THE RISE AND FALL OF PATENT LAW UNIFORMITY AND THE NEED FOR A CONGRESSIONAL RESPONSE

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The Supreme Court's *Holmes Group v. Vornado*[1] decision ensures that future patent law issues that are litigated, but that do not arise in the complaint, will be appealed to regional circuit courts, or potentially even decided in state courts. Commentators argue that such a structure sets patent law back nearly to the pre-Federal Circuit era and thus reintroduces patent law to forum shopping and lack of uniformity.[2] Absent a congressional response, it is the responsibility of the regional circuit courts to effectuate congressional intent regarding patent law uniformity in light of the *Holmes* decision. However, even a concerted effort on the part of these courts will be insufficient to fully satisfy the intent of Congress in creating the Federal Circuit due to the inherent differences in reasonable interpretation of the same law.

It is therefore necessary for Congress to readdress the scope of Federal Circuit jurisdiction. The courts cannot simply determine subject matter jurisdiction based on a bright line rule such as the well-pleaded complaint rule. The *Holmes* decision will affect a significant number of cases, most notably patent counterclaims in response to antitrust and trade dress lawsuits. These cases represent an area of law where the subject matter jurisdiction of the court is invariably intertwined with matters not exclusively within the Federal Circuit's jurisdiction. From a policy standpoint, it is necessary to determine whether uniformity in patent law is a sufficient concern to warrant Federal Circuit jurisdiction in these non-patent areas as well. There is no dispute that these associated areas of law will benefit from varying interpretations among the different appellate courts, but to the extent that they substantially affect the operation of patent law, the need for uniformity in the field requires exclusive jurisdiction of the Federal Circuit.

1. Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826 (2002).

2. *See, e.g.*, Kenneth C. Bass, III & Linda E. Alcorn, *Critique and Consequences of the Supreme Court's Decision in* Holmes v. Vornado, 5 J. APP. PRAC. & PROCESS 501, 514–19 (2003). This is likely overstated to a certain degree, especially at present. The Federal Circuit still hears the vast majority of patent cases under 28 U.S.C. § 1295(a). As discussed *infra*, however, the passage of time without a change in the current application of Federal Circuit jurisdiction may create a lack of uniformity in the field of patents and approach the pre-Federal Circuit era.

In 1982, Congress created the Federal Circuit under the Federal Court Improvement Act of 1982 ("FCIA") for the express purposes of creating national uniformity in the application of patent law, developing technical judicial expertise, reducing the burdensome caseload on appellate courts, and eliminating forum shopping among the federal circuit courts.[3] The appellate jurisdiction of the Federal Circuit, established under 28 U.S.C. § 1295(a), grants the power to hear "an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title."[4] Section 1338(a), in turn, provides that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ."[5] The recent Supreme Court decision in *Holmes* interpreted this language to restrict Federal Circuit patent jurisdiction to only those cases in which the plaintiff raised a patent issue in its well-pleaded complaint.[6] However, this interpretation flies in the face of the clear congressional intent to direct virtually all patent issues to the Federal Circuit in hopes of creating uniformity in this troublesome area of law.

The scope of Federal Circuit jurisdiction has been unclear since the court's creation.[7] Following the inception of the Federal Circuit, confusion existed in the district courts regarding the interpretation of the "in whole or in part" and "arising under" text of these statutes.[8] At that time, the Federal Circuit heard appeals from cases in which a patent law issue arose either in the plaintiff's complaint or in the defendant's counterclaim.[9] In 1988, the Supreme Court limited this jurisdiction with its holding in *Christianson v. Colt Industries Operating Corp*.[10] In *Christianson*, the Court held that the "arising under" language of § 1338 must necessarily be interpreted the same as the identical language in § 1331 dealing with federal question jurisdiction.[11] As such, the Federal Circuit jurisdiction depends upon the "well-pleaded complaint rule," which allows appeals to that court if the complaint "establishes either that federal patent law creates the cause of

3. Fed. Circuit Bar Ass'n Bd. of Governors, *Report of the Ad Hoc Committee to Study* Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 12 FED. CIR. B.J. 713, 716–22 (2002). *See also* H.R. REP. NO. 97-312, at 23 (1981).

4. 28 U.S.C. § 1295(a)(1) (2000).

5. *Id.* § 1338(a).

6. *See Holmes Group, Inc.*, 535 U.S. at 833–34.

7. Christian A. Fox, *On Your Mark, Get Set, Go! A New Race to the Courthouse Sponsored by* Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 2003 B.Y.U. L. REV. 331, 334 (2003).

8. *See id.* at 335–36.

9. *See, e.g.*, Aerojet-Gen. Corp. v. Machine Tool Works, Ltd., 895 F.2d 736 (Fed. Cir. 1990).

10. 486 U.S. 800 (1988).

11. *Id.* at 808–09.

action or that the plaintiff's right to relief necessarily depends on the resolution of a substantial question of federal patent law."[12]

In response to *Christianson*, the Federal Circuit adopted a liberal interpretation of the well-pleaded complaint rule, apparently relying on its opinion that "substantial questions" was a flexible standard.[13] The Federal Circuit's decision in *Aerojet-General Corp. v. Machine Tool Works* firmly established its interpretation of the *Christianson* requirement prior to being overturned by *Holmes*.[14] In *Aerojet*, the Federal Circuit unanimously held that compulsory counterclaims were within the scope of the well-pleaded complaint rule and therefore subject to its exclusive jurisdiction, although patent defenses did not qualify a case for Federal Circuit jurisdiction.[15] In so holding, the court reasoned that "Congress clearly wanted this court to get its hands on well-pleaded, nonfrivolous *claims* arising under the patent laws and thus to maximize the court's chances of achieving the Congressional objectives that formed the basis for the [Federal Court Improvement Act]."[16] This remained good law for the next twelve years until the Supreme Court struck *Aerojet* down in *Holmes.*[17]

The *Holmes* case arose based on a trade dress infringement complaint issued to the International Trade Commission by Vornado against Holmes.[18] Holmes responded by filing a complaint at the federal district court seeking a declaratory judgment that no such infringement took place.[19] Although Vornado, the defendant in the declaratory judgment action, asserted a patent infringement counterclaim (presumably to secure jurisdiction in the Federal Circuit under *Aerojet*) the counterclaim was never adjudicated at the district court level.[20] Following a decision in favor of Holmes, Vornado appealed to the Federal Circuit.[21] After the Federal Circuit asserted jurisdiction and remanded the case, Holmes appealed to the Supreme Court, which granted certiorari. In reviewing the scope of the Federal Circuit's jurisdiction, the Supreme Court reaffirmed its formalistic

12. *Id.*

13. *Aerojet*, 907 F.2d at 741.

14. *Id.* The Federal Circuit assumed jurisdiction according to the rule established in the *Aerojet* decision from the time that it was decided up to and including the *Holmes* appeal. *See Holmes*, 535 U.S. at 829 (identifying petitioners unsuccessful challenge to the Federal Circuit's jurisdiction).

15. *Aerojet*, 895 F.2d at 741–44.

16. *Id.* at 744 (emphasis in original). *See also* Scott Amy, *Limiting the Jurisdiction of the Federal Circuit: How* Holmes *Alters the Landscape of Patent Cases on Appeal*, 38 GA. L. REV. 429, 443 (2003).

17. *Holmes*, 535 U.S. at 830.

18. *Id.* at 828.

19. *Id.*

20. *Id.*

21. *Id.* at 829.

reasoning in *Christianson* that the well-pleaded complaint rule governed its appellate jurisdiction.[22] The Court clarified the prior precedent by asserting that only those claims in the plaintiff's complaint could satisfy the "arising under" language of § 1338, regardless of congressional intent.[23]

This Comment argues that congressional action is an appropriate response to *Holmes*. Part I demonstrates the necessity of uniformity in patent law by weighing the benefits and drawbacks of specific legislation designed to protect this area of law. Part II analyzes the effect of the *Holmes* decision with respect to those benefits and drawbacks. Part III next considers possible non-congressional responses to determine whether the uniformity of patent law is maintainable by the least burdensome means. Finally, Part IV of this Comment examines what actions Congress may take, in light of current common law doctrine, in order to secure the Federal Circuit jurisdiction necessary to maintain uniformity in the patent field.

I. UNIFORMITY IN PATENT LAW IS NECESSARY FOR EFFECTIVE PROMOTION OF THE USEFUL ARTS

The necessity and desirability of uniformity in patent law has long been debated.[24] Proponents of uniformity in patent law generally point to its necessity for effective business planning which leads to greater innovation.[25] Opponents of uniformity contend that such a focus in one area of the law leads to "tunnel vision" in which legitimate disputes may be overlooked in the honest attempt to achieve the goal.[26] Both arguments are legitimate, and with the passage of the FCIA and the creation of the Court of Appeals for the Federal Circuit, Congress struck a balance between the two sides that achieves the benefits desired by proponents while alleviating the fears of opponents.[27]

The purpose of patent law is twofold and self-fulfilling. Patent law seeks to encourage disclosure of new and useful inventions to the public by

22. *Id.* at 830.

23. *Id.* at 832–33.

24. *See generally* H.R. REP. NO. 97-312, at 20 (1981).

25. *Id.* at 23. In obtaining a patent, a business must determine if the value of a patent will offset the cost of the time and effort expended in development of the patented technology. If the invention is not likely to provide a net profit, the business is unlikely to pursue the project. Uniformity of the law aids businesses in this position by providing them with the ability to accurately assess the patent value. Without the ability to make this accurate determination, the risks of investment increase and the likelihood of development and innovation must decrease.

26. Comm'n on Revision of the Fed. Court Appellate Sys., *Structure and Internal Procedures: Recommendations for Change*, 67 F.R.D. 195, 234–35 (1975) [hereinafter Hruska Report].

27. *See generally* H.R. REP. NO. 97-312.

offering the incentive of a temporary pseudo-monopoly in the invention.[28] The law is designed to benefit the public by encouraging the disclosure of the previously private information, giving the public alternatives to solutions, which presumably leads to further innovation.[29] This innovation is a foundation of American industry and leads to economic growth and its attendant public benefits.[30] Uniformity in the law of patents encourages such innovation because litigation of patents is particularly expensive and time consuming due to the complexity and technical detail of the subject matter.[31] Practitioners in the business of innovation recognize that a patent and the ability to anticipate its value through a uniform application of the law lead to greater certainty and increase the degree of investment that a business is willing to make towards commercializing a new invention.[32] Particularly for small businesses, certainty in the law provides the opportunity to invest in innovation while limiting the significant additional risk of expensive litigation that follows from different interpretations of the same law by different courts.[33] As noted in the House Report approving the creation of the Federal Circuit, "[d]ecisions to file patent applications and to invest in commercializing inventions would be improved meaningfully as a result of the greater uniformity and reliability. . . ."[34]

In addition, uniformity in patent law reduces the amount of litigation.[35] This benefits not only patent holders but the public as well by reducing taxpayer costs of supporting the increased burden on the courts and by further spurring investment in innovation due to decreased risk; this increases the economic prosperity of the nation. The absence of courts with varying interpretations gives security to patent holders, allowing them to invest greater amounts into the development of new innovation without the fear of recurring litigation on a common theme, which consistent interpretations of the law make financially unrewarding.[36] The House Report summed up the benefits of uniformity well when it stated that lack of uni-

28. Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017, 1024 (1989).

29. *Id.* at 1028.

30. *See id.* at 1031.

31. *See* H.R. REP. NO. 97-312, at 20.

32. *Id.* at 22 (citing support for the proposition that innovators desire certainty in patent law, the House Report noted that "the Industrial Research Institute, a private, non-profit corporation with a membership of approximately 250 industrial companies that account for a major portion of the industrial research and development conducted in the United States, polled its membership and found them overwhelmingly in favor of centralizing patent appeals in a single court").

33. *Id.*

34. *Id*.

35. *Id.* at 22–23.

36. *Id.* at 23.

formity leads to forum shopping that "not only increases litigation costs inordinately and decreases one's ability to advise clients, it demeans the entire judicial process and the patent system as well."[37]

Two bases of opposition are generally asserted against patent law uniformity. The first basis of opposition is that development of the law benefits from opposing viewpoints in different courts.[38] The second centers on the fear that specialized interests may develop in specialized courts, which can easily lose sight of the big picture and policy concerns affecting those areas of law not addressed by the court.[39]

The existence of opposing viewpoints is concededly beneficial in general. However, the law recognizes greater benefits in uniformity with respect to laws that affect financial planning, and hence the national economy, as evidenced by the development of uniform laws such as the Uniform Commercial Code, the Uniform Trade Secrets Act, and the Internal Revenue Service Tax Code. These sets of laws are all directed to economic planning and consequences for both businesses and individuals. They reflect the policy decision that the need for certainty in economic planning outweighs the benefit of opposing viewpoints in the law. Likewise, the effect and value of patents now constitute a critical element in the economic planning of many businesses.[40] As in other areas of the law concerning economic planning, policy concerns dictate that the economic benefits of uniformity in patent law outweigh the detriments of uniformity in general.

In addition, the desire for opposing viewpoints is necessarily directed only to variations found in courts inferior to the United States Supreme Court. Because a Supreme Court ruling on patent law is binding on all inferior courts, the Court's decision, at least theoretically, creates uniformity. Therefore, the heart of the argument is not ultimately in opposition to uniformity in the field, but in vesting the creation of that uniformity in an appellate level court with binding authority on all lower level courts in that subject matter. The primary theoretical problem in allowing a single inferior appellate court to create binding precedent is that alternative viewpoints cannot then be raised, even at the trial level. However, this problem is not a valid concern in the field of patent law because, as Congress noted in passing the FCIA, patent law "is an area in which the application of the

37. *Id.* at 21.

38. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 839 (Stevens, J., concurring).

39. *See* Hruska Report, *supra* note 26, at 235.

40. H.R. REP. NO. 97-312, at 22.

law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases."[41] This quirk inevitably introduces viewpoints not previously considered, which the Federal Circuit can then address.

Forum shopping is also a pressing concern that weighs against allowing patent law diversity.[42] Although forum shopping is discouraged regardless of the area of law, the House Report prepared prior to the inception of the Federal Circuit noted that patent law is particularly susceptible to forum shopping because of the potential for variable outcomes in similar factual situations.[43] Because the patent laws are so vulnerable to alternative interpretations, the policies of courts in various regions of the country are likely to diverge, creating "mad and undignified races" to the courthouse, as the state of affairs prior to centralization of patent law indicates.[44] Opponents of uniformity argue that forum shopping is beneficial because it demonstrates ambiguities in the law which different regional factions prefer, requiring review by the Supreme Court.[45] According to this argument, it also prevents a specialized court from implementing an institutional bias.[46]

This line of argument fails with regard to patents on two counts. First, patent law is a national creation; patents are not subject to the preferences of regional factions but are developed to promote innovation and spur the national economy.[47] In fact, those opposing a full scope of patent jurisdiction for the Federal Circuit would not likely oppose the same cases being adjudicated in front of the Supreme Court if time and resources permitted. A Supreme Court decision, however, would create the same degree of uniformity sought by Congress in the creation of the Federal Circuit. Thus, the opposition to this line of argumentation is not directed at uniformity of patent law, but at the level of the court at which such uniformity is determined.

Second, the Federal Circuit is not a specialized court, in the true sense of the phrase, because of the vast array of subject matter to which it is exposed.[48] This reduces the risk of institutional bias that concerns those op-

41. *Id.* at 20.

42. *Id.*

43. *Id.*

44. *Id.* at 21.

45. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 839 (Stevens, J., concurring).

46. *Id.*

47. The federal nature of the patent system is evident from the Constitutional grant of power to Congress to "promote the Progress of Science and useful Arts. . . ." U.S. CONST. art. I, § 8, cl. 8.

48. H.R. REP. NO. 97-312, at 19 (stating that the Court of Claims, from which the Federal Circuit was formed, heard cases in a host of specific legal areas).

posed to specialized courts. The primary fear is that "the quality of decision-making would suffer as the specialized judges become subject to 'tunnel vision,' seeing the cases in a narrow perspective without the insights stemming from broad exposure to legal problems in a variety of fields."[49] Other concerns regarding specialized courts include the fear that judges, as experts in a single field, may impose their own policy beyond the scope of the case, that the system will not incentivize judges to produce thorough and persuasive opinions, that regional influences may be eliminated, or that special interest groups may "capture" the judicial seats.[50]

These are legitimate concerns with respect to specialized courts. However, the broad range of subject matter directed to the Federal Circuit negates these concerns. As opposed to hearing only those cases relating to patents, the Federal Circuit decides cases involving a broad range of legal issues including some agency appeals, federal contracts, civil tax issues involving the government, Indian claims, military and civilian pay disputes, inverse condemnation, and others.[51] This broad range provides judges on the Federal Circuit a more extensive background in a variety of fields, which gives the judges perspective in deciding the issues before them. Additionally, Federal Circuit cases may be appealed to the Supreme Court, providing incentive to Federal Circuit judges to furnish complete opinions relating strictly to the issues of the case.[52] Lastly, the alarmist fear that special interest groups could take over the Federal Circuit is unfounded. No greater risk of corruption is present in appointment of Federal Circuit judges than in the appointment of Supreme Court Justices. Federal Circuit judges and Supreme Court Justices are subject to the same appointment by the President of the United States and the same review by Congress.[53] Although there are inherent concerns in the establishment of specialized courts, the broad range of Federal Circuit jurisdiction and the appellate check of the Supreme Court effectively balance these concerns against the need for uniformity in patent law.

II. *HOLMES* AND THE RESULTING DISRUPTION OF UNIFORMITY IN PATENT LAW

The decisions of the United States Supreme Court in *Christianson* and *Holmes* effectively eviscerated the intent of Congress in passing the FCIA.

49. *See* Hruska Report, *supra* note 26, at 234–35.
50. *Id.* at 235.
51. H.R. REP. NO. 97-312, at 19.
52. *Id.* at 41.
53. *Id.* at 16.

The *Christianson* decision eliminated the jurisdiction of the Federal Circuit with respect to patent defenses.[54] Twelve years later, the Supreme Court again restricted the jurisdiction of the Federal Circuit in *Holmes*, this time striking down counterclaims that were previously appealed to the Federal Circuit.[55] The result is that cases that are substantially dependent on application of patent law, but in which these issues do not arise in the plaintiff's complaint, will be appealed to the regional circuit courts or even tried in state level courts. As discussed in Section III below, this will necessarily lead to a disruption in the uniformity of patent law and a frustration of congressional intent.

The Supreme Court decision in *Holmes* further inflamed the situation created by the *Christianson* decision in two significant respects. First, the decision promotes forum shopping with respect to issues of patent law. Second, the decision extends the scope of state jurisdiction over important matters of federal concern.

Putting a stop to forum shopping was one of the goals that Congress sought to achieve in passing the FCIA.[56] Prior to the creation of the Federal Circuit, patent cases were adjudicated in the regional circuit courts; these courts developed reputations as either pro- or anti-patent, leading to "mad and undignified" races to the courthouse between patent holders and alleged infringers in order to determine the forum of the litigation.[57] Commentators both in favor of and opposed to the *Holmes* decision have argued over whether the post-*Holmes* landscape is a return to this "race to the courthouse."[58] Both sides present a strong argument. Those in favor of the *Holmes* decision generally concede that a degree of forum shopping will result from the decision, but that Federal Circuit treatment of non-patent law has resulted in a form of non-patent forum shopping that outweighs this concern.[59] For example, the Federal Circuit decision in *Nobelpharma*

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

55. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 831 (2002).

56. *See* H.R. REP. NO. 97-312, at 22 ("A single court of appeals for patent cases will promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, the forum-shopping that now occurs.").

57. *Id.* at 21.

58. *Compare* Fox, *supra* note 7, at 348 (arguing that alleged infringers with a legitimate alternative claim, such as antitrust, can now preemptively file and force a compulsory patent claim that will not confer Federal Circuit jurisdiction and allow forum shopping among the regional circuit courts), *with* Patrick H. Moran, *The Federal and Ninth Circuits Square Off: Refusals to Deal and the Precarious Intersection Between Antitrust and Patent Law*, 87 MARQ. L. REV. 387, 415 (2003) (arguing that the result of a race to the courthouse was clear to the Court in issuing the *Holmes* opinion, but this result is outweighed by the elimination of forum shopping in favor of Federal Circuit jurisdiction for non-patent law issues).

59. *See* Moran, *supra* note 58, at 415.

altered the court's treatment of non-patent issues, specifically antitrust law.[60] Prior to that decision, the court relied upon the interpretation of the regional circuit courts on all antitrust matters of law.[61] Post-*Nobelpharma*, the policy of the Federal Circuit was to apply its own interpretation to those non-patent matters.[62] Some commentators rightfully contend that this policy allows practitioners to forum shop by either adding or omitting patent claims to obtain or avoid Federal Circuit jurisdiction with respect to a case based primarily on antitrust law.[63] Supporters of *Holmes* then conclude that the patent related forum shopping created by diluting Federal Circuit jurisdiction is counterbalanced by the decrease in forum shopping in non-patent fields.[64] However, in enacting the FCIA, Congress specifically contemplated the effect that Federal Circuit jurisdiction over patent *cases* would have on non-patent areas of law.[65] In light of this consideration, it is logical to deduce that Congress determined that uniformity of patent law outweighed these considerations. In fact, to alleviate these fears, Congress added a provision to the Act, indicative of the forum shopping that those questioning the Act had in mind; this provision provided only that Federal Circuit jurisdiction could not be altered by "immaterial, inferential, and frivolous allegations."[66] Thus, it appears that Congress's concern was not that the Federal Circuit would decide important issues of non-patent law, but that parties would manipulate the jurisdiction of the Federal Circuit to take advantage of those interpretations.

Supporters of *Holmes* also point to the fact that three years have elapsed since the decision and Congress has not reacted, suggesting that the importance and magnitude of this decision on patent uniformity is overstated.[67] One commentator notes that "[t]he reported cases prior to Holmes which based Federal Circuit jurisdiction on patent law counterclaims total less than ten."[68] Although the insignificance of the number and the lack of congressional action are initially persuasive, a thorough consideration reveals that a single notion answers both of these concerns.

60. *See generally* Nobelpharma v. Implant Innovations, Inc., 141 F.3d 1059, 1067 (Fed. Cir. 1998).

61. *Id.*

62. *Id.* at 1067–68.

63. *See* Moran, *supra* note 58, at 415.

64. *Id.*

65. S. REP. NO. 97-275, at 6 (1981), *reprinted in* 1983 U.S.C.C.A.N. 11, 16.

66. *Id.* at 19–20.

67. *See, e.g.*, Moran, *supra* note 58, at 415.

68. Christopher A. Cotropia, *"Arising Under" Jurisdiction and Uniformity in Patent Law*, 9 MICH. TELECOMM. & TECH. L. REV. 253, 298 (2003), *available at* http://www.mttlr.org/volnine/cotropia.pdf.

First of all, it takes time for a doctrinal shift to occur. Because the regional circuit courts have not developed case law relating to patents since 1982, it is reasonable that they will rely on Federal Circuit precedent until a clear body of law is developed within the circuit on that issue.[69] Because they will apply Federal Circuit law, there is no reason for a litigant to forum shop among the circuits, and therefore the number of cases will be limited. However, at some point, the regional circuit courts will decide issues of patent law based upon interpretations of their own precedent. When this occurs, it will invariably lead to splits between some of the regional circuit courts and the Federal Circuit. To find evidence of this, the interested observer need look no further than the prior state of affairs in regional circuit courts before the creation of the Federal Circuit. The Senate Report recognized that patent law was an area "of the law in which the appellate courts reach inconsistent decisions on the same issue, or in which—although the rule of law may be fairly clear—courts apply the law unevenly when faced with the facts of individual cases."[70] Similarly, the House Report noted that

> [e]ven in circumstances in which there is no conflict as to the actual rule of law, the courts take such a great variety of approaches and attitudes toward the patent system that the application of the law to the facts of an individual case produces unevenness in the administration of the patent law.[71]

The state of patent law has not achieved such clarity in the last twenty-three years that the same complications will not once again surface. It is not until regional courts begin to apply their own law that litigators will be induced to forum shop. The legislative history of the FCIA supports this argument.[72] The Senate Report noted that, as uniformity to patent law developed, "the number of appeals resulting from attempts to obtain different ruling on disputed legal points [could] be expected to decrease."[73] Likewise, a gradual increase in appeals can be expected as the uniformity in patent law slowly erodes.

Second, the "fewer than ten cases" statistic applies only to counterclaims, which constitute the cases now affected by *Holmes*; but not all of the cases that have been withdrawn from Federal Circuit jurisdiction since its inception arise as counterclaims. Also included within the original legis-

69. *See* Gentry Crook McLean, Vornado *Hits the Midwest: Federal Circuit Jurisdiction in Patent and Antitrust Cases After* Holmes v. Vornado, 82 TEX. L. REV. 1091, 1119 (2004).

70. S. REP. NO. 97-275, at 3.

71. H.R. REP. NO. 97-312, at 21 (1981).

72. *See* S. REP. NO. 97-275, at 5.

73. *Id.*

lative intent are a wide variety of cases in which patent law forms a substantial part of a non-patent claim. Cases claiming antitrust, trademark, copyright, trade secret, or contract violations may necessarily create a compulsory counterclaim.[74] Thus, any potential patent infringer could preemptively assert a non-frivolous claim under these non-patent fields to secure jurisdiction in the regional circuit courts that end up developing case law which is unfavorable to the patent owner.[75]

Therefore, although the immediate effects on patent law, and hence what Congress intended to protect with the FCIA, are limited, it is probable that the number of cases brought before the regional circuit courts will increase exponentially as the law develops in those courts. For this reason, a response to these concerns is necessary to protect the uniformity of patent law.

III. COURTS' RESPONSES TO *HOLMES*

Because the necessity for uniformity in patent law still remains and the *Holmes* decision disrupts that uniformity, it is necessary to determine the best response to alleviate the tension. The simplest response is to allow the courts to individually enforce the congressional intent with respect to patent law on a case by case basis. This Section examines possible responses of the courts affected by the *Holmes* decision and the likely effects of each.

A. State and Trial Level Courts' Responses

After *Holmes*, cases in which the well-pleaded complaint does not contain a patent law claim will be brought in either state trial courts or the federal district courts. One of the primary benefits of *Holmes* is that these trial level courts can easily look at the well-pleaded complaint to determine jurisdiction over those claims and the law that the court should apply to the given case.[76] However, this benefit does not necessarily serve to create uniformity in patent law as Congress intended in passing the FCIA.

Dealing with this anomaly at the state court level presents the greatest problems. The tension created by the conflict between state and federal power, which has guided the development of federal question jurisdiction, is no less a concern with respect to the interpretation of patent law.[77]

74. Cotropia, *supra* note 68, at 298.
75. *Id.*
76. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 832 (2002).
77. H.R. REP. NO. 97-312, at 42 (1981).

Moreover, this federalism concern was present when Congress passed the FCIA and likely was a major reason why Congress required that Federal Circuit jurisdiction follow federal question jurisprudence.[78] Because Congress was initially willing to subordinate patent law's interest in uniformity to federalism interests governed by federal question jurisdiction, this balance should not be disturbed.

That being said, it was common practice of state courts, prior to 1982, to dismiss counterclaims that alleged patent issues, finding them to be within the exclusive jurisdiction of the federal courts.[79] From the perspective of state courts, the dismissal is judicially efficient because those claims will not reappear in the state courts. However, it is unclear whether this is a viable option in some states due to the compulsory nature of some counterclaims.[80] If states do have a rule similar to Rule 13 of the Federal Rules of Civil Procedure, requiring counterclaims to suffer the same fate as the associated case, the demands of federalism and deference to Congress demand that such patent claims remain in state courts. In these cases, the state court should apply Federal Circuit law in an attempt to maintain uniformity. As discussed below, however, such measures are likely to be ineffective.[81] Nonetheless, the number of cases containing patent counterclaims that are neither removable to federal courts nor dismissible by the state courts is likely to be quite small and should have a negligible effect on the state of patent law.

With respect to federal district courts, the primary concern is which law to apply to patent issues. The district court has the option to apply either Federal Circuit law to all patent issues or to apply the law of the regional circuit to which an appeal would be directed.[82] This becomes complicated when a patent issue is not a part of either the claim or counterclaim, but constitutes a necessary component in deciding a non-patent issue. The difficulty is that decisions in specific areas of law, including some claims involving antitrust, contracts, copyrights, federal business law tort claims such as trade dress infringement, patent licensing disputes, and state

78. *Id*. at 41.

79. *See, e.g.*, W. Elec. Co. v. Components, Inc., 1970 WL 458, at *1 (Del. Ch. 1970); Pleatmaster, Inc. v. Consol. Trimming Corp., 156 N.Y.S.2d 662, 662–63 (Sup. Ct. 1956); Superior Clay Corp. v. Clay Sewer Pipe Ass'n, 215 N.E.2d 437 (Ohio C.P. 1963).

80. Some states have a rule, similar to that of Rule 13 of the Federal Rules of Civil Procedure, wherein a counterclaim becomes compulsory if sufficiently related to claims in the complaint, thus resulting in forfeiture of the claim upon dismissal. Ravi V. Sitwala, *In Defense of* Holmes v. Vornado*: Addressing the Unwarranted Criticism*, 79 N.Y.U. L. REV. 452, 476 (2004).

81. *See infra* notes 92–96 and accompanying text.

82. *See* Sitwala, *supra* note 80, at 476.

law business disparagement claims, have a direct effect on patent law.[83] In order to most effectively adhere to congressional intent, the district courts should rely on Federal Circuit law for any of these issues that have a substantial effect on patent law.[84] All of these causes of action existed at the time Congress created the Federal Circuit. Thus, Congress's intent that such causes should be adjudicated under Federal Circuit jurisdiction, as indicated in both the House and Senate debates,[85] presents strong evidence that the district courts should act to uphold this legislative determination.

B. Possible Response by the Federal Circuit

Despite the fact that the *Holmes* decision will reduce the number of cases before the Federal Circuit, the court does not need to make significant changes in its application of patent law in order to respect the congressional intent to create certainty in the application of patent law. Although some commentators have suggested that the Federal Circuit impermissibly broadened its scope of jurisdiction by deciding substantial issues of non-patent law,[86] it is necessary for the court to do so in some cases in order to carry out its foundational mission to bring uniformity to patent law, as discussed above.

One specific argument made by Ravi Sitwala notes that there was heavy debate in Congress before the creation of the court regarding the potential for the Federal Circuit's "unchecked encroachment" on non-patent areas of law.[87] Sitwala then proceeds to argue that this fear is being realized, citing two Federal Circuit cases in which the court departed from Ninth Circuit precedent regarding antitrust issues.[88] While these types of

83. *See, e.g.*, Telecomm Tech Servs., Inc. v. Siemens Rolm Commc'ns, Inc., 295 F.3d 1249 (Fed. Cir. 2002) (antitrust); Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826 (2002) (trade dress/trademark); DSC Commc'ns Corp v. Pulse Commc'ns, Inc., 170 F.3d 1354 (Fed. Cir. 1999) (copyright); Leatherman Tool Group Inc. v. Cooper Indus., Inc., 131 F.3d 1011 (Fed. Cir. 1997) (trade dress).

84. This substantial questions test is addressed below to a limited extent. Although the operation of a substantial questions test relating to patent law is beyond the scope of this Comment, I envision a standard supported, guided, and implemented in a manner similar to the effects test utilized in the civil procedure context of personal jurisdiction.

85. Congress intended that "[t]he court's jurisdiction will not be limited to one type of case, or even to two or three types of cases. Rather, it will have a varied docket spanning a broad range of legal issues and types of cases." S. REP. NO. 97-275, at 6 (1981). Furthermore, there was extensive debate concerning legislators' fears of manipulation of Federal Circuit jurisdiction to adjudicate non-patent law issues; the passage of the Act, with the addition of protections against jurisdiction for cases in which patent law was not a main issue, indicates that Congress intended the Federal Circuit to address these causes. *See* Amy, *supra* note 16, at 450.

86. Sitwala, *supra* note 80, at 470–72.

87. *Id*. at 471.

88. *Id*.

decisions certainly have a substantial effect on non-patent law fields, Congress acknowledged these concerns and found the importance of uniformity in patent law held greater weight.[89] In fact, in discussing the concern, Sitwala acknowledges that a committee "commissioned by Congress in 1972 to study the federal appellate system, studied many areas of the law, including antitrust law, and found that forum shopping and lack of uniformity problems were not on the same level in these areas as in patent law."[90] Furthermore, the additional argument that the Federal Circuit will swallow jurisdiction over antitrust law, thereby eliminating benefits from varying decisions in different regional circuits, is unwarranted.[91] Not every case involving antitrust law, or any other affected body of law, necessarily depends on patent issues being a major part of the case. Those cases that do not involve a significant patent issue, and thus have no substantial effect on patent law, will remain with the circuit courts, leading any discrepancies in interpretation of the law to surface.

Under the *Holmes* decision, however, those cases involving non-patent law fields that substantially affect patent law will not reach the Federal Circuit because the complaint will specifically address the non-patent law field. The Federal Circuit is therefore powerless to control the uniformity of patent law with respect to its interrelation with other areas of law.

C. Possible Responses by the Regional Circuit Courts

Because the Federal Circuit now lacks power to maintain uniformity in patent law due to its loss of jurisdiction in all cases without a patent claim in the plaintiff's complaint, the burden of maintaining uniformity will fall largely on the regional circuit courts. As the federal district and state courts are urged to follow Federal Circuit decisions not only in patent counterclaims and defenses, but also in cases where non-patent claims necessarily depend on patent issues, so too the regional circuit courts should follow the lead of the Federal Circuit in order to maintain patent uniformity. This outcome, however, is highly unlikely.

First, the regional circuit courts are not obligated to defer to the Federal Circuit because they are co-equal courts.[92] Although the judges in the circuit courts are bound by oath to uphold the laws of the United States,

89. *See* S. REP. NO. 97-275, at 6.

90. Sitwala, *supra* note 80, at 471 (citing Comm'n on Revision of the Fed. Court Appellate Sys., *Structure and Internal Procedures: Recommendations for Change*, 67 F.R.D. 195, 220 (1975)).

91. *See id.* at 472 (stating that very few cases "will be subject to forum shopping as a result of *Holmes*").

92. *Id.* at 477.

this does not include congressional intent, as evidenced by Justice Scalia's opinion in *Holmes* when he reasoned, "Our task here is not to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean."[93] Thus, the circuit courts are under no obligation to carry out the requirements of the FCIA under the current interpretation of the Act.

At the outset, the circuit courts will almost certainly follow Federal Circuit precedent on issues that clearly fall within the realm of patent law, due primarily to the fact that there has been no development of that area of law outside of the Federal Circuit since 1982.[94] However, as the courts become more comfortable with the subject matter, it is highly unlikely that comity concerns will restrain the courts from developing their own case law, especially in light of the Federal Circuit's history of straying from regional circuit court interpretation of non-patent issues.[95] Additionally, the circuit courts have a well established body of law in non-patent fields, and *stare decisis* will typically cause these courts to follow that precedent regardless of whether patent law substantially affects the outcome of those claims.[96]

However, this hypothesizing is irrelevant in the end. Even if the circuit courts did follow Federal Circuit precedent with respect to patent law in all the ways contemplated by Congress in the FCIA, the uniformity of patent law would still slowly decay. This is due to the fact that interpretations of existing precedent are always prone to differing opinions. While it is true that these differing opinions may exist within the Federal Circuit itself, that court is bound to its own prior opinion not only by *stare decisis*, but also by its foundational requirement of creating uniformity in the field of patent law. For these reasons, the uniformity sought by Congress is most likely to develop exclusively through the Federal Circuit.

D. Appellate Review by the Supreme Court

Although the judicial system could conceivably achieve uniformity by appeal to the Supreme Court, this solution is unrealistic from a practical standpoint. The problem arises from the infrequency with which the Su-

93. Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 833 (2002).

94. McLean, *supra* note 69, at 1118.

95. *See, e.g.*, Nobelpharma v. Implant Innovations, Inc., 141 F.3d 1059, 1067–68 (1998).

96. *See* Larry D. Thompson, Jr., *Adrift on a Sea of Uncertainty: Preserving Uniformity in Patent Law Post-*Vornado *Through Deference to the Federal Circuit*, 92 GEO. L.J. 523, 595 (2003).

preme Court reviews disputed patent issues.[97] The administrative limitations of the Supreme Court Justices make it impossible to respond to the multitude of conflicts that arise in the ever-expanding legal community.[98] With the number of cases filed each year at the trial level continually increasing, the number of conflicts deserving of review at the highest level will invariably increase.[99] However, with the Supreme Court already at or near full capacity, many of these cases will fall by the wayside.[100] The Supreme Court's history in granting certiorari indicates that the majority of cases heard by the Court will involve constitutional conflicts.[101] This leaves only a minimal number of opportunities for the Court to hear issues regarding lengthy and complicated patent appeals, which further reduces the number of non-constitutional cases that the Court may hear. For these reasons, latent conflicts would likely remain festering in the different regional courts for long periods of time, effectively stifling investment in innovation and impeding national economic prosperity.

E. Inability of the Judicial System to Follow the FCIA in Light of Holmes

Even in the unlikely event that the regional appellate courts decide to follow Federal Circuit law regarding all patent issues, including those in patent-affecting areas of law, patent law uniformity will still be slowly eroded. As with any fuzzy area of the law, courts interpreting precedent often tend to reach different conclusions. Thus, even a good faith effort on the part of the judicial system as a whole to uphold congressional intent is unlikely to succeed. For these reasons, it is the responsibility of Congress to reassert the goal of uniformity in such a way as to ensure that the judicial system carries out its intent under the FCIA.

IV. A CONGRESSIONAL RESPONSE TO *HOLMES*

This much is clear: The current jurisdictional power granted to the Federal Circuit by Congress is insufficient to execute the intent behind its creation. The well-pleaded complaint rule, which the Supreme Court held

97. Elizabeth I. Rogers, *The Phoenix Precedents: The Unexpected Rebirth of Regional Circuit Jurisdiction over Patent Appeals and the Need for a Considered Congressional Response*, 16 HARV. J.L. & TECH. 411, 420 (2003).

98. Fed. Judicial Ctr., *Report of the Study Group on the Caseload of the Supreme Court*, 57 F.R.D. 573, 578–81 (1972).

99. *Id.*

100. *Id.* at 580 (noting that the ratio of Supreme Court's number of grants of certiorari to the number of applications has dramatically decreased each decade with a high of 17.5 percent in 1941 to 5.8 percent in 1971).

101. *See* Hruska Report, *supra* note 26, at 211–22.

governs Federal Circuit jurisdiction, is a bright line rule developed to determine matters of federal question jurisdiction.[102] The Federal Circuit decision in *Aerojet* asserted jurisdiction based on the "substantial question" of the effect of an antitrust law on patent law.[103] This reasoning is in accord with the "substantial question" test articulated, but not applied, in the *Holmes* decision.

But what constitutes a "substantial question" of patent law? The Federal Circuit began to define the scope of this test in *Nobelpharma*, *Aerojet*, and subsequent cases, but the *Holmes* decision divested the court of this power prior to a comprehensive development of the rule.[104] One problem is that the policy reasons behind the well-pleaded complaint rule are substantially different than those behind patent policy, and therefore the well-pleaded complaint rule is not well suited to the standard-based field of patent law. Congress needs to create jurisdiction broad enough to allow the Federal Circuit to provide some guidance to both practitioners who are currently unaware of what law will be applied to matters involving this gray area of patent law and to district courts, which are faced with problems in choosing which law to apply as a result of indefiniteness.[105]

In order to understand why differing treatment of patent law jurisdiction and federal question jurisdiction is necessary, from a procedural standpoint, it is important to first address how patent law differs from federal question jurisdiction. In enacting the FCIA, Congress specifically shaped the jurisdiction of the Federal Circuit to operate in the same manner as federal question jurisdiction.[106] At first glance, the relationship and similar treatment of these two doctrines seem appropriate. After all, both doctrines address jurisdiction based on a specific issue rather than geography; both use the "arising under" language to define the scope of jurisdiction; and both are intended to exclude cases in which the specific subject matter need not be addressed in order to decide the case.[107] However, despite these similarities, the fundamental purposes of federal question jurisdiction and Federal Circuit jurisdiction are quite distinct from each other. Federal ques-

102. *See* Franchise Tax Bd. v. Constr. Laborers Vacation Trust for S. Cal., 463 U.S. 1, 10 (1983) ("[W]hether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute, . . . must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, unaided by anything alleged in anticipation of avoidance of defenses.") (quoting Taylor v. Anderson, 234 U.S. 74, 75–76 (1914)).

103. Aerojet-Gen. Corp. v. Machine Tool Works, 895 F.2d 736, 741 (1990).

104. *See* Nobelpharma v. Implant Innovations, Inc., 141 F.3d 1059, 1067–68; *see also Aerojet*, 895 F.2d at 741–45.

105. *See* Bass & Alcorn, *supra* note 2, at 519.

106. McLean, *supra* note 69, at 1106.

107. *See Franchise Tax Bd.*, 463 U.S. at 8–9.

tion jurisdiction developed primarily in response to federalism concerns.[108] *Merrell Dow*, a seminal Supreme Court case defining federal question jurisdiction as it stands today, dictates that

> "the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction." Instead, "sensitive judgments about congressional intent, judicial power, and the federal system" are necessary to determine whether granting a federal forum is consistent with the "need for prudence and restraint in the jurisdictional inquiry."[109]

Thus, despite the name, the primary focus of federal question jurisdiction is federal power, not the federal substantive issues; those issues are only the subject matter by which the federalism interests are addressed. In contrast, Congress created the Federal Circuit to address specific issues of an inherently federal nature.

It is true that the differences in the fundamental purpose behind federal question and Federal Circuit jurisdiction existed at the time Congress created the Federal Circuit and that Congress nonetheless defined the court's jurisdiction with respect to federal question jurisdiction.[110] However, the state of federal question jurisdiction at the time of the FCIA differed dramatically from its current interpretation.[111] The structure of federal question jurisdiction in 1982 presented Congress with a convenient way to avoid potential federalism issues and, at the same time, to ensure that any significant patent issues that developed in a case, either in whole or in part, would find their way into the Federal Circuit.[112] Unfortunately, due to the development of the well-pleaded complaint rule, the federal question foundation upon which Federal Circuit jurisdiction depends is now an inappropriate mechanism for achieving the underlying purpose behind the creation of the court.

The reason that Congress did not initially account for these policy differences in passing the FCIA is clear when viewed from an historical perspective. Prior to Supreme Court's decision in *Franchise Tax Board v.*

108. *See* Merrell Dow Pharm. Inc. v. Thompson, 478 U.S. 804, 809–10 (1986).

109. *The Supreme Court: 1985 Term—Leading Cases: Federal Jurisdiction and Procedure*, 100 HARV. L. REV. 230, 232 (1986) (quoting *Merrell Dow*, 478 U.S. at 809–13)).

110. *See* McLean, *supra* note 69, at 1106.

111. *See infra* notes 113–24 and accompanying text.

112. This is due primarily to the fact that in 1982, federal question jurisdiction had not developed to the point that counterclaims did not constitute a basis for appeal. Instead, the courts determined only whether a substantive federal issue existed in the case and allowed removal accordingly. Federal question jurisdiction always acted as a protection against federalism concerns, a feature that Congress intended to take advantage of. *See also* Amy, *supra* note 16, at 454 n.169 (listing examples of arising under analysis from the 19th century). This Comment does not address the wisdom of federal question jurisdiction either before or after the advent of the well-pleaded complaint rule; the point is addressed only to illustrate the jurisdiction that Congress intended for the Federal Circuit in creating the court.

Construction Laborers Vacation Trust for Southern California,[113] the test for federal question jurisdiction dictated that "a case may arise under federal law 'where the vindication of a right under state law necessarily turned on some construction of federal law.'"[114] It wasn't until 1983 that the *Franchise Tax* decision, according to the *Merrell Dow* Court, imposed additional limitations on this test.[115]

However, Congress enacted the FCIA in 1982, prior to the limiting developments regarding federal question jurisdiction.[116] At that time, Congress defined the jurisdiction of the Federal Circuit based, "in whole or in part," on the jurisdiction of the federal district courts under § 1338's arising under language.[117] In the House Committee Report for the FCIA, Congress dictated that this jurisdiction exists "in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction."[118] The well-pleaded complaint rule governs which cases arise under federal law for the purposes of federal question jurisdiction.[119] However, the understanding and application of that rule in 1982, when Congress passed the Act, differed dramatically from the well-pleaded complaint rule's current interpretation.[120]

The legislative history of the Act indicates that Congress intended a far broader scope of jurisdiction for the Federal Circuit than exists under the well-pleaded complaint rule today.[121] Of utmost importance is the fact that in 1982, counterclaims were not necessarily excluded from federal question jurisdiction.[122] The legislative history clearly indicates that this was Congress's understanding of federal question jurisdiction. For example, in discussing the limits on the Federal Circuit's jurisdictional scope, the Senate Report notes that federal district courts are encouraged to use their authority under the Federal Rules of Civil Procedure to separate final decisions of non-patent claims from "trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate jurisdiction."[123] This language makes it evident that non-trivial counterclaims, cross-claims,

113. 463 U.S. at 1 (1983).

114. *Merrell Dow*, 478 U.S. at 808, 809 & n.5 (citing *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921) as the case most frequently cited for this proposition).

115. *Id.*

116. *See* Fox, *supra* note 7, at 343.

117. 28 U.S.C. § 1295 (2000).

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

119. *Merrell Dow*, 478 U.S. at 808.

120. *See* Fox, *supra* note 7, at 343.

121. *See* Fed. Circuit Bar Ass'n Bd. of Governors, *supra* note 3, at 713–14.

122. *See* Amy, *supra* note 16, at 452; Fox, *supra* note 7, at 345 & n.86.

123. S. REP. NO. 97-275, at 20 (1981).

or third party claims, legitimately raised, should not be separated, but instead should be appealable to the Federal Circuit. This is further supported in Appendix B of the Senate Report, which gives an example in which a patent counterclaim is filed in response to an antitrust allegation and ultimately appealed to the Federal Circuit.[124] The subsequent narrowing of federal question jurisdiction effectively narrows the scope of Federal Circuit jurisdiction, contrary to the intent of Congress.

Unlike federal question jurisdiction, Congress intended the jurisdiction of the Federal Circuit to depend on specific issues that it deemed to require special treatment.[125] Cases that affect these issues "in whole or in part" were thus intended to fall within the exclusive jurisdiction of the Federal Circuit.[126] While federalism concerns still constitute a factor to be considered under this determination,[127] this factor is not the fundamental purpose upon which jurisdiction is based, making it substantially different than federal question jurisdiction. This is demonstrated most notably in that the issue of federal question jurisdiction arises only when a case involves state causes of action. However, Federal Circuit jurisdiction issues occur predominantly in deciding which federal appellate court is appropriate for applying federal law.[128] Thus, in the vast majority of cases, federalism problems do not even arise in determining whether the Federal Circuit has appropriate jurisdiction.

Because Congress did not intend for patent law to be governed in the manner that federal question jurisdiction is governed today,[129] clarification that reflects the policy concerns underlying patent law rather than federal questions must be made to ensure efficient application of the law in this field. Because the desire to promote and encourage innovation that led Congress to enact the FCIA still exists, and because the Act's interpretation that provided the means for achieving that end has changed so as to limit the ability of the judicial system to effect it, Congress must act to protect this goal. To do so, it is necessary to redefine the jurisdiction of the Federal Circuit in order to avoid an interpretation that vitiates the goal. The intel-

124. *Id.* app. B at 38.

125. Note that this does not mean that Congress intended the Federal Circuit to have issue jurisdiction. On the contrary, Congress intended to grant the court broad non-patent jurisdiction. *See generally* Fed. Circuit Bar Ass'n Bd. of Governors, *supra* note 3, at 716–23.

126. *See id.* at 714–15.

127. Federalism is not addressed in any jurisdictional statute related to the Federal Circuit. Instead, Congress sought to protect federalism concerns by relying on prior judicially created protections under federal question jurisdiction. *See generally* McLean, *supra* note 69, at 1105–06.

128. *Id.* at 1117.

129. Fed. Circuit Bar Ass'n Bd. of Governors, *supra* note 3, at 713–14.

lectual community has proposed several ways in which Congress could respond.

For example, one commentator suggests amending both § 1295(a)(1) and § 1338(a) "in order to ensure exclusive Federal Circuit jurisdiction over patent law counterclaims after *Holmes*."[130] The proposed amendment to § 1295(a)(1) would remove the Federal Circuit's dependence on § 1338(a), which defines the district court's jurisdiction, and replaces it with jurisdiction based on "a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, *on any claim or counterclaim under any Act of Congress relating to patents*. . . ."[131] This revision would ensure that all counterclaims involving patent law would come within the scope of Federal Circuit jurisdiction. The proposal further amends § 1338(a) to ensure that all non-frivolous patent claims and counterclaims are brought within the exclusive jurisdiction of the district courts, thus ensuring that the Federal Circuit has access to all such claims through the amended § 1295(a)(1).[132]

This proposal contains at least two significant deficiencies. First, the proposed statutory amendment to § 1295(a)(1) is designed exclusively to restore Federal Circuit jurisdiction over counterclaims.[133] However, it gives no consideration to patent issues that are not claimed, but that are necessary elements of the claims or counterclaims. Such elements of a case have the same capacity to disrupt the uniformity of patent law as do patent claims and counterclaims. Thus, although this proposal would reverse the effect of *Holmes* on Federal Circuit jurisdiction, it does not fully address the divergence of this jurisdiction from the intent of Congress. Second, the amended § 1338(a) is equally insufficient in implementing the full intent of Congress. The current form of § 1338 is based on "arising under" jurisdiction, which the courts assess on the basis of federal question jurisdiction precedent.[134] The proposed § 1338 confers jurisdiction to the district courts, "*based on a claim or counterclaim for relief* under any Act of Congress relating to patents. . . ."[135] The only qualification is that claims may not be frivolous.[136] Again, this standard fails to address all of the ways in which patent law may be affected.

130. *See* Amy, *supra* note 16, at 456.
131. *Id.* at 456–57 (emphasis in original).
132. *Id.* at 457.
133. *See generally id.*
134. *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 829–30 (2002).
135. *See* Amy, *supra* note 16, at 457 (emphasis in original).
136. *Id.*

Consider these amended statutes as applied to *Christianson v. Colt*.[137] In that case, Colt sued under trade secret and antitrust claims.[138] Christianson, the defendant, argued that the patents upon which the actions were based were invalid.[139] The Supreme Court noted that jurisdiction under § 1338 exists if "patent law is a necessary element of one of the well-pleaded claims."[140] Yet the "based on" language of the proposed § 1338 is ambiguous at best as to whether such claims would be covered. A literal reading of the proposed amendment would seem to indicate that patent law must form the basis of the claim, rather than a necessary component thereof. For this reason, the amendment is insufficient with respect to restoring the congressionally intended scope of Federal Circuit jurisdiction.

An alternative amendment is suggested by the Federal Circuit Bar Association (FCBA).[141] The FCBA suggests that, because the jurisdiction of the Federal Circuit governed by § 1295(a) directs appeals by reference to § 1338, only an amendment to the derivative statute is necessary.[142] The proposed amendment to § 1338 reads, "The district courts shall have original jurisdiction of any civil action involving any claim for relief arising under any Act of Congress relating to patents. . . ."[143] The FCBA argues that the addition of "involving any claim for relief" will ensure that *all* patent appeals will be directed to the Federal Circuit.[144]

The simple, straightforward amendment of only § 1338 is a reasonable and efficient proposal. It minimizes the amount of effort, discussion, and time that such congressional amendments will entail. However, the language used in the proposed amendment only sets the stage for a new *Holmes* decision. The *Holmes* Court, as mentioned above, strictly interpreted the "arising under" language of the current § 1338 to depend upon the well pleaded complaint rule due to the necessity for "linguistic consistency."[145] Because the same language remains in the proposed § 1338, it is difficult to conclude that the Supreme Court would revisit its prior holding.

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

138. *Id.* at 805–06.

139. *Id.* at 806. Although the Supreme Court eventually determined that the Federal Circuit did not have jurisdiction in the case, the opinion clearly indicates that it would have had jurisdiction if the plaintiff's claims were solely dependent on this issue.

140. *Id.* at 809.

141. *See* Fed. Circuit Bar Ass'n Bd. of Governors, *supra* note 3, at 714.

142. *Id.*

143. *Id.*

144. *Id.*

145. Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 830–34 (2002) ("It 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 (respondent's complaint-or-counterclaim rule) when referred to by § 1295(a)(1).").

Once the court determines that jurisdiction arises pursuant to the well pleaded complaint rule, the additional language of the proposed claim is rendered meaningless with respect to counterclaims, cross-claims, and third party claims. This is because the modern well pleaded complaint rule considers only those claims that arise from the *plaintiff's* well pleaded complaint.[146] Despite the fact that "claim for relief," which under federal law includes counterclaims, cross-claims, and third party claims, attempts to broaden the scope of Federal Circuit jurisdiction, the Supreme Court in *Holmes* made it abundantly clear that the "arising under" language is controlling.[147] Thus, the proposed legislation fails to overcome a major obstacle in enacting the original legislative intent.

Only recently, the House of Representatives itself responded to the problems addressed in this Comment by proposing a bill entitled the "Intellectual Property Jurisdiction Clarification Act of 2005."[148] As of the time this Comment was written, no explanation or reasoning exists in the public record to indicate how the drafters of the amendment intended the language to affect the jurisdiction, so reliance on the plain language is necessary to determine its potential effects. Instead of revising § 1338(a) to achieve broader jurisdiction for the Federal Circuit, the proposal amends § 1295(a)(1), which no longer depends on § 1338(a). The proposed amendment to § 1295(a) reads:

> The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court of the United States . . . in any civil action in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection.[149]

Although the proposed amendment revises § 1295 rather than § 1338, the solution mirrors the suggested proposal of the FCBA by explicitly stating that jurisdiction depends on any asserted claim of relief relating to patents, as opposed to depending on the rules applicable to civil actions

146. *Id.* at 834.

147. *Id.* at 830-1. In fact, the respondent argued that the Court should interpret the "arising under" language differently with respect to Federal Circuit jurisdiction. Justice Scalia, however, did not think this was an available option for the Court. *Id*. at 833. The problem is that the "arising under" language is very strongly tied to the judicially created federal question jurisdiction. Federal question jurisdiction, in turn, is tied to the policy that the federal courts must give "due regard for the rightful independence of state governments." *Id*. at 832. Very few policies will carry sufficient weight to overcome this federalism concern. Therefore, any amendment to Federal Circuit jurisdiction must be untied from federal question jurisdiction to the extent that federalism concerns are not at issue.

148. Intellectual Property Jurisdiction Clarification Act of 2005, H.R. 2955 IH, 109th Cong. § 3 (2005), *at* http://thomas.loc.gov/cgi-bin/query/D?c109:1:./temp/~c1097aCNhg::.

149. *Id.*

generally.[150] The proposal further adds that a *party* asserts the patent related claim for relief, indicating that the plaintiff is not the only party that can cause the Federal Circuit to obtain jurisdiction.[151]

Despite this addition, the proposal, as a whole, suffers from the same deficiency as the FCBA proposal. By retaining the arising under language, the proposal fails to evade the well-pleaded complaint rule. The Supreme Court in *Holmes* unanimously established that the arising under language must be interpreted identically for the purposes of both § 1338 and federal question jurisdiction.[152] In fact, the Court specifically addressed the hypothetical use of the term in § 1295(a)(1), stating,

> It would be difficult enough to give "arising under" the meaning urged by respondent if that phrase appeared in § 1295(a)(1)—the jurisdiction-conferring statute—*itself*. Even then the phrase would not be some neologism that might justify our adverting to the general purpose of the legislation, but rather a term familiar to all law students as invoking the well-pleaded-complaint rule.[153]

Thus, it appears that in order to use the "arising under" language without importing federal question jurisprudence, it would be necessary for Congress to explicitly disclaim the use of that law for the court to disregard the well-pleaded complaint rule. The language of the proposal, however, has no such explicit disclaimer.

It is therefore likely that the court would interpret the text of the proposed amendment to support the "arising under" language. Under such an interpretation, "any civil action in which a party has asserted a claim for relief" would refer to any civil action in which a plaintiff has asserted a claim in the complaint. This is the only possible interpretation that is consistent with *Holmes* and other prior federal question jurisprudence. Furthermore, it would be irrelevant that Congress enacted the bill with the intent of altering Federal Circuit jurisdiction because, as the Court stated in *Holmes*, its "task is not to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean." For this reason, the current congressional proposal is insufficient.

150. *Id.*

151. *Id.*

152. *Holmes*, 535 U.S. at 833–34. There is no doubt that the Supreme Court would make the same argument with respect to the "arising under" language of the proposed amendment to § 1295.

153. *Id.* at 833 (citation omitted) (emphasis in the original). The Court went on to address the use of the arising under language in *Coastal States Marketing, Inc. v. New England Petroleum Corp.*, stating that "[t]he use of the phrase 'cases and controversies arising under' . . . is strong evidence that Congress intended to borrow the body of decisional law that has developed under 28 U.S.C. § 1331 and other grants of jurisdiction to the district courts over cases 'arising under' various regulatory statutes." *Id.* (citing 604 F.2d 179, 183 (2d Cir. 1979)).

In addition to clarifying the jurisdictional boundaries of the Federal Circuit with respect to claims and counterclaims, Congress must create a standard for those cases substantially affecting patent law that gives exclusive jurisdiction to the Federal Circuit. Needless to say, this standard must be wholly independent of the well-pleaded complaint rule, reflecting instead the policies of patent law as opposed to federal questions.

To accomplish this goal, it is unnecessary to amend § 1295(a), which directs appeals from the district court based "in whole or in part" on § 1338 to the Federal Circuit.[154] Instead, Congress should amend § 1338, which is founded upon the "arising under" language that triggers application of the well pleaded complaint rule.[155] The amendment should read as follows:

> The district courts shall have original jurisdiction of any civil action *under which a party's right to relief necessarily depends upon* an 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 and copyright cases.

This legislation has several substantial benefits. First and foremost, the amendment unties the jurisdiction of the district court from the well-pleaded complaint rule for patent claims by eliminating the "arising under" language originally contained in the statute. This allows Congress to control which patent cases are appealed to the Federal Circuit without concern for the evolution of any judicially created doctrine. Second, the use of the word "party" clearly indicates to the court that a plaintiff, defendant, or third party may assert a claim for relief that requires appeal to the Federal Circuit, thus enabling all cases directly affecting patent law to the uniform application of Federal Circuit law. Third, the inclusion of "right to relief" further signifies that jurisdiction is not exclusively based on the plaintiff's complaint, but can be based on a claim, counterclaim, cross-claim, or third party claim. Finally, the requirement that relief must necessarily depend on a congressional act relating to patent law provides an element of certainty for the parties and the district courts. From the time the complaint and answers are filed, the parties and courts will know if a patent question is at issue and which court has appellate jurisdiction. Therefore, the question of which law to apply will be clear.

CONCLUSION

Congress created the Federal Circuit, in part, to create uniformity in the field of patent law. The statutory language made the court's jurisdiction

154. 28 U.S.C. § 1295(a)(1) (2000).
155. 28 U.S.C. § 1338(a) (2000).

dependent on federal question jurisdiction and the well pleaded complaint rule. The development of that rule subsequent to passage of the Federal Courts Improvement Act has gradually cast doubt on the effectiveness of the Act. The Supreme Court finally confirmed the inherent statutory limitation on Federal Circuit jurisdiction with its decision in *Holmes*.

This decision severely limits the ability of the Federal Circuit to create uniformity in patent law, as its enabling Act requires. From the decision follows uncertainty in business planning, decreased investment due to the heightened risk, and a general burden to national economic growth. The concerns that existed prior to the inception of the Federal Circuit are once again present. Ultimately, only a congressional response that separates Federal Circuit jurisdiction from federal question jurisdiction can restore the benefits reaped from twenty years of Federal Circuit jurisprudence.