in granting leave.²⁶⁷ Consideration of the amended complaint almost certainly is proper in determining whether there is jurisdiction for Federal Circuit review.²⁶⁸

The Federal Circuit in *Eaton* stopped short of setting a hard and fast rule that an amended complaint will always control for jurisdictional purposes.²⁶⁹ The court explained that it will "look to the circumstances surrounding the addition of the patent infringement claim to the complaint as well as the factors enumerated in *Atari* to determine the propriety of assuming jurisdiction over all of the claims in [the] appeal."²⁷⁰

A bright line rule that an amended complaint will control for determining jurisdiction should have been fashioned in *Eaton*.²⁷¹ The advantageous increase in predictability is obvious. An amended complaint supersedes the complaint, leaving the original complaint to perform no function.²⁷² Should there be a dispute over the propriety of an amendment to a complaint, it is appropriately raised as a challenge to the grant of leave to amend.²⁷³

266. *Id.* (stating that, unless party amends pleading under circumstances allowing such amendment "as a matter of course," leave of court is required).

267. See *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 330 (1971) (holding that decision whether to grant leave to amend is within discretion of trial court); *Forman v. Davis*, 371 U.S. 178, 182 (1962) (holding grant or denial of opportunity to amend is within discretion of district court).

268. See, e.g., *O'Bryan v. Chandler*, 496 F.2d 403, 412 (10th Cir.) (holding that Supreme Court precedent was properly considered in determining whether to allow removal of amended complaint), *cert. denied*, 419 U.S. 986 (1974); *Victory v. Manning*, 128 F.2d 415, 417 (3d Cir. 1942) (holding that "when a motion to dismiss on the ground of lack of jurisdiction over the subject matter is considered, the court, in disposing of the motion should freely allow amendments to show that there is jurisdiction"); *Barlow v. Pep Boys, Inc.*, 625 F. Supp. 130, 133 (E.D. Pa. 1985) (holding that complaint arguably stated claim for relief which would make § 1331 or § 1334 jurisdiction proper and thus, plaintiff who failed to state basis for district court's jurisdiction was permitted to amend complaint to state such basis).

269. *Eaton Corp. v. Appliance Valves Corp.*, 790 F.2d 874, 876 n.3, 229 U.S.P.Q. (BNA) 668, 670 n.3 (Fed. Cir. 1986) (noting that whether amended complaint controls for jurisdictional purposes depends on circumstances surrounding addition of claim and propriety of court assuming jurisdiction over all claims).

270. *Id.* (citation omitted). In *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429, 223 U.S.P.Q. (BNA) 1074, 1077-78 (Fed. Cir. 1984), the court stated that "[f]ederal courts have declined jurisdiction over pendent and ancillary claims in the interests of 'judicial economy, convenience, and fairness to litigants.'" (citing *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 726 (1966)).

271. In not establishing such a rule, the Federal Circuit was likely trying to preserve its authority to prevent manipulation of its jurisdiction. See *Zenith Radio Corp.*, 401 U.S. at 330 (stating that grant of leave to amend pleadings is within trial courts discretion and can be reviewed for error).

272. See 6 WRIGHT ET AL., *supra* note 241, § 1476, at 556-57 (noting that pleading amended under Rule 15(a) supersedes pleading it modifies).

273. See *Earlie v. Jacobs*, 745 F.2d 342, 345 (5th Cir. 1984) (holding that the district court did not abuse its discretion in denying plaintiff's motion for leave to amend complaint because amendment would have delayed trial and prejudiced defendant); *Barlow*, 625 F. Supp. at 134

One could argue that an amended complaint should not control for jurisdictional purposes because § 1295 provides the Federal Circuit with jurisdiction only when the jurisdiction of the district court is “based” on § 1338.²⁷⁴ The word “based” could be interpreted to mean “based when filed.”²⁷⁵ The plain language of the statute, however, does not warrant such an interpretation. When an amended complaint is permitted, the jurisdiction of the district court is still “based” on § 1338.

An amendment to a complaint need not be express but may be implied under the Federal Rules of Civil Procedure.²⁷⁶ The Court in *Christianson* expressly reserved the question of whether such an “express or implied” amendment to the pleadings could provide a jurisdictional basis.²⁷⁷ The Court noted that there was no consent in that case because although “the summary judgment papers focused almost entirely on the patent-law issues . . . those issues fell squarely within the purview of the theories of recovery, defenses, and counterclaims that the pleadings already encompassed.”²⁷⁸

3. *Withdrawal, severance, or separation of a patent claim*

On several occasions the Federal Circuit has reviewed cases in which the well-pleaded complaint, as originally filed, was based in part on § 1338, but prior to appeal the § 1338 portion of the case was separated,²⁷⁹ severed,²⁸⁰ or with-

(permitting plaintiff to amend complaint after granting defendant’s motion for more definite statement).

274. See 28 U.S.C. § 1295 (1994) (stating that Federal Circuit has exclusive jurisdiction over appeal from district court in which jurisdiction was based on § 1338).

275. See, e.g., 3 MOORE ET AL., *supra* note 232, ¶ 15.15[3.—2], at 15-154 (“[A]n amendment [of pleading] may not salvage diversity jurisdiction where jurisdiction could not be established under the facts existing at the outset of the action.”).

276. FED. R. CIV. P. 15(b) provides:

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues.

Id.

277. See *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 814-15 (1988) (explaining that because there is no evidence of consent among parties to litigate new patent law claims, there is no need to determine whether “express or implied” amendment to pleadings could provide jurisdictional basis).

278. *Id.* at 815.

279. See FED. R. CIV. P. 42(b) (allowing separate trial of any claim, cross-claim, counterclaim, or third party claim when it furthers convenience or will avoid prejudice).

280. See FED. R. CIV. P. 21 (allowing severance of any claim against a party). Although severance typically is used in the misjoinder of parties, it is not limited to that context. See *Wyndham Ass’n v. Bintiff*, 398 F.2d 614, 618 (2d Cir.) (holding that Rule 21 authorizes

drawn.²⁸¹ *Atari* explicitly reserved these issues,²⁸² and since that time the court has been groping with them on a case by case basis. A better approach would be for the Federal Circuit to adopt a "bright line" rule of looking only to the basis for the district court's jurisdiction in the "case" appealed. The Federal Circuit should not, for the first time on appeal, deem a complaint amended. The sole exception to this rule should be a frivolous allegation of patent infringement, or other patent grounds, in a complaint. Such a rule would ensure predictability of the proper appellate forum.

In *USM Corp. v. SPS Technologies, Inc.*,²⁸³ the plaintiff filed an action alleging patent misuse, invalidity, and non-infringement.²⁸⁴ In an amended complaint, an antitrust claim was entered.²⁸⁵ The patent and antitrust claims were severed for separate trials.²⁸⁶

Summary judgment was entered on the patent counts²⁸⁷ and an appeal was taken to the Seventh Circuit (the notice of appeal was filed before the creation of the Federal Circuit) which affirmed the district court's invalidity and non-infringement determinations but reversed the district court's finding that the patent was unenforceable.²⁸⁸ The district court then resolved the remaining claims, none of which were based on § 1338, and the district court's opinion was appealed to the Federal Circuit.²⁸⁹

The Federal Circuit, faced with a motion to transfer the case, held that "[p]olicies of judicial efficiency favor transferring the appeal to the Seventh Circuit. This case has already been before the Seventh

severance of any claim, even without finding of improper joinder), *cert. denied*, 393 U.S. 977 (1968).

281. As the Federal Circuit has pointed out, "severed" and "separated" are not interchangeable. *See Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1426 n.1, 233 U.S.P.Q. (BNA) 1074, 1076 n.1 (1984) (stating that it is inaccurate and misleading to use "severance" and "separation" interchangeably); *see also Spencer, White & Prentis Inc. v. Pfizer Inc.*, 498 F.2d 358, 362 (2d Cir. 1974) (concluding that district court confused Rule 21 with Rule 42(b) and should not have attempted to separate unitary problem).

The distinction, although often seemingly a technicality, could affect Federal Circuit jurisdictional determinations. For example, if a patent count is severed and the remainder of the case is appealed, the Federal Circuit no longer has jurisdiction over that "case." Appeal properly may be taken as of right from a severed claim notwithstanding the pendency of the remaining claims. *Id.* at 361.

282. *See infra* notes 293-99 and accompanying text (discussing issues involved in *Atari*).

283. 770 F.2d 1035, 226 U.S.P.Q. (BNA) 1038 (Fed. Cir. 1985).

284. *USM Corp. v. SPS Technologies, Inc.*, 770 F.2d 1035, 1036, 226 U.S.P.Q. (BNA) 1038, 1038 (Fed. Cir. 1985).

285. *Id.*, 226 U.S.P.Q. (BNA) at 1038.

286. *Id.*, 226 U.S.P.Q. (BNA) at 1038.

287. *Id.*, 226 U.S.P.Q. (BNA) at 1039.

288. *Id.*, 226 U.S.P.Q. (BNA) at 1039.

289. *Id.*, 226 U.S.P.Q. (BNA) at 1039.

Circuit twice on appeal with many of the underlying issues fully briefed by the parties to that court.²⁹⁰

Admirably, the Federal Circuit decided the jurisdictional issue on the most narrow grounds available. Had the issue been presented, however, the holding of the case could have been more general. Because the patent counts were "severed," the remaining counts constituted a separate and distinct case over which the Federal Circuit did not have jurisdiction.²⁹¹ When a count that is the basis of the Federal Circuit's jurisdiction is severed, therefore, the appellate route of the different counts also should be severed. Although it seems peculiar, this result is somewhat more palatable considering the severed count is separately appealable as a matter of right (unlike a count separated for trial).²⁹²

In *Atari, Inc. v. JS & A Group, Inc.*,²⁹³ patent and copyright infringement counts were separated.²⁹⁴ A preliminary injunction enjoining copyright infringement was entered and appealed.²⁹⁵ The Federal Circuit held that it had jurisdiction over the appeal from the preliminary injunction notwithstanding the separation of the patent counts because jurisdiction was based in part on § 1338.²⁹⁶ *Atari* is consistent with the foregoing analysis primarily because of the distinction between "separation" and "severance."²⁹⁷ Although both cases were properly decided, *USM* did not expressly recognize the distinction between "separation" and "severance," emphasizing instead the "judicial efficiency" in transferring the case.²⁹⁸ Thus, there is

290. *Id.* at 1037, 226 U.S.P.Q. (BNA) at 1040.

291. *See* 28 U.S.C. § 1295(a)(1994) (granting Federal Circuit jurisdiction over appeals from district court when district court's jurisdiction was based on § 1338).

292. *See supra* note 281 (noting that appeal may be taken as of right from severed claim).

293. 747 F.2d 1422, 223 U.S.P.Q. (BNA) 1074 (Fed. Cir. 1984).

294. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1425, 223 U.S.P.Q. (BNA) 1074, 1075 (Fed. Cir. 1984).

295. *Id.* at 1424, 1427, 223 U.S.P.Q. (BNA) at 1075, 1077.

296. *Id.* at 1431, 223 U.S.P.Q. (BNA) at 1080 (holding that effect of separation order on court's jurisdiction was "nil").

297. *See supra* notes 279-81 (discussing distinction between "separation" and "severance"). Although *Atari* predated the recognition of the distinction between "severance" and "separation," the court did note that it would be inaccurate to use the terms interchangeably. *Atari*, 747 F.2d at 1426 n.1, 223 U.S.P.Q. (BNA) at 1076 n.1.

The cases are distinguishable also because in *Atari* there was an effort to manipulate jurisdiction. *Id.* at 1425, 223 U.S.P.Q. (BNA) at 1075. In *USM*, however, there was no such effort. *USM Corp. v. SPS Technologies, Inc.*, 770 F.2d 1035, 1037, 226 U.S.P.Q. (BNA) 1038, 1040 (Fed. Cir. 1985).

298. *See USM*, 770 F.2d at 1037, 226 U.S.P.Q. (BNA) at 1040 (holding that because Seventh Circuit had seen case twice on appeal, judicial efficiency favored transferring case there).

some doubt as to whether the Federal Circuit will follow this distinction in the future.²⁹⁹

In *Gemveto Jewelry Co. v. Jeff Cooper Inc.*,³⁰⁰ the Federal Circuit held that it had jurisdiction over a case in which a final determination was rendered by the district court on patent and non-patent counts,³⁰¹ even though only the non-patent counts were appealed.³⁰² The propriety of the Federal Circuit's jurisdiction was referenced only in a footnote and was not discussed, probably because the propriety of accepting jurisdiction was clear.³⁰³

In *Gronholz v. Sears, Roebuck & Co.*,³⁰⁴ the plaintiff's patent infringement count was voluntarily dismissed without prejudice, and the defendant's motion for summary judgment was granted on a non-patent count.³⁰⁵ The Federal Circuit held that the dismissal of Gronholz's patent claim constituted an amendment of his complaint consisting of a single, non-patent claim for unfair competition.³⁰⁶ Applying the well-pleaded complaint rule, the court determined that the suit did not "arise under" the patent laws for jurisdictional purposes.³⁰⁷

A "bright line" rule, which will work in every case, can be formulated to reconcile *USM*, *Atari*, and *Gemveto*: the Federal Circuit should look to the basis for the district court's jurisdiction in the "case" appealed.³⁰⁸ Because *Gronholz* does not follow this rule, it is difficult to reconcile with *USM*, *Atari*, and *Gemveto*. In *Gronholz*, the Federal Circuit deemed the complaint amended instead of looking to the basis for the district court's jurisdiction in the "case" appealed.³⁰⁹

299. The future precedential effect of *USM* is clouded even further by *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515, 5 U.S.P.Q.2d (BNA) 1269 (Fed. Cir. 1987), in which the court described *USM* as involving "very special circumstances." *Id.* at 516, 5 U.S.P.Q.2d (BNA) at 1270.

300. 800 F.2d 256, 230 U.S.P.Q. (BNA) 876 (Fed. Cir. 1986).

301. *Gemveto Jewelry Co. v. Jeff Cooper, Inc.*, 800 F.2d 256, 258 n.2, 230 U.S.P.Q. (BNA) 876, 878 (Fed. Cir. 1986) (noting jurisdiction based on non-patent claims asserted at trial).

302. *Id.* at 257-58, 230 U.S.P.Q. (BNA) at 877-78 (discussing order enjoining defendant from selling jewelry with similar designs as plaintiffs').

303. *Id.* at 258 n.2, 230 U.S.P.Q. (BNA) at 878 n.2. Once the district court rendered a final judgment on a patent count, appellate jurisdiction could not be controlled by what was appealed. The Federal Circuit's jurisdiction is determined by the basis of the district court's jurisdiction. In this case, the district court based its jurisdiction on 28 U.S.C. § 1295(a) (1982).

304. 836 F.2d 515, 5 U.S.P.Q.2d (BNA) 1269 (Fed. Cir. 1987).

305. *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515, 516, 5 U.S.P.Q.2d (BNA) 1269, 1269 (Fed. Cir. 1987).

306. *Id.* at 518, 5 U.S.P.Q.2d (BNA) at 1271.

307. *Id.*, 5 U.S.P.Q.2d (BNA) at 1271.

308. See *supra* notes 283-89 and accompanying text (explaining that because patent counts were severed in *USM*, it was distinct patent "case").

309. See *Gronholz*, 836 F.2d at 518-19, 5 U.S.P.Q.2d (BNA) at 1271-72 (granting motion to transfer appeal for lack of jurisdiction because suit did not "arise under" patent law for jurisdictional purposes).

Because the complaint in *Gronholz* was based in part on § 1338,³¹⁰ the Federal Circuit should have accepted jurisdiction.

The court in *Gronholz* was likely concerned with manipulation of its jurisdiction. On appeal, it was clear that the case was not a patent case, and perhaps not a case which Congress intended the Federal Circuit to review.³¹¹ This is an *ad hoc* determination, however, making the appellate forum in future cases unpredictable. The Federal Circuit can prevent manipulation of its jurisdiction by establishing an exception to this rule for frivolous allegations in the complaint.

The Federal Circuit reviews on appeal non-patent claims when they are in a "case" in which the district court's jurisdiction was based at least in part on § 1338.³¹² An analogous situation is the doctrine of pendent jurisdiction, although the analogy is imperfect.

Pendent jurisdiction exists when state and federal claims³¹³ arise "from a common nucleus of operative fact"³¹⁴ and are such that the parties "would ordinarily be expected to try them" in a single proceeding.³¹⁵ The Court in *Gibbs* opined that the trial court had the discretion whether or not to hear the pendent state claim.³¹⁶ According to *Gibbs*, trial courts, in exercising this discretion, should consider "judicial economy, convenience and fairness to litigants."³¹⁷

310. See *supra* note 274 and accompanying text (noting that Federal Circuit has exclusive jurisdiction of appeal when district court's jurisdiction was based on 28 U.S.C. § 1338).

311. *Gronholz*, 836 F.2d at 516, 5 U.S.P.Q.2d (BNA) at 1269 (stating that dismissal of patent claim left only misappropriation of trade secrets claim).

312. See 28 U.S.C. § 1295 (1994) (stating that Federal Circuit has exclusive jurisdiction over appeal from district court in which jurisdiction was based on § 1338).

313. See 1 MOORE ET AL., *supra* note 232, ¶ 0.67, at 700.197 (noting that claims allowed by Federal Rules are to be heard as supplemental claims). The concept of pendent jurisdiction applies to counterclaims as well as to original claims. *Id.* A compulsory counterclaim, or one that arises out of the same transaction or occurrence as the main claim, is typically within the pendent jurisdiction of the court. *Id.*; see also *Hy-Way Heat Sys., Inc. v. Jadair, Inc.*, 311 F. Supp. 454, 455 (E.D. Wis. 1970) (noting that if counterclaim is permissive under Rule 13, independent diversity jurisdiction must be alleged and met).

314. *United Mine Workers v. Gibbs*, 383 U.S. 715, 725 (1966).

315. *Id.* In *Gibbs*, the plaintiff sued the Mine Workers Union in federal court alleging that the union pressured his employer into discharging him. *Id.* at 720. *Gibbs* alleged both a federal claim, violation of the Taft-Hartley Act, and a state claim, unlawful conspiracy to interfere with contract of employment. *Id.* The trial court held in favor of the Union on the federal claim but entered judgment in *Gibbs'* favor on the state claim. *Id.* at 720-21. The Supreme Court reversed the state claim but expressly held that it was within the trial court's pendent jurisdiction to enter judgment on the federal claim. *Id.* at 742.

316. See *id.* at 726 (holding that pendent jurisdiction is not plaintiff's right, but rather doctrine of discretion).

317. *Id.* The doctrine of pendent jurisdiction was later broadened in *Hagans v. Lavine*, 415 U.S. 528 (1974), to include jurisdiction over a federal claim which was substantially weaker than the state claim. *Id.* at 543. *Aldinger v. Howard*, 427 U.S. 1 (1976), may have broadened this doctrine further in recognizing that pendent jurisdiction may be present, at least in some circumstances, even when the presence of a third party is necessary to litigate the pendent claim.

In cases such as *USM*, *Atari*, *Gemveto*, and *Gronholz*, the district court *must* hear the non-patent claims because federal subject matter jurisdiction already exists and therefore those claims are properly in federal court;³¹⁸ the trial court does not have the discretion not to hear the “pendent” claims. The claims are only “pendent” in the sense that the district court’s jurisdiction was based in part on § 1338. Had there been no § 1338 jurisdiction, the district court’s jurisdiction could have been based on federal question,³¹⁹ diversity,³²⁰ or some other provision. Thus, a peculiar situation has arisen in which counts properly in federal court because of diversity or the presence of a federal question are, in a sense, “pendent” to patent counts.

The Federal Circuit’s task is therefore unlike that of its sister circuits. Instead of determining whether the trial court’s decision to hear the “pendent” claim was an abuse of discretion, it must decide in the first instance whether to hear the “pendent” claim.

This situation is problematic. The Federal Circuit is called upon, in a sense, to exercise its “discretion” in deciding whether to entertain appeals in cases which no longer contain patent claims. However, a “discretionary” decision is, by its very nature, unpredictable. A court will examine the circumstances in the totality and do what it believes should be done. Such a practice, for appellate jurisdiction, will lead to a waste of time, judicial resources, and the resources of the parties. Thus, the above suggested “bright line” rule should be adopted to determine whether Federal Circuit jurisdiction is present when patent counts are severed, separated, or withdrawn.

4. Consolidated cases

Cases consolidated in district court present yet another jurisdictional issue with no parallel prior to creation of the Federal Circuit. Because federal cases can never be consolidated with state cases, a determination of whether both complaints should be considered in the jurisdictional decision was never made under traditional notions of the well-pleaded complaint rule.

In *In re Innotron Diagnostics*,³²¹ the Federal Circuit held that when separately filed suits are consolidated, the Federal Circuit has

Id. at 18.

318. See 28 U.S.C. § 1338 (1994) (stating that district courts have exclusive jurisdiction over patent cases).

319. See *id.* § 1331 (stating that “district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States”).

320. See *id.* § 1332 (providing district courts with original jurisdiction when parties have diversity of citizenship).

321. 800 F.2d 1077, 231 U.S.P.Q. (BNA) 178 (Fed. Cir. 1986).

jurisdiction over the entire case.³²² The Federal Circuit's rationale was that such a case is analogous to a case in which a counterclaim is filed, and therefore, the Federal Circuit should have jurisdiction.³²³

The rule in the majority of courts is that jurisdiction cannot be based on a counterclaim.³²⁴ This majority rule was not recognized by the Federal Circuit, and therefore, the precedential effect of this decision is questionable.

The Federal Circuit, however, was persuasive in reasoning that "[i]t would . . . be incongruous to hold that consolidation of a separate suit . . . is distinct, in relation to this court's jurisdiction, from the presence of a counterclaim raising the same allegations of patent infringement"³²⁵ Thus, for the reasons explained with respect to permissive counterclaims, the Federal Circuit should have jurisdiction over consolidated cases in which the pleadings in one of the cases would properly provide § 1338 jurisdiction.³²⁶

5. *Summary of jurisdictional determinations under the well-pleaded complaint rule*

The Federal Circuit should formulate the "bright line" rules discussed above.³²⁷ Although many of these rules do not strictly follow the traditional well-pleaded complaint rule, in some situations traditional jurisdictional notions will not suffice, and in others, deviating from the traditional notions will further the congressional goals in establishing the Federal Circuit.

322. See *In re Innotron Diagnostics*, 800 F.2d 1077, 1080, 231 U.S.P.Q. (BNA) 178, 180 (Fed. Cir. 1986) (exercising jurisdiction over entire case because district court's jurisdiction was based "in part" on § 1338(a)).

323. See *id.* (noting that allegation of patent infringement filed as non-frivolous counterclaim is same as separate complaint that is later consolidated with non-patent case).

324. See *supra* note 274 and accompanying text (stating that Federal Circuit jurisdiction must be based on claims brought under § 1338).

325. *Innotron Diagnostics*, 800 F.2d at 1080, 231 U.S.P.Q. (BNA) at 180.

326. See *supra* note 313 (noting jurisdictional requirements of permissive counterclaims); see also *Dorf & Stanton Communications, Inc. v. Molson Breweries*, 56 F.3d 13, 13-14, 34 U.S.P.Q.2d (BNA) 1856, 1857 (2d Cir. 1995) ("This motion to dismiss an appeal from a discovery ruling presents an esoteric issue arising within the dual-track regime existing with respect to the Court of Appeals for the Federal Circuit and the regional courts of appeals."); *Kennedy v. Wright*, 851 F.2d 963, 968 (7th Cir. 1988) (citing jurisdictional hypotheticals not answered by *Christianson*). Also, as explained with respect to amended complaints, objections to consolidation are best raised in response to the consolidation itself and not to the exercise of the Federal Circuit's jurisdiction over the entire matter. If consolidation is proper, the Federal Circuit should have jurisdiction over the entire case if it has jurisdiction over any part of it. See *Innotron Diagnostics*, 800 F.2d at 1080, 231 U.S.P.Q. (BNA) at 180 (holding that Federal Circuit had jurisdiction over entire case).

327. See *supra* notes 308-21 and accompanying text (arguing that Federal Circuit should look to basis for district court's jurisdiction in case appealed).

In summary, when a complaint is amended, the amended complaint should control the Federal Circuit's jurisdiction.³²⁸ When patent counts are severed, the Federal Circuit should not have jurisdiction over the non-patent "case,"³²⁹ but when the non-patent counts are separated, the Federal Circuit should have jurisdiction over the entire case, including the non-patent counts.³³⁰ When a patent count is dismissed, the Federal Circuit should maintain jurisdiction over the case unless original inclusion of the patent count is found to be manipulative or frivolous.³³¹

B. *The Application of Traditional "Arising Under" Principles by the Federal Circuit*

As discussed above, the Federal Circuit has jurisdiction over an appeal from a district court if the jurisdiction of the district court was based, in whole or in part, on 28 U.S.C. § 1338.³³² Under § 1338, district courts have jurisdiction over "any civil action arising under any Act of Congress relating to patents."³³³

Because the Federal Circuit's jurisdiction is invoked where the action is based "in part" on 28 U.S.C. § 1338,³³⁴ issues arise when the stated jurisdictional basis for an action is something other than § 1338, but the well-pleaded complaint, as discussed above, pleads any action requiring in part resolution of a matter "arising under an Act of Congress relating to patents."³³⁵ This issue can be analyzed in two parts. First, regardless of the stated basis for jurisdiction, does part of the action involve statutory issues "relating to patents"? Second, if a statute does "relate to patents," does the action in the well-pleaded complaint "arise under" that statute?

1. *The broad definition of "any Act of Congress relating to patents"*

The Federal Circuit has generally interpreted the language in § 1338(a)—"any Act of Congress relating to patents"—expansively.³³⁶

328. See *supra* notes 272-78 and accompanying text (stating that amended complaint controls for jurisdictional purposes).

329. See *supra* notes 283-92 and accompanying text (noting result in *USM* in which patent and antitrust claims were severed).

330. See *supra* notes 293-99 and accompanying text (discussing *Atari*, in which patent and copyright infringement claims were separated).

331. See *supra* notes 304-07 and accompanying text (noting result in *Grunholz*, in which patent infringement count voluntarily was dismissed).

332. 28 U.S.C. § 1295(a) (1994); see also *supra* note 312 and accompanying text (stating Federal Circuit's basis for jurisdiction over appeal).

333. *Id.* § 1338(a).

334. See *id.* § 1295 (delineating Federal Circuit jurisdiction).

335. *Id.* § 1338(a).

336. *Id.*

Whether such a liberal reading is warranted, especially where the underlying proceedings involve administrative or statutory interpretation issues not peculiar to patent law, is debatable. Nonetheless, given that this issue typically arises where the issue is not one of whether the district court properly has subject matter jurisdiction, but rather which basis of federal court subject matter jurisdiction is applicable, erring on the side of Federal Circuit jurisdiction is consistent with Congress' purpose of creating a co-equal circuit court with specialized jurisdiction.³³⁷

In *Wyden v. Commissioner of Patents and Trademarks*³³⁸ and *Jaskiewicz v. Mossinghoff*,³³⁹ the Federal Circuit and the D.C. Circuit, respectively, held that the Federal Circuit had jurisdiction over an appeal from the decision of the Commissioner of Patents and Trademarks to suspend or exclude someone from practicing before the Patent and Trademark Office ("PTO") pursuant to 35 U.S.C. §§ 31 and 32.³⁴⁰

Section 32 of Title 35 provides that "[t]he United States District Court for the District of Columbia . . . may review the action of the Commissioner."³⁴¹ Because § 32 arises under an Act of Congress relating to patents, the provision grants the district court jurisdiction under 28 U.S.C. § 1338.³⁴² Therefore, it is not necessary to determine whether the plaintiff's right to relief required a resolution of a substantial question of federal law.³⁴³ The only question requiring resolution was whether §§ 31 and 32 were within the definition of "any Act of Congress relating to patents."³⁴⁴

337. See *supra* notes 3-5 (noting that Congress created Federal Circuit to unify application of patent laws).

338. 807 F.2d 934, 231 U.S.P.Q. (BNA) 918 (Fed. Cir. 1986).

339. 802 F.2d 532 (D.C. Cir. 1986).

340. See *Wyden v. Commissioner of Patents & Trademarks*, 807 F.2d 934, 936-37, 231 U.S.P.Q. (BNA) 918, 920 (Fed. Cir. 1986) (holding that decision under 35 U.S.C. § 32 arises under Act of Congress relating to patents, and therefore that district court's jurisdiction was proper under 28 U.S.C. § 1338 and appellate review exclusively granted to Federal Circuit under 28 U.S.C. § 1295(a)); *Jaskiewicz v. Mossinghoff*, 802 F.2d 532, 536-37 (D.C. Cir. 1986) (same).

Under 35 U.S.C. § 31 (1994), the Commissioner of Patents and Trademarks may prescribe regulations governing the recognition and conduct of persons practicing before the PTO. *Id.* The Commissioner may require such persons to show that they are qualified to practice before the Patent Office (the Commissioner has implemented this by requiring prospective patent agents or patent attorneys to take an examination) and to show that they are of good moral character. *Id.* Under 35 U.S.C. § 32, the Commissioner may discipline persons registered to practice before the PTO. *Id.*

341. 35 U.S.C. § 32.

342. See *supra* notes 338-40 and accompanying text (discussing holdings in *Wyden* and *Jaskiewicz*).

343. Federal courts have jurisdiction if *either*: (1) federal law creates the cause of action; or (2) plaintiff's right to relief necessarily requires resolution of a substantial issue of federal law. See *supra* notes 319-20 and accompanying text (noting when federal courts attain jurisdiction).

344. 28 U.S.C. § 1338(a). If §§ 31 and 32 meet the definition of 28 U.S.C. § 1338(a), the Federal Circuit has appellate jurisdiction; if they do not satisfy this definition, then the D.C.

In *Jaskiewicz*, petitioner was suspended from practice before the PTO pursuant to 35 U.S.C. § 32 for misconduct.³⁴⁵ *Jaskiewicz* appealed this decision by the Deputy Commissioner for Patents and Trademarks to the D.C. District Court,³⁴⁶ which affirmed the Commissioner's decision by summary judgment³⁴⁷ and then appealed that decision to the D.C. Circuit.³⁴⁸ The Commissioner moved to have the appeal transferred to the Federal Circuit pursuant to 28 U.S.C. § 1631,³⁴⁹ arguing that the suit was a "civil action arising under [an] Act of Congress relating to patents" pursuant to 28 U.S.C. § 1338(a).³⁵⁰

The D.C. Circuit noted that "[t]he critical question . . . is whether the federal legislation establishing the PTO, and setting forth its authority to discipline those who practice before the agency, is an 'Act of Congress relating to patents.'"³⁵¹ The court went on to note:

[T]he Federal Circuit has given a broad construction to the 'relating to patents' language in § 1338, at least in part because one of the primary objectives of [the Circuit's] enabling legislation is to bring about uniformity in the area of patent law [The Federal Circuit], thus, has a mandate to achieve uniformity in patent matters.³⁵²

Significant to the court was the objective of achieving uniformity in patent law.³⁵³ It believed the Federal Circuit must have "exclusive jurisdiction over appeals relating to who may practice before the Patent and Trademark Office."³⁵⁴ Thus, it held "[t]he right to practice patent law arises under 35 U.S.C. § 31 (1982). Although . . . this right is 'not created by the patent laws in the same sense as the

Circuit has appellate jurisdiction.

345. See *Jaskiewicz v. Mossinghoff*, 802 F.2d 532, 533 (D.C. Cir. 1986) (stating that *Jaskiewicz* was suspended because of misconduct in representation of parties before PTO). Section 32 provides:

The Commissioner may . . . suspend or exclude . . . from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct The United States District Court for the District of Columbia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded.

35 U.S.C. § 32.

346. *Jaskiewicz*, 802 F.2d at 533.

347. *Id.*

348. *Id.*

349. See 28 U.S.C. § 1631 (1994) (allowing for transfer of appeal to another court).

350. *Jaskiewicz*, 802 F.2d at 535 (quoting 28 U.S.C. § 1338(a) (1982)).

351. *Id.*

352. *Id.* (quoting *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574, 229 U.S.P.Q. (BNA) 465, 470 (Fed. Cir. 1984)).

353. *Id.*

354. *Id.*

bulk of § 1338(a) cases,' it surely may 'be defeated or sustained by the construction given the patent laws.'³⁵⁵

In *Wyden*, the Commissioner of Patents and Trademarks did not award Stephen Wyden a passing grade on the examination for registration to practice before the PTO as a patent agent.³⁵⁶ Wyden petitioned in the district court for the District of Columbia to overturn this action by the PTO.³⁵⁷ The district court granted summary judgment denying Wyden's petition, and Wyden appealed to the Federal Circuit, which affirmed.³⁵⁸ The Federal Circuit's jurisdictional decision was made by the court in banc court and provoked a dissent by the Chief Judge.³⁵⁹

The Federal Circuit, holding that it had jurisdiction over the challenge to the Commissioner's failure to register an attorney to practice before the PTO, noted that "[t]he review of Wyden's suspension under § 32, by the District Court for the District of Columbia, took place pursuant to the last sentence of that section."³⁶⁰ The last sentence to which the court was referring provides: "The United States District Court for the District of Columbia . . . may review the action of the Commissioner upon the petition of the person so refused recognition or so suspended or excluded."³⁶¹

355. *Id.* (quoting *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1565, 227 U.S.P.Q. (BNA) 977, 979 (Fed. Cir. 1985)). The court's reasoning is unnecessary and incorrect. Because § 32 expressly provides for review of the action of the Commissioner in district court, the action "arises under" that section. It is therefore not necessary to determine whether a construction of the patent laws would sustain or defeat the action. *See supra* note 345 (stating language of 35 U.S.C. § 32).

Apparently, the reasoning of the court was that a patent attorney could be disciplined under § 32 for failing to comply with a separate section of the patent laws, and that review of such a disciplinary action would require a construction of the patent laws. *Jaskiewicz*, 802 F.2d at 536-37. The result is an overbroad interpretation of "arising under" jurisdiction because, under this rationale, any time an attorney is faced with an action involving title 35, such as malpractice in connection with a patent infringement suit, it would be within the Federal Circuit's jurisdiction and, more significantly, within general federal question jurisdiction (thus removing such actions from state courts).

It is noted, however, that giving the Federal Circuit jurisdiction over such matters would have some benefits because of the court's expertise in patent matters. *See id.* at 536 (stating that any other result would defeat goal of uniformity in application of patent laws). The Federal Circuit routinely reviews actions concerned with the sections of title 35 relevant to the disciplinary proceedings, and therefore, it is in a better position to resolve efficiently and correctly such questions than are regional circuits. For example, as the court in *Jaskiewicz* noted, *Jaskiewicz* was being disciplined for violating 35 U.S.C. § 111 (1982), a section of the statute concerned with the filing of patent applications. *Jaskiewicz*, 802 F.2d at 536.

356. *Wyden v. Commissioner of Patents & Trademarks*, 807 F.2d 934, 935, 231 U.S.P.Q. (BNA) 918, 919 (Fed. Cir. 1986).

357. *Id.* at 935, 231 U.S.P.Q. (BNA) at 919.

358. *Id.*, 231 U.S.P.Q. (BNA) at 919.

359. *Id.*, 231 U.S.P.Q. (BNA) at 919.

360. *Id.* at 936, 231 U.S.P.Q. (BNA) at 920.

361. 35 U.S.C. § 32 (1994).

The court also noted that "at least one of Wyden's major claims arises under § 32 of Title 35 of the United States Code . . . which is the Patent Act of 1952, as amended, the heading of that entire title being 'PATENTS.'"³⁶²

Despite the D.C. and Federal Circuits' efforts to define §§ 31 and 32 as falling within the patent laws, the fact remained that this "case . . . involves no patent, and deals only with *administrative* law."³⁶³ The majority in *Wyden*, and the panel in *Jaskiewicz*, read the phrase "relating to patents" broadly in finding jurisdiction in the Federal Circuit over cases relating more to the administration of the Patent Office than to patent law.³⁶⁴ The majority of the court was not convinced by the dissent's argument that there is no "indication, in the legislative history or otherwise, that Congress had the slightest intent to place oversight of the PTO administration exclusively in" the Federal Circuit.³⁶⁵

After *Wyden* it was clear that the Federal Circuit would take an expansive view of what falls within the definition of "any Act of Congress relating to patents."³⁶⁶ Limited to the facts, *Wyden* simply holds that the PTO's disciplining of an attorney is subject to the Federal Circuit's review.³⁶⁷ In looking at the court's in banc rationale, however, it appears that the court considered all of Title 35 of the United States Code to be Acts of Congress relating to patents.³⁶⁸

The broad interpretation of the "relating to patents" language in § 1338 is supported by other Federal Circuit decisions. The Federal Circuit has accepted jurisdiction over cases brought under § 256 in a suit for correction of inventorship³⁶⁹ and under § 111 in a manda-

362. *Wyden*, 807 F.2d at 935, 231 U.S.P.Q. (BNA) at 919-20.

363. *Id.* at 938, 231 U.S.P.Q. (BNA) at 923 (Markey, C.J., dissenting) (emphasis added).

364. *See id.* at 935, 231 U.S.P.Q. (BNA) at 920 (finding Federal Circuit jurisdiction despite Judge Markey's plea that only administrative law was at issue); *Jaskiewicz v. Mossinghoff*, 802 F.2d 532, 534 (D.C. Cir. 1986) (holding that Federal Circuit has exclusive jurisdiction to review district court decision refusing to overturn disciplinary action taken against attorney by Patent and Trademark Office).

365. *Wyden*, 807 F.2d at 938, 231 U.S.P.Q. (BNA) at 922 (Markey, C.J., dissenting).

366. *Cedars-Sinai Medical Ctr. v. Watkins*, 11 F.3d 1573, 1577, 29 U.S.P.Q.2d (BNA) 1188, 1193 (Fed. Cir. 1993) ("We conclude that 42 U.S.C. § 5908 is 'an Act of Congress relating to patents' . . ."). Section 5908 relates to vesting the United States with title of patents conceived during the course of a contract with the Department of Energy. 42 U.S.C. § 5908 (1994). *See also Morganroth v. Quigg*, 885 F.2d 843, 846, 12 U.S.P.Q.2d (BNA) 1125, 1127 (Fed. Cir. 1989); *see supra* notes 356-65 and accompanying text (indicating that action challenging suspension or disbarment from practice before PTO is within scope of Federal Circuit jurisdiction).

367. *Wyden*, 807 F.2d at 936, 231 U.S.P.Q. (BNA) at 480-81.

368. *Id.* at 935, 231 U.S.P.Q. (BNA) at 919-20 ("[A]t least one of Wyden's major claims arises under section 32 of Title 35 of the United States Code (USC) which is the Patent Act of 1952, as amended, the heading of that entire title being 'PATENTS.'").

369. 35 U.S.C. § 256 (1994); *MCV, Inc. v. King-Seeley Thermos Co.*, 870 F.2d 1568, 10 U.S.P.Q.2d (BNA) 1287 (Fed. Cir. 1989).

mus action to compel the Commissioner to accord an application a filing date.³⁷⁰ In each of these cases, the Federal Circuit assumed, without extensive discussion in accepting jurisdiction, that these were Acts of Congress relating to patents.³⁷¹ The Federal Circuit also intimated, in a case in which it did not find jurisdiction, that § 294,³⁷² which provides that parties can voluntarily contract for mandatory arbitration, relates to patents.³⁷³

The broad interpretation of the definition of an Act of Congress relating to patents is not confined to Title 35. In *Alco Standard Corp. v. Tennessee Valley Authority*,³⁷⁴ the Federal Circuit construed an act which provides "any owner of a patent whose patent rights may have been . . . in any way copied, used, infringed, or employed by" the Tennessee Valley Authority with "the exclusive remedy [of] a cause of action against [TVA in] the appropriate district court of the United States, for the recovery of reasonable compensation for such infringement," as being an Act of Congress relating to patents.³⁷⁵ According to the majority, the statute requires an infringement determination and thus relates to patents.³⁷⁶ The fact that § 831r provides the "exclusive remedy" does not make the suit any less of a patent suit according to the majority.³⁷⁷ "[Section] 831r specifies the conditions that govern the patentee's suit for infringement, while § 1338(a) gives the district courts jurisdiction to hear that suit."³⁷⁸

The majority's statement that § 1338(a) gives the district court jurisdiction is difficult to understand in view of the express provision for district court jurisdiction in § 831r.³⁷⁹ Judge Nies' dissent on the jurisdictional point presents a powerful argument.³⁸⁰ She explains that a "16 U.S.C. § 831r claim against TVA is more comparable to a

370. 35 U.S.C. § 111; *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 227 U.S.P.Q. (BNA) 977 (Fed. Cir. 1985).

371. See *MCV*, 870 F.2d at 1570 (finding Federal Circuit jurisdiction); *Dubost*, 777 F.2d at 1565 (same).

372. 35 U.S.C. § 294.

373. See *Ballard Medical Prods. v. Wright*, 823 F.2d 527, 3 U.S.P.Q.2d (BNA) 1337 (Fed. Cir. 1987) (holding that Federal Circuit lacks jurisdiction over federal district court's decision confirming arbitration award because federal district court's jurisdiction was based solely on diversity).

374. 808 F.2d 1490, 1 U.S.P.Q.2d (BNA) 1337 (Fed. Cir. 1986), *cert. dismissed*, 483 U.S. 1052 (1987).

375. *Alco Standard Corp. v. Tennessee Valley Auth.*, 808 F.2d 1490, 1494, 1 U.S.P.Q.2d (BNA) 1337, 1339 (Fed. Cir.) (quoting 16 U.S.C. § 831(r) (1982)), *cert. dismissed*, 483 U.S. 1052 (1987).

376. *Id.*, 1 U.S.P.Q.2d (BNA) at 1339.

377. *Id.*, 1 U.S.P.Q.2d (BNA) at 1339.

378. *Id.*, 1 U.S.P.Q.2d (BNA) at 1339.

379. *Id.* at 1494-95, 1 U.S.P.Q.2d (BNA) at 1339-40.

380. *Id.* at 1504, 1 U.S.P.Q.2d (BNA) at 1347 (Nies, J., concurring).

claim under 28 U.S.C. § 1498 (1982) for reasonable compensation for use of a patented invention by the government, which does not arise under a patent statute, . . . than to a claim for patent infringement under 35 U.S.C. § 271."³⁸¹ It is hard, however, to argue with the majority's reasoning that "[i]t would be anomalous if appeals in patent infringement suits against TVA were heard by the regional circuit, when all other appeals in patent infringement suits come to this court."³⁸² This anomaly does not exist under 28 U.S.C. § 1498 because those appeals go to the Federal Circuit under a separate statutory provision.³⁸³

2. *The Federal Circuit's application of Smith v. Kansas City Title & Trust Co. in interpreting "arising under"*

In *Dubost v. United States Patent & Trademark Office*,³⁸⁴ a patent application was filed meeting all of the statutory requirements for obtaining a filing date, except that a check required for the payment of the filing fee was unsigned.³⁸⁵ The Commissioner for Patents and Trademarks refused to give the application a filing date for the day it was submitted to the PTO.³⁸⁶ Rather, the application received a filing date for the day the check was received.³⁸⁷

Dubost petitioned the District Court for the District of Columbia for a writ of mandamus compelling the Commissioner to accord Dubost the earlier filing date.³⁸⁸ The district court found that it had jurisdiction pursuant to 28 U.S.C. § 1361.³⁸⁹ The district court then upheld the Commissioner's actions, explaining that 35 U.S.C. § 111 contains no provision for a waiver of the patent application fee and

381. *Id.*, 1 U.S.P.Q.2d (BNA) at 1347 (Nies, J., concurring) (citing *Motorola, Inc. v. United States*, 729 F.2d 765, 768, 221 U.S.P.Q. (BNA) 297, 299 (Fed. Cir. 1984)).

382. *Id.* at 1494, 1 U.S.P.Q.2d (BNA) at 1339; *see also Cedars-Sinai v. Watkins*, 11 F.3d 1573, 1580 (Fed. Cir. 1993).

383. *See* 28 U.S.C. § 1498 (1994) (providing jurisdiction in United States Court of Federal Claims for patent infringement suits against United States).

384. 777 F.2d 1561, 227 U.S.P.Q. (BNA) 977 (Fed. Cir. 1985).

385. *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1562, 227 U.S.P.Q. (BNA) 977, 977 (Fed. Cir. 1985). 35 U.S.C. § 111 (1982) provides that a patent application must, *inter alia*, "be accompanied by the fee required by law." *Id.*

386. *Dubost*, 777 F.2d at 1562, 227 U.S.P.Q. (BNA) at 977.

387. *Id.* at 1562-63, 227 U.S.P.Q. (BNA) at 977. The filing date was significant to this applicant because the application was filed on the last day for which the applicant could obtain the benefit of a foreign priority date.

388. *Id.* at 1563, 227 U.S.P.Q. (BNA) at 978.

389. *Id.*, 227 U.S.P.Q. (BNA) at 978. Section 1361 provides that "district courts shall have original jurisdiction of any action in the nature of mandamus to compel an officer or employee of the United States or any agency thereof to perform a duty owed to the plaintiff." 28 U.S.C. § 1361 (1994).

that the check submitted with the original application could not satisfy the fee requirement, as it was unsigned.³⁹⁰

On appeal, the Federal Circuit noted that the determination of whether it had jurisdiction was based on how (and whether) the district court had jurisdiction.³⁹¹ The Federal Circuit then held that the district court had jurisdiction because, inter alia, Dubost asserted before the district court some right or privilege that would be defeated by one or sustained by an opposite construction of the patent laws.³⁹²

Jurisdiction in both the cause of action and the remedy in *Dubost* were provided by § 1361, the mandamus statute, not by the patent laws.³⁹³ The dispute arises under the patent laws only because resolution of the dispute requires a construction of the patent laws.³⁹⁴

Thus, the jurisdictional analysis employed by the Federal Circuit is analogous to that set forth in *Smith v. Kansas City Title and Trust Co.*³⁹⁵ *Dubost* and *Smith* differ, however, in that *Smith* involved a state versus federal jurisdictional dispute, whereas in *Dubost* the dispute was regional circuit versus Federal Circuit.³⁹⁶ Irrespective of the outcome of the jurisdictional dispute in *Dubost*, the district court properly had jurisdiction.³⁹⁷

The Federal Circuit did not acknowledge the complexities of the jurisdictional analysis which it was adopting *sub silentio*.³⁹⁸ Nor did it acknowledge that the rationale of *Smith* has an extensive subsequent history, finds little later support, has been criticized by commentators,

390. *Dubost*, 777 F.2d at 1563, 227 U.S.P.Q. (BNA) at 978.

391. *Id.* at 1564, 227 U.S.P.Q. (BNA) at 978-79. See *supra* note 86 (explaining procedure for determining jurisdiction when appeal is taken from district court).

392. *Dubost*, 777 F.2d at 1564, 227 U.S.P.Q. (BNA) at 979. This holding provides the Federal Circuit with jurisdiction because it has jurisdiction if the district court's jurisdiction is based "in part" on § 1338. 28 U.S.C. § 1295.

393. 35 U.S.C. § 111 (1994), the section of the patent laws at issue, is not jurisdictional.

394. This case is distinguishable from *Wyden v. Commissioner of Patents & Trademarks*, 807 F.2d 934, 231 U.S.P.Q. (BNA) 918 (Fed. Cir. 1986), and *Jaskiewicz v. Mossinghoff*, 802 F.2d 532 (D.C. Cir. 1986), which required construction of the patent laws to resolve the dispute. In those cases, 35 U.S.C. § 32 created the cause of action. The issue concerned whether those sections were "Acts of Congress relating to patents." See *supra* note 368 and accompanying text (delineating scope of Federal Circuit jurisdiction under title 35 of U.S. Code). Section 111, on the other hand, does not create a cause of action. The jurisdictional analysis in *Dubost* assumes, without discussion, that § 111 is an "Act of Congress relating to patents."

395. 255 U.S. 180 (1921); see *supra* notes 34-40 and accompanying text (explaining that in *Smith*, state law provided cause of action and remedy).

396. See *supra* notes 173-86 and accompanying text (noting differences between state versus federal jurisdictional dispute and regional circuit versus Federal Circuit jurisdictional dispute).

397. *Dubost*, 777 F.2d at 1565, 227 U.S.P.Q. (BNA) at 978-79.

398. The complexities were noted by the dissent, which concurred in the result of the majority on jurisdiction, but the dissent opined that "their analysis oversimplifies the issue." *Id.* at 1568, 227 U.S.P.Q. (BNA) at 982 (Newman, J., dissenting).

and may have been overruled or at least modified by subsequent cases such as *Merrell Dow*.³⁹⁹

*Merrell Dow*⁴⁰⁰—which was decided subsequent to *Dubost*—states that when determining whether a case “arises under” federal law when no federal remedy is provided, the focus should be on the *nature* of the federal interest at stake.⁴⁰¹ In determining whether the nature of the patent law interest at stake is significant or important, the nature of the countervailing interest must be considered.⁴⁰² Regional circuits have only a minimal interest in maintaining jurisdiction over cases in which the construction of the patent laws is at issue.⁴⁰³ When a case is properly in the federal judicial system, there is a heightened interest in the Federal Circuit having jurisdiction over the appeal.⁴⁰⁴ Thus, under either the *Merrell Dow* or *Smith* analyses, the Federal Circuit properly has jurisdiction over cases such as *Dubost*.

*Ballard Medical Products v. Wright*⁴⁰⁵ was jurisdictionally similar to the *Dubost* case, but in *Ballard*, the Federal Circuit refused jurisdiction.⁴⁰⁶ Ballard filed a complaint alleging that Wright had breached a licensing agreement.⁴⁰⁷ Before answering the complaint, Wright invoked an arbitration clause in the agreement.⁴⁰⁸ The district court stayed the action pending arbitration.⁴⁰⁹ The arbitration determined that there was no breach of the license agreement.⁴¹⁰ Wright moved in the district court to confirm the arbitration.⁴¹¹ Ballard moved to vacate the arbitration on several grounds under 9 U.S.C. § 10 and argued that the arbitration improperly

399. See *supra* notes 58-65 and accompanying text (explaining nature of “federal interest at stake” analysis). The court quoted Justice Holmes’ statement in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916), that “[a] suit arises under the law that creates the cause of action.” *Id.* at 260. It dismissed this statement, however, because “it has been rejected as an exclusionary principle.” *Dubost*, 777 F.2d at 1565, 227 U.S.P.Q. (BNA) at 979 (quoting *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 9 (1983)).

400. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 808 (1986).

401. *Id.*

402. See *supra* notes 50-60 and accompanying text (discussing efficacy of federal question jurisdiction under *Merrell Dow*).

403. See *supra* note 186-89 and accompanying text (discussing importance of federal interest test to improved uniformity over regional circuit decisions).

404. See *supra* notes 192-93 and accompanying text (arguing that there is heightened interest for Federal Circuit jurisdiction under *Merrell Dow* analysis whenever patent law is in question).

405. 823 F.2d 527, 3 U.S.P.Q.2d (BNA) 1337 (Fed. Cir. 1987).

406. *Ballard Medical Prod. v. Wright*, 823 F.2d 527, 532, 3 U.S.P.Q.2d (BNA) 1337, 1339-40 (Fed. Cir. 1987).

407. *Id.* at 529, 3 U.S.P.Q.2d (BNA) at 1338.

408. *Id.*, 3 U.S.P.Q.2d (BNA) at 1338.

409. *Id.*, 3 U.S.P.Q.2d (BNA) at 1338.

410. *Id.*, 3 U.S.P.Q.2d (BNA) at 1338.

411. *Id.*, 3 U.S.P.Q.2d (BNA) at 1338.

refused to invalidate the patents at issue for failure to comply with 35 U.S.C. § 112.⁴¹²

The district court confirmed the arbitration in all respects and appeal was taken to the Federal Circuit.⁴¹³ The Federal Circuit held that it did not have jurisdiction because the district court's jurisdiction was based on diversity and not, in whole or in part, on § 1338.⁴¹⁴

Ballard argued that 35 U.S.C. § 294, which provides that "[a] contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract,"⁴¹⁵ vested the Federal Circuit with appellate jurisdiction.⁴¹⁶ The Federal Circuit rejected this argument, stating that this is not a "dispute relating to patent validity and infringement arising under the contract" as required by § 294.⁴¹⁷ The court then explained that "[b]eyond the inability of [§] 294 to form the basis for a cause of action, or as the basis for district court jurisdiction, the record here establishes that Ballard's cause of action did not arise out of such a dispute."⁴¹⁸

The Federal Circuit is technically incorrect, however, in holding that "[§] 294 simply played no role in this case."⁴¹⁹ A patent license is "[a] contract involving a patent."⁴²⁰ Thus, 35 U.S.C. § 294 expressly permits the contract at issue here to contain an arbitration clause.⁴²¹

Rejecting Federal Circuit jurisdiction in *Ballard* could be read as inconsistent with the *Smith*-type analysis used by the court in *Dubost*.⁴²² The Federal Circuit states and then rejects the first of the methods for obtaining federal jurisdiction.⁴²³ The Federal Circuit

412. *Id.* at 529-30, 3 U.S.P.Q.2d (BNA) at 1338.

413. *Id.* at 530, 3 U.S.P.Q.2d (BNA) at 1338.

414. *Id.* at 530-31, 3 U.S.P.Q.2d (BNA) at 1339.

415. 35 U.S.C. § 294 (1994).

416. *Ballard Medical Prod.*, 823 F.2d at 530, 3 U.S.P.Q.2d (BNA) at 1338.

417. *Id.* at 531, 3 U.S.P.Q.2d (BNA) at 1339.

418. *Id.*, 3 U.S.P.Q.2d (BNA) at 1339.

419. *See id.*, 3 U.S.P.Q.2d (BNA) at 1339.

420. 35 U.S.C. § 294 (1994); *see also* HARRY R. MAYERS & BRIGN BRUNSVOLD, DRAFTING PATENT LICENSE AGREEMENTS 1-5 (2d ed. 1984) (defining patent license agreement).

421. *See* 35 U.S.C. § 294 ("A contract involving a patent or any right under a patent may contain a provision requiring arbitration of any dispute relating to patent validity or infringement arising under the contract.").

422. *See* *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1564, 227 U.S.P.Q. (BNA) 977, 978-79 (Fed. Cir. 1985) (finding jurisdiction in Federal Circuit because construction of patent laws required it); *see also supra* notes 393-94 and accompanying text (explaining mandamus statute and patent law construction bestows Federal Circuit jurisdiction).

423. *See supra* text accompanying note 27 (explaining that to have typical federal question "arising under" jurisdiction *either*: (1) federal law must create cause of action; or (2) plaintiff's right to relief necessarily must depend on the resolution of substantial question of federal law).

then does not address the second of the tests.⁴²⁴ The parties are properly in federal court on diversity grounds.⁴²⁵ The right to relief and cause of action are provided by state contract law, but at least Ballard argued that a substantial issue of patent law necessarily requires resolution as a basis for the relief requested—the patent law issue being the validity and application of the arbitration clause.⁴²⁶ The court disagreed, however, perhaps seeing an attempt to create a jurisdictional issue where none in fact existed. Moreover, perhaps the court recognized that, unlike *Dubost*, Ballard's claim essentially was based on state law.

In *MCV, Inc. v. King-Seeley Thermos Co.*,⁴²⁷ MCV sued under 35 U.S.C. § 256⁴²⁸ for a correction of the named inventor of a patent.⁴²⁹ The Federal Circuit, in addressing its jurisdiction, held that § 256 creates an express cause of action.⁴³⁰

In the alternative, the Federal Circuit held that even if § 256 did not create an express cause of action, it had jurisdiction because the "relief necessarily depends on resolution of a substantial question of federal patent law."⁴³¹ The Federal Circuit reasoned that to correct inventorship under § 256, a court must first determine whether one is an "inventor" and then must determine whether the "error of

424. See *supra* notes 420-21 and accompanying text (explaining federal question doctrine under 35 U.S.C. § 294).

425. *Ballard Medical Prod. v. Wright*, 823 F.2d 527, 530, 3 U.S.P.Q.2d (BNA) 1337, 1338 (Fed. Cir. 1987).

426. *Id.* at 530-31, 3 U.S.P.Q.2d (BNA) at 1338-39.

427. 870 F.2d 1568, 10 U.S.P.Q.2d (BNA) 1287 (Fed. Cir. 1989).

428. 35 U.S.C. § 256 (1994) provides in pertinent part: "The court before which [an error in naming inventors] is called in question may order correction of the patent . . ." *Id.*

429. *MCV, Inc. v. King-Seeley Thermos Co.*, 870 F.2d 1568, 1569, 10 U.S.P.Q.2d (BNA) 1287, 1288 (Fed. Cir. 1989).

430. *Id.* at 1570, 10 U.S.P.Q.2d (BNA) at 1289. This decision, while supported by non-binding precedent, is questionable. See *Iowa State Univ. Research Found. v. Sperry Rand Corp.*, 444 F.2d 406 (4th Cir. 1971) (finding federal jurisdiction for inventorship corrections under 35 U.S.C. § 256 is proper if notice and opportunity for all parties to be heard is provided); *Dee v. Aukerman*, 625 F. Supp. 1427 (S.D. Ohio 1986) (holding federal district court is not precluded under 35 U.S.C. § 256 from hearing case for correction of named inventor as long as plaintiff alleges that omission or error was inadvertent rather than caused by named inventor's deceptive intent). In providing that a "court before which [an error of omitting inventors] is called in question may order correction of the patent," the statute seems more appropriately read to permit a court to correct inventorship when the patent is otherwise before it.

For example, in a suit for infringement, if a defense of invalidity for failure to comply with 35 U.S.C. § 111 (which states that "application for patent shall be made by the inventor") is raised, § 256 permits a court to correct the inventorship instead of being forced to hold the patent invalid on that basis. Section 256 does not seem appropriately read to create a cause of action in district court for correction of inventorship. See 35 U.S.C. § 256 (vesting power to correct patent inventorship with Commissioner of Patent and Trademark Office but not specifying which court may order correction).

431. *MCV*, 870 F.2d at 1570, 10 U.S.P.Q. (BNA) at 1290 (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 806 (1988)).

omitting inventors" was made "without any deceptive intention."⁴³² Both questions require resolution of a substantial patent law question.⁴³³

To the extent the alternative disposition of *MCV* would have been predicated on diversity grounds, *MCV* parallels the *Smith* and *Merrell Dow* analysis insofar as the dispute was federal versus state.⁴³⁴ There is a long history of denying federal jurisdiction in state law cases raising a patent issue.⁴³⁵ These cases could be distinguished based on a heightened federal interest in patent law as shown by the creation of the Federal Circuit and other recent patent law legislation.⁴³⁶ The *MCV* opinion drew no such distinction. It is apparent, however, that the court focused on the second prong of the *Smith* analysis, which inquires whether the case necessarily required a substantial question of patent law be resolved to reach the decision.

On the other hand, other Federal Circuit cases, such as *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*⁴³⁷ and *Consolidated World Housewares, Inc. v. Finkle*,⁴³⁸ can be read consistently with the alternative disposition of *MCV* only by concluding that no substantial question of patent law need be decided in reaching a decision.⁴³⁹ In *Beghin-Say*, the plaintiff filed an amended complaint⁴⁴⁰ requesting that "the district court declare that the 'assignment' of . . . two U.S. applications is 'valid' under 35 U.S.C. § 261, and that it vests in Beghin-Say all right[s] to the invention(s) set forth in those applications."⁴⁴¹ Section 261 provides that "[a]pplications for patent, patents, or any interest therein, shall be assignable in law by any instrument in writing."⁴⁴²

432. *Id.* at 1570-71, 10 U.S.P.Q.2d (BNA) at 1290; see 35 U.S.C. § 256 (1994) ("The court before which such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Commissioner shall issue a certificate accordingly.").

433. *MCV*, 870 F.2d at 1570-71, 10 U.S.P.Q.2d (BNA) at 1290.

434. See *id.*, 10 U.S.P.Q.2d (BNA) at 1290 (discussing jurisdictional question in terms of federal law versus state law).

435. See *supra* note 41 (outlining decisions of other courts that refused to find federal jurisdiction over local rules and customs).

436. See *supra* notes 192-93 and accompanying text (noting heightened federal interest in patent law and intellectual property arena).

437. 733 F.2d 1568, 221 U.S.P.Q. (BNA) 1121 (Fed. Cir. 1984).

438. 831 F.2d 261, 4 U.S.P.Q.2d (BNA) 1565 (Fed. Cir. 1987).

439. See *supra* text accompanying notes 434-36 (arguing that Federal Circuit improperly deviated from traditional jurisprudence in resolving federal versus state jurisdictional question).

440. The amended complaint was controlling for jurisdictional purposes. *Beghin-Say Int'l, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570, 221 U.S.P.Q. (BNA) 1121, 1122 (Fed. Cir. 1984).

441. *Id.* at 1570, 221 U.S.P.Q. (BNA) at 1122.

442. 35 U.S.C. § 261 (1994).

The Federal Circuit held that this was a state law contract action and, therefore, the district court was without jurisdiction.⁴⁴³ "No question under the patent laws . . . is present in or arises out of the allegations in the complaint," the court concluded.⁴⁴⁴

Following the *Smith*⁴⁴⁵ analysis, even though the patent laws did not give rise to the cause of action, there is still a question of federal law which must necessarily be resolved to sustain the plaintiff's claim—that question being the validity of the assignment under § 261.⁴⁴⁶ Two distinctions can be drawn from *MCV*. First, the issue of whether there was an assignment in writing under § 261 may not have truly been in dispute. A second distinction between *MCV* and *Beghin-Say* resides in the nature or significance of the federal interest at stake.⁴⁴⁷ To draw this distinction, the question of invention or inventorship of a patent in *MCV* must be deemed to be a more important or significant federal interest than that of assignment.⁴⁴⁸ Because of the unpredictability this second distinction would impart to the determination of the Federal Circuit's jurisdiction, it should be avoided in the state versus federal context.⁴⁴⁹

Finkle, like *Beghin-Say*, involved an action that was contractual in nature.⁴⁵⁰ *Finkle*, however, is more difficult to reconcile with the *MCV*. In *Finkle*, a question of inventorship required resolution.⁴⁵¹ The Federal Circuit held that the patent statute "could not possibly create 'any cause of action'" and that, therefore, there was no federal jurisdiction.⁴⁵² As in *Beghin-Say*, the court does not discuss whether a substantial issue of patent law requires resolution.⁴⁵³ It appears the court in *Finkle* considered the appeal an attempt to create

443. *Beghin-Say*, 733 F.2d at 1571, 221 U.S.P.Q. (BNA) at 1123-24.

444. *Id.* at 1570-71, 221 U.S.P.Q. (BNA) at 1123.

445. *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921); see *supra* text accompanying notes 39-40 (explaining rationale for *Smith* analysis in assessing state versus federal jurisdictional question).

446. See *supra* notes 440-44 and accompanying text (noting that *Beghin-Say* involved "[n]o question under the patent laws" because it was merely state contract action).

447. See *supra* notes 430-33 and accompanying text (noting that Federal Circuit in *MCV* found that for it to have jurisdiction to correct inventorship under § 256, resolution of substantial patent law question was required).

448. This is supported by the *Beghin-Say* opinion in which the court said: "The fact is that the outcome of the present contract action . . . is a matter of monumental disinterest to the federal government." *Beghin-Say*, 733 F.2d at 1572, 221 U.S.P.Q. (BNA) at 1124.

449. See *infra* notes 476-77 and accompanying text (noting amenability of substantial federal question test).

450. *Consolidated World Housewares, Inc. v. Finkle*, 831 F.2d 261, 262, 4 U.S.P.Q.2d (BNA) 1565, 1566 (Fed. Cir. 1987).

451. *Id.* at 263, 4 U.S.P.Q.2d (BNA) at 1567.

452. *Id.* at 265, 4 U.S.P.Q.2d (BNA) at 1568-69.

453. The patent law issue in *Finkle* was the inventorship requirement of 35 U.S.C. § 111, the same issue in *MCV*, making this case even more difficult to read consistently with *MCV*.

jurisdiction in the Federal Circuit by creating a patent issue where there otherwise was none.⁴⁵⁴ The court's statement, however, "[t]hat a contract action may involve a determination of the true inventor does not convert that action into one 'arising under' the patent laws" seems plainly inconsistent with *MCV* and its *Smith-Merrell Dow* analyses of § 1338.⁴⁵⁵

Some clarity was added to this area with the court's decision in *AT&T v. Integrated Network Corp.*⁴⁵⁶ In *AT&T*, the plaintiff AT&T sued four former employees for breach of their employment contracts requiring them to assign to the corporation inventions conceived during their employment.⁴⁵⁷ The suit was brought in state court. The defendants removed on the grounds that the case arose under the patent laws.⁴⁵⁸ On appeal, the Federal Circuit reversed the district court's removal decision, citing, inter alia, *Beghin-Say* and *Finkle*, and noting, "Because a court will look to federal law . . . does not confer federal jurisdiction."⁴⁵⁹ *MCV* was distinguished on the grounds that § 256 "'explicitly authorizes federal judicial resolution of co-inventorship contests over issued patents,' and involved a substantial question of patent law amenable to *no* non-patent construction."⁴⁶⁰

Most recently, however, the Federal Circuit's decision in *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*⁴⁶¹ again clouded the jurisdictional picture. In *Additive Controls*, the plaintiff Adcon brought an action against Flowdata in state court for damages and an injunction against Flowdata's efforts to allegedly undermine Adcon's business. Flowdata had sent letters to Adcon's customers warning of Adcon's patent infringement.⁴⁶²

Flowdata removed the case and counterclaimed for patent infringement.⁴⁶³ On appeal, Adcon challenged the propriety of the removal.⁴⁶⁴ The Federal Circuit found that Adcon's state court

454. "The contractual contretemps which CH created for itself could not possibly create a 'cause of action' under § 1338 for CH." *Id.* at 265, 4 U.S.P.Q.2d (BNA) at 1568.

455. *Id.*, 4 U.S.P.Q.2d (BNA) at 1568.

456. 972 F.2d 1321, 23 U.S.P.Q.2d (BNA) 1918 (Fed. Cir. 1992).

457. *AT&T v. Integrated Network Corp.*, 972 F.2d 1321, 1322, 23 U.S.P.Q.2d (BNA) 1918, 1918-19 (Fed. Cir. 1992).

458. *Id.*, 23 U.S.P.Q.2d (BNA) at 1919.

459. *Id.* at 1325, 23 U.S.P.Q.2d (BNA) at 1920-21.

460. *Id.*, 23 U.S.P.Q.2d (BNA) at 1921.

461. 986 F.2d 476, 25 U.S.P.Q.2d (BNA) 1798 (Fed. Cir. 1993).

462. *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 477, 25 U.S.P.Q.2d (BNA) 1798, 1799 (Fed. Cir. 1993).

463. *Id.*, 25 U.S.P.Q.2d (BNA) at 1799.

464. *Id.*, 25 U.S.P.Q.2d (BNA) at 1799.

complaint made out a claim for business disparagement.⁴⁶⁵ Although business disparagement is a state law claim, the Federal Circuit found that under the circumstances, Adcon would have to prove Flowdata's patent was not infringed to prevail on its state claim.⁴⁶⁶ Thus, the court concluded that Adcon's right to relief necessarily required a substantial question of patent law and removal was therefore proper.⁴⁶⁷

The court in *Additive Controls* distinguished *American Well Works Co. v. Layne & Bowler Co.*⁴⁶⁸ on the grounds that the state law at issue in *American Well Works* required different proof than the Texas statute relied on by Adcon.⁴⁶⁹ The court also stated that "since *American Well Works*, the Supreme Court has sharpened its focus of guidance for ascertaining federal jurisdiction" and cited *Smith v. Kansas City* for the proposition that "the Supreme Court has uniformly upheld federal jurisdiction over cases in which plaintiff's right to relief under state law required resolution of a substantial question of federal law."⁴⁷⁰

The argument in *Additive Control* distinguishing *American Well Works* is noteworthy for several reasons. First, in distinguishing the elements of the two state court causes of action, the court failed to recognize the state versus federal distinction and the important state interests in deciding state law claims.⁴⁷¹ Nothing in the Federal Courts Improvement Act indicates an intent to expand federal jurisdiction through a broader reading of § 1338. Second, the court's statement that the Supreme Court has "sharpened its focus" seems plainly wrong.⁴⁷² The Supreme Court has certainly expanded its view of federal question jurisdiction, over Justice Holmes' dissent, but given the varying breadth with which the two-part "arising under" test has been interpreted, the Court's pronouncements on the scope of federal jurisdiction hardly seem "focused."⁴⁷³ Finally, the court chose to follow the most expansive of all readings of federal question jurisdiction, *Smith v. Kansas City Title & Trust Co.*, without acknowledg-

465. *Id.* at 478, 25 U.S.P.Q.2d (BNA) at 1799 ("Although not expressly labelling its cause of action, Adcon's complaint alleges that Flowdata committed business disparagement.").

466. *Id.*, 25 U.S.P.Q.2d (BNA) at 1800.

467. *Id.*, 25 U.S.P.Q.2d (BNA) at 1801.

468. 241 U.S. 257 (1916).

469. *Additive Controls*, 986 F.2d at 478-79, 25 U.S.P.Q.2d (BNA) at 1800. The court also distinguished the long line of Federal Circuit cases declining to find § 1338 jurisdiction in state court claims as not involving a cause of action in which plaintiff's right to relief depended upon resolution of a substantial question of patent law. *Id.* at 479, 25 U.S.P.Q.2d (BNA) at 1801.

470. *Id.*, 25 U.S.P.Q.2d (BNA) at 1800.

471. *See id.* at 477, 25 U.S.P.Q.2d (BNA) at 1799 (discussing jurisdictional basis for appeal).

472. *Id.*, 25 U.S.P.Q.2d (BNA) at 1799.

473. *Id.*, 25 U.S.P.Q.2d (BNA) at 1799.

ing the more recent decisions tending to retreat from the Court's broad language in *Smith*.⁴⁷⁴ On the basis of *Additive Controls* and *MCV*, it seems the Federal Circuit intends to interpret its jurisdiction expansively, not just in the federal versus federal context, but also in the state versus federal context.⁴⁷⁵

Deciding whether there is federal jurisdiction over cases based on an evaluation of the nature of the federal interest at stake is disadvantageous in that it is subjective and therefore less predictable.⁴⁷⁶ As the dissent in *Merrell Dow* explained, "[A] test based upon an ad hoc evaluation of the importance of the federal issue is infinitely malleable: at what point does a federal interest become strong enough to create jurisdiction?"⁴⁷⁷

In applying a "nature of the patent law interest at stake" determination to Federal Circuit jurisdictional determinations, however, the unpredictability problem would be minimal. In the federal versus federal context, because of the dearth of regional circuit interest in maintaining jurisdiction over patent cases, jurisdiction would normally reside in the Federal Circuit if the patent law issue was anything more than minimal. In the state versus federal context, the existing analysis would remain intact. Thus, weighing the patent law interest at issue in light of whether the competing interest is either federal or state in nature should actually increase the predictability of Federal Circuit jurisdictional determinations.

CONCLUSION

The traditional jurisdictional concepts of "arising under" jurisdiction and the well-pleaded complaint rule should apply to the Federal Circuit. These traditional jurisdictional notions should be modified, however, when necessary to fit the unique circumstances of the Federal Circuit.

474. See *supra* note 34 and accompanying text (acknowledging expansive interpretation of Federal Circuit jurisdiction in *Smith*).

475. See *supra* text accompanying notes 430 and 467 (illustrating expansive interpretation of Federal Circuit jurisdiction); see also *Interspiro USA, Inc. v. Figgie Int'l Inc.*, 18 F.3d 927, 933, 30 U.S.P.Q.2d 1070, 1074 (Fed. Cir. 1994) (ruling that district court has jurisdiction under patent laws to award attorney fees under 35 U.S.C. § 285 pursuant to settlement agreement). But see *AT&T v. Integrated Network Corp.*, 972 F.2d 1321, 1324, 23 U.S.P.Q.2d (BNA) 1918, 1921 (Fed. Cir. 1992) (stating that "[b]ecause a court will look to federal law, however, does not confer federal jurisdiction").

476. See *supra* note 33 and accompanying text (noting difficulty and controversy behind determining what constitutes substantial question of federal law).

477. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 864, 821-23 n.1 (1986) (Brennan, J., dissenting).

The jurisdictional division in the Federal Circuit is unique in that federal versus federal jurisdictional determinations must be made in addition to the classic state versus federal determinations. The policy concerns in federal versus federal jurisdictional determinations are different from those in state versus federal jurisdictional determinations. The different policy concerns favor modifying the well-pleaded complaint rule in federal versus federal jurisdictional determinations. Furthermore, "arising under" jurisdiction should be interpreted more broadly in the context of Federal Circuit versus regional circuit jurisdictional determinations.

Congress' intention in creating the Federal Circuit was to establish a non-specialized circuit court, co-equal to the regional circuit courts, whose jurisdiction is defined by subject matter. The Federal Circuit's goal was to unify patent law. These Congressional aims can best be fostered by drawing jurisdictional bright-lines which ensure that the Federal Circuit exercises jurisdiction over most of the cases that raise substantive patent law issues while ensuring that the court does not have jurisdiction over too many cases which do not present any substantive patent law issues.

Permissive counterclaims that state a cause of action arising under the patent laws should be permitted to confer Federal Circuit jurisdiction under the well-pleaded complaint rule. Compulsory counterclaims should provide a basis for Federal Circuit jurisdiction only when the jurisdictional determination is federal versus federal, but not in a state versus federal determination.

Bright-line jurisdictional rules should be drawn by the Federal Circuit which provide that: (1) amended complaints always control for jurisdictional purposes; (2) when cases are consolidated, the Federal Circuit should have jurisdiction over the entire case if it would have had jurisdiction over either case if the cases were not consolidated; (3) when cases are severed, the Federal Circuit should look only to the portion of the case on appeal to determine jurisdiction; and (4) when cases are separated or counts are withdrawn or dismissed, the Federal Circuit should look to the case actually filed to determine if it has jurisdiction over the case. The sole exception to this last rule, however, should provide that Federal Circuit jurisdiction be denied when the complaint asserts manipulative or frivolous allegations.

Finally, when the jurisdictional determination is federal versus federal, the "arising under" jurisdiction of the Federal Circuit should be interpreted broadly by applying *Smith v. Kansas City Title & Trust Co.* When a state versus federal dispute is at issue, however, tradition

al “arising under” analysis should apply. Such analysis will ensure that the Federal Circuit has jurisdiction over more patent cases and increase the predictability of the Federal Circuit’s jurisdiction.