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Removal — State Declaratory Actions Based on Federal Question Jurisdiction —La Chemise Lacoste v. Alligator Co

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NOTES

Removal—State Declaratory Actions Based on Federal Question Jurisdiction—*La Chemise Lacoste v. Alligator Co.*[1]—Plaintiff, La Chemise Lacoste, Inc. (Lacoste) is a French corporation which manufactures clothing bearing the emblem of a crocodile. Defendant, Alligator Co. (Alligator), a Delaware corporation, has federally registered trademarks for the word "Alligator" and for the design of a "lizard-like reptile."[2] Alligator had previously challenged Lacoste's unauthorized use of the crocodile emblem in the United States in a suit against Crystal, Inc., a licensee of Lacoste.[3] That suit resulted in a consent decree, reached with Lacoste's approval, acknowledging Alligator's control of and right to the use of the crocodile emblem in the apparel context.[4]

The present action arose out of Lacoste's licensing of the Jean Patou Corporation to use Lacoste's emblem and name on toiletry products sold in the United States. After encountering opposition by Alligator to its patent application for a toiletries trademark on the crocodile emblem,[5] Lacoste filed suit in the Court of Chancery in Delaware.[6] The relief sought by Lacoste was a declaratory judgment that it owned the common law rights to the crocodile emblem placed on the bottles of toiletries, and an injunction against Alligator, ordering Alligator to refrain from interfering with Lacoste's use of the emblem anywhere in the United States.[7] Alligator responded, in a counterclaim for injunctive relief, that Lacoste's use of the emblem was an infringement of Alligator's trademark rights and constituted unfair competition.[8]

Alligator, contending that Lacoste's claim was one arising under the laws of the United States,[9] petitioned to remove the action to the

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[1] 506 F.2d 339 (3d Cir. 1974).

[2] Alligator has four registered trademarks: Reg. No. 75,365 (on the name "Alligator" accompanied by a picture of a four legged alligator); Reg. No. 251,201 (on the word "Alligator" in script); Reg. No. 706,041 (on the word "Alligator"); Reg. No. 867,953 (on the design of a half alligator). *See* La Chemise Lacoste v. Alligator Co., 374 F. Supp. 52, 69 n.75 (D. Del. 1974).

[3] Alligator Co. v. Crystal, Inc., Civil No. 115-272 (S.D.N.Y., filed Dec. 10, 1956).

[4] *See* 374 F. Supp. at 59.

[5] 15 U.S.C. § 1051 (1970) permits an owner of a trademark to register his trademark by filing a written application with the Patent Office.

[6] La Chemise Lacoste v. General Mills, Inc., 53 F.R.D. 596, 599 (D. Del. 1971). Lacoste successfully moved to suspend the trademark application hearings pending outcome of the litigation. *Id.* n.4.

[7] *See* La Chemise Lacoste v. Alligator Co., 313 F. Supp. 915, 916 (D. Del. 1970).

[8] *See* 374 F. Supp. at 56.

[9] 506 F. 2d at 342; 313 F. Supp. at 917. Alligator alleged that Lacoste, in seeking to avoid a threatened federal trademark infringement action under the Lanham Act, 15 U.S.C. §§ 1051-1127 (1970), necessarily raised a federal trademark question when it filed the state declaratory action. 313 F. Supp. at 917. This would give the federal courts original jurisdiction under 28 U.S.C. § 1338 (1970), and, thereby, removal jurisdiction under 28 U.S.C. § 1441 (1970).

Federal District Court for the District of Delaware.[10] The district court held that removal was proper and denied Lacoste's motion to have the removal question certified.[11]

In so holding, the court framed the critical issue as whether the claim for declaratory relief was one which "arose under" federal law.[12] The district court followed the approach taken by the Supreme Court in *Public Service Commission v. Wycoff Co.*,[13] to resolve a similar issue in a different procedural context.[14] In *Wycoff*, the Court stated that to determine whether a claim for federal declaratory relief arises under federal law, the trial court must look to the nature of the underlying coercive action.[15] Accordingly, the district court held that since Lacoste sought declaratory and injunctive relief against a defendant who had threatened suit under the federal trademark statute,[16] the underlying coercive action was one founded upon a claim arising under the laws of the United States.[17] The court rejected Lacoste's argument that its complaint raised no federal claims since it simply sought a determination of its common law rights.[18]

The district court also decided that it had jurisdiction under a different theory.[19] Although federal question jurisdiction is normally established solely on the basis of the complaint,[20] the court stated that where a question of federal status is involved the court may look beyond the complaint.[21] Therefore, on the basis of the defendant's assertion of its status as a federal trademark owner and the court's as-

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[10] 28 U.S.C. § 1441(b) (1970) allows for removal of a claim based on a federal question. Although Alligator and Lacoste are parties of diverse citizenship, Alligator could not have removed on that basis since it is a Delaware corporation and 28 U.S.C. § 1441(b) forbids removal by residents where the sole basis for federal jurisdiction is diversity.

[11] 313 F. Supp. at 916, 918. Interlocutory appeals pursuant to 28 U.S.C. § 1292(b) (1970) are largely discretionary. Certification under § 1292(b) by the district court depends on the trial judge's assessment of the importance of the issue to the case; even if an issue is certified, the court of appeals may decline to review it until there is a final judgment. *Id.*

[12] 313 F. Supp. at 917.

[13] 344 U.S. 237 (1952).

[14] *See* 313 F. Supp. at 917.

[15] 344 U.S. at 248. The underlying coercive action is the potential suit which the declaratory defendant had threatened to bring against the declaratory plaintiff, thereby causing the declaratory plaintiff to seek declaratory relief. By looking to the nature of the underlying coercive action, a court is actually examining a declaratory action as if it had been brought in its conventional posture; that is, with the party having the coercive cause of action in the position of plaintiff. *Id.*

[16] The Lanham Act, 15 U.S.C. §§ 1051-1127 (1970). 28 U.S.C. § 1338(b) (1970) grants the federal courts jurisdiction over trademark claims.

[17] 313 F. Supp. at 917-18.

[18] *Id.* at 918. It should be noted that the Lanham Act only extends to federally registered trademarks, leaving to state law the protection of common law trademarks. *See* note 101 *infra*.

[19] *Id.* at 917-18.

[20] *See* text at notes 32-36 *infra*.

[21] 313 F. Supp. at 917-18. *See* Ulichny v. General Elec. Co., 309 F. Supp. 437, 440 (N.D.N.Y. 1970).

sessment that the outcome of the case depended upon the determination of that status, the court held that the real nature of the plaintiff's claim was federal.[22] On the merits of Lacoste's claim, the district court determined that Alligator had the rights to the alligator trademark,[23] and that Lacoste's use of the mark on toiletries was an infringement.[24] The court granted the injunctive relief requested by Alligator in its counterclaim.[25]

The Court of Appeals for the Third Circuit, finding that removal had been inappropriate, vacated the judgment of the district court and remanded the case with a direction that the district court remand it in turn to the state court.[26] First, the court rejected the second holding of the district court which was predicated on Alligator's status as a holder of a federal trademark.[27] Then the court HELD: 1) the test for determining federal question original jurisdiction in federal declaratory judgment actions, as expressed in *Wycoff,* does not apply in determining federal question jurisdiction in the removal of a state declaratory judgment proceeding;[28] 2) even assuming the applicability of the *Wycoff* test, where a federal claim is only one of three possible theories of trademark litigation available to a party who has threatened to bring suit against another,[29] an averment of the threatened federal action will not be read into the declaratory judgment complaint in order to provide removal jurisdiction;[30] and 3) since Lacoste's complaint did not contain a federal claim on its face, removal of the state action was inappropriate.[31]

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[22] 313 F. Supp. at 918.

[23] 374 F. Supp. at 71.

[24] *Id.* at 75.

[25] *Id.* at 76.

[26] 506 F.2d at 347. The court also dismissed the contention that the appellants had waived their right to appeal the district court's denial of the motion to remand, since this was the first opportunity for review in the court of appeals. *Id.* at 341-42.

[27] *Id.* at 345-46. The court rejected at the outset any theory of federal question jurisdiction based on factors outside the complaint. It reasoned that inferior federal courts should not create exceptions to a policy (the federal question jurisdiction rules) so "zealously protected by the Supreme Court." *Id.* at 345. "The brute fact is that defendant's status as a federal trademark owner is a matter for defense . . . one wholly inappropriate to the federal question determination." *Id.* However, in Ulichny v. General Elec. Co., 309 F. Supp. 437 (N.D.N.Y. 1970), the court held that the status of the defendant as a federally registered trademark holder is relevant to the issue of whether federal question jurisdiction exists, in that it exposes the true content of the plaintiff's claim. *Id.* at 440. Thus, at least one federal district court has decided that when the plaintiff's claim necessarily implicates the defendant's status as a federal trademark holder, a federal question is raised despite the lack of any explicit reference to the federal claim in the complaint.

[28] 506 F.2d at 343-45.

[29] *See* text at note 115 *infra.*

[30] *Id.* at 345-46. The court noted that "Alligator could have brought one of three types of action against Lacoste: a state common law trademark infringement suit, an unfair competition suit under state law, or an infringement suit based on its federally registered trademarks." *Id.*

[31] *Id.* at 346.

This note will focus on the holding that the *Wycoff* approach for determining original jurisdiction in federal declaratory judgment proceedings is not applicable to the removal of state declaratory actions. The rationale of the *Wycoff* doctrine first will be considered in the context of federal declaratory actions. Then, the court's justifications for not extending the rule to the removal area will be discussed. Finally, the court's *arguendo* application of *Wycoff* to the facts in *Lacoste* will be explored for guidance regarding the strength of the Third Circuit's convictions.

I. ORIGINAL JURISDICTION AND FEDERAL DECLARATORY JUDGMENT PROCEEDINGS

Section 1331 of Title 28 of the United States Code grants the district courts general federal question jurisdiction over controversies which "arise under the Constitution, laws, or treaties of the United States."[32] Although the "arising under" language of the statute is nearly identical to the "arising under" provision of Article III of the Constitution,[33] it has long been settled that this statutory grant of jurisdiction is not coextensive with the constitutional grant.[34] In defining the outer limits of the constitutional grant, Chief Justice Marshall stated in *Osborn v. Bank of the United States* that the federal element had but to be an original ingredient of the claim in order to confer jurisdiction.[36] In contrast to the broad sweep of the constitutional grant are the several judicially-developed rules which limit federal question jurisdiction under section 1331. Justice Cardozo summarized these rules in *Gully v. First National Bank*.[37] First, a genuine and present controversy must be disclosed on the face of the complaint.[38] Second, the federal right or claim must be an essential element of the plaintiff's cause of action, [39] one that should affect the outcome of the

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[32] 28 U.S.C. § 1331(a) (1970).

[33] U.S. CONST. art. III, § 2 states that "[t]he judicial power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority . . . ."

[34] C. WRIGHT, HANDBOOK OF THE LAW OF FEDERAL COURTS, § 17 at 56 (1970).

[35] 22 U.S. (9 Wheat.) 738 (1824).

[36] *Id.* at 823.

[37] 299 U.S. 109 (1936).

[38] *Id.* at 113, *citing* Louisville & Nashville R.R. Co. v. Mottley, 211 U.S. 149 (1908); Tennessee v. Union & Planter's Bank, 152 U.S. 454 (1894).

[39] 299 U.S. at 112. This doctrine was synthesized in Justice Holmes' famous maxim that "a suit arises under the law that creates the cause of action." American Well Works Co. v. Layne & Bowler Co., 241 U.S. 257, 260 (1916).

Although the cause of action test is often determinative of federal question jurisdiction, it has not always been followed. The most celebrated deviant is Smith v. Kansas City Title & Trust Co., 255 U.S. 180 (1921), in which stockholders sued the directors of a corporation alleging a breach of their fiduciary duty, a state cause of action. Nevertheless, the Supreme Court found federal question jurisdiction based on the plaintiff's contentions that the breach was the acquisition of federal bonds floated pursuant to the arguably unconstitutional Federal Farm Loan Act. *Id.* at 201. Over Holmes'

case.[40] Pleadings in the complaint which merely anticipate or reply to a probable defense will not avail as a basis for jurisdiction.[41] This latter rule is generally referred to as the "well-pleaded complaint" rule, and it was formulated soon after the congressional grant of general jurisdiction to the federal district courts in 1875.[42] Its application involves reference to the old common law forms of action to determine exactly the elements of a well-pleaded complaint.[43] In spite of its anachronistic mechanics and other drawbacks,[44] the well-pleaded

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vigorous dissent, *id.* at 213, the majority created a test which allowed federal question jurisdiction where "the right to relief depends upon the construction or application of the Constitution or laws of the United States . . . ." *Id.* at 199. On the other hand, other exceptions to the cause of action test have denied jurisdiction even where there was a federal cause of action. *E.g.*, Shoshone Mining Co. v. Rutter, 177 U.S. 505 (1900). *See also* Roecker v. United States, 379 F.2d 400, 407-08 (5th Cir. 1967).

As a general matter, it is questionable whether the cause of action test is very helpful, where the claim is a mixed one or where a federal statute incorporates state law or vice versa. Pragmatic considerations, such as the increase in the caseload of the courts, or the nature of the federal interest, are probably more indicative of where federal question jurisdiction will lie. Cohen, *The Broken Compass: The Requirement That A Case Arise "Directly" Under Federal Law*, 115 U. PA. L. REV. 890, 905-15 (1967) (hereinafter cited as *Cohen*).

[40] 299 U.S. at 112, *See, e.g.*, First Nat'l Bank v. Williams, 252 U.S. 504, 512 (1920); Starin v. New York, 115 U.S. 248, 257 (1885).

[41] *See, e.g.*, Phillips Petroleum Co. v. Texaco, Inc., 415 U.S. 125, 127-28 (1974), and cases cited therein.

[42] Act of March 3, 1875, § 1, 18 Stat. 470. This rule had its genesis in Gold-Washing & Water Co. v. Keyes, 96 U.S. 199 (1877). In that case, the defendants petitioned for removal of a state action involving, as the basis for federal question jurisdiction, federal legislation regulating the water rights of mining companies and their ownership rights derived under the laws of the United States. The Supreme Court affirmed the circuit court's denial of the petition. *Id.*at 204. It held that before jurisdiction could be retained,

> [i]t must in some form appear upon the record, by a statement of facts, "in legal and logical form," such as is required in good pleading, that the suit is one which "really and substantially involves a dispute or controversy" as to a right which depends upon the construction or effect of the Constitution, or some law or treaty of the United States.

Id. at 203-04, *quoting* 1 Chit. Pl. 213.

The Court held that it was not enough that the construction of federal law may become necessary. *Id.* at 203. Thus, since the petitioners failed to aver specific facts implicating a federal claim, the pleadings did not reveal a federal question. *Id.*

[43] C. WRIGHT, HANDBOOK OF THE LAW OF FEDERAL COURTS, § 18 at 60-61 (1970). An example of how the old forms of action may be crucial to the determination of federal question jurisdiction may be found in a comparison of an action to quiet title with one to remove a specific cloud on a title. In the former the complaint need only aver the plaintiff's right to title, while in the latter the plaintiff must plead in the complaint the cloud which he is seeking to remove. Although a federally based right to the land might be present in both cases, only in an action to remove a cloud is it proper to include the right in the pleadings. Therefore, the assertion of a federal right in an action to remove a cloud on a title might confer jurisdiction, *e.g.*, Hopkins v. Walker, 244 U.S. 486, 489-90 (1917), while its assertion in an action to quiet title theoretically will not. *E.g.*, Marshall v. Desert Properties Co., 103 F.2d 551, 552 (9th Cir.), *cert. denied*, 308 U.S. 563 (1939).

[44] *See, e.g.*, *Cohen*, *supra* note 39, at 915-16. Cohen questions whether federal jurisdiction should not vest based on a federal defense if the issue is totally federal; he

complaint rule still serves as the delineation of those actions over which the federal courts have jurisdiction.[45]

Two years prior to the Court's restatement in *Gully* of the principles of original federal question jurisdiction, Congress had passed the Federal Declaratory Judgment Act.[46] This Act promised difficulties with the well-pleaded complaint rule.[47] By definition, the rule is predicated on the position of the parties to a controversy as either plaintiff or defendant, since, under the rule, a federal question which is properly a matter for defense cannot be a basis for jurisdiction. However, the most striking feature of the declaratory judgment action is that either party to a controversy may seek the declaration. Thus, the positioning of the parties in such a proceeding depends not on to whom a cause of action has accrued in the conventional sense, but rather, on who has sought the declaration. For example, a potential defendant, uncomfortable at the prospect of a possibly increasing liability to a potential plaintiff may seek a speedy declaration of his rights by initiating a declaratory action. Therefore, under this procedure it is conceivable that, if the well-pleaded complaint rule were applied rigidly and a declaratory plaintiff were to seek a declaration with respect to his federal defense to an anticipated, non-federal claim of the declaratory defendant, federal question jurisdiction would be founded on what would ordinarily be a defense. The pleading in the declaratory complaint of what conventionally would be labeled a federal defense would be technically proper, since it would be an "essential element" of the declaratory plaintiff's statutory "cause of action." Such a complaint would be "well-pleaded" and, therefore, it would create an appropriate basis for jurisdiction. This result necessarily would broaden the jurisdiction of the federal courts.[48]

Such a rigid application of the well-pleaded complaint rule in the declaratory judgment context is not acceptable for two reasons.

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also doubts the usefulness of the cause of action test in cases where federal and state law are intermingled. *Id.* at 898.

[45] *See* 1 BARRON & HOLTZOFF, FEDERAL PRACTICE AND PROCEDURE § 25, p. 124-25 (C. Wright ed. 1960).

[46] 28 U.S.C. §§ 2201-02 (1970).

[47] For a detailed treatment of the difficulties involved in determining federal question jurisdiction in federal declaratory judgment proceedings, see Mishkin, *The Federal "Question" in the District Courts,* 53 COLUM. L. REV. 157, 176-84 (1953) (hereinafter cited as *Mishkin);* Note, *Federal Question Jurisdiction and the Declaratory Judgment Act,* 55 KY. L. REV. 150 (1966); Note, *Federal Question Jurisdiction of Federal Courts and the Declaratory Judgment Act,* 4 VAND. L. REV. 827 (1951). *See also Developments in the Law–Declaratory Judgments,* 62 HARV. L. REV. 787, 802-03, 863, 864 (1949).

[48] Some commentators feel that this eventuality is preferable. The American Law Institute, in its STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS TENTATIVE DRAFT NO. 6 (1968) (hereinafter cited as ALI STUDY) observes that there are two ways of handling the declaratory judgment action. The first is historical and analyzes the action as it if were a coercive suit. *Id.* at 76. The second is to judge the declaratory suit on its own merits, thereby allowing jurisdiction based on a federal defense. *Id.* The drafters adopt the second approach in their proposed change, § 1311(a), to federal question jurisdiction. *Id.* at 5.

First, it would undermine the judicial policy, developed pursuant to the perceived congressional intent to limit the original jurisdiction of the district courts, that federal defenses should not confer jurisdiction.[49] It would be ironic if a rule which was created to narrow federal question jurisdiction in conventional suits could be used to expand it in the context of declaratory judgments. Secondly, this expansion of the original jurisdiction of the federal courts would be in conflict with the express judicial[50] and statutory[51] policy that the Declaratory Judgment Act is to have only procedural effect, and should not be construed to enlarge subject matter jurisdiction.

The Supreme Court has on two occasions addressed these problems which are created by applying the rules of federal question jurisdiction, such as the well-pleaded complaint rule, to determine jurisdiction in federal declaratory judgment proceedings. In *Skelly Oil Co. v. Phillips Petroleum Co.*,[52] Phillips Petroleum Company brought an action in federal district court seeking a declaratory judgment that contracts for the purchase of natural gas between Phillips and several defendants were still operative.[53] The contracts contained a condition subsequent which allowed the defendants to terminate the contracts if another company, which planned to construct and operate a pipeline to carry natural gas, failed to secure a certificate of public convenience and necessity for the proposed pipeline from the Federal Power Commission by a certain date. Although the Commission had issued a certificate, it was conditioned upon certain terms. The defendants then gave notice of termination, contending that no certificate in fact had been issued. Thereupon Phillips brought suit, alleging that the conditional certificate was a certificate of public convenience and necessity "within the meaning of said Natural Gas Act and said contracts."[54] The district court agreed with Phillips and the court of appeals affirmed.[55]

The Supreme Court held that since the controversy upon which Phillips sought a declaratory judgment was not one which arose under

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[49] As indicated earlier, judicial construction of the "arising under" language of the Act of 1875 was narrower than the construction given to the "arising under" language of the Constitution. *See* text at notes 33-45 *supra*. It is unclear whether this narrow construction was reflective of congressional intent or of judicial wisdom which recognized the need, under a federal system, for reposing a limited original jurisdiction in the national courts. Commentators have found the legislative history to be inconclusive and meager despite the importance of the enactment. *See generally* P. BATOR, P. MISHKIN, ET AL, HART & WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM, 870-73 (2d ed. 1973).

[50] Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240 (1937).

[51] 28 U.S.C. § 2201 (1970) provides that "[i]n a case of actual controversy *within its jurisdiction* . . . any court of the United States . . . may declare the rights and other legal relations of any interested party seeking such declaration . . . ." (Emphasis added.)

[52] 339 U.S. 667 (1950).

[53] *Id.* at 670-71.

[54] *Id.* at 670.

[55] 174 F.2d 89 (10th Cir. 1949).

the laws of the United States, the district court lacked jurisdiction to render the declaratory judgment between the non-diverse parties.[56] Justice Frankfurter, writing for the Court, pointed out that the Declaratory Judgment Act did not alter the subject matter jurisdiction of the inferior federal courts;[57] it merely enlarged the range of remedies available to an aggrieved party.[58] Thus, he continued, a plaintiff may not use the declaratory procedure to gain admission to the federal courts with a claim or right that otherwise would not confer jurisdiction.[59]

Upon examination of Phillips' claim the Court found that, had Phillips brought a conventional suit for damages or specific performance under the contracts, the suit would not have presented a federal question "for the simple reason that such a suit would 'arise' under the State law governing the contracts."[60] The federal issue — whether there had been granted a certificate of public convenience and necessity within the meaning of the Natural Gas Act — would have been injected into a complaint alleging breach of contract only in anticipation of a defense that the condition subsequent of the contract had in fact occurred.[62] Such a claim by the plaintiff would not have been sufficient to create jurisidiction, since it was not an "essential element" of his cause of action which would affect the outcome of the case. To hold otherwise would be to allow the plaintiff's artful pleading of an anticipated defense to be the basis for jurisdiction, in clear contradiction to established rules of federal question jurisdiction.[63]

In more general terms, the principle set forth in *Skelly* is that declaratory judgment proceedings can at times place a controversy in a deceptive procedural posture, so that federal question jurisdiction appears to exist where it clearly would not exist if the proceeding were a conventional one. Lest the federal courts hear and decide cases that should be heard and decided in state court, the federal judiciary must examine such proceedings and rearrange the parties as though they were in the context of a conventional suit. This principle is but a variation of the one which underlies the "well-pleaded" complaint rule,

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[56] 339 U.S. at 674.

[57] *Id.* at 671.

[58] *Id.*

[59] *Id.* at 673-74.

[60] *Id.* at 672.

[61] 15 U.S.C. § 717f(c) (1970).

[62] 339 U.S. at 672. Despite all the language in *Skelly* about the artful pleading of the federal controversy, it has been suggested that no federal question even existed. *Mishkin, supra* note 47, at 183-84. It is questionable whether the incorporation in a private contract of the happening of a federal event creates a federal issue. Even the incorporation of federal law by state law has not always been sufficient for original federal question jurisdiction. *See* Moore v. Chesapeake & Ohio Ry., 291 U.S. 205 (1934), in which the Court denied original federal jurisdiction over a claim made under Kentucky's Employers' Liability Act, which incorporated the Federal Safety Appliance Act Standards.

[63] *See* 339 U.S. at 673-74.

which warns prospective plaintiffs that they cannot create federal question jurisdiction over what is a state cause of action by incorporating into their complaint an anticipated federal defense.

This policy of not enlarging the federal question jurisdiction of the federal courts on the basis of declaratory pleadings was reiterated, albeit in dictum, in *Public Service Commission v. Wycoff Co.*[64] Wycoff, whose business involved the transportation of motion picture films and newsreels in interstate commerce, was also a carrier of such items between points within Utah. Fearing interference from the Public Service Commission of Utah, Wycoff brought suit in federal court to establish its immunity from the Commission's rulings. Specifically, Wycoff sought a declaration that its routes in Utah constituted interstate commerce.[65] The district court dismissed the complaint, but the court of appeals reversed and remanded, holding that the intrastate transportation in question was an integral part of interstate commerce and thus immune from state regulation.[66] The Supreme Court reversed the court of appeals and dismissed the suit for lack of justiciability, holding that there was no showing of any actual controversy between the parties.[67]

Nevertheless, the Court went on to discuss whether there would have been a federal question had the controversy been a justiciable one.[68] The declaratory complaint raised the federal issue of whether Wycoff's routes constituted interstate commerce immune from state regulation. The Court found that, under the traditional rules for determining federal question jurisdiction, this federal issue would have been a federal defense to what would have been an action by the state commission and, therefore, could not confer federal question jurisdiction.[69] This became clear, the Court pointed out, if one recog-

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[64] 344 U.S. 237 (1952).

[65] *Id.* at 239. Initially Wycoff also sought an injunction preventing the Utah Public Service Commission from interfering with its transportation of films over routes authorized by the Interstate Commerce Commission. The Supreme Court had granted certiorari on the issue of whether a three judge district court convened pursuant to 28 U.S.C. § 2281 should have heard the case. *Id.* at 240. Wycoff, however, abandoned its prayer for injunctive relief. Nevertheless, the Court held that such relief would have been inappropriate in any case since the plaintiff had not met its burden of showing probable or threatened irreparable injury. *Id.* at 240-41.

[66] Wycoff Co. v. Public Serv. Comm'n, 195 F.2d 252, 255 (10th Cir. 1951).

[67] 344 U.S. at 240-41. The Court pointed out that Wycoff had not shown any risk of penalty, liability, or prosecution which declaratory relief would have avoided. *Id.* at 245.

[68] The Court also noted that were the declaratory action justiciable, it would nevertheless have to exercise its discretion and refuse jurisdiction for two reasons. First, the state action had not properly ripened. It is the policy of the federal courts to wait until the controversy has become concrete, especially where there is the possibility of a federal-state conflict. *Id.* at 245-46. Second, federal courts have traditionally been reluctant to preempt the workings of administrative bodies. The Court here emphasized the need for the administrative bodies to have "the initial right to reduce the general policies of state regulatory statutes into concrete orders and the primary right to take evidence and make findings of fact." *Id.* at 247.

[69] *Id.* at 248.

nized that "in many actions for declaratory judgments, the realistic position of the parties is reversed."[70] Thus, where the "functional defendant", *i.e.*, the declaratory plaintiff who would have been the defendant in a conventional proceeding, states as his affirmative cause of action in the declaratory complaint what would have been a *federal* defense to a threatened *state* cause of action if the suit had arisen in a conventional procedural posture, federal question jurisdiction will not lie and the state nature of the threatened action will control.[71] Although this section of the opinion is dictum, it is significant for its recognition of the principles stated earlier in *Skelly*.[72]

Application of this approach in *Skelly* and *Wycoff* resulted in determinations of no federal question jurisdiction in both cases. There is nothing in either opinion, however, nor is there anything in the legislative history of the Declaratory Judgment Act, which indicates that the *Skelly-Wycoff* approach should be used only to deny federal question jurisdiction. Indeed, if the Declaratory Judgment Act is to have a procedural effect only, it is axiomatic that, just as the *Skelly-Wycoff* approach should not expand the jurisdiction of the district courts, neither should it contract it by ousting the district courts from jurisdiction over controversies which clearly would have been within their original jurisdiction had they been prosecuted in a conventional fashion.

Such a symmetrical application of the theory underlying the *Skelly-Wycoff* approach has generally been followed in the federal courts.[73] Although the *Skelly-Wycoff* rule has been utilized to deny original jurisdiction in those cases where the declaratory complaint raises what would have been a federal defense to a state claim,[74] jurisdiction has been allowed in declaratory actions based on a defense to what would have been a federal coercive action in the conventional procedural posture.[75] Jurisdiction of this kind has been exercised primarily,[76] though by no means exclusively,[77] in the patent area.

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[70] *Id.*

[71] *Id.*

[72] *See* text at notes 54-58 *supra*.

[73] *See* text at notes 74-77 *infra*.

[74] Allegheny Airlines, Inc. v. Pennsylvania Pub. Util. Comm'n, 465 F.2d 237, 241 (3d Cir. 1972); Chandler v. O'Bryan, 445 F.2d 1045, 1055 (10th Cir. 1971); Product Eng'r & Mfg., Inc. v. Barnes, 424 F.2d 42, 44 (10th Cir. 1970); Safeguard Mut. Ins. Co. v. Pennsylvania, 372 F. Supp. 939, 951 (E.D. Pa. 1974); W. R. Grace & Co. v. Union Carbide, 319 F. Supp. 307, 312 (S.D.N.Y. 1970).

[75] In fact, both *Skelly* and *Wycoff* cite with approval one commentary which suggests that, where the complaint in the coercive action anticipated by the declaratory action would properly raise a federal question, there should be federal question jurisdiction. *Developments in the Law – Declaratory Judgments*, 62 HARV. L. REV. 787, 803 (1949), *cited in* 344 U.S. at 248 n.6; 339 U.S. at 674.

[76] *See, e.g.*, Edward Katzinger Co. v. Chicago Metallic Mfg. Co., 329 U.S. 394 (1947); E. Edelmann & Co. v. Triple-A Specialty Co., 88 F.2d 852 (7th Cir. 1937) (patent issue decided on the merits without any discussion of jurisdiction).

[77] In Jewell Ridge Coal Corp. v. Local No. 6167 UMW, 325 U.S. 161 (1945), the Supreme Court reached the merits of a declaratory suit, initiated in federal court, in which the plaintiff-employer sought to determine whether the Fair Labor Standards Act

In summary, *Skelly* and *Wycoff* recognize that the declaratory judgment procedure can distort the determination of federal question jurisdiction since the rules of determining such jurisdiction were developed in reference to conventional suits. *Skelly* clearly indicates that a rigid application of the well-pleaded complaint rule would undermine the clear congressional intent that the Declaratory Judgment Act not expand the subject matter jurisdiction of the federal courts.[78] Both cases suggest that one way of insuring adherence to this congressional intent is to determine federal question jurisdiction in declaratory judgment proceedings as though the controversy had been raised in a conventional suit.[79]

II. APPLICATION OF *SKELLY-WYCOFF* PRINCIPLES TO REMOVAL OF STATE DECLARATORY JUDGMENT PROCEEDINGS

Federal question removal jurisdiction is generally determined according to the same standards as original federal question jurisdiction.[80] Section 1441(b) of Title 28[81] allows for removal if the federal court would have had original jurisdiction; the language defining "federal question" in the removal statute is identical to that in the original jurisdiction statute.[82] Since state declaratory judgment pro-

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required that time spent by miners in traveling underground between portal and the working face of the mine had to be included in the work week and compensated accordingly. *Id.* at 163. The plaintiff's declaratory complaint stated affirmatively what would have been its defense to a coercive suit by employees for back wages under the Act, namely, that the Act did not require compensation for such hours. *Id.* The Court, in reaching the merits, did not discuss the issue of federal question jurisdiction.

[78] 339 U.S. at 671.

[79] 344 U.S. at 248; 339 U.S. at 671-74. The ALI concurs in this analysis of the current posture of the law. Citing *Skelly* and *Wycoff*, the reporters conclude that there is strong language from the Supreme Court supporting the historical test for jurisdiction; that is, "that the declaratory action may be entertained in federal court only if the coercive action which would have been necesary, absent the declaratory judgment procedure, might have been so brought." ALI STUDY, *supra* note 48, at 76.

[80] *See generally* C. WRIGHT, HANDBOOK OF THE LAW OF FEDERAL COURTS § 38 at 130-31 (2d ed. 1970); 1 BARRON & HOLTZOFF, FEDERAL PRACTICE AND PROCEDURE: Civil § 102 at 468 (C. Wright ed. 1960).

[81] 28 U.S.C. § 1441 (1970) provides:

> (a) Except as otherwise expressly provided by Act of Congress, 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 defendants to the district court of the United States . . . .
>
> (b) Any civil action of which the district courts have original jurisdiction founded on a claim or right arising under the Constitution, treaties or laws of the United States shall be removable without regard to the citizenship or residence of parties. . . .

[82] *Compare* 28 U.S.C. § 1441(b) (1970), *supra* note 81, *with* 28 U.S.C. § 1331(a) (1970), which provides:

> (a) The district courts shall have original jurisdiction of all civil actions wherein the matter in controversy exceeds the sum or value of $10,000 . . . and arises under the Constitution, laws, or treaties of the United States.

ceedings frequently have the same procedurally distorting effects as the analogous federal proceedings,[83] the analytical principles which determine original jurisdiction in the latter should be used to determine removal jurisdiction in the former. Since *Skelly-Wycoff* principles determine jurisdiction in federal declaratory actions according to the same original federal question jurisdiction standards, these principles are therefore relevant to removal of state declaratory proceedings. There is no reason to assume that rigid application of the well-pleaded complaint rule to petitions for removal of state declaratory judgment proceedings would not produce the same anomalies as would its application to federal declaratory actions. For example, if the plaintiff in *Skelly* had sought declaratory relief in state, rather than federal, court with a complaint that anticipated the federal question implicit in the defendant's defense,[84] rigid application of the well-pleaded complaint rule would have sustained a petition by the defendant to remove to federal district court, just as a rigid application of the rule in *Skelly* would have sustained a finding of original federal question jurisdiction.

In *Lacoste*, the Third Circuit nevertheless found it significant that both *Skelly* and *Wycoff* involved federal, rather than state, declaratory proceedings.[85] The court asserted that the constraints of removal policy, which dictate that the statute granting removal jurisdiction be strictly construed,[86] make the *Skelly-Wycoff* approach to the determination of original jurisdiction in declaratory actions inappropriate to the removal question where, as here, the approach would result in a finding of jurisdiction.[87] The purpose of the well-pleaded complaint rule, the court noted, is to limit the jurisdiction of the federal courts.[88] Since the purview of the removal statute is similarly limited, any approach to determining federal question jurisdiction which might increase the jurisdiction of the federal courts cannot be followed.[89]

The court expressed additional reservations about the use of the

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[83] *Compare* the Federal Declaratory Judgment Act, 28 U.S.C. § 2201 (1970), the text of which is at note 51 *supra*, with the Delaware Declaratory Judgment Act, DEL. CODE ANN. tit. 10 § 6501 (1974), which provides that:

> In cases of actual controversy, except with respect to divorce or annulment of marriage, the Supreme Court, the Superior Court and the Court of Chancery, upon petition, declaration, complaint, or other appropriate pleadings, may declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such.

[84] The federal element of the complaint in *Skelly* was whether a certificate of public convenience and necessity had been issued within the meaning of the Natural Gas Act. *See* text at notes 60-62 *supra*.

[85] 506 F.2d at 343.

[86] *See* 1BARRON & HOLTZOFF, FEDERAL PRACTICE AND PROCEDURE, § 101 at 460 n.3.5 and cases cited therein.

[87] 506 F.2d at 343-45.

[88] *Id.* at 343 n.3.

[89] *Id.* at 344-45.

Skelly-Wycoff approach. Both *Skelly* and *Wycoff* were cases that *denied* jurisdiction, thereby keeping out of federal court issues, such as the continued existence of a contract or the limits of the regulatory power of a state agency, which were better decided in state forums.[90] While it acknowledged the necessity of going beyond the complaint to deny federal jurisdiction,[91] the court in *Lacoste* questioned whether such an approach is justified where it serves to confer jurisdiction and where it results in the removal of a case already in the state forum.[92] Implicit in the court's position is the premise that the sole justification for the *Skelly-Wycoff* approach is that the federal judiciary should not decide cases which, for reasons of federalism, are better decided in state court. This premise, however, is inconsistent with statements in both *Skelly* and *Wycoff* that the declaratory procedure should have no effect on the subject matter jurisdiction of the federal courts.[93] Moreover, the *Lacoste* court recognized that the "*Wycoff* principle is merely the federal question corollary of the axiom that the 'operation of the [federal] Declaratory Judgment Act is procedural only.' "[94] This mandate should work both ways; just as it should not expand the jurisdiction of the district courts, it should also not contract that jurisdiction by denying removal to those controversies which would clearly be removable in their conventional posture. To hold otherwise is to allow functional defendants to defeat federal jurisdiction over a controversy through invocation of a state procedural device — the *state* declaratory judgment act — that surely was not intended to have such effect.

The court further noted that the application of *Skelly-Wycoff* to removal is incompatible with the axiom that *plaintiffs* cannot remove an action to federal court.[95] In *Wycoff* the Supreme Court suggested that to determine original federal question jurisdiction in those instances in which the declaratory defendant is the functional plaintiff, a court should examine the controversy as though it had been brought in a conventional suit.[96] In such cases, then, jurisdiction will hinge on whether the functional plaintiff's coercive action would have

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[90] *Id.* at 343 n.3. The federal system requires that the federal courts minimize their intrusion into areas of state law, *e.g.*, Younger v. Harris, 401 U.S. 37, 43-44 (1971). The Supreme Court's refusal to find appellate jurisdiction over a case which rests on independent and adequate state grounds, *see* Murdock v. City of Memphis, 87 U.S. (20 Wall.) 590 (1875), and the narrow ambit of federal question jurisdiction, *see* text at notes 32-40 *supra*, are examples of the federal judiciary's sensitivity to the need for an independent state legal system. Such limitations on federal jurisdiction maintain the interstitial nature of federal law and the supplemental function of the federal judiciary. *See* P. BATOR, P. MISHKIN, ET AL., HART & WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM, 470-71 (2d ed. 1973).

[91] 506 F.2d at 343 n.3.

[92] *Id.* at 343.

[93] 339 U.S. at 671; *accord*, 344 U.S. at 248.

[94] 506 F.2d at 343 n.3, *quoting* Aetna Life Ins. Co. v. Haworth, 300 U.S. 227, 240 (1937).

[95] 506 F.2d at 343 n.4.

[96] *See* text at notes 70-74 *supra*.

contained a federal question. To apply this rule to the removal context, the *Lacoste* court claimed, would allow the functional plaintiff to invoke removal jurisdiction.[97] This conclusion, however, ignores the premise underlying the axiom, namely, that since a plaintiff who has a federal claim which may be vindicated in either a state or federal court has the initial choice of forum, he should not be allowed to change his mind in midstream and remove his action to the federal court.[98] The *functional* plaintiff, however, who is actually the defendant in a state declaratory action, has not had this choice. Therefore, the axiom should not be applied to him.

The *Lacoste* court's reasons for distinguishing the federal question issue involved in the removal of state declaratory actions from the federal question issue involved in federal declaratory actions and, consequently, its reasons for not applying the *Skelly-Wycoff* approach to removal proceedings, present several problems. First, the court's insistence on strictly construing removal jurisdiction is misplaced. Strict construction of the removal statute[99] does not require denial of removal in a case which falls squarely within the confines of the statute. Since the *Wycoff* approach is only a means of precisely defining which cases arise under the federal question jurisdiction statute, it is difficult to see how the strict construction argument, as a general matter, is relevant to the determination of whether the *Wycoff* approach should be applied to federal question jurisdiction issues in removal proceedings. A case either arises under federal law or it does not, and the *Wycoff* doctrine is simply an aid to that determination. Second, the court's perception that the removal statute and the well-pleaded complaint rule are specific impediments to the application of the *Skelly-Wycoff* approach to removal questions[100] misconceives the underlying thrust of the *Skelly-Wycoff* rationale. It is true, as the court points out, that the issue of whether a state declaratory action should be removed on the grounds of federal question jurisdiction has generally been resolved solely on the basis of the contents of the complaint,[101] as in determinations of original federal question jurisdiction.[102] It does not follow, however, that adherence to a strict removal policy and the well-pleaded complaint rule mandates rejection of the *Wycoff* approach. If anything, the reverse is true. *Wycoff* is a means of distinguishing federal question cases litigated in federal courts in a manner consistent with the demands of our federal system. It serves to maintain the procedural integrity of declaratory actions and the substantive scope of the well-pleaded complaint rule. Rigid application of the

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[97] 506 F.2d at 343 n.4.

[98] Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 106 (1941).

[99] 28 U.S.C. § 1441 (1970).

[100] 506 F.2d at 343-45.

[101] *Id.* at 343-44.

[102] Tennessee v. Union & Planters' Bank, 152 U.S. 454 (1894) and Gully v. First Nat'l Bank, 299 U.S. 109 (1936), which were removal cases restricting federal question jurisdiction, are often cited in original federal question jurisdiction cases.

well-pleaded complaint rule, on the other hand, would have the opposite effect. As discussed earlier, the distorted posture of some declaratory actions would present federal issues in the declaratory complaint which but for the declaratory procedure could not confer federal jurisdiction.[103] Therefore, if federal question rules are to be strictly construed, the *Wycoff* approach must be employed to reliably ascertain those cases which truly do "arise under" federal law. To eliminate *Wycoff* is perhaps to embrace the liberal view of federal question jurisdiction — that declaratory actions are new forms of action and should be judged on their own merits rather than analyzed as to the underlying coercive action.[104] Thus, federal defenses well-pleaded in the declaratory complaint would confer jurisdiction.

The *Lacoste* court's rejection of *Wycoff* is also inequitable to declaratory defendants. The declaratory defendant with a federal claim is thereby trapped in the state court, even though he could have brought his claim in the federal forum[105] if he had been able to beat the declaratory plaintiff to the courthouse. Then, depending upon the substantive nature of the claim, the state declaratory judgment could be res judicata as to the federal rights.[106] Consequently, the defendant could be deprived of his right to litigate his federal claim in a federal court. This possibility promotes forum shopping, a practice discouraged by the judiciary.[107] The comparative scope of discovery rules, the general feeling that state courts are less protective of federal rights, and the advantages of immediate appellate review in the federal judiciary are examples of possible motivations for the practice.[108] In fact, in *Lacoste,* the removal allowed Alligator to join Jean Patou,

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[103] *See* text at notes 47-48 *supra.*

[104] This view has the advantage of simplicity in that the declaratory complaint is judged in the same manner as other complaints. It also avoids the speculation, required by *Wycoff,* as to what coercive suit the declaratory action is anticipating. 506 F.2d at 345-46. *See* note 48 *supra.*

[105] The inequity to the declaratory defendant is minimized where he chooses to delay his claim, perhaps using it to harass the declaratory plaintiff. In such a case the only remedy is to seek declaratory relief settling once and for all the rights of the parties.

[106] In the trademark area, "[a] final determination by a state court with respect to the 14 rights of the parties is, of course, conclusive." 4 R. CALLMAN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, § 90.2(b) at 344 (1970).

[107] In Erie R.R. v. Tompkins, 304 U.S. 64 (1938), the Supreme Court eliminated forum shopping in diversity cases with respect to the substantive law to be applied, when it held that the federal district courts must apply the substantive law of the forum state. *Id.* at 78. Although the forum shopping which might be involved in potential declaratory judgment situations is distinguishable from *Erie* situations, and although non-substantive differences in forums will always exist, the *Lacoste* court's opinion allows for increased procedural maneuvering by the declaratory plaintiff/*functional defendant,* without regard to the actual substance of the claim, so as to achieve a more favorable forum.

[108] *See generally* Note, *The Choice Between State and Federal Court in Diversity Cases in Virginia,* 51 VA. L. REV. 178 (1965); Summers, *Analysis of Factors that Influence Choice of Forum in Diversity Cases,* 47 IOWA L. REV. 933 (1962).

Lacoste's licensee, as a third party defendant.[109]

One thing is certain as a result of the Third Circuit's rejection of the *Skelly-Wycoff* approach in favor of a mechanistic application of the well-pleaded complaint rule: a functional plaintiff is denied his right to opt for a federal forum if the functional defendant wins the race to the courthouse and files a state declaratory complaint which carefully avoids stating the functional plaintiff's federal claim. It is not as clear, however, whether the Third Circuit would apply this same mechanistic approach if the declaratory action was based on a federal issue which would otherwise have been a defense in a coercive suit. If the court would be consistent with its rigid application of the well-pleaded complaint rule, a carefully worded complaint in this case would have to be removable. Such a result would, of course, offend *Skelly*, which specifically disapproved the use of the declaratory procedure to allow jurisdiction where otherwise there would be none.[110] It is unlikely therefore that such removal would be granted.

However, to deny removal would produce an inconsistent approach to removal based on a federal question in state declaratory actions. Where the declaratory complaint based on state law is filed in anticipation of a federal claim which would have been brought by the declaratory defendant, the court looks solely at the face of the complaint without examining the conventional posture of the underlying controversy. Where, however, the complaint expressly contains a federal claim which, but for the declaratory proceeding, would be a defense, the court will look outside the complaint to the conventional posture of the underlying controversy in order to infer the defensive nature of the claim. The only explanation for these two inconsistent approaches is a policy of restricting removal actions.

Furthermore, it is uncertain how the Third Circuit will analytically justify its position when faced with the latter instance where the declaratory plaintiff anticipates a federal claim and alleges in his complaint a federal defense. Although clearly a federal case, the court may not look beyond the complaint to determine the nature of the anticipated suit,[111] nor, however, may it confer jurisdiction based solely on the federal defense in the complaint. In this respect the Third Circuit's analysis of the general inapplicability of *Skelly* and *Wycoff* is conceptually incomplete. Perhaps the court would embrace the broad view that declaratory actions should be judged on their own merits[112] despite the language in *Skelly* and *Wycoff*,[113] or the approach

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[109] *See* 313 F. Supp. at 916-17. Under FED. R. CIV. P. 4(f), additional parties joined pursuant to FED. R. CIV. P. 19 may be served "not more than 100 miles from the place in which the action is commenced." Thus, Jean Patou Corp., although it did no business in the state of Delaware and was not subject to its jurisdictional statute, could be reached in a federal suit, although perhaps not in a state suit.

[110] 339 U.S. at 673-74.

[111] *See* text at note 38 *supra*.

[112] *See* text at notes 104 and 48 *supra*.

[113] 339 U.S. at 673-74; *accord*, 344 U.S. at 248.

that a court will look at the conventional posture of the declaratory suit only if the declaratory complaint explicitly raises the federal issue. Whatever approach the court chooses, its present wholesale rejection of the applicability of *Wycoff* to state declaratory action removal has not been fully justified nor have its implications been properly explored.

III. THE THIRD CIRCUIT'S *ARGUENDO* APPLICATION OF *WYCOFF* TO THE FACTS IN *LACOSTE*

In *Lacoste* the court found that even if *Wycoff* did apply, no jurisdiction existed.[114] In light of the nature of the coercive suit that the declaratory action anticipated, the court found that the defendant had had three options. Alligator could have brought an unfair competition suit under state law, a state common law trademark infringement suit, or a suit based on Alligator's federally registered trademark.[115] Since it was not clear "as a matter of practical wisdom or of the record"[116] that Alligator would have relied on its federal claim, the court felt it improper to speculate that it would have done so. Therefore, the court held that it would not find an implied averment of a threatened federal action.[117]

On the surface, this analysis is attractive since the defendant both conceptually and practically could have brought any one of the three suits.[118] This is especially true in the trademark area in which both jurisdictional[119] and substantive law[120] overlap. The federal trademark statute, the Lanham Act, is said to supplement, not to supplant the common law of trademarks.[121] Therefore, due to this pecul-

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[114] 506 F.2d at 345.

[115] *Id.* at 345-46.

[116] *Id.* at 345.

[117] *Id.* at 346.

[118] Unless Alligator had some reason for avoiding the federal court, however, all three causes of action would probably have been brought in federal court, with the two state claims joined to the federal claim, under a theory of pendant jurisdiction. 28 U.S.C. § 1338(b) (1970). *See* Hurn v. Oursler, 289 U.S. 238 (1933).

[119] Congress has provided for concurrent state and federal jurisdiction over federally registered trademarks. 28 U.S.C. § 1338(a) (1970) provides that:

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

[120] Trademark infringement can be an element of an unfair competition cause of action. 28 U.S.C. § 1338 (b) (1970).

[121] See 4 R. CALLMAN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES. § 97.3(a) at 582-88 (1970). Federal registration is prima facie evidence of the trademark's validity, 15 U.S.C. § 1057(b) (1970), and the registrant's right to use the mark; it furthermore creates nationwide constructive notice of these facts. 15 U.S.C. § 1072 (1970). Registration also makes available to the holder certain federal remedies for any infringement of his rights. 15 U.S.C. §§ 1114-21 (1970). Even though there are distinct advantages to federal registration, the right to use trademarks and the validity of common law marks are not dependent upon federal registration. Callman notes that

iar duality in the trademark area, it is certainly conceivable that Lacoste's claim could have arisen in defense to a coercive action by Alligator that did not present a federal question for jurisdictional purposes. Since there is authority which holds that the mere possibility of a federal question is insufficient to ground jurisdiction,[122], it would be inappropriate for the court here to speculate or rely on the probability that the threatened coercive action would be federal, as a basis for removal. In general, under the doctrine of federalism, the federal judiciary is reluctant to reach federal questions in cases which might be brought or decided on state grounds.[123] Therefore, the *Lacoste* court arguably was justified in refusing to imply a federal question. This concurrent and overlapping nature of state and federal trademark law probably facilitated rejection of the *Wycoff* doctrine altogether. The ambiguous boundaries of the law of trademarks[124] made *Lacoste* a difficult case in which to analyze the applicability of *Wycoff* but an easy one to decide to leave in the state courts. This type of suit is often litigated in the state courts[125] and therefore the court of appeals may have felt little or no compulsion to grant removal in order to protect the federal nature of the right. Together with the court's obvious concern for limiting its exercise of removal jurisdiction, this factor — inertia — may have been the underlying rationale of this decision.

The critical factor in the *Lacoste* court's determination that, assuming the *Wycoff* approach was applicable, this suit could still not be removed, was the speculation required to infer the federal claim. Also important, however, is the implication that were it a matter of com-

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trademark rights arise out of common law use and appropriation, and not by virtue of statutory registration. 4 R. CALLMAN, *supra* at 585. In the Trademark Cases, 100 U.S. 82 (1879), the Supreme Court held that the Copyright Clause, U.S. CONST. art. 1, § 8, does not confer on Congress the power to regulate trademarks, and therefore the federal government can regulate trademarks only in conjunction with the Commerce Clause. *Id.* at 93-96. At present the jurisdictional statute clearly omits trademark cases from the grant of exclusive jurisdiction to the federal courts over patent and copyright actions. 28 U.S.C. § 1338(a) (1970). Accordingly, the state courts have concurrent jurisdiction over federal trademark actions, and final determinations by the state courts with respect to the rights of the parties are conclusive. 4 R. CALLMAN, *supra* § 90.2(b) at 344. There also exists an independent state common law of trademarks. An element of the state common law of unfair competition includes trademark infringement, although most states have a separate cause of action for infringement of a common law trademark. Facts sufficient to allege a cause of action under state law may also be actionable under the Lanham Act. Nevertheless, it is well settled that where the plaintiff chooses not to invoke his federal rights the federal courts have no jurisdiction. *See, e.g.*, M. & D. Simon Co. v. R. H. Macy & Co., 152 F. Supp. 212 (S.D.N.Y. 1957) (state suit alleging unfair competition and trademark infringement held not removable merely because the trademark was federally registered).

[122] *Gully*, 299 U.S. at 113-14.

[123] This is especially true since much of the state law of unfair competition has its origin in the pre-*Erie* federal common law. See Chaffee, *Unfair Competition*, 53 HARV. L. REV. 1289, 1299 (1940).

[124] *See* note 121 *supra*.

[125] R.A. CHOATE, CASES AND MATERIALS ON PATENT LAW 966 (1973).

mon sense or of record that the coercive suit would have been based on a federal claim, the federal claim would have been implied.[126] This would seem to suggest that where a threatened coercive suit could have been based on a state or a federal claim, the uncertainty of this circumstance alone might not necessarily be an absolute bar to removal. Rather, the conferring of jurisdiction is a discretionary matter which is to be based on the court's judgment about the probability of the coercive action being federal.[127]

IV. CONCLUSION

In the process of reaching its result, the Third Circuit in *Lacoste* has rejected across-the-board the *Wycoff* approach to removal of state declaratory actions. *Skelly* and *Wycoff* have been applied in the original federal jurisdiction context so as to limit the expansive effect of declaratory judgments on federal question jurisdiction. Their approach is a narrow one, which maintains the traditional scope of the well-pleaded complaint rule by judging declaratory actions in their conventional posture. The court's position in *Lacoste* therefore is troublesome, since *Wycoff* is dismissed under the rubric of limiting federal jurisdiction. Although in the instant case removal was denied, unanswered questions remain as to whether the application of *Wycoff* conceptually allows for greater removal freedom due to the unrestricted application of the well-pleaded complaint rule to declaratory complaints. Perhaps the Third Circuit will retreat somewhat, utilizing a two-step process which would apply *Wycoff* where a federal issue is explicitly raised in the declaratory complaint. Such an approach would minimize the possibility of conflict with *Skelly* and *Wycoff*. Even so, since *Wycoff* is used by the *Lacoste* court in the original jurisdiction context, this decision disrupts somewhat the symmetry and consistency that exists between federal question removal and federal question original jurisdiction. In an area otherwise confusing, it is questionable whether the waters need to be muddied further. However, as the court in *Lacoste* aptly notes,[128] all confusion could be eliminated by adoption of the American Law Institute proposal. The ALI suggestion is to permit removal based on a federal defense with certain enumerated limitations.[129] Aside from the attractiveness of its simplicity, this approach would increase the probability that cases which hinge on federal grounds will be litigated in federal court, and would rationalize original jurisdiction by acting as a safety valve for those issues which, although barred from original jurisdiction, are nevertheless federal in character and warrant consideration in a federal forum. The Third Circuit's position, however, creates contradictions that are

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[126] 506 F.2d at 345-46.
[127] *See id.*
[128] *Id.* at 346 n.10.
[129] ALI STUDY, *supra* note 48, at 6-8.

left unanswered and it is questionable whether its justifications outweigh either the doctrinal abberations or the individual injustice to this defendant.

DANIEL ENGELSTEIN

Freedom of Information Act—Exemption (4)—Research Designs Contained in Grant Applications—*Washington Research Project, Inc. v. Department of Health, Education & Welfare*[1]—In 1966 Congress enacted the Freedom of Information Act[2] (FOIA) to "[open] administrative processes to the scrutiny of the press and general public . . . ."[3] The Act provided that federal agencies shall make information in their possession available to the public, in some cases through publication in the Federal Register,[4] and in others through availability for inspection and copying.[5] Exemptions were provided for certain types of information[6] as to which Congress apparently concluded that the government's interest in non-disclosure outweighed the public's interest in disclosure.[7] Jurisdiction was vested by the Act in the United States district courts to enjoin an agency from withholding records and to order the production of any records improperly withheld.[8] In such cases, the court shall determine the matter de novo and the burden is on the agency to sustain its action.[9]

In 1973, Washington Research Project, Inc. brought an action under the FOIA in the United States District Court for the District of Columbia against the Department of Health, Education, and Welfare (HEW), to compel disclosure of research designs contained in grant applications pertaining to several specifically identified research projects.[10] These projects had been approved and funded by the National Institute of Mental Health (NIMH), a unit of the Public Health Service of HEW.[11] HEW contended[12] that the information was ex-

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[1] 504 F.2d 238 (D.C. Cir. 1974).

[2] 5 U.S.C. § 552 (1970), *as amended*, (Supp. IV. 1974). The Freedom of Information Act (FOIA) was first enacted in 1966. Act of July 4, 1966, Pub. L. No. 89-487, 80 Stat. 250, *amending* Administrative Procedure Act, ch. 324, §3, 60 Stat. 238 (1946). It was amended in 1967 by Act of June 5, 1967, Pub. L. No. 90-23, 81 Stat. 54. Pub. L. No. 90-23 was in turn amended by Act of Nov. 21, 1974, Pub. L. No. 93-502, 88 Stat. 1561.

[3] Renegotiation Bd. v. Bannercraft Clothing Co., 415 U.S. 1, 17 (1974).

[4] 5 U.S.C. § 552(a)(1) (1970).

[5] 5 U.S.C. § 552(a)(2) (1970), *as amended*, (Supp. IV, 1974).

[6] 5 U.S.C. § 552(b) (1970), *as amended*, (Supp. IV, 1974).

[7] Soucie v. David, 448 F.2d 1067, 1077 (D.C. Cir. 1971).

[8] 5 U.S.C. § 552(a)(3) (1970), *as amended*, (Supp. IV, 1974).

[9] *Id.*

[10] Washington Research Project, Inc. v. HEW, 366 F. Supp. 929, 931 (D.D.C. 1973).

[11] *Id.*

[12] *Id.* at 936.