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INTRODUCTION

In *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, the United States Supreme Court limited the jurisdiction of the Federal Circuit Court of Appeals. Under the *Holmes Group* decision, the Federal Circuit no longer has jurisdiction over a case that only contained a patent claim in a counterclaim. This holding is contrary to the jurisdictional framework that has been understood for more than a decade since the Federal Circuit's decision in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, and perhaps for as long as its twenty-year history. The question facing the intellectual property bar is whether there is a need for a legislative "fix" to return the scope of the Federal Circuit's jurisdiction to its pre-*Holmes Group* scope. The intellectual property bar appears to be gathering forces to affirm that question and to take one or more proposals to the United States Congress. The question facing the rest of the bar is whether a legislative fix will go too far.

The U.S. Supreme Court reversed the Federal Circuit in

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2. Id.
Holmes Group as well as in Festo Corp. v. Shoketsu Kinzoku Dogyo Kabushiki Co., during the Supreme Court's 2002-03 session. Taken together, the reversals appear to have the intent and effect of chastising the Federal Circuit for overreaching in patent issues. The Festo reversal, a decision on the scope of the doctrine of equivalents, was the most anticipated and discussed Supreme Court review of a Federal Circuit decision.

The Holmes Group decision, however, is indicative of the Federal Circuit's power as compared to the Festo decision that dealt with a question of substantive patent law. The Supreme Court's reversal in Holmes Group significantly curtailed the reach of the Federal Circuit's jurisdiction. Holmes Group won the transfer of its case away from the Federal Circuit to the Tenth Circuit. According to James Dabney, a lawyer who represented Holmes Group, "[t]his decision will result in a major change in the way combined patent and non-patent cases are handled on appeal." The National Law Journal also reported, "[a]fter admonishing the Federal Circuit for upsetting settled expectations of the doctrine of equivalents in its recent ruling in Festo, the Supreme Court may itself have ultimately effected a more seismic change in patent law in Holmes."

4. Holmes Group, 122 S. Ct. at 1895.
5. 304 F.3d 1289 (Fed. Cir. 2002)
6. Holmes Group, 122 S. Ct. at 1895.
7. Id. The language of Justice Scalia's opinion is anything but temperate. For example, in describing the interpretation of "arising under" Justice Scalia wrote "[i]t would be an unprecedented feat of interpretive necromancy to say that § 1338 (a)'s 'arising under' language means one thing (the well-pleaded-complaint rule) in its own right, but something quite different (respondents' complaint-or-counterclaim rule) when referred to by section 1295(a)(1)." (emphasis added) Id. at 1895.
8. A database search reveals over 400 law review, bar journal, and news articles on the Supreme Court's decision in Festo. More may be expected, as the Federal Circuit has called for further briefing on remand. Festo, 304 F.3d at 1290-91.
9. Holmes Group, 122 S. Ct. at 1895.
10. High Court Limits Review of Non-patent Cases, NAT'L J. TECHN. DAILY, June 4, 2002. James Dabney, Pennie & Edmonds' attorney, also suggested that Holmes Group overrules a substantial body of Federal Circuit case law for cases in which the court had no jurisdiction. Mr. Dabney gave as an example the Federal Circuit's treatment of the Xerox Corporation's refusal to sell its parts to another company in In re Indep. Serv. Org. Antitrust Litig., 203 F.3d 1322 (Fed. Cir. 2000) ("ISO"). Mr. Dabney suggested that the Federal Circuit's ruling in ISO conflicted with Ninth Circuit precedent, which he posited would have been followed by the Tenth Circuit (which would have heard the appeal under the new Holmes Group rule). Brenda Sandburg, Decision of Note U.S. Supreme Court Limits Reach of Federal Circuit Over Peripheral Patent Disputes, PAT. STRATEGY & MGMT, Vol. 3, No. 2, at 10 (June 2002). Note, however, that nowhere in Holmes Group did the Supreme Court say anything about its decision overruling other Federal Circuit cases. Holmes Group, 122 S. Ct. at 1892-98.
11. Anne M. Maher, The Facts Behind the Decision in "Holmes" Case May
Surprisingly, little press initially resulted from the Supreme Court’s curtailment of the Federal Circuit’s jurisdiction in *Holmes Group*. Perhaps this was due to the furor following *Festo*. However, the reports generally agreed that conflicts in patent law were more likely in the wake of *Holmes Group*.\(^{12}\)

This lack of press was just a lull before what appears to be an upcoming storm. Facing the prospect of less uniform patent laws and more conflicts among state courts and federal regional circuit courts of appeal, several bar groups are considering legislative proposals to remedy the effects of the *Holmes Group* decision. This article reviews the federal jurisdiction jurisprudence, and in particular Federal Circuit’s jurisdiction of patent counterclaims. This article recommends legislation that will, in effect, return the scope of jurisdiction to that generally understood prior to the Supreme Court’s ruling in *Holmes Group*.

Part I of this Article describes the Supreme Court’s *Holmes Group* decision and other Supreme Court precedents on the meaning of “arising under” in the patent federal jurisdiction statute. Part II reviews pre-*Holmes Group* federal cases exercising federal jurisdiction over patent counterclaims. Part III reviews pre-*Holmes Group* cases illustrating state courts’ reticence to retain patent counterclaims. In Part IV, the federal and state decisions implementing *Holmes Group* are briefly recounted.

Part V sets forth bar group proposals for legislation to cure the effects of *Holmes Group* on the Federal Circuit’s jurisdiction. Part VI explains the author’s recommendation to adopt the legislative proposal that best approximates pre-*Holmes Group* practice. Part VII examines the policies favoring returning the Federal Circuit’s jurisdiction to its pre-*Holmes Group* scope. Part VIII includes possible objections to these legislative proposals as well as responses to these potential objections.

I. THE HOLMES GROUP DECISION

In *Holmes Group*, the Supreme Court determined that “arising under” jurisdiction must be made based on the plaintiff’s complaint and cannot depend on the answer or on a counterclaim that appears in the answer.\(^{13}\) *Holmes Group*’s complaint alleged the following claims: 1) unfair competition claims; 2) a declaratory judgment that its household fan with a spiral grill design did not

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\(^{13}\) *Holmes Group*, 122 S. Ct. at 1893-94.
infringe on Vornado’s trade dress; and 3) an injunction restraining Vornado from accusing Holmes Group of trade dress infringement in promotional materials.\textsuperscript{14} Vornado’s answer asserted a compulsory counterclaim alleging patent infringement.\textsuperscript{15}

The district court granted Holmes Group’s summary judgment motion based on collateral estoppel.\textsuperscript{16} Vornado had lost a trade dress infringement suit in previous litigation against a different party, Duracraft Corp., based on Vornado’s same household fan design later at issue in Holmes Group.\textsuperscript{17}

In \textit{Vornado I}, the United States Court of Appeals for the Tenth Circuit held that Vornado had no protectable trade dress rights in the fan’s design.\textsuperscript{18} The crux of \textit{Vornado I} was the Tenth Circuit’s determination that a utility patent on the same product configuration prevented its protection pursuant to the Lanham Act as trade dress, even to the extent the configuration was nonfunctional.\textsuperscript{19} At the time of the district court’s ruling in Holmes Group on collateral estoppel, other federal regional circuits\textsuperscript{20} as well as the United States Court of Appeals for the Federal Circuit had concluded differently.\textsuperscript{21} Vornado contended these different rulings amounted to a change in law that precluded estopping its trade dress assertions in the Holmes Group case based on the earlier \textit{Vornado I} ruling. The district court disagreed and ruled in favor of Holmes Group.

Meanwhile, the United States Supreme Court issued its decision in \textit{TrafFix Devices, Inc. v. Marketing Displays, Inc.}\textsuperscript{22} The \textit{TrafFix} case resolved the circuit split on the impact of a utility patent on trade dress protection. The Court found that “[w]here the expired patent claimed the features in question, one who seeks to establish trade dress protection must carry the heavy burden of showing that the feature is not functional, for instance by showing that it is merely an ornamental, incidental, or arbitrary aspect of the device.”\textsuperscript{23}

What remained unresolved was the impact the \textit{TrafFix} decision would have on the \textit{Holmes Group} case, which Vornado had appealed to the Federal Circuit. The Federal Circuit vacated the

\begin{itemize}
\item \textsuperscript{14} \textit{Id.} at 1892.
\item \textsuperscript{15} \textit{Id.}
\item \textsuperscript{16} \textit{Id.}
\item \textsuperscript{17} Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498, 1510 (10th Cir. 1995) (\textit{Vornado I}).
\item \textsuperscript{18} \textit{Id.}
\item \textsuperscript{19} \textit{Id.}
\item \textsuperscript{21} Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356, 1364 (Fed. Cir. 1999), \textit{cert. denied}, 528 U.S. 1019 (1999).
\item \textsuperscript{22} 532 U.S. 23 (2001).
\item \textsuperscript{23} \textit{Id.} at 30.
\end{itemize}
district court's judgment and remanded for further proceedings in light of the TrafFix decision and for consideration of whether the "change in law" exception to collateral estoppel applied. Holmes Group petitioned for writ of certiorari.

The Supreme Court granted certiorari on two questions in the petition:

1. Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction over cases in which the well-pleaded complaint of the prevailing plaintiff does not allege any claim arising under federal patent law?

2. Did the Court of Appeals for the Federal Circuit err in concluding that this action is a "patent case," that is, a "civil action arising under federal patent law for purposes of §§ 1295(a)(1) and 1338(a)?

In concluding that the Federal Circuit lacked jurisdiction, the Supreme Court said:

Not all cases involving a patent-law claim fall within the Federal Circuit's jurisdiction. By limiting the Federal Circuit's jurisdiction to cases in which district courts would have jurisdiction under section 1338, Congress referred to a well-established body of law that requires courts to consider whether a patent-law claim appears on the face of the plaintiff's well-pleaded complaint. Because petitioner's complaint did not include any claim based on patent law, we vacate the

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24. Holmes Group, 122 S. Ct. at 1892.
26. Section 1295(a)(1) reads:
The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction — (1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in the mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title...
27. In pertinent part, section 1338(a) reads "[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, plant variety protection and copyright cases." 28 U.S.C. § 1338(a)(2000).
28. Section 1338 and its statutory predecessors accepted intellectual property cases from the historical minimum amount in controversy required prior to 1980 for federal question jurisdiction generally. 15 JAMES WM. MOORE, ET AL., MOORE'S FEDERAL PRACTICE, Civil § 104.40 (3d ed. 1999).
judgment of the Federal Circuit and remand the case with instructions to transfer the case to the Court of Appeals for the Tenth Circuit.29

Referring to its decision in Christianson v. Colt Industries Operating Corp.,29 the Court said "linguistic consistency" required the application of the same "well-pleaded-complaint" test for whether a case "arises under" federal patent law as set forth in 28 U.S.C. § 1338(a) and whether a case "arises under" federal law as set forth in 28 U.S.C. § 1331.30 The touchstone of jurisdiction is the plaintiff's statement of his own claims.31 The Court declined to adopt proposals that the answer be consulted to determine whether a case "arises under" federal law.32 The Court found that a counterclaim in the defendant's answer, not the plaintiff's complaint, could not serve as the basis for "arising under" jurisdiction.33

The Court stated that allowing a counterclaim to establish "arising under" jurisdiction would contravene three longstanding policies underlying Supreme Court precedent:

29. Id.
31. Holmes Group, 122 S. Ct. at 1893. The federal question jurisdiction statute, 28 U.S.C. § 1331 (2000) states that "[t]he district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." Although the context of the Holmes Group decision is a question of patent law jurisdiction based on 28 U.S.C. § 1338, the reasoning of the decision is based on the same language "civil actions arising under" that appears in the federal question jurisdiction provision, 28 U.S.C. § 1331. Regional circuits had previously decided that a federal question counterclaim, in a case without a federal question claim in the complaint, did not alone confer federal jurisdiction. See cases cited infra note 99 (determining that a counterclaim was a contract claim, not a patent claim). The Supreme Court has never directly answered the question.
32. See Holmes Group, 122 S. Ct. at 1893 (noting that prior cases were decided based on the principle that the federal jurisdiction generally exists "only when a federal question is presented on the face of the plaintiff's properly pleaded complaint."). (citing Caterpillar, Inc v. Williams, 482 U.S. 386, 392 (1987)).
34. See id. at 1894 (acknowledging that the Court had not directly answered the question whether a counterclaim alone was sufficient to confer "arising under" jurisdiction). See also 14B CHARLES A. WRIGHT, ARTHUR R. MILLER AND EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3722, 402-14 (3d ed. 1998) (noting that it is not sufficient for the federal question to enter a case as a counterclaim raised by the defendant). Further, several decisions from the Fifth, Seventh, and Ninth Circuit Courts of Appeal have held that a counterclaim cannot serve as the basis for "arising under" jurisdiction. See generally In re Adams, 809 F.2d 1187, 1188 n.1 (5th Cir. 1987); FDIC v. Elefant, 790 F.2d 661, 667 (7th Cir. 1986); Takeda v. Northwestern Nat'l Life Ins. Co., 765 F.2d 815, 822 (9th Cir. 1985).
(1) Choice of Forum: Plaintiff, as master of the complaint, may eschew claims based on federal law to have the cause heard in state court. Adoption of a “well-pleaded claim-or-counterclaim” rule would change the acceptance or rejection of state forum to the master of the counterclaim. 35

(2) Radical Expansion of Class of Removable Cases: Adoption of the “well-pleaded claim-or-counterclaim” rule would undermine the due regard for the rightful independence of state governments. 36

(3) Clarity and Ease of Administration: The “quick rule of thumb” of the well-pleaded complaint rule would be undermined by the addition of counterclaims to the resolution of jurisdictional conflicts. 37

Interpreting the “arising under” language differently than its generally understood meaning to effectuate patent law uniformity was not an option, according to the Supreme Court. 38 The Court said:

It would be difficult enough to give “arising under” the meaning urged by respondent if that phrase appeared in section 1295(a)(1) – the jurisdiction-conferring statute – itself. Even then the phrase would not be some neologism that might justify our advertising to the general purpose of the legislation, but rather a term familiar to all law students as invoking the well-pleaded-complaint rule. But the present case is even weaker than that, since section 1295(a)(1) does not itself use the term, but rather refers to jurisdiction under section 1338, where it is well established that “arising under any Act of Congress relating to patents” invokes, specifically, the well-pleaded-complaint rule. It would be an unprecedented feat of interpretive necromancy to say that section 1338 (a)’s ‘arising under’ language means one thing (the well-pleaded-complaint rule) in its own right, but something quite different (respondents’ complaint-or-counterclaim rule) when referred to by section 1295(a)(1). 39

In a footnote, the Court brushed aside the Federal Circuit’s en banc Aerojet decision which held that a patent counterclaim gave the Federal Circuit jurisdiction despite the absence of a patent claim in the complaint. 40 Justice Scalia, writing for the Court, said that Aerojet and the cases cited therein, 41 which found to the effect

36. Id. (citing Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100 (1941)).
37. Id. (citing Franchise Tax Bd., 463 U.S. at 11).
38. Id. at 1895.
39. Id.
40. Id. at 1985 n.4.
41. See infra notes 57-59 and the accompanying text (noting that a case
that jurisdiction over a counterclaim with an independent jurisdictional basis may be maintained even where a complaint is dismissed or suffers a jurisdictional defect were not well-reasoned authority on this point. Thus, the Court declined to interpret "arising under" differently from its generally understood meaning in order to further Congress stated goal of ensuring patent law uniformity.

In his concurrence, Justice Stevens expressed doubt that the number of cases removable from state courts would be "radically" expanded if the Federal Circuit's jurisdiction could be invoked by a patent counterclaim. However, he did recognize that patent counterclaims were not infrequently "bound up" with other intellectual property law claims, including trademark and copyright claims, in federal cases. According to Justice Stevens, "[t]he potential number of cases in which a counterclaim might direct to the Federal Circuit appeals that Congress specifically chose not to place within its exclusive jurisdiction is therefore significant. Indeed, Justice Stevens suggested that sending patent counterclaims elsewhere might have a salutary effect:

There is, of course, a countervailing interest in directing appeals in patent cases to the specialized court that was created, in part, to promote uniformity in the development of this area of the law. But we have already decided that the Federal Circuit does not have exclusive jurisdiction over all cases raising patent issues. Necessarily, therefore, other circuits will have some role to play in the development of this area of the law. An occasional conflict in decisions may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias.

Justice Ginsburg, joined by Justice O'Connor, concurred in

"arising under" federal law must be determined by the plaintiff's complaint).

42. See Holmes Group, 122 S. Ct. at 1895 n.4. Regarding the majority's treatment of Aerojet, Justice Stevens in his concurrence said, "[t]hus, although I am in agreement with the Court's ultimate decision not to determine appellate jurisdiction by reference to the defendant's patent counterclaim, I find it unnecessary and inappropriate to slight the contrary reasoning of the Court of Appeals." Id. at 1897 n.1.

43. Id. at 1895.

44. Id. at 1897 (J. Stevens, concurring).

45. Id.

46. Id.

47. Id. at 1897-98. No quantifiable basis for either Justice Scalia's fears of radical expansion or Justice Stevens significant number projections appears in the decision.

48. Justice Stevens was referring to the "regional" circuit courts of appeal. A regional circuit court of appeal has jurisdiction over an appeal from a district court within its region. 28 U.S.C. § 1294.

49. Holmes Group, 122 S. Ct. at 1897-98 (J., Stevens, concurring).
the judgment, adopting in large part the reasoning in *Aerojet*, and concluded that "when the claim stated in a compulsory counterclaim 'arises under' federal patent law and is adjudicated on the merits by a federal district court, the Federal Circuit has exclusive appellate jurisdiction over that adjudication and other determinations made in the same case." Justice Ginsburg further explained that she would advocate Congress' effort in granting the Federal Circuit exclusive appellate jurisdiction over district courts adjudication of patent claims. However, because the patent claim had not yet been adjudicated in *Holmes Group* invoking Federal Circuit jurisdiction pursuant to her analysis, Justice Ginsburg joined in the Court's judgment.

The Supreme Court's reference in *Holmes Group* to the well-pleaded complaint rule was not its first indication of the rule's application to § 1338(a) and consequently to § 1295(a)(1). In *Christianson v. Colt Industrial Operating Corp.*, the Court declined to extend the Federal Circuit's jurisdiction to include an antitrust suit involving a patent law issue not necessary to the resolution of the antitrust claims. In the notorious case of "jurisdictional ping-pong" between the Federal and Seventh Circuits, the Court stated:

A district court's federal-question jurisdiction, we recently explained, extends over '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 . . . .' Linguistic consistency, to which we have historically adhered, demands that section 1338 (a) 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.

The Supreme Court in *Holmes Group* relied on earlier cases that had addressed the question of whether a plaintiff's claim or a defendant's defense was sufficient to confer federal jurisdiction.

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50. *Id.* at 1898 (J.J. Ginsburg, O'Connor, concurring).
51. *Id.*
52. *Id.*
54. *Id.*
55. *Id.* at 819.
56. *Id.* at 808-09 (internal citations omitted; emphasis added).
57. *Franchise*, 463 U.S. at 10. The Court stated that: Whether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute, . . . must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, un-
However, none of these Supreme Court decisions had specifically addressed the question of whether a counterclaim alone might invoke federal jurisdiction.

Moreover, notwithstanding over 200 years of federal court exclusivity on patent claims,8 the Supreme Court made it very clear that state courts had the power to decide patent questions (if not patent claims).69 In Matsushita Electric Industrial Company v. Epstein,60 the Court explained that state proceedings might, in various ways, affect proceedings of exclusively federal claims without running afoul of the federal jurisdictional grant,61 citing Becher v. Contoure Laboratories.62 The Court concluded that states could make findings of fact on validity pursuant to an ownership dispute, which might have an issue preclusive effect in federal proceedings.63 Indeed, the Court long acknowledged that state courts might adjudicate questions of patent title and contracts.64

Explaining the reach of federal patent jurisdiction, the Court in Pratt v. Paris Gas Light & Coke Co., noted that "to constitute such a cause, 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

aided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose.

Id. (citing Taylor v. Anderson, 234 U.S. 74, 75-76 (1914)). See also The Fair, 228 U.S. at 25 (explaining that if the plaintiff makes a substantial claim under an Act of Congress there is jurisdiction whether the claim ultimately be held good or bad). In The Fair, the Court held that the party who brings a suit decides what law he will rely on, and whether he will bring a suit he will bring a suit "arising under" the federal patent laws. Id. See also American Well Works Co. v. Layne & Bowler Co., 241 U.S. 257, 259 (1916) (noting that "[b]ut all such justifications are defenses and raise issues that are no part of the plaintiff's case"); Healy v. Sea Gull Specialty Co., 237 U.S. 479, 480 (1915) (holding that the complaint determines whether a case is one arising under patent laws).


59. See Becher, 279 U.S. at 390-91 (allowing a state court to hear issues involving patents under causes of action for breach of contract or wrongful disregard of confidential relations).

61. Id. at 384.
63. Id. at 392.
64. See, e.g., New Marshall Engine Co. v. Marshall Engine Co., 223 U.S. 473, 478-79 (1912) (noting that state courts have jurisdiction to try questions of title and contract's relating to patents); Wade v. Lawder, 165 U.S. 624, 627 (1897) (noting that the general rule is that where a suit is brought on a patent contract, the case arises on the contract, or out of the contract, and not under the patent laws).
the opposite construction of these laws.\textsuperscript{65}

II. PRE-HOLMES EXERCISE OF FEDERAL JURISDICTION OVER PATENT COUNTERCLAIMS

A. Federal Circuit Decisions

The Supreme Court's decision in \textit{Holmes Group} implicitly overruled the unanimous Federal Circuit decision in \textit{Aerojet}.\textsuperscript{66} In \textit{Aerojet}, compulsory patent counterclaims were deemed to fall within the Federal Circuit's jurisdiction despite the absence of a patent claim in the complaint.\textsuperscript{67} The Federal Circuit's decision in \textit{Aerojet} was presaged in dicta in earlier decisions. In \textit{Schwarzkopf Development Corp. v. Ti-Coating Inc.},\textsuperscript{68} the Court noted that generally it would have jurisdiction over a patent counterclaim however, the patent counterclaim had been dismissed prior to any responsive pleading.\textsuperscript{69} The court concluded that the "transient" appearance of a patent counterclaim dismissed at the pleading stage did not confer jurisdiction on the Federal Circuit.\textsuperscript{70} Similarly, in \textit{In re Innotron Diagnostics},\textsuperscript{71} the Federal Circuit compared jurisdiction over a non-frivolous patent counterclaim to jurisdiction over consolidated patent and antitrust cases.\textsuperscript{72}

The \textit{Aerojet} case involved Lanham Act claims in the complaint and a patent infringement counterclaim.\textsuperscript{73} In \textit{Aerojet}, the Federal Circuit noted that a patent counterclaim always has an independent basis of federal jurisdiction.\textsuperscript{74} The Court also said that "arising under" jurisdiction and the well-pleaded complaint rule must con-

\begin{itemize}
  \item \textsuperscript{65} Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255, 259 (1897) (emphasis added). The Court concluded that under Section [1338's predecessor statute] the state court has the power to determine questions arising under the patent laws, but they cannot assume jurisdiction of "cases" arising under those laws. \textit{Id.} There is a clear distinction between a case and a question arising under the patent laws. A case arises when the plaintiff in his \textit{opening pleading} -- whether a bill, complaint, or declaration -- sets up a right under the patent laws as a ground for recovery. A question arising under patent laws appear in the plea, the answer or in the testimony. A state may decide issues arising under patent laws but they may not decide cases arising under those laws.
  \item \textsuperscript{66} \textit{Holmes Group}, 122 S. Ct. at 1895 n.4.
  \item \textsuperscript{67} \textit{Aerojet}, 895 F.2d at 745.
  \item \textsuperscript{68} 800 F.2d 240 (Fed. Cir. 1986).
  \item \textsuperscript{69} \textit{Id.}
  \item \textsuperscript{70} \textit{Id.} at 244.
  \item \textsuperscript{71} \textit{800 F.2d 1077 (Fed. Cir. 1986).}
  \item \textsuperscript{72} \textit{Id.} at 1080.
  \item \textsuperscript{73} \textit{Aerojet}, 855 F.2d at 738.
  \item \textsuperscript{74} \textit{Id.} at 742, n.6. \textit{See also FED. R. CIV. P. 41(a)} (stating that "[i]f a counterclaim has been pleaded by a defendant prior to the service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending independent adjudication by the court.").
\end{itemize}
template jurisdiction at least in part for counterclaims or there would be no basis for retaining jurisdiction over counterclaims once the complaint had been dismissed, as was the general practice.\textsuperscript{75} The \textit{Aerojet} Court cited authority from several regional circuits that said jurisdiction might be maintained based on a counterclaim with an independent jurisdictional basis notwithstanding the dismissal of the underlying complaint.\textsuperscript{76}

Important to the Federal Circuit's decision was Congress' intent in establishing the court.\textsuperscript{77} In its discussions, Congress stated that section 1295 allows appellate subject matter jurisdiction over non-frivolous patent claims pleaded in a complaint or in a compulsory counterclaim.\textsuperscript{78} A prime example of The Federal Courts Improvement Act (FCIA) increasing nationwide uniformity can be found in patent law.\textsuperscript{79} Uniform laws to determine patent issues render the outcome of patent litigation more predictable.\textsuperscript{80} Congress' goals are facilitated when appeals in cases involving non-frivolous patent claims, found either in the complaint or in compulsory counterclaims are directed to this court.\textsuperscript{81}

The federal circuit court in \textit{Aerojet} was careful to distinguish cases arising under federal law from cases filed in state court with a patent counterclaim, stating that, "our holding can have no effect upon established principles governing removal of actions from state to federal courts."\textsuperscript{82} The court said that the basic purpose

\begin{itemize}
\item \textsuperscript{75} \textit{Aerojet}, 855 F.2d at 742-43.
\item \textsuperscript{76} Id. at 744.
\item \textsuperscript{77} Id. at n.7 (citing H.R. REP. No. 97-312, at 7 (1981)). Congress stated that:

\begin{quote}
The establishment of a single court to hear patent appeals was repeatedly singled out by the witnesses who appeared before the Committee as one of the most far-reaching reforms that could be made to strengthen the United States patent system in such a way as to foster technological growth and industrial innovation. The new Court of Appeals for the Federal Circuit will provide nation-wide uniformity in patent law, will make the rules applied in patent litigation more predictable and will eliminate the expensive, time-consuming and unseemly forum-shopping that characterizes litigation in the field.
\end{quote}

\textit{Id.}. \textit{See also} S. REP. NO. 97-275, at 30 (1981), \textit{reprinted in} 1982 \textit{§ U.S.C.C.A.N. 11-50} (stating that "[t]he committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forum shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals."); H.R. REP. NO. 97-312, at 23 (stating that "the central purpose [in creating the Federal Circuit] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exists in the administration of patent law.")
\item \textsuperscript{78} \textit{Aerojet}, 895 F.2d at 744.
\item \textsuperscript{79} Id.
\item \textsuperscript{80} Id.
\item \textsuperscript{81} Id.
\item \textsuperscript{82} Id. at 739.
\end{itemize}
served by the "well-pleaded complaint rule,"— to avoid potential, serious federal-state conflicts—did not apply to the Aerojet case, which was properly in federal court based on Lanham Act claims in the plaintiff's complaint.83

Any counterclaim with a non-frivolous patent claim was deemed sufficient to confer appellate jurisdiction on the Federal Circuit in DSC Communications Corp. v. Pulse Communications, Inc.84 The court did not address the removal issue that it had so carefully distinguished in Aerojet.85

The court continued to follow the Aerojet rule in In re Independent Service Organizations Antitrust Litigation v. Xerox.86 In Xerox, the court responded to an antitrust allegation with a patent infringement counterclaim and the Federal Circuit considered the appeal of the summary judgment against Xerox on the antitrust claims.87 Similarly, in Imagineering, Inc. v. Van Klassens,88 the Federal Circuit accepted an appeal based on an attorney fees award, a remnant of a patent invalidity counterclaim dismissed after the plaintiff's design patent claim was dismissed.89 Although reported as uncitable precedent in an affirmance without opinion, in Jepson, Inc. v. Makita USA, Inc., the Federal Circuit also exercised jurisdiction over a case involving antitrust and Lanham Act claims along with patent infringement and Lanham Act counterclaims relating to power drills.90 Furthermore, Champion Spark Plug Co. v. Champion Ignition Co, a pre-Federal Circuit case exemplifies the type of case that the Aerojet rule would later direct to the Federal Circuit.91 In Champion, the plaintiff sued for infringement of its CHAMPION mark for spark plugs and the defendant counterclaimed for patent infringement.92 The Court denied plaintiff's motion to dismiss defendant's counterclaim stating that the plaintiff had subjected itself to the court's jurisdiction to adjudicate the counterclaim, and therefore lost its right object to such jurisdiction.93

The Federal Circuit's decision in Aerojet was arguably the logical extension of earlier decisions and of the court's mandate. For example, in Atari, Inc. v. JS&A Group, Inc.,94 Atari alleged copyright infringement and state unfair competition claims along

83. Id. at 743-44.
84. 170 F.3d 1354, 1358-59 (Fed. Cir. 1999), cert. denied, 528 U.S. 923 (1999).
85. Id. at 1358-59.
87. Id. at 1329.
89. Id. at 1263.
90. 17 F.3d 1444 (Fed. Cir. 1994).
91. 247 F. 200 (E.D. Mich. 1917)
92. Id. at 200-01, 204.
93. Id. at 207.
94. 747 F.2d 1422 (Fed. Cir. 1984) (en banc).
with the patent infringement claim against JS&A's PROM BLASTER product.\textsuperscript{95} The Federal Circuit took the appeal on the copyright infringement preliminary injunction, declining to transfer the appeal to the Seventh Circuit, despite the district court's order permitting separation of the patent claims.\textsuperscript{96} The Court held that "[i]n this case . . . jurisdiction to determine the merits of the whole case, including the trial-separated non-federal issue as well as the remaining issues within its jurisdiction awaiting disposition, continues undiminished by such severance and separate trial of the copyright ownership issue."\textsuperscript{97}

The Federal Circuit had also shown itself willing to pierce the nomenclature in a complaint to determine whether a patent claim was stated there, albeit not formally.\textsuperscript{98} After Aerojet, the Federal Circuit similarly scrutinized counterclaims to check for patent claims, which would provide for federal jurisdiction.\textsuperscript{99}

Events subsequent to the filing of the complaint were considered by the Federal Circuit to provide appellate jurisdiction in a variety of circumstances. Consolidation of a non-patent case with a patent case was deemed appealable to the Federal Circuit.\textsuperscript{100} Complaint amendments including a patent claim were also considered sufficient to confer jurisdiction.\textsuperscript{101} Conversely, pleading amendments removing all patent claims divested the Federal Circuit of jurisdiction.\textsuperscript{102}

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\textsuperscript{95} Id. at 1424.
\textsuperscript{96} Id. at 1429-30.
\textsuperscript{97} Id. at 1431.
\textsuperscript{98} See Beghin-Say Int'l, Inc. v. Ole-Bendt Rasmussen, 733 F.2d 1568, 1570 (Fed. Cir. 1984) (dismissing plaintiff's complaint for lack of jurisdiction of the patent assignment dispute and stating that "[p]laintiff must . . . assert[1] some right or interest under the patent laws or at least some right or privilege that would be defeated by one or sustained by an opposite construction of those laws.").
\textsuperscript{99} See Leatherman Tool Group, Inc. v. Cooper Indus. Inc., 131 F.3d 1011, 1015 (Fed. Cir. 1997) (finding that a counterclaim to a claim that does not fall under patent laws will not confer jurisdiction). See also Boggild v. Kenner Prods., No. 87-1383 (Fed. Cir. Aug. 19, 1987) (unpublished order) (determining that counterclaim was a contract claim, not a patent claim). Accord, Boggild, 853 F.2d at 468 (6th Cir. 1988).
\textsuperscript{100} See In re Innotron Diagnostics, 800 F.2d 1077, 1079-80 (Fed. Cir. 1986) (finding appellate jurisdiction in an antitrust case consolidated with patent case); Interpart Corp. v. Italia, 777 F.2d 678, 680-81 (Fed. Cir. 1985) (finding jurisdiction over the Lanham Act claims and state unfair competition claims later consolidated with patent cases).
\textsuperscript{101} See Eaton Corp. v. Appliance Valves Corp., 790 F.2d 874, 876 n.3 (Fed. Cir. 1986) (noting that subsequent amendments to a patent claim "had the force and effect of having been originally pled together for the purposes of the trial").
\textsuperscript{102} See Gronholz v. Sears, Roebuck & Co., 836 F.2d 515, 518-19 (Fed. Cir. 1987) (noting that when the plaintiff voluntarily dismissed his patent claim without prejudice, the Federal Circuit transferred the case to state court pursuant to FED. R. CIV. P. 15). See also Nilssen v. Motorola, Inc., 203 F.3d 782,
The Federal Circuit never expressly decided whether a patent counterclaim might provide federal jurisdiction warranting removal of an action from state court pursuant to 28 U.S.C. section 1441. However, after its *Aerojet* decision where it carefully distinguished the federal claims in that case from any comity concerns for state court actions, the Federal Circuit appeared to focus on federal exclusivity and uniformity to the extent that states’ authority in the patent area was carefully circumscribed. While the Federal Circuit had recognized state courts’ power to resolve patent questions, they could do so only so long as the action itself did not “arise under” patent laws. Although the court spoke of deference due to state courts and laws, this was tempered by preemption and by the Federal Circuit’s mandate that allowed plaintiffs to bring a state tort cause of action based on federal patent law, divesting state courts of jurisdiction over such cases. This rule also applies to all state remedies based on federal patent law. This rule has the effect of divesting the state courts of jurisdiction over state law cause of actions that plead a question of federal patent law. Congress intended that state law causes of action based on federal patent law be left to the exclusivity of the federal court to ensure the integrity of the law. However, federal courts are still obligated to apply state law in accordance with *Erie Railroad Co. v. Tompkins*.

The Federal Circuit has spoken on how its pronouncements on patent law should be viewed by other courts. The Federal Circuit has suggested that both regional circuits and state courts look to the Federal Circuit’s decisions for guidance on any given

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784 (Fed. Cir. 2000) (noting that had the patent claims remained in the plaintiff’s complaint, the court would have retained jurisdiction over the claims).

103. 28 U.S.C. § 1441 (2000) provides in relevant part:
(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 the defendants, to the district court of the United States for the district and division embracing the place where the action is pending . . . .

104. *See* Dow Chem. Co. v. Exxon Corp., 139 F.3d 1470, 1475 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1138 (1999) (noting that patent issues related to the underlying tort are permissible in a tort suit if the determination of the patent issue is supplemental to the claim’s central purpose) (see cases cited therein); *see also* Finch v. Hughes Aircraft, 926 F.2d 1574, 1575-76, n.1 (Fed. Cir. 1991) (noting that state court consideration of patent claims question underlying alleged breach of license agreement is valid).


106. *Id.*

107. *Id.*

108. *Id.*

109. 304 U.S. 64 (1938).

patent issue. Similarly, "state courts confronted with federal law issues usually turn to the law of the appropriate federal court to aid in the resolution of those federal issues." While the prevailing view among most of the state supreme courts is that a state court is only bound to federal constitutional and statutory law by U.S. Supreme Court interpretations, the decisions of the lower federal courts on issues of federal law are usually persuasive, especially where uniform among the lower courts. Congress created such federal courts in order to bring uniformity to the national law on patent issues, and state courts confronted with issues of federal law that relate to these issues will therefore also look to the decisions of the Federal Circuit for guidance.

In summary, the Federal Circuit's view prior to Holmes Group was that it was the court with jurisdiction of all appeals on cases with patent claims. This view was similarly held by the federal regional circuit courts of appeal.

B. Regional Circuits

The only regional circuit case that directly addressed whether a non-patent complaint and patent counterclaim resulted in Federal Circuit jurisdiction held that jurisdiction lay in the Federal Circuit. Transferring to the Federal Circuit an appeal from a preliminary injunction against antitrust violations and unfair trade practices, the First Circuit deemed the district court's jurisdiction based "in part" on section 1338 due to a patent counterclaim. The First Circuit noted that the plaintiff's case must establish the basis of district court jurisdiction, but the court looked to the dicta in the Schwarzkopf and Innotron cases on which to base its conclusion. Based on the fact that a patent counterclaim conferred jurisdiction in part to the district courts based on section 1338, the

111. Id. at 914. The Court stated that:
   In light of the general policy of minimizing confusion and conflicts in the federal judicial system, this court follows the guidance of the regional circuits in all but the substantive law fields assigned exclusively to us by Congress. Presumably, those same concerns will prompt the regional federal circuit courts, when confronted with issues in those substantive fields, to look in turn to our precedents for guidance.

112. Id.
113. Id. (citations omitted).
114. Id.
115. Xeta, Inc. v. Atex, Inc., 825 F.2d 604 (1st Cir. 1987)
116. Id. at 608.
117. Id. at 605.
118. Id. at 606-07.
court determined appellate jurisdiction under section 1295 lay with the Federal Circuit. 119

In U.S. Valves, Inc. v. Dray, the Seventh Circuit, citing Aerojet, suggested that the jurisdiction analysis was the same whether a patent claim was stated in the complaint or the counterclaim. 120 In that case, appellate jurisdiction stemmed from the burden of proof requirement of patent infringement as a necessary element of plaintiff's breach of contract claim. 121 Thus, the Seventh Circuit transferred the appeal to the Federal Circuit. 122

Only one federal appellate court decision prior to the creation of the Federal Circuit addressed whether a patent counterclaim alone conferred federal jurisdiction warranting removal from state court. Sitting by designation, Judge Rich writing for the Ninth Circuit in Rath Packing Co. v. Becker, 123 concluded that filing a counterclaim for patent infringement (in answer to state law claims in the complaint) in state court did not alone support removal to federal court. 124 However, in Farmaceutisk Laboratorium Ferring A/S v. Reid Rowell, Inc., 125 the district court determined that patent counterclaims, having independent bases of jurisdiction, did not preclude dismissing the complaint, pursuant to Federal Rule of Civil Procedure 41(a)(2). 126 The court cited Schwarz-

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119. Id. at 608.
120. U.S. Values, Inc. v. Dray, 190 F.3d 811, 813-17 (7th Cir. 1999) (citing Valujet). The court transferred the appeal of preliminary injunction to the Federal Circuit. Id. at 815.
121. Id. at 814.
122. Id. at 815.
124. Id. at 1303.
126. Id. at 181. The vitality of this practice is in question after Holmes Group. Holmes Group may be read to mean that a counterclaim can never provide original jurisdiction and therefore when complaint claims are dismissed there remains only supplemental jurisdiction over any counterclaim that may, in a court's discretion, be declined. Id.

FED. R. CIV. P. 41(a)(2), respecting voluntary dismissal by court order, provides “if a counterclaim has been pleaded by a defendant prior to the service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court.”

Supplemental jurisdiction is addressed in 28 U.S.C. § 1367 which provides in part:

(a) Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.
kopf as authority for the proposition that "adjudication of a patent counterclaim is the exclusive province of the federal courts."

For areas of law outside intellectual property, the weight of authority prior to *Holmes Group* was that a federal counterclaim alone was insufficient to confer federal question jurisdiction. *Holmes Group* makes no change here. The general practice in regional circuits in such cases was to look to the complaint only and not the counterclaim to determine federal question jurisdiction. However, the support for this practice largely arose from the Supreme Court's language in cases where jurisdiction was asserted as a defense.

Regional circuits and district courts followed the Supreme Court's lead in considering state courts competent to decide patent issues and questions, if not patent claims. For example, in *Vanderveer v. Erie Malleable Iron Co.*, the Third Circuit affirmed a summary judgment based on collateral estoppel on the question of infringement as decided by a state court incident to a patent license accounting.

Another important point in understanding the practice in regional circuits' prior to *Holmes Group* is procedure. Notwithstanding...

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(c) The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if —

(3) the district court has dismissed all claims over which it has original jurisdiction....


127. See *Schwarzkopf*, 800 F.2d at 244 (noting that because the case included a patent counterclaim, the case could not have been filed in state court).


129. See *Cook v. Georgetown Steel Corp.*, 770 F.2d 1272, 1275 (4th Cir. 1985) (noting that a federal defense to a state cause of action does not invoke federal jurisdiction); *Texas v. Walker*, 142 F.3d 813, 816 n.2 (5th Cir. 1998) (noting that "the well-pleaded complaint rule bases removal jurisdiction" on the existence of a federal claim on the face of plaintiff's complaint), cert. denied, 525 U.S. 1102 (1999); *Shannon v. Shannon*, 965 F.2d 542, 545-46 (7th Cir.), cert. denied, 506 U.S. 1028 (1992) (noting that a defense based on federal law does not render the suit removable); *Takeda*, 765 F.2d at 822 (noting that for a case to be removable, the federal question must appear on the face of plaintiff's complaint and not on defendant's answer).

130. Id.

131. See *Gully v. First Nat'l Bank in Meridian*, 299 U.S. 109, 113 (1936) (noting that the complaint must disclose the controversy on its face and not in defendant's answer); *Rivet v. Regions Bank of La.*, 522 U.S. 470, 475 (1998) (noting that a defense is not part of a plaintiff's properly pleaded complaint); *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149, 153-54 (1908) (noting that the court did not have jurisdiction over defendant's federal defense).

132. 8 DONALD S. CHISUM, PATENTS, § 21.02[1][e].


134. See id. at 515 (dismissing non-infringement counterclaims based on termination of underlying infringement action).
ing the guidance from the Federal Circuit to treat cases with non-frivolous patent claims as one, the regional circuits have contemplated various procedural mechanisms to provide regional circuits jurisdiction over non-patent claims in an action that includes patent claims in the case. Arguably, these attempts may indicate either the regional circuit court's preference to avoid patent claims and retain non-patent claims or, some may argue, a bias against patents.

Unique Concepts, Inc. v. Manuel illustrates the use of Federal Rule of Civil Procedure 54(b) to direct appeals to regional circuits. In Unique Concepts, the Seventh Circuit concluded that the Federal Circuit had jurisdiction over the appeal. Although the court cited the Rule, the Seventh Circuit did not encourage the use of Rule 54(b) to divide an action into patent and non-patent judgments. Rather, the court held that "all appeals from a single judgment ought to go to one court, facilitating efficient briefing and decision," and added that "one court ought to decide the entire imbroglio." The case involved state law counterclaims of defamation and consumer protection tried first, with patent law claims bifurcated for a subsequent trial. After judgment against the plaintiff, plaintiff was permitted to dismiss its patent claims without prejudice on the stipulation that it not refile, and plaintiff then appealed to the regional circuit court of appeal. Writing for the court, Judge Easterbrook stated in dicta that "if the district judge had used Federal Rule of Civil Procedure 54(b) to separate the 'state law' claims from the patent claims, then 'plaintiff would have a better argument 'that the regional circuit court had jurisdiction.'" However, because the final judgment incorporated the dismissal of the patent claims based in part on section 1338, the

135. 930 F.2d 573 (7th Cir. 1991) (J. Easterbrook, concurring).
136. FED. R. CIV. P. 54(b) provides:
   When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, or when multiple parties are involved, the court may direct the entry of a final judgment as to one or more but fewer than all of the claims or parties only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties shall not terminate the action as to any of the claims or parties, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims and the rights and liabilities of all the parties.
137. Unique Concepts, 930 F.2d at 575.
138. Id.
139. Id.
140. Id.
141. Id.
Seventh Circuit determined it lacked jurisdiction.\textsuperscript{142}

The possibility for using Rule 54(b) was made reality in \textit{Denbicare USA, Inc. v. Toys "R" Us, Inc.}\textsuperscript{143} In that case, the plaintiff's contested patent claims were dismissed with prejudice.\textsuperscript{144} The trial court granted partial summary judgment in favor of defendant on all remaining non-patent claims.\textsuperscript{145} In applying Rule 54(b), the Ninth Circuit noted Professor Chisum's comments and those of Judge Easterbrook in \textit{Unique Concepts}.\textsuperscript{146} The court also relied on the legislative history of the Federal Circuit's creation. The court noted the Senate Judiciary Committee's concern that parties might include patent claims in their causes of action thereby avoiding appellate jurisdiction of the requisite regional circuit.\textsuperscript{147}

To avoid this problem, the committee explained that in order to ensure the integrity of the federal court's jurisdiction, judges should use their authority under Federal Rules of Civil Procedure 13(i), 16, 20(b), 42(b) and 54(b).\textsuperscript{148}

The court in \textit{Denbicare} used the authority of Rule 54(b) to separate the non-patent claims of copyright, trademark, unfair competition, and tortious interference with contract for partial summary judgment to fit within the scope of the committee's intent.\textsuperscript{149} Based on this, the court concluded that it had jurisdiction.\textsuperscript{150}

Whether appellate jurisdiction may be manipulated by joinder, severance, or dismissal of claims depends on what happens at the trial level. District judges may be reluctant on the whole to sever or bifurcate trials that might delay ultimate resolution of a case.\textsuperscript{151} However, it appears that courts are more eager on the whole to sever antitrust and patent claims mainly to reduce the time for discovery and trial.\textsuperscript{152}

\begin{footnotes}
\item[142] \textit{Id. See also CHISUM, supra} note 132, \textsection 21.02[5][vii] (noting the possibility of using Rule 54(b) to separate non-patent claims for resolution and to direct their appeal to regional circuits).
\item[143] 84 F.3d 1143 (9th Cir. 1996).
\item[144] \textit{Id.} at 1153. The court found that the defendant's patent declaratory judgment counterclaim was purely speculative. \textit{Id.}
\item[145] \textit{See id.} (denying the summary judgment motion on the contract issue).
\item[146] \textit{Id.} at 1147-48.
\item[147] \textit{See id.} at 1148 (noting an example of a plaintiff who joined a patent claim to a case whose gravamen is antitrust).
\item[148] \textit{See id.} (noting that under the Federal Rules of Civil Procedure the federal court has authority to separate final decisions on claims involving substantial antitrust issues from trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction).
\item[149] \textit{Id.}
\item[150] \textit{Id.}
\item[152] Simpson v. Stand 21, Cause No. IP 93 428 C, 1994 U.S. Dist. LEXIS
\end{footnotes}
issues before discovery and trial of unfair competition and antitrust counterclaims that are often either voluntarily dismissed or settled.\footnote{153}

Whether a district court would grant such a motion to a party seeking bifurcation to manipulate appellate jurisdiction would depend on guidance from its appellate court and from the legislative history of the Federal Circuit's jurisdictional grant, as well as its view of the interests of justice in any particular case.

III. PRE-HOLMES RETICENCE OF STATES TO RETAIN PATENT CLAIMS

Before \textit{Holmes Group}, state court practice was to dismiss patent counterclaims.\footnote{154} The reason for this state court practice was based on exclusive federal jurisdiction.\footnote{155}

\textit{Western Electric Co. v. Components, Inc.}\footnote{156} provides an example of a state court's dismissal of a patent counterclaim. In response to a complaint in which the plaintiff licensor sought an accounting for royalties due under a solid electrolytic capacitor manufacturing patent, the defendant counterclaimed alleging patent invalidity and non-infringement as well as various antitrust claims.\footnote{157} The court stated that a counterclaim for a declaratory judgment as to an invalid patent is clearly a pleading involving patents and is not a matter supplemental to the present suit.\footnote{158}

Similarly, in \textit{Superior Clay Corp. v. Clay Sewer Pipe Ass'n},\footnote{159} a patent infringement counterclaim was dismissed for lack of jurisdiction.\footnote{160} The complaint alleged that the defendant's patent license contract on clay pipe joints was a restraint of trade in violation of antitrust laws.\footnote{161} The contract required membership in the "association" and payment of "dues" in return for the license.\footnote{162}
The court granted summary judgment for defendant. According to the court, it did not matter whether the money was called dues or royalties, because the agreement did not include any improper "tie-in" provision and therefore was not an antitrust violation. The defendant's counterclaim alleged that the plaintiff infringed the defendant's patent when it ceased to maintain its membership and pay its dues. The plaintiff moved to dismiss for lack of jurisdiction. The court rejected defendant's argument that the main issue of the case was a matter of state law. The court found that the main issue of the counterclaim was patent infringement, which is a question under Federal law. Concluding that it did not have jurisdiction, the Court dismissed the counterclaim.

*Pleatmaster, Inc. v. Consolidated Trimming Corp.*, provides another example of a patent counterclaim dismissed because it was not within a state court's jurisdiction. In *Pleatmaster*, the court said that:

> [T]he counterclaim for a declaratory judgment of invalidity is a "case" in its own right dealing directly with this matter which has been given exclusively to the federal courts. A counterclaim is equivalent to an affirmative action brought by a litigant[,] and the relief requested is of the same nature as the judgment demanded in a complaint. A state court does not have jurisdiction of the subject of such a counterclaim and the counterclaim must accordingly be dismissed.

Furthermore, in an opinion not citable as precedent, the Delaware Court of Chancery denied the defendant's motion to amend its answer to include a counterclaim. The complaint alleged claims regarding a canine coronavirus vaccine patent license dispute, while the answer and counterclaim alleged patent invalidity. According to the court, the counterclaim was equivalent to an affirmative action, and the relief requested was of the same nature as the judgment demanded in a complaint. The court reasoned that if the counterclaim stated a claim that if brought as an independent action would have to be dismissed as being within the

163. *Id.* at 440.
164. *Id.* at 439.
165. *Id.* at 440.
166. *See id.* (referring to the plaintiff's motion to dismiss).
167. *Id.*
168. *Id.*
169. *Id.*
171. *Id.* at 666.
173. *Id.* at *2-4.
174. *Id.* at *8-9.
exclusive jurisdiction of the federal courts, then the counterclaim must be dismissed for lack of jurisdiction. The court noted that state courts lacked authority corresponding to federal courts' "ancillary" [supplemental] jurisdiction. The court determined that the counterclaim arose under the federal patent laws.

State courts have also questioned defendants' counterclaims to ensure that they are not indeed patent counterclaims. For example, in *Wicks v. Matam Corp.*, the court rejected plaintiff's motion to dismiss defendant's counterclaims. The plaintiff sought an accounting of patent royalties and the defendant sought to recover royalties previously paid and money spent improving the patented devices. Plaintiff argued that the invalidity of its patent was asserted as part of defendant's counterclaim, but the court said that was merely a collateral question to the contract nature of the action and the lack of consideration claims of the defendant.

The court in *Hanson v. Hall Manufacturing Co.*, also examined the counterclaim to determine whether it was a patent claim. The complaint centered on a patent title dispute, and the counterclaim alleged, among other things, that plaintiff had falsely claimed he owned the steel wagon tongue patent and threatened defendant's customers with infringement suits. The court held that it had jurisdiction over the counterclaim because it did not arise under the patent laws, but rather was a tort claim predicated on slander. The court determined that the counterclaimant's proof did not include demonstrating the falsehood of the statements but rather it was the plaintiff/counterdefendant's burden to justify its statements, which it might elect to do through proof that the statement was true. Thus, although the state court ultimately determined that it had jurisdiction over the counterclaim, it did so not because a patent counterclaim was within its jurisdiction, but because the counterclaim was a tort claim not

175. *Id.* at *9-10.
176. *Id.* at *9.
177. *Id.* at *14.
178. See *e.g.*, *Wicks v. Matam Corp.*, 74 N.Y.S.2d 351, 352-53 (N.Y. Sup. Ct. 1947) (rejecting plaintiff's claim that the court did not have jurisdiction over defendant's counterclaim because the validity of the counterclaim was collateral); *Hanson v. Hall Mfg. Co.*, 190 N.W. 976 (Iowa 1922) (holding that the state court had jurisdiction because the counterclaim sounded in tort).
180. *Id.* at 353.
181. *Id.* at 352.
182. *Id.* at 352-53.
183. *Hanson*, 190 N.W. at 967.
184. *Id.* at 968-69.
185. *Id.* at 967-68.
186. *Id.*
187. *Id.* at 968.
a patent claim.\textsuperscript{188}

\textit{Edwards v. Gramling Engineering Corp.} posed a similar issue.\textsuperscript{189} The court, in determining whether a title dispute between an inventor and employer arose under the patent laws, honed in on the claim versus question distinction.\textsuperscript{190} The court determined that the main issue could be decided by the state court because it did not implicate validity or infringement or the construction of any patent law.\textsuperscript{191}

Not only have state courts been historically reticent to decide patent counterclaims, they have also been "reluctant to assume jurisdiction over patent-related disputes even when pleaded as contract or tort actions."\textsuperscript{192} Notwithstanding their reluctance, state courts have decided a host of contract, tort, unfair competition, and trade secret cases that have raised patent questions but not patent claims.\textsuperscript{193}

The difficulty in parsing complaints and counterclaims to determine whether the bases of claims are patent law or state law related—for example, licenses—is amply demonstrated in \textit{Cheatham Electric Switching Device Company v. Kentucky Switch \\& Signal Company}.\textsuperscript{194} The dispute in that case was over the ownership of railroad switch patents.\textsuperscript{195} Plaintiff claimed to own by assignment four patents whose inventor was named Scoggan.\textsuperscript{196} The defendant claimed to own four patents by assignment from Cheatham, as well as the rights to future improvements by Cheatham.\textsuperscript{197} Moreover, defendant alleged that Scoggan fraudulently procured plaintiff's four Scoggan patents because he was not the true inventor.\textsuperscript{198} Instead, Scoggan allegedly procured them for his brother-in-law Cheatham so that Cheatham would not be required to assign them. Scoggan was not a party to the suit.\textsuperscript{199} The court determined that, although the claims and counterclaims were cast as an ownership dispute, both parties claimed the exclusive right to make, use, and sell the disputed technology.\textsuperscript{200} That convinced the court that the United States courts should decide

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{188} Id. at 969.
\item \textsuperscript{189} 588 A.2d 793, 802 (Md. 1991), cert. denied, 502 U.S. 915 (1991).
\item \textsuperscript{190} Id. at 802-03.
\item \textsuperscript{191} Id.
\item \textsuperscript{192} CHISUM, supra note 132, § 21.02(1)(e). See, e.g., Roach v. Crouch, 524 N.W.2d 400, 403 (Iowa 1994) (holding that the patent cause of action posed a federal question and that no state law could furnish the plaintiff relief).
\item \textsuperscript{193} CHISUM, supra note 132, § 21.02[1][e] n. 281-82.
\item \textsuperscript{194} 280 S.W. 469 (Ky. 1926).
\item \textsuperscript{195} Id. at 469.
\item \textsuperscript{196} Id.
\item \textsuperscript{197} Id.
\item \textsuperscript{198} Id. at 470.
\item \textsuperscript{199} Id.
\item \textsuperscript{200} Id. at 471.
\end{itemize}
\end{footnotesize}
both claims and counterclaims. The court thereafter dismissed the entire case.

Copyright counterclaims have received the same treatment in state court. For example, in *EMSA Ltd. Partnership v. Lincoln*, a copyright ownership dispute, the complaint included a declaratory judgment claim for ownership, state law claims of fraud, breach of fiduciary duty, and a state statutory claim. The counterclaim included a copyright infringement claim along with a declaratory judgment claim for ownership. The appellate court concluded that the trial court lacked jurisdiction over the copyright infringement counterclaim because it involved rights evolving from federal copyright laws.

The court in *Tewarson v. Simon* concluded that a copyright counterclaim should be dismissed and the trial courts judgment amended to exclude any determination of any copyright right to preclude publication without consent. The case involved a dispute over the ownership and publication rights of Tewarson’s translations from German of Simon’s parents’ diaries recounting their holocaust and concentration camp survival. After a bench trial in favor of Simon, Tewarson asserted on appeal that the trial court lacked subject matter jurisdiction. Tewarson’s complaint sought a declaratory judgment regarding her rights to the original documents entrusted to her by Simon and her rights to the transcriptions and translations. Simon filed an answer and counterclaim seeking an injunction preventing Tewarson from publishing any research, papers, theses, books and the like formed as result of the entrustment of the original documents to her. The court determined that Tewarson’s complaint was not a copyright action but rather was a contract matter properly before the state court.

Simon’s counterclaim was a different matter because it requested a declaration of his exclusive right to publish and a declaration that Tewarson could not publish without his consent. Simon made copyright filings after Tewarson filed suit. The

201. Id.
202. Id.
203. 691 So. 2d 547 (Fla. App. 1997).
204. Id. at 549.
205. Id.
206. Id.
208. Id. at 184.
209. Id. at 179-81.
210. Id. at 181.
211. Id. at 180-81.
212. Id. at 181.
213. Id. at 184.
214. Id. at 181.
215. Id.
court found that counterclaim sounded in part in copyright law. The court determined that the defendant could not create jurisdiction over the complaint by pleading a counterclaim that presents a federal question, citing Rath Packing Company v. Becker. However, the court noted that "while federal courts [possessed] supplemental jurisdiction over state law counterclaims, state courts [did] not have corresponding authority over claims over which federal courts have exclusive jurisdiction." Because the counterclaim was dismissed, the appellate court modified the trial court's judgment to omit a determination of Simon's right to preclude Tewarson from publishing without his consent. The judgment required that Tewarson return a full copy of every transcription and translation to Simon.

In substantive areas other than patent and copyright law, state courts have similarly shown an unwillingness to reach counterclaims based upon laws within the exclusive jurisdiction of federal courts. How this might change following Holmes Group remains to be seen.

One reason the number of state cases are so small when there are patent counterclaims but not a patent claim in the complaint is the history of the equitable doctrines of licensor and assignor estoppel. These doctrines limit the ability of licensees or assignees to challenge a licensed or assigned patent's validity. Today, the assignor estoppel doctrine remains viable. Recently however, the licensee estoppel doctrine was wholly erased by the Supreme Court in Lear v. Adkins. Although licensees have been able to challenge a patent's validity since 1969, the practice of dismissing patent counterclaims remained well entrenched prior to Holmes Group.

The principal reason for the low number of state court decisions resolving patent claims is manifest. Exclusive federal jurisdiction...
diction and preemption were commonly understood as requiring that patent and copyright claims be brought in federal court.\textsuperscript{225} State courts were considered to have no power to invalidate a patent or to grant relief for patent infringement pursuant to federal patent laws.\textsuperscript{226} Thus, it simply made no sense to file a patent claim in a state court.

### IV. HOLMES GROUP IMPLEMENTATION

The Federal Circuit has implemented Holmes Group in subsequent cases. In *Telcomm Technical Services v. Siemens Rolm Communications, Inc.*,\textsuperscript{227} the Federal Circuit transferred a case with antitrust claims and patent and copyright counterclaims to the Eleventh Circuit.\textsuperscript{228} In *Medigene AG v. Loyola University of Chicago*,\textsuperscript{229} the Federal Circuit transferred the case to the Seventh Circuit because the patent claim was a counterclaim.\textsuperscript{230}

State courts are already cognizant of Holmes Group and are readily implementing it. In *Green v. Hendrickson Publishers*,\textsuperscript{231} the Indiana Supreme Court concluded that a counterclaim sounding in copyright, despite the trappings of a contract breach was not subject to exclusive federal jurisdiction.\textsuperscript{222} The court acknowledged that the "logic and language of a consistent body of federal decisions appeared to preclude a state court from entertaining a counterclaim under copyright law."\textsuperscript{223} According to the court, "the common understanding of the federal courts on this point of law" was that a patent counterclaim could not be filed in state court.\textsuperscript{224} The court noted that a leading commentator and a number of state courts agreed with this proposition.\textsuperscript{233} However, the court found it "highly anomalous" that the phrase "civil action arising under" in 28 U.S.C. § 1338 should be interpreted as a copyright counterclaim converting a lawsuit into a civil action arising under the copyright laws.\textsuperscript{234} The very same phrase when used in 28 U.S.C. § 1331 was

\textsuperscript{225} CHISUM, supra note 132, § 19.02.

\textsuperscript{226} Id.

\textsuperscript{227} 295 F.3d 1249 (Fed. Cir. 2002)

\textsuperscript{228} *Telecomm*, 295 F.3d at 1249-50.


\textsuperscript{230} *Medigene*, No.02-1235, 02-1308, 2002 U.S. App. LEXIS 14503 (June 27, 2002).

\textsuperscript{231} 770 N.E.2d 784 (Ind. 2002).

\textsuperscript{232} Id. at 793-94.

\textsuperscript{233} Id. at 792.

\textsuperscript{234} Id. at 792 (citing Aerojet, 895 F.2d at 736); Schwarzkopf, 800 F.2d at 244; *U.S. Valves*, 190 F.3d at 813 n.6; DSC, 170 F.3d at 1359.

\textsuperscript{235} *Green*, 770 N.E.2d at 792 (citing CHISUM, supra note 132, § 21.02(e)[1] at 21-91 n.129); Pleatmaster, 156 N.Y.S.2d 666; Tewarson, 750 N.E.2d at 183; Superior Clay, 215 N.E.2d at 440; *American Home*, 1992 Del. Ch. LEXIS 262 at *8-10.

\textsuperscript{236} *Green*, 770 N.E.2d at 792.
interpreted to mean only those claims in a well-pleaded complaint.

The Green court determined that the common understanding of federal and state courts respecting jurisdiction of counterclaims under section 1338 was trumped by the Supreme Court’s ruling in Holmes Group. Holmes Group clearly rejected the contention that different interpretations of “civil action arising under” could be maintained. The court explained the lesson of Holmes Group by stating that “Holmes teaches that what Congress said – not what it intended – is controlling here. . . . Accordingly we think that Holmes requires us to reject the Federal authorities stating or implying that a state court may not entertain a counterclaim under patent or copyright law.”

Although Holmes Group dealt with a patent counterclaim and the Green case dealt with a copyright counterclaim, the court saw no distinction between patent and copyright counterclaims respecting jurisdiction or the reasoning in Holmes Group about the meaning of “arising under.” The court noted that “[c]opyright and patent jurisdictions are identical at the district court level.” Both were set forth in the same federal statute in the same terms, according to the court (and the Holmes Group decision on Federal Circuit jurisdiction under 28 U.S.C. § 1295 was linked to section 1338). Thus, the court concluded that the reasoning of Holmes Group regarding patent counterclaims controlled the case at bar regarding copyright counterclaims.

These decisions make clear that the Holmes Group decision is already impacting significant litigation in both federal and state fora. These decisions further suggest that Holmes Group will have a substantial impact on patent and copyright law as time goes forward unless legislation is passed to counter the Supreme Court decision’s effects.

V. PROPOSALS FOR LEGISLATION OVERRULING HOLMES GROUP

The American Intellectual Property Law Association (AIPLA) and the Federal Circuit Bar Association (FCBA) are presently considering whether to propose to Congress legislative responses to Holmes Group. Both efforts are in the early stages; neither

237. Id.
238. Id. at 793.
239. Id.
240. Id.
241. Id.
242. Id.
243. Id.
244. Id. at 793-94.
group has finalized its proposal. The likelihood that Congress will be asked to act to remedy Holmes Group was discussed at recent hearings of the Federal Trade Commission and the Department of Justice Antitrust Division.\(^{246}\)

The FCBA is considering whether to propose a change to judicial code section 1338 that would grant federal district courts original jurisdiction over patent, copyright and trademark "claims for relief arising under" federal intellectual property laws. This change would replace the "civil action arising under" language that the Supreme Court determined must be interpreted to exclude counterclaims.\(^{247}\) To counter concerns about expanding the number of removable cases, a further change is contemplated to render non-removable any civil action where there is no basis for original federal intellectual property law jurisdiction in the complaint. However, no final decision has been made at this time by the FCBA on whether to propose legislation or the scope that the legislative proposal might encompass.

VI. A BALANCED APPROACH TO REMEDY THE FEDERAL CIRCUIT'S JURISDICTION

The author recommends that the language of 28 U.S.C. § 1338 be changed from "civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks" to "civil action based on a claim for relief arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks."

The author further recommends that 28 U.S.C. § 1445 be amended to include a new class of non-removable actions by adding new subsection (e):

A civil action in any State court arising under § 1338 of this title may not be removed to any district court of the United States unless a claim for relief arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks is stated in the complaint.

A change to 28 U.S.C. § 1338 to include any patent, copyright or federal trademark claim for relief in federal district courts' original jurisdiction, and an accompanying change to 28 U.S.C. § 1445 to prevent expanding the number of removable cases strikes


246. Id.

247. The author is a member of the Federal Circuit Bar Association Committee that is considering legislation the association will propose to Congress in response to the Holmes Group decision. The author's recommendation in Section VI, infra, corresponds, in large part, to an FCBA proposal currently being considered by the committee.
a balance among many competing interests. The change to section 1338 will mean a change to 28 U.S.C. § 1295(a)(1), which links the Federal Circuit's exclusive appellate jurisdiction to a district court's jurisdiction pursuant to section 1338. In other words, the Federal Circuit would have jurisdiction of the appeal in all cases with patent claims, regardless of which pleading contained the patent claim.

This proposed change to section 1338 would not broaden the scope of district court jurisdiction, however. Because every case is initiated with a complaint, vulnerable to a motion to dismiss for lack of subject matter jurisdiction pursuant to Federal Rules of Civil Procedure 12(b)(1), a complaint filed in federal court invoking jurisdiction based in part of section 1338 must include a federal claim. Thus, original jurisdiction for any case filed in federal court will remain the same. Comity concerns and crowded federal dockets will not suffer from the proposed change to section 1338.

Removal jurisdiction of the federal district courts will also remain the same. Any case filed in state court, without patent or copyright claims in the complaint, that includes a patent, copyright or federal trademark claim in a responsive pleading will not be removable, due to the accompanying change to 28 U.S.C. § 1445. This amendment avoids a potential glut of removable cases with complaint claims alleging the host of state law causes of action that often accompany intellectual property law disputes, such as contract, license and assignment disputes, business torts, and state unfair competition claims. Such an onslaught would surely be unwelcome to an already overburdened federal judicial system. The non-removability amendment also denotes due deference to states.

The two coordinated amendments will have the unfortunate consequence of parallel litigation where a state action is filed by a plaintiff without patent or copyright claims in the complaint and where the adverse party wishes to assert patent or copyright claims against that plaintiff. Because the patent and copyright claims would not be within any state court's jurisdiction due to the exclusive federal jurisdiction of any patent or copyright claim for relief as provided in the proposed amended § 1338, they could not be considered compulsory within the meaning of Federal Rule of Civil Procedure 13 and analogous state counterclaim rules counterparts, even where they arise out of the same transaction or occurrence that was the subject of the action filed in state court. Further, these claims would not be barred from parallel federal actions by the counterclaim rules. Federal trademark claims not

248. See Marrese v. Am. Acad. of Orthopaedic Surgeons, 470 U.S. 373, 382 (1985) (explaining that claim preclusion does not apply when a party is unable to seek a remedy due to limitations on the court's subject matter jurisdiction and quoting RESTATEMENT (SECOND) OF JUDGMENTS § 26(1)(c)(1982)).
subject to exclusive federal jurisdiction would, however, continue to be subject to the counterclaim rules and may be heard by the state courts.

At least six solid policies, discussed in detail below, support the recommended statutory amendments:

(1) This legislative proposal gives the best chance for securing a primary mandate of the creation of the Federal Circuit—ensuring patent law uniformity.

(2) The change to § 1445 alleviates comity concerns about increasing the number of removable cases.

(3) The proposal prevents a return to the appellate forum shopping among the federal regional circuits that was sufficiently deleterious to motivate the creation of the Federal Circuit.

(4) The proposal avoids many problems related to the role of precedent among the circuit courts of appeal and whether deference to or guidance from sister circuit courts is different in the patent context.

(5) While the proposal will result in the need for separate law suits where the plaintiff files a complaint with no federal claims in state court and the defendant has a patent or copyright claim it wishes to counter, this complication has long been the practice and inheres in the exclusivity of federal jurisdiction. Any increased burden on the parties is outweighed by the national interests involved in patents and copyrights.

(6) The proposal will avert any increase in the Supreme Court's docket based on potential conflicts among the regional circuits and the Federal Circuit on patent law.

VII. THE CASE FOR RETURNING THE FEDERAL CIRCUIT'S JURISDICTION TO ITS PRE-HOLMES SCOPE

Prior practice sent appeals with non-frivolous patent claims to the Federal Circuit regardless of which pleading contained the claim.\(^{249}\) Prior practice dismissed patent and copyright claims from state court actions regardless of which pleading contained the claim. Policy and practical considerations support a return of the Federal Circuit's jurisdiction to its scope as understood prior to *Holmes Group*, as discussed in detail below.

*A. Impaired Uniformity of Patent Law*

With federal regional circuit courts of appeal and state courts

deciding patent counterclaims after *Holmes Group*, there is a real
danger that patent law will become less uniform and predictable,
undermining a critical goal of Congress in creating the Federal
Circuit.\(^{250}\)

Congress declared that the “central purpose” for its creation
of the Federal Circuit was to “to reduce the widespread lack of uni-
formity and uncertainty of legal doctrine that exists in the admini-
stration of patent law.”\(^{251}\) Congress also directed that the Federal
Circuit’s jurisdictional statute be interpreted in a manner consist-
ent with this goal.\(^{252}\) “The creation of the Federal Circuit will pro-
duce desirable uniformity in this area of law.”\(^{253}\) The mission of
the new court would entail a more uniform interpretation of pat-
ent laws, thus contributing meaningfully and positively to the
strength of patents.\(^{254}\)

Patent law had been singled out as in particular need of co-
herence:

The Hruska Commission singled out patent law as an area in
which the application of the law to the facts of a case often
produces different outcomes in different courtrooms in sub-
stantially similar cases. Furthermore, . . . the patent bar indi-
cated that uncertainty created by the lack of national law
precedent was a significant problem . . . . The creation of . . .

\(^{250}\) The creation of the Federal Circuit was created by the Federal Courts
arguments here focus on patent law uniformity, it should be noted that copy-
right law uniformity motivates exclusive federal jurisdiction and preemption
in that substantive area as well.

\(^{251}\) H.R. REP. NO. 97-312, at 22-23 (1981). See Panduit Corp. v. All States
Plastic Mfg. Co., 744 F.2d 1564, 1573-74 (Fed. Cir. 1984) (noting that the Act
will also increase consistency and stability in patent cases). See also Rayco
ing statistics demonstrating variances among circuits prior to Federal Cir-
ocircuit’s patent appeals jurisdiction). The mandate was described by the court’s
first Chief Judge as follows: “to create and maintain a uniform, reliable, pre-
dictable, nationally-applicable body of law . . . .” Howard T. Markey, *The
Court of Appeals for the Federal Circuit: Challenge and Opportunity*, 34 AM. U.


\(^{253}\) S. REP. NO. 97-275, at 5 (1981). See also Marion T. Bennett, *The
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT: A HISTORY
1982-1990* 8-9 (1991) (explaining that studies had shown that technological
innovation was being impeded by the lack of uniformity in patent law applica-
tion); Daniel J. Meador, *Origin of the Federal Circuit: A Personal Account*, 41
AM. U. L. REV. 581, 588 (1992) (stating that “[f]rom the beginning it was clear
that the two areas in which there was the most pressing need for a higher de-
gree of uniformity, because of the large number of inter-circuit conflicts, were
the patent and tax fields”); Howard T. Markey, *The Phoenix Court*, 10 AM.

\(^{254}\) *Hearings on H.R. 6033, H.R. 6934, H.R. 3806 and H.R. 241 Before the
Subcomm. on Courts, Civil Liberties and the Admin. of Justice of the House
Comm. on the Judiciary, 96th Cong. 797* (1980).
the Federal Circuit will produce desirable uniformity in this area of the law.\textsuperscript{255}

The increased uniformity of patent law that has taken place over the twenty-year life of the Federal Circuit is threatened by the \textit{Holmes Group} rule.

According to Chief Judge H. Robert Mayer of the Federal Circuit, the decision in \textit{Holmes Group} will likely have the effect of returning the litigation of patent claims to the pre-Federal Circuit state where diversity in the application of patent claims lessened the value of patents.\textsuperscript{256} The effect will manifest itself in limiting the availability of Federal Circuit review and permitting forum shopping.\textsuperscript{257}

Substantive conflicts are expected to result from both the regional circuits' and state courts' handling of patent claims.\textsuperscript{258}

The adverse consequences of this decision on patent law would permit the courts of appeals of the 13 circuits to decide patent-law counterclaims.\textsuperscript{259} These consequences will not only erode the uniformity of patent law, but will also likely weaken the quality of patent jurisprudence due to the decisions being made by appellate judges who are not experts in the patent field and who rarely decide patent cases.\textsuperscript{260} The decision will also affect areas that intersect with patent law, for example, where "a defendant-patentee in an antitrust case must assert an infringement counterclaim, the case will be reviewed by one of the regional circuits with a less-finely tuned appreciation for the characteristics and policies of the patent system."\textsuperscript{261}

In the midst of double-digit inflation, high unemployment, and a stagnant economy, the need to spur the economy with better protection and more certainty for technological innovation was recognized by both political and business leaders as a compelling reason for the Federal Circuit's creation.\textsuperscript{262} Unpredictable out-

\begin{itemize}
\item \textsuperscript{255} S. REP. NO. 97-275 at 5 (1982).
\item \textsuperscript{256} Maher, supra note 11 at B11. See also Vardon Golf Co. v. Karsten Mfg. Corp., 294 F.3d 1330, 1336 (Fed. Cir. 2002) (Dyk, J., concurring) (stating that "[a]lthough the recent decision of the Supreme Court in \textit{Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.} may make that uniformity more elusive, it is still important." (internal citation omitted)).
\item \textsuperscript{257} Id.
\item \textsuperscript{258} BRONSTON, ET AL., supra note 12.
\item \textsuperscript{259} Id.
\item \textsuperscript{260} Id.
\item \textsuperscript{261} Id.
comes had been "undoubtedly exacerbated by the rapid growth of technology and a concomitant increase in the number of patent cases." A single appellate forum applying uniform law satisfied economic incentives to reduce litigation costs and facilitate business planning. The formation of the Federal Circuit would decrease litigation costs by eliminating appellate forum shopping.

It is important to remember these historically relevant economic incentives to the creation of the Federal Circuit, and to remember the climate that led to such a significant step to promote patent law stability, when evaluating the need to respond to Holmes Group. One commentator noted that:

[b]y any measure chosen, the economic importance of patent property in 2002 is greater by an order of magnitude than that of a generation ago. The moment and volume of patent litigation, the attention that patents receive in financial transactions and corporate boardrooms, the magnitude of judgments and settlements — all attest to the aggregate impact that the Federal Circuit has made on the patent right and the procedures for asserting it.

There has been some concern voiced that returning to regional circuit handling of patent claims will harm companies with patents. In particular, companies with business method and Internet patents that had, prior to the Federal Circuit's State Street Bank decision, protected these technologies as trade secrets might be particularly susceptible.

Congress made crystal clear that the Federal Circuit had jurisdiction over entire cases, not just patent issues. Congress left it to the courts, however, to decide jurisdictional guidelines in patent counterclaim situations such as that presented in Holmes Group. The one reference to counterclaims in the legislative history suggests that there are procedural devices courts may use to ensure that artful pleading and forum shopping do not evade the purpose of the law creating the Federal Circuit:

Federal district judges are encouraged to use their authority under the Federal Rules of Civil Procedures, see Rule 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 jurisdiction.

It seems clear from this statement in the legislative history that Congress contemplated counterclaims as a source of jurisdiction for the Federal Circuit, otherwise a "trivial patent . . . counterclaim" could not manipulate jurisdiction. Three possibilities might account for this statement. First, Congress might have believed that its "civil action arising under" language of section 1338 granted jurisdiction over any claim for relief, a belief that Holmes Group now trumps unless Congress intervenes. Second, Congress may not have fully considered whether section 1338 and correspondingly section 1331—which uses the same phrase—grants jurisdiction over claims other than those in the complaint. Third, the legislative history is simply too unclear to give direction on Congressional intent respecting counterclaims.

Even if the statement is not an unequivocal indication that Congress intended patent counterclaims to provide the Federal Circuit appellate jurisdiction, it is consistent with Congressional intent that the Federal Circuit's jurisdiction not be limited to patent issues. Congress referred to the meaning of "arising under" as being used in the same sense as section 1331 relied upon by the Supreme Court in Holmes Group. Congress stated that "[c]ases will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." The section 1331 reference in the legislative history may simply have been a way of distinguishing jurisdiction over claims from jurisdiction over issues. Congress contrasted the Federal Circuit's jurisdiction of cases based on section 1338 to the jurisdictional statute of the Temporary Emergency Court of Appeals (TECA) that was interpreted to confer appellate jurisdiction for review of specific issues while relegating review of other issues to the regional circuits.

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270. H.R. REP. NO. 97-312, at 18, 22-23 (1981) (contrasting Coastal States Mktg, Inc. v. New England Petroleum Corp., 604 F.2d 179 (2d Cir. 1979)). The court in Coastal State held that the Second Circuit Court of Appeals did not have jurisdiction over the defendant's appeal because the Temporary Emergency Court of Appeals (TECA) had exclusive jurisdiction over defendants' cases or controversies arising under the Economic Stabilization Act. Costal State, 604 F.2d at 186-87.
271. Coastal State, 604 F.2d at 186 n.8.
Congress also desired that the Federal Circuit's mission of enhancing patent law uniformity be coupled with enhancing the national uniformity of other areas of law.\textsuperscript{273} This would not only relieve the dockets of the regional courts of appeals, but it would also be a means of quieting opposition to what had been called a "specialized court."\textsuperscript{274} Congress stated that:

The proposed new court is not a "specialized court," its jurisdiction is not limited to one type of case, or even to two or three types of cases. Rather, it has a varied docket\textsuperscript{275} spanning a broad range of legal issues and types of cases. It will handle all patent appeals and some agency appeals, as well as all other matters that are now considered by the [Court of Customs and Patent Appeals (CCPA)] or the Court of Claims. The Court of Claims decides cases involving federal contracts, civil tax issues if the government is the defendant, Indian claims, military and civilian pay disputes, patents, inverse condemnation, and various other matters. The CCPA decides patent and customs cases from several sources, and those cases often include allegations of defenses of "misuse, fraud, inequitable conduct, violation of the antitrust laws, breach of trade secret agreements, unfair competition, and such common law claims as unjust enrichment."\textsuperscript{276}

Thus, Congress intended that the Federal Circuit judges be familiar with a host of issues in a wide array of cases. Granting jurisdiction over cases with patent counterclaims fosters the means to an end, patent law uniformity while guarding against judicial specialization.

Regional circuits deciding patent claims found in counterclaims and other claims for relief outside the complaint will erode patent law uniformity. They have held that "[a] risk certainly arises that other circuit courts will rule inconsistently on issues of patent law or on issues that affect patents."\textsuperscript{277} Justice Stevens as much as encouraged conflicts in his concurrence in direct contravention of Congressional intent to enhance patent law uniformity. Their own precedent, as well as Supreme Court precedent, binds regional circuits, of course. Regional circuit courts are not, however, expected to accept as binding precedent the decisions of other circuits.\textsuperscript{278} Indeed "percolation" of issues between regional courts

\begin{itemize}
\item \textsuperscript{273} H.R. REP. NO. 97-312 (1981).
\item \textsuperscript{274} Id.
\item \textsuperscript{275} Additional bases of jurisdiction have been added since the court's creation. See 28 U.S.C. § 1295 (2000).
\item \textsuperscript{276} H.R. REP. NO. 97-312, at 19 (1981).
\item \textsuperscript{278} Remarks of Professor Rochelle Dreyfuss, Pauline Newman Professor of Law, New York University, at the FTC/DOJ Hearings on Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy, at 176-180, available at www.ftc.gov/opp/intellect/020711.pdf (last visited Nov. 25,
of appeals was seen as advantageous by Congress at the time of
the creation of the regional courts of appeals in the Edwards.\textsuperscript{279} The absence of any indication to the contrary at the time of the
Federal Circuit’s creation may suggest that this practice was not
changed by the court’s creation.\textsuperscript{280}

Even assuming that all of the regional circuits adopted uni-
form rules or practices requiring them to consider Federal Circuit
guidance on patent law, the application of their own binding
precedent would yield conflicting results.\textsuperscript{281} Congress was moti-
vated to create the Federal Circuit in part because of the unpre-
dictable state of patent law.\textsuperscript{282} Congress understood that varying
interests of the regional circuit would creep into their decisions.\textsuperscript{283} Therefore, in the absence of any legislative intervention, the previ-
ously rampant conflicts among the circuits may be renewed over
time.

Patent law uniformity has long been a national concern and
still warrants Congress’ attention. In addition to the creation of
the Federal Circuit, uniformity was a primary motivation for Con-
gress to expressly grant exclusive jurisdiction over “all cases aris-
ing under the patent . . . laws of the United States” in 1874.\textsuperscript{284} Congress’ concern with uniformity began as early as 1800.\textsuperscript{285} The
federal courts were deemed to have the expertise needed to decide
the technical issues raised in patent cases.\textsuperscript{286} Moreover, congress-
ional attempts to create a national court of appeals date back to
1887.\textsuperscript{287}

2002). In a riveting discussion, Professor Dreyfuss posits that Chief Judge
Markey, in \textit{Atari}, came up with the rule for applying regional circuit law to
nonpatent matters without a basis in the legislative history and discusses the
pros and cons of the rule. \textit{Id.} at 177. The author suggests that the proposed
legislative amendments are best balanced by the continued practice of seeking
guidance from the regional circuits on non-patent issues. The author further
agrees that the phrase “choice of law” is a misnomer as used by the Federal
Circuit. “Choice of law” generally understood to mean the choice of which sov-
eign’s law to apply in a case with contacts or interests among different sov-
eigns, for example different states or between the federal and state laws or
between different nations. The question should be whether the decisions of
other circuits are binding, persuasive, or suggestive. \textit{Id.}
\textsuperscript{279} \textit{Id.} at 178.
\textsuperscript{280} \textit{Id.}
\textsuperscript{281} \textit{Id.} at 176.
\textsuperscript{282} \textit{Id.} at 172.
\textsuperscript{283} \textit{Id.} at 181.
\textsuperscript{284} \textit{Id.}
\textsuperscript{285} \textit{See} Chung, \textit{supra} note 262, at 720-21 (explaining the bases of the mod-
er goals sought by conferring exclusive jurisdiction on federal courts).
\textsuperscript{286} \textit{See} Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 162
\textsuperscript{287} \textit{See} Chung, \textit{supra} note 262, at 721 (noting that there was a national
need for uniformity of decisions and a heightened need for expertise to decide
technical issues).
\textsuperscript{288} \textit{See} Janicke, \textit{supra} note 263, at 645 (highlighting the history of the ef-
A longstanding understanding and application of exclusive federal jurisdiction for patents and copyright likely explains the complete absence of a discussion on the impact of the Federal Circuit on state courts and their jurisdiction in the legislative history of the creation of the Federal Circuit. The *Holmes Group* decision changes previous practice, and, unless Congress acts, this will lead to individual states invalidating patents and deciding patent infringement. Permitting states to decide patent claims is expected to significantly erode patent law uniformity. If the well-pleaded complaint rule, as understood after *Holmes Group*, continues to decide patent jurisdiction, artful pleading will open a whole new field of patent litigation in state court. Thus, "the lack of expertise among state judges in interpreting the patent laws will surely splinter patent law, and reincarnate the rampant forum shopping that Congress hoped to stamp out."  

Although state courts may look for guidance on patent law to the Federal Circuit, a significant risk remains that state courts will rule inconsistently with the Federal Circuit and other states, as well as the federal regional courts of appeal. State courts cannot be presumed to be fully cognizant of national patent policies. 

The risk of state court rulings inconsistent with Federal Cir-

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289. See Chung, *supra* note 262, at 754 (explaining that inequitable conduct could overcome state courts in patent claims).  
290. See generally Am. Tel. & Tel. Co. v. Integrated Network Corp., 972 F.2d 1321, 1322 (Fed. Cir. 1992) (noting that state courts in large part consider themselves bound only by Supreme Court precedent and not by lower federal courts).  

The resolution of an infringement issue involves the construction of the claims of the patent itself and an application of those claims to the alleged infringer's conduct. The judge resolving an infringement issue must necessarily delve into technical matters, but he must also be sensitive to underlying policies in choosing between broad and narrow constructions of patent claims. For these reasons, Congress has found it desirable to channel infringement litigation into the federal judiciary which presumably possesses some technical expertise in the construction of patent claims and also a heightened sensitivity to federal patent policy.

* * *  

While the resolution of infringement issues is of great importance to federal patent and economic policies, the resolution of validity issues is of even greater importance. ... Adjudication of patent validity involves not only a comprehension of extremely technical matters in diverse scientific and engineering fields but also an acute sensitivity to the prevailing social, economic and political attitudes of the country. ... Jurisdictional rules should channel validity adjudications to the federal judiciary, since it is most apt to be in full empathy with national policy on patents and economic competition.

Id.
circuit precedent is thus equally as great as the risk posed by regional circuit patent determinations. The proposed amendments will ensure that patent claims are decided by federal district courts and appealed to the Federal Circuit.

Congress' posits that Federal Circuit jurisdiction will be determined by cases that arise under patent law section 1338. However, in cases arising under federal law pursuant to section 1331, the need for patent law uniformity provides the motivation for distinguishing the meaning of sections 1331 from 1338. Indeed, arising under sections 1331 and 1338 has been said to be "susceptible to differing interpretations." Increased certainty in the application of patent law is clearly best achieved by having all patent claims heard by one court of appeals. The Federal Circuit has accomplished its mission of imparting uniformity to patent law. The potential of Holmes Group to undo the Federal Circuit's twenty years of coherent jurisprudence is the driving force behind the several legislative efforts now underway.

B. A Return to Pre-Holmes Practice Will Not Increase the Number of Removable Cases

Justice Scalia warned against a "radical expansion of removable cases" if jurisdiction were invoked by a counterclaim. This statement was based on the Supreme Court's link to the meaning of "arising under" as applied to the patent jurisdictional statute to its meaning as used in the federal question jurisdiction statute. It is not difficult to envision such an expansion of federal question cases based on counterclaim jurisdiction. However, the proposed


293. See Janicke, supra note 263, at 667 (finding patent law uniformity as a consequence of federal circuit involvement). See also Taylor, supra note 266, at 11 (noting that the Federal Circuit has attempted to develop procedural rules that can be applied consistently and uniformly by district judges throughout the United States reflecting the important role that Congress intended for patents).

294. Holmes Group, 122 S. Ct. at 1893-94. Although the well-pleaded complaint rule was given new vibrancy in Holmes Group, it is not without critics: The well-pleaded complaint rule has been roundly criticized and the American Law Institute has proposed a statute that allows removal "by any defendant, or any plaintiff, by or against whom, subsequent to the initial pleading, a substantial defense arising under the Constitution, laws, or treaties of the United States is properly asserted that, if sustained, would be dispositive of the action or of all the counterclaims therein."

MOORE, ET AL., supra note 27, § 103.41 (citing American Law Institute, Study of the Division of Jurisdiction Between State and Federal Courts 25-26 (1969)).
legislative amendments to sections 1338 and 1445 will not impact federal question jurisdiction under section 1331. The link between the two jurisdiction statutes, sections 1331 and 1338, is broken by the elimination of “civil action arising under” language from section 1338. Therefore, the threat of an increased number of removable cases is averted with the proposed section 1445 amendment.

There are not an overwhelming number of cases where the Holmes Group situation, a non-patent complaint with a patent counterclaim, has arisen in the past. There is some indication that the number will increase, however, as litigants consider the additional forum shopping options permitted by the Holmes Group rule and potential benefits of evading a federal forum. For example, a party wishing to avoid patent infringement may file non-patent claims against a patentee in district court in a region where the circuit court of appeal was known as a patent-hostile forum prior to the creation of the Federal Circuit. As another example, a party wishing to stall may well select a state court chronically suffering from overcrowded dockets. Moreover, commentators have suggested that there are many more federal non-patent claims/federal patent counterclaims actions brought than there are state non-patent claims/federal patent counterclaims actions. “Although most state law causes of action, which collaterally implicate patent law issues, are brought to federal court after asserting federal jurisdiction based on diversity or federal question, some plaintiffs may find state court to be a more favorable and convenient forum.”

Therefore, while the threatened increase in removable cases is not expected to be radical, unless the change to section 1338 is accompanied by the section 1445 amendment, it is expected to be substantial enough to warrant concern about damage to the uniformity of patent law. If neither proposed amendment is adopted, there will not be an increase in removable cases. However, there will be a crisis for state courts that may, under Holmes Group, hear patent counterclaims but may not, according to Matsushita, invalidate patents or determine patent infringement claims.

C. Limiting Appellate Forum Shopping

Congress intended for the federal appellate courts to implement rules limiting appellate forum shopping, but Holmes Group presents a problem of appellate forum shopping of such urgency that Congressional action is needed immediately. Because the Supreme Court based its decision on the “arising under” jurisdictional language rather than Congress’ intent in creating the Fed-

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295. Chung, supra note 262, at 707. See also Donofrio & Donovan, supra note 292, at 1868 (discussing jurisdiction based on counterclaim).

296. Matsushita, 516 U.S. at 381.
eral Circuit, the Court declined to consider the problem of forum shopping as foretold by Vornado in its arguments and briefs to the Supreme Court.\textsuperscript{297} Even though the Supreme Court ruled against it, Vornado’s arguments are particularly resonant.

In its responding brief, Vornado suggested to the Supreme Court that potential patent infringers would attempt to evade Federal Circuit jurisdiction by filing “preemptive declaratory judgment actions raising related claims but omitting the patent law claims, knowing full well that the patent holder would then have to plead its infringement claim as a compulsory counterclaim.”\textsuperscript{298} Vornado further stated that “the First Circuit [and] the Federal Circuit have long held that in the unique context of Federal Circuit jurisdiction, counterclaims must be considered to effectuate Congress’ intent to achieve uniformity in patent law and eliminate forum shopping by declaratory judgment plaintiffs.”\textsuperscript{299} Vornado also argued that the one basis underlying the well-pleaded complaint rule, that jurisdiction must be decided at the outset of the case to avoid federal/state conflicts, was not implicated in the context of Federal Circuit jurisdiction.\textsuperscript{300} Vornado argued that “Congress has provided for exclusive [Federal Circuit] jurisdiction for the precise purpose of preventing alleged infringers from forum shopping by filing declaratory judgment actions in a circuit of their choosing.”\textsuperscript{301} Thus, a petitioner’s reliance on his supposed right to hand-select the appellate court that would decide patent law claims flies in the face of Congress’ intent.\textsuperscript{302} Vornado argued that “[t]he Court should not permit litigation to devolve into this sort of tactical and ‘disorderly race to the courthouse’ through the use of declaratory judgments.”\textsuperscript{303}

Although Vornado’s predictions have not yet had time to develop, plaintiffs may begin to “rethink their options” and “expand” the number of cases filed so as to eliminate patent claims in the complaint and avoid Federal Circuit jurisdiction, notwithstanding an anticipated patent counterclaim.\textsuperscript{304} Both the Eleventh Circuit and the Seventh Circuit now have pending before them appeals in

\begin{itemize}
\item \textsuperscript{297} Holmes Group, 122 S. Ct. at 1889.
\item \textsuperscript{298} Brief for Respondent at 7-8, Holmes Group, Inc. v. Vornado Air Circulation Sys. Inc., 2001 U.S. Briefs 408 (LEXIS) (No. 01-408).
\item \textsuperscript{299} Id. at 7-8.
\item \textsuperscript{300} Id. at 8.
\item \textsuperscript{301} Id.
\item \textsuperscript{302} Id. at 14.
\item \textsuperscript{303} See id. (citing Hanes Corp. v. Millard, 531 F.2d 585, 593 (D.C. Cir. 1976)).
\item \textsuperscript{304} See Courts, supra note 267 (quoting Joshua Rich, patent attorney with the McDonnell, Boehnen, Hulbert & Burghoff law firm). In the same article, patent attorney Mark Ungerman of Fulbright & Jaworski stated that the number of cases expanding is not likely to happen due to the “very quirky” factual scenario in Holmes Group. Id.
\end{itemize}
cases with patent counterclaims. The decisions in these cases could well provide motivation for increased forum shopping. Forum shopping is disfavored not only because it increases litigation costs but also because it decreases the public’s confidence in the judicial system. Forum shopping in the patent area led in the past to the devaluation of patents that contributed to economic difficulty. Congress found inconsistency both in the patent law and in its application to facts of individual cases. This would invariably lead to forum shopping as patentees would scramble to get into the “pro-patent” circuits and the alleged infringers would run to the “anti-patent” circuits.

In addition to the potential for forum shopping based on differences in substantive law, the potential for differences in procedural aspects of patent law also persists. The thought is that “[a] plaintiff might prefer to be in the regional circuit rather than the Federal Circuit if it is considered more deferential to jury verdicts than the Federal Circuit or because the patent law established in its regional circuit before 1982 or after 2002 is more favorable, presenting gamesmanship opportunities.”

The creation of the Federal Circuit answers the question of where to “shop” for patent appeals. Congress specifically intended to create a patent-specific jurisdiction that would even handle non-patent issues when necessary, despite the interests of litigants or regional circuits.

D. Avoiding Problems from Appellate “Choice Of Law”

The direction of all appeals in cases with patent claims to the Federal Circuit will obviate the potential for extremely thorny complications—how the regional circuits will view Federal Circuit pronouncements on patent law. The creation of the Federal Cir-

305. Telecomm, 295 F.3d at 1249 (noting patent case in 11th Circuit); Green, 770 N.E.2d at 784 (noting patent case before the 7th Circuit).
307. See supra note 235 and accompanying text (noting that diversity lead to the lessening in value of patents).
309. Id. at 20-21 (citing the Industrial Research Institute’s poll showing that leading industrial companies overwhelmingly favored a centralized patent appeals court).
312. See supra note 10 and accompanying text (noting the problems that ac-
cuit is a compelling statement implicating that Congress intends that Federal Circuit law be applied to all patent claims and issues in every forum. In spite of this, should the Holmes Group rule stand and regional circuits begin hearing patent claims, it would not appear likely that the regional circuits would adopt the practice of relying on Federal Circuit law as binding.

The regional circuits more likely would rely on Supreme Court law and its own pre-1982 and post-2002 law. Dawn Equipment Co. v. Micro-Trak Systems Inc. is an example of a diversity suit involving a contract dispute with patent issues subsumed in the counterclaim. The parties in Dawn cited Federal Circuit cases for various issues, but the court relied only on Supreme Court and Seventh Circuit cases in reaching its decisions. Perhaps the regional circuits would look for guidance from the Federal Circuit in some circumstances. Notwithstanding this practice, there are no clear-cut rules requiring regional circuit courts to do so. The likelihood of substantial conflict, in the absence of a legislative response to Holmes Group, is readily apparent.

E. Averting Litigation Complications

Prior to Holmes Group, it was not uncommon for courts to sever cases with mixed patent and non-patent claims. Nor was it uncommon for litigants to proceed in multiple fora, state court for non-patent/ non-copyright claims and federal court for both patent and non-patent claims. This is an expected cost of exclusive federal jurisdiction for patent and copyright claims, an expense justified by national interests. After Holmes Group, new litigation complications are expected. Forum shopping is expected to increase. Artful pleading in aid of forum shopping will flourish. Combining patent and non-patent appeals in a single case may be expected to increase as well.

However, the proposed amendments avoid most of the expected complications expected following Holmes Group. First, the proposal will reduce federal appellate forum shopping as discussed fully above. Second, the proposed amendments will permit a return to the predictability of previous practice. Third, the amendments will tend to reduce the division of federal cases into appeals to more than one appellate court by reaffirming the Congressional intent that the Federal Circuit review cases with non-patent

313. 186 F.3d 981 (7th Cir. 1999); see also Everex Sys. Inc. v. Cadtrak Corp., 89 F.3d 673, 675-79 (9th Cir. 1996) (applying Supreme Court precedent to the question whether the assignability of a nonexclusive license is determined by state or federal law and looking at decisions of regional circuits and the Federal Circuit as well).

314. Dawn, 186 F.3d at 989.

315. See Xeta, 825 F.2d at 606-07.
claims so long as they are joined with patent claims.

The legislative proposals would solve another problem existing prior to *Holmes Group* that will be exacerbated by the Supreme Court's ruling therein, the use of Rule 54(b) to sever claims and judgments and divide cases into two appealable judgments. The Supreme Court declined to decide the appropriateness of this procedure despite the question's presentation in the petition for certiorari. 316 A legislative fix of *Holmes Group* will encourage the best solution regarding the issue of patent counterclaims. 317

The use of this procedural device in *Nilssen v. Motorola, Inc.* demonstrates its problems. In *Nilssen*, the Federal Circuit transferred the appeal of unfair competition claims to the Seventh Circuit. 318 The plaintiff had involuntarily dismissed its patent claims without prejudice and refiled the patent claims in a separate action. 319 The Seventh Circuit—with Judge Easterbrook writing the majority opinion—dissatisfied with the Federal Circuit's appellate jurisdiction determination, but reluctant to reconsider it due to the law of the case doctrine, expressed concern about splitting a case based on a common nucleus of operative facts. 320

It makes no sense to send patent law theories to the Federal Circuit and state law theories to the regional circuit when only one "claim" is involved, and one circuit's decision may have preclusive effect on issues within the scope of the other's jurisdiction. Avoiding claim splitting (with the waste of judicial resources and the potential for inconsistent appellate decisions) is why § 1295(a)(1) provides that, if jurisdiction is based on § 1338 even in part, then the Federal Circuit resolves all issues on appeal. 321

Although the Seventh Circuit's reasoning was limited to mul-

316. The Court in *Holmes Group* was asked the question: "Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction to decide appeals of final decisions of "district courts in cases wherein the well-pleaded complaint of the prevailing plaintiff does not allege any claims arising under federal patent law?" *Holmes Group*, 2001 U.S. Briefs LEXIS at *i. One Justice posed the question to the petitioner during argument, but the petitioner reminded the Court that it had not accepted that question. *Holmes Group v. Vornado Air Circulation Sys., Inc.*, Oral Argument Transcript, 2002 U.S. TRANS LEXIS 27, at 10-11.
317. MOORE ET AL., supra note 27, § 208.10(2) (citations omitted). Further: [T]he best resolution of this issue is to regard a case as one case, despite the separation of patent claims from non-patent claims for separate trial under Civil Rule 42, or the entry of separate judgments on patent claims from non-patent claims under Civil Rule 54(b), and view the jurisdiction of the district court as based in part on 28 U.S.C. § 1338, at least until review of the patent claims is foreclosed. *Id.*
318. *Nilssen*, 207 F.3d at 783.
319. *Id.* at 784-85.
320. *Id.*
tiple claims in one complaint, it demonstrates the folly of Judge Easterbrook's earlier musings in "Unique Concepts," about whether Rule 54(b) might be used to parse a single case into separate patent and non-patent judgments, and thus avoid Federal Circuit jurisdiction for at least part of a case. It simply makes no sense, particularly for compulsory counterclaims, to sever claims based on the same set of operative facts and send the appeals to different circuits. Collateral estoppel law and res judicata implications will ultimately complicate and potentially increase litigation expenses in such circumstances.

F. Protecting Against Further Crowding the Supreme Court's Docket

The rationale for creating the Federal Circuit was to alleviate the Supreme Court's overcrowded docket. The Supreme Court's busy docket was said to contribute to widespread lack of uniformity in patent law. The Hruska Commission, created in the 1970s to consider a revision to the federal court system and the appellate courts, in particular explained that there was a concern regarding the lack of uniformity in patent decisions. The commission noted specifically that "patent owners and alleged infringers spend inordinate amounts of time, effort and money jockeying for a post position in the right court for the right issues. . . ." This resulted in parties to patent litigation "scrambling to get into the [fifth, sixth and seventh] circuits since the courts there are not inhospitable to patents whereas infringers scramble to get anywhere but in these circuits." This forum shopping created difficulties for patent attorneys in addition to demeaning the courts and the patent system. The problem boiled down to a simple concept, "a lack of guidance and monitoring by a single court whose judgments are notionally binding. . . ." The problem was exacerbated by the fact that the Supreme Court was preoccupied with other matters, so much that it could not effectively monitor the circuits in patent-related issues.

The creation of the Federal Circuit fixed this problem; the
Holmes Group decision threatens its return. The legislative proposals will prevent a return to this problem. Although Justice Stevens suggested in his concurrence that the Supreme Court might benefit from inter-circuit conflicts, a long history has demonstrated otherwise including motivation in part to create the Federal Circuit. Moreover, it has been suggested that Justice Stevens grossly underestimated the conflicts potential.331

VIII. THE RESPONSE TO POTENTIAL OBJECTIONS TO LEGISLATIVE PROPOSALS

Recounted below are hypothetical objections, stated in a way calculated to approximate the tenor of possible opposition to the legislative responses to Holmes Group currently being studied. Responses to the hypothetical objections follow, except to the extent redundant of Section VII of this Article.

OBJECTION 1: CASTING OFF THE WELL-PLEADED COMPLAINT RULE FOR ESTABLISHING JURISDICTION OF PATENT CLAIMS WILL RESULT IN EMASCULATION OF PLAINTIFF’S CHOICE OF FORUM AND LAW AS WELL AS IN INCREASED LITIGATION COMPLEXITY.

The Supreme Court stated that casting aside the well-pleaded complaint rule for patent claims would impair the time-honored practice of permitting the plaintiff to choose his forum and choose which causes of action to assert.332 The Supreme Court also stated that the ease of administering the well-pleaded complaint rule warranted its use in the patent jurisdiction context.333 The Court’s application of the well-pleaded complaint rule resulted from the use of “civil actions arising under” in section 1338, which for reasons of “linguistic consistency” must be read analogously to section 1331’s use of “civil actions arising under” and its interpretation to mean the well-pleaded complaint rule. Congress used the “arising under” language with the understanding it would be interpreted

331. Maher, supra note 11, at B11. Maher discusses Stevens’ underestimation of the conflict by stating that:

[the conflicts may be deeper than Stevens anticipated. . . . Post-Holmes, the regional circuits may decide to apply Federal Circuit patent-law precedent to their cases, or they may decide to rely on their own circuit’s pre-1982 patent-law precedent, informed by intervening Supreme Court precedent. However, if they choose the latter approach, claim interpretation, often the dispositive step in resolving patent-law issues, may become subject to variation across the circuits, both in how it is performed and its ultimate result. This would add an entirely new level of unpredictability to patent suits.

Id.

332. Holmes Group, 122 S. Ct. at 1894. See also Caterpillar, 482 U.S. at 398-99 (holding that the presence of a federal question in a defensive argument does not overcome the policies embodied in the well-pleaded complaint rule).

333. Holmes Group, 122 S. Ct. at 1895.
similarly in sections 1338 and 1331. Petitioner Holmes Group argued, to the Supreme Court, against throwing over the well-pleaded complaint rule:

A marginal and theoretical threat to the uniformity of federal patent jurisprudence surely is not so weighty an objective as to warrant jettisoning of the “well-pleaded complaint rule” and thereby potentially diverting to the Federal Circuit every conceivable type of case in which a defendant might assert a patent law counterclaim, in derogation of the appellate jurisdiction of the regional Circuits and the uniformity of jurisprudence outside the Federal Circuit.

Comity concerns compel that incursions on state courts and state interests be circumscribed and circumspect. A long history of concurrent jurisdiction of patent questions, if not claims, warrants limiting federal jurisdiction to the well-pleaded complaint.

RESPONSE:

The proposed change to section 1338 eliminates the use of “civil action arising under” so that the linguistic tie to federal question jurisdiction of section 1331 will be severed. This will alleviate the concern expressed by the Supreme Court in Holmes Group and of other commentators as well. However, this will not leave courts or litigants adrift without adequate means to determine jurisdiction. The use of “claim for relief” is well understood from Rule 8 of the Federal Rules of Civil Procedure. Of course, courts have always had to analyze claims other than those in the complaint, for example when determining supplemental jurisdiction and when determining Rule 11 and Rule 12 issues.

Moreover, plaintiff’s “mastery” over its complaint has never really been “unfettered” but rather has been circumscribed in a host of ways including preemption, removal, federal rules of procedure, and the requirement that courts consider not simply the language or nomenclature of asserted claims but their underlying bases as well.

The argument that plaintiff’s choice of forum will be impaired by proposed changes to section 1338 is an overblown concern. In

334. H.R. REP. NO. 97-312, at 41 (1981) (detailing that cases that are within the Federal Circuit’s jurisdiction are similar to cases that could be said to arise under federal law for purposes of federal question jurisdiction).
336. Donofrio, supra note 292, at 1840 (stating that “[i]n state versus federal conflicts, significant federalism concerns underlying federal question precedent are implicated, and strict application of federal question principles is appropriate.”).
337. See MOORE ET AL., supra note 27, § 103.41 (stating that the plaintiff is not the master of defenses that a defendant may employ in order to implicate federal law).
the federal claim v. federal counterclaim context, the proposed change will have no effect on choice of trial forum. The proposed change will have no effect on the choice of appellate forum, except a return to previous practice since 1987 when the First Circuit first transferred a patent counterclaim case to the Federal Circuit. The proposed change to § 1338 neither expands nor contracts the choice of the substantive bases for claims in a plaintiff's complaint—plaintiffs have had the opportunity to file patent, copyright and federal trademark claims in federal court and continue to have that same opportunity.

In the state claim v. federal counterclaim context, plaintiff's choice of forum will only be affected if the change to § 1338 is not accompanied by a limit on the removability of the affected cases. If the removability rule remains unchanged, the only forum choices affected will be those where a plaintiff embroiled in an intellectual property dispute with another party has eschewed all federal intellectual property law claims. There is no doubt that, in such a case, the plaintiff's choice of a state forum and state law claims warrants deference, even to the point of forcing a separate federal litigation where the responding party wishes to assert a patent or copyright claim. Moreover, the peculiarly national interest in patents (and copyrights) as expressed through exclusive jurisdiction and by the creation of the Federal Circuit warrants directing claimants to federal fora.

**OBJECTION 2: HOLMES GROUP POSES NO SUBSTANTIAL THREAT TO PATENT LAW UNIFORMITY.**

*Holmes Group's* impacts is—and will likely be—small due to the peculiar facts in that case.338 A few cases cannot do substantial harm to patent uniformity. Congress' goal was the reduction not the elimination of the lack of uniformity then present in patent law.339 "Congress was not concerned that an occasional patent law decision of a regional circuit court, or of a state court, would defeat its goal of increased uniformity in the national law of patents."340 Thus, Congress did not contemplate that every single appealed patent issue would reach the Federal Circuit, because Congress declined to grant issue jurisdiction, despite having done so in other areas.341

One attorney's reaction, minimizing the impact of *Holmes Group*, suggested that the case posed no "systemic tragedy" because a court other than the Federal Circuit hearing a patent issue

338. See Sandburg, supra note 10, at 10 (discussing patent strategy and management).
“every few years” would probably follow Federal Circuit precedent anyway.\textsuperscript{342} Indeed, the interest in patent uniformity is counterbalanced by the need to protect the Federal Circuit against specialization and bias, as suggested by Justice Stevens in his concur-rence.

The argument that uniformity is threatened is belied by the long history of state courts’ decisions on patent questions raised collaterally or by defense. State courts may decide patent issues, such as validity,\textsuperscript{343} infringement,\textsuperscript{344} and inventorship and ownership.\textsuperscript{345}

\textbf{RESPONSE}

Although the number of cases impacted by \textit{Holmes Group} may be small to begin with, the most likely result in the long run, given the accretion of non-Federal Circuit precedent over time, will be a return to the state of patent law to its pre-Federal Circuit morass.\textsuperscript{346}

\textbf{OBJECTION 3: SECTION 1338 AMENDMENTS WOULD UNACCEPTABLY EXPAND THE FEDERAL CIRCUIT’S REACH ON NONPATENT ISSUES.}

Opposition to legislation “overruling” \textit{Holmes Group} might be loudest from the antitrust bar. The antitrust bar is apparently of the view that the Federal Circuit overreaches into the antitrust area.\textsuperscript{347} The Federal Circuit’s proper role was recently discussed at joint hearings of the Federal Trade Commission and the Depart-

\textsuperscript{342} See \textit{Courts, supra} note 267 (discussing the \textit{Holmes Group} holding, which states the federal circuit’s jurisdiction over a case involving a patent claim is based on the well-pleaded complaint and not the basis of a defendant’s counterclaim).

\textsuperscript{343} See \textit{Finch v. Hughes Aircraft Co.}, 926 F.2d 1574, 1581 (Fed. Cir. 1991) (stating that a state court deciding a suit for breach of a license agreement might consider the issue of patent invalidity). \textit{See also} \textit{Jacobs Wind Elec. Co. Inc. v. Fla. Dept. of Trans.}, 919 F.2d 726, 728 (Fed. Cir. 1990) (noting that a state court had no power to invalidate an issued patent but did have power to decide question of validity when properly raised in a state court proceeding); \textit{Intermedics Infusaid, Inc. v. Univ. of Minn.}, 804 F.2d 129, 132-33 (Fed. Cir. 1986) (noting that a state court may rule on validity as an underlying issue of a state contract action).

\textsuperscript{344} See \textit{H.J. Heinz Co. v. Super. Ct.}, 266 P.2d 5, 10 (1954) (concluding that a state may cancel a license and may issue injunction against threatened patent infringement).


\textsuperscript{346} See cases cited \textit{supra} notes 214-40 and accompanying text (noting that Holmes Group may revert patent law to its pre-Federal Circuit days).

ment of Justice Antitrust Division on Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy.\textsuperscript{348} Several authors have decried the Federal Circuit’s decisions accepting jurisdiction over antitrust claims that implicate patent law.\textsuperscript{349} Recent Federal Circuit decisions\textsuperscript{350} applying its own law rather than deferring to regional circuit law on questions relating to the intersection of patents and antitrust have also engendered criticism.\textsuperscript{351}

“Instead of patent rights being circumscribed by core antitrust principles, the fear is the Federal Circuit will emasculate the patent-antitrust interface by taking a too liberal view of the bundle of rights granted to the patent owner when antitrust principles are involved.”\textsuperscript{352} This fear was argued to the Supreme Court by Holmes Group who contended that the Federal Circuit’s interpretation of its own jurisdiction made incursions on the proper jurisdiction of the regional circuits.\textsuperscript{353}

Antitrust commentators point to the following legislative history statements as support for the notion that the Federal Circuit is overreaching:

[Mere] joinder of a patent claim in a case whose gravamen is


\textsuperscript{350} See Xerox, 203 F.3d at 1322 (holding that a court applies the Tenth Circuit’s law when reviewing a district court’s judgment involving federal antitrust law, but applied its own law in resolving issues clearly involving the federal circuit’s exclusive jurisdiction); Innotron, 800 F.2d at 1077 (holding the federal circuit will apply its own precedents regarding issues involving patent law, and will apply any discernable precedents of the regional circuit to non-patent issues whenever the federal circuit is exercising appellate jurisdiction over the merits of a final judgment for an entire case). See also Midwest, 175 F.3d at 1356 (abandoning the application of the regional circuit law and henceforth applying the federal circuit’s law in the resolution of questions that involve the relationship between patent law and federal and state law).

\textsuperscript{351} Stempell & Terzaken, supra note 349, at 725-31; Gambrell, supra note 347, at 141-48.

\textsuperscript{352} Gambrell, supra note 347, at 139.

antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals . . . . [I]t is not the committee's judgment that broader subject matter jurisdiction is intended for this court. Any additional jurisdiction for the Federal Circuit would require "not only serious future evaluation, but new legislation."  

RESPONSE

The legislative history of the Federal Circuit's creation undermines this position of the antitrust bar, at least for some antitrust issues. Congress itself recognized that patent misuse, a patent issue, had been at times mischaracterized as an antitrust issue. Congress contemplated that the appeal of patent misuse claims to the Federal Circuit would pose no difficulty. They believed that "[i]ndeed, maximum achievement of a major goal of the bill, the provision of reliability and uniformity in the rules to be applied in patent cases, would require direction of the appeal in those cases to the Court of Appeals for the Federal Circuit."  

It must be remembered that the antitrust bar did not support the creation of the Federal Circuit prior to its inception, and all indications are that they will have the same view of any legislative retrenchment of the Federal Circuit's jurisdiction. Thus, any effort to persuade Congress to remedy the effects of Holmes Group must be prepared to overcome the concerns of the antitrust bar with compelling justification.

Analysis of the Federal Circuit's holdings and results, in contrast to concern about dicta, does not appear to overly trouble the antitrust bar. Further, complaints that the Federal Circuit has become a specialized or "pro-patent" biased court, as cautioned

355. Id.
357. Id. (emphasis added).
358. See Hruska Report, supra note 306, at 371-72 (noting that given uncertainty about antitrust issues it was surprising that antitrust practitioners were unreceptive to the proposed federal circuit).
against in hearings on the court's creation, appear largely unsupported, yet likely continue in view of Justice Steven's concurrence in *Holmes Group*.\(^{361}\) Statistical studies have been limited to evaluations of end results without thorough consideration of the particular facts of cases and other nuances.\(^{362}\) To the extent generalizations or extrapolations of these empirical studies is possible, they tend to demonstrate that the Federal Circuit's decisions are not "pro-patent."\(^{363}\) For example, one study concluded that the Federal Circuit's just-over-50 percent rate of upholding patent validity was just slightly better than the proverbial coin toss.\(^{364}\) These studies should allay antitrust bar apprehension of "pro-patent" bias.

**OBJECTION 4: THE SUPREME COURT WILL BENEFIT FROM OTHER CIRCUITS DECIDING PATENT CLAIMS.**

Justice Stevens suggested that other circuits' decisions on patent claims might benefit the Supreme Court by identifying areas where the Supreme Court's supervision of the Federal Circuit is needed.\(^{365}\) Justice Stevens' concurrence in *Holmes Group* suggests that regional circuit decisions on patent claims might be a

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\(^{362}\) See id. at 154 (citing Howard T. Markey, *Courts Are Clients Too*, ABA PATENT, TRADEMARK AND COPYRIGHT SECTION ANNUAL MEETING, Aug. 8, 1989). Judge Markey stated that:

To conclude that the court is biased for or against patents would require a thorough study of every patent case decided, including all the facts in every case, everything that happened at trial and in the PTO, all the issues, the briefs, the arguments, the statute and the case law.

*Id.* at 154 n. 19.


\(^{364}\) Allison & Lemley, *supra* note 363, at 151.

\(^{365}\) *Holmes Group*, 122 S. Ct. at 1898.
good thing, an “antidote to the risk that the specialized court may
develop an institutional bias,” notwithstanding that eliminating
patent law conflicts were a prime motivating factor in the creation
of the Federal Circuit. It is not clear from his concurrence
whether Justice Stevens anticipated these conflicts to arise from
regional circuit's application of Federal Circuit law or from the
application of its own pre-1982 and post-2002 regional circuit law.
Having additional courts deciding patent claims might also be
helpful because, according to one observer, errors may be less ob-
vious within a single court.\footnote{367}

RESPONSE:

Justice Stevens’ suggestion demonstrates how soon the prob-
lems solved by the creation of the Federal Circuit have been for-
gotten. The Supreme Court’s overcrowded docket and at-capacity
workload, contributing to rampant inter-circuit conflicts, were part
of the motivation for creating the Federal Circuit in the first
place.\footnote{368} The explosive increase in litigation since 1982 exacerabates
the problem even further.

OBJECTION 5: HOLMES GROUP POSES NO APPELLATE
FORUM SHOPPING OR APPELLATE INTER-CIRCUIT
CONFLICTS PROBLEM.

Objectors will argue that forum shopping will be as likely
with the proposed legislative amendments as is likely following
the Holmes Group decision. The proposed legislative amendments
will result in non-patent-issue-shopping; Holmes Group may result
in patent-issue-shopping. Holmes Group itself is an example of fo-
rum shopping on non-patent issues such as trade dress and collat-
eral estoppel.\footnote{369}

According to some commentators, antitrust claims are an area

\footnote{366} Id.
\footnote{367} Ellen E. Sward & Rodney F. Page, The Federal Courts Improvement
\footnote{368} Janicke, supra note 263, at 653-54.
\footnote{369} Since Aerojet in 1989, there has been a sea change in the Federal Cir-
cuit’s approach to what law it chooses to apply in cases such as this, and it
is the Federal Circuit’s choice of law approach, adopted in the late 1990’s,
which has given birth to this entire action. . . . And the Federal Circuit, be-
ing a co-equal court of appeals, is fully entitled, I suppose, to fashion its
own liability rules and apply them even to claims over which it has only
nonexclusive or pendent jurisdiction. But by doing that, it has given rise to
great incentives, which the respondent has attempted to avail itself of in
this case, to get a case into the Federal Circuit and take advantage of the
different law of the Federal Circuit on a non-patent claim.
Holmes Group, Inc. v. Vornado Air Circulation Sys. Inc., at * 12-13 Oral Ar-
gument Transcript, 2002 U.S. TRANS LEXIS 27 (Mr. Dabney speaking on be-
half of Holmes Group).
where there is incentive for parties to engage in forum shopping. Parties who seek to litigate non-patent pendant antitrust claims in the Federal Circuit encounter an expansive view of the court's interpretation of antitrust law.

Thus, while forum shopping between the Federal Circuit and regional circuits is taking place on issues presenting mixed patent and non-patent questions, opponents of the legislation will likely argue that forum shopping on patent questions is not even possible because regional circuit courts may well defer to Federal Circuit guidance. For example, in *K&F Manufacturing v. Western Litho Plate & Supply Co.*, the court questioned whether outcome forum shopping in patent cases was even possible because the Federal Circuit takes all patent appeals: "[a] declaratory judgment plaintiff may achieve a more convenient forum, but cannot achieve a tactical advantage in choice of controlling precedent."

The plaintiff in *Holmes Group* argued extensively to the Supreme Court that the Federal Circuit's application of its own antitrust law, trade dress, and other claims in deciding what patent law permits and prohibits, was overreaching and warranted limiting its jurisdiction.

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371. Lewis Clayton noted one observer who noted that:

Where Federal Circuit law differs from regional circuit law at the intersection of non-patent and patent issues, leaving the *Holmes Group* rule intact lessens the impact of the Federal Circuit on non-patent claims not within its exclusive jurisdiction. . . . [T]he Federal Circuit has proved hostile to claims that the refusal to license intellectual property can amount to an antitrust violation. That position, as well as the Federal Circuit's expansive view of its jurisdiction, has drawn criticism from antitrust regulators such as Chairman Timothy Muris of the Federal Trade Commission. *Holmes* creates a real incentive for any party with such an antitrust claim to sue first and avoid Federal Circuit appellate jurisdiction.

*Id.*


373. The Petitioner in *Holmes Group* argued that:

Congress' passage of [1295(a)(1)] reflected its expectation that this court would not appropriate or usurp for itself a broad guiding role for the district courts beyond its mandate to contribute to uniformity of the substantive law of patents, plant variety, and the Little Tucker Act. *Atari*, 747 F.2d at 1438. . . . "A district court judge should not be expected to look over his shoulder to the law in this circuit, save as to those claims over which our subject matter jurisdiction is exclusive." *Id.* at 1439.

In the late 1990's, however, the Federal Circuit abruptly reversed field and held that it would start fashioning "its own" substantive liability rules for antitrust, "trade dress," and other claims over which it had only pendent or non-exclusive jurisdiction. *E.g.*, *In re Indep. Serv. Org. Antitrust Litig.*, 203 F.3d 1322, 1324-27 (Fed. Cir. 2000), cert. denied, 121 S. Ct. 1077 (2001); *Zenith Elec. Corp. v. Elotouch Sys., Inc.*, 182 F.3d 1340 1354-55 (Fed. Cir. 1999); *Hunter Douglas, Inc. v. Harmonic Designs, Inc.*, 153 F.3d 1318, 11335-38 (Fed. Cir. 1998), cert. denied, 525
Petitioner summarized the Federal Circuit’s approach to jurisdiction and application of its own law as “a powerful inducement to forum shopping and the stirring up of marginal patent litigation in aid of such shopping.”

RESPONSE

Without any explicit Congressional direction on whether sister circuit court decisions are binding on the Federal Circuit, the approach taken by the Federal Circuit to apply its own law when a substantial patent law question is involved is the direction most in line with the court’s purpose. Appellate forum shopping will not be increased by marginal patent litigation because numerous procedural mechanisms, such as Rules 11 and 12 of the Federal Rules of Civil Procedure, protect against the prolongation of marginal litigation. Moreover, as advised by Congress and as implemented by the Federal Circuit, frivolous patent claims have not served as a basis for exclusive Federal Circuit jurisdiction. Appellate forum shopping and “choice of law” problems will be more aggravated by the continued application of the Holmes Group rule than by the proposed amendments, as discussed fully above in sections VII C and D.

CONCLUSION

Proposed amendments to judicial code sections 1338 and 1445 in response to the Supreme Court’s ruling in Holmes Group promise an adjustment to the Federal Circuit’s jurisdiction in alignment with its mandate to increase patent law uniformity. These changes do not gerrymander or unfairly manipulate the Federal Circuit’s jurisdiction to include disproportionate numbers of non-patent claims such as antitrust claims. Congress recognized, as expressed in the legislative history of the Federal Circuit’s creation, that non-patent claims should be heard by the court. Indeed, Congress intended that the Federal Circuit decide non-patent claims as an amulet protecting against the strongest objection to the court’s creation—specialization. All the reasons supporting

U.S. 1143 (1999), overruled by Midwest, 175 F.3d at 1359; Nobelpharma, 141 F.3d at 1439. The Federal Circuit justified its changed position on the basis that it was, in its words, “the tribunal having sole appellate responsibility for the development of patent law,” which “responsibility” was further said to include “deciding what patent law permits and prohibits” when asserted as a defense to a claim arising under non-patent law. Midwest, 175 F3d at 1360-61.


375. See Bennett, supra note 253 at 12-13 (noting that committee reports from both the House and Senate rejected specialization for the federal circuit).
the Federal Circuit's creation in 1982 now support Congressional correction of the Federal Circuit's jurisdiction. None of the arguments against fixing the Federal Circuit's jurisdiction are new, and Congress already decided against them. Congress must do so again and must act now before twenty years of thoughtful jurisprudence is undone.