

The Federal Circuit's Benevolent Imperialism in Patent/Antitrust

Mark D. Janis¹

I. Introduction

When Congress created the Court of Appeals for the Federal Circuit, Congress didn't precisely delineate the parameters of Federal Circuit adjudicative power. Congress did define the scope of the Federal Circuit's appellate jurisdiction, giving the Federal Circuit exclusive jurisdiction over appeals from any district court "if the jurisdiction of that court was based, in whole or in part, on section 1338,"² where section 1338 provides in relevant part that district courts "shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . ."³ But even though it invoked the familiar "arising under" language,⁴ Congress left the courts to work out exactly how "arising under" jurisdiction would be understood in the context of Federal Circuit appeals.⁵ In particular, even though Congress' "arising under" formulation defined Federal Circuit

¹Professor of Law and H. Blair & Joan V. White Intellectual Property Law Scholar, University of Iowa College of Law.

²28 U.S.C. §1295(a)(1). Congress excluded cases arising under the copyright or trademark laws from Federal Circuit appellate jurisdiction. *Id.*

³28 U.S.C. §1338(a). Thus, the Court of Appeals for the Federal Circuit is an anomaly in the appellate judiciary in that the Federal Circuit's jurisdiction is defined in terms of subject matter, whereas jurisdiction in the remainder of the appellate judiciary is, of course, defined in terms of geography. *See* 28 U.S.C. §1294(1) (defining the appellate jurisdiction of the regional circuit courts).

⁴That language also governs the determination of federal jurisdiction in federal question cases generally. *See infra* II.A. for a discussion of whether Congress intended to incorporate the entirety of the "arising under" jurisprudence into the determination of Federal Circuit appellate jurisdiction.

⁵For example, the legislative history suggests that "[s]hould questions legitimately arise respecting ancillary and pendent claims and for the direction of appeals in particular cases, the

appellate jurisdiction in terms of entire patent *cases*, not patent *issues*, Congress left undefined the extent of Federal Circuit hegemony over non-patent issues presented in patent cases.

Patent/antitrust matters present interesting illustrations of the ambiguity of Federal Circuit adjudicatory power.⁶ Suppose that a case involves a mixture of antitrust issues (e.g., issues of anticompetitive patent licensing practices) and patent issues (e.g., patent infringement). Should appeals in such a case be directed exclusively to the Federal Circuit? Should the Federal Circuit create its own law to decide both the antitrust and patent issues? Congress clearly anticipated that such questions would arise, but created no framework for resolving them.⁷

In this essay, I examine the law and policy of Federal Circuit power in patent/antitrust cases and other cases that mix patent and non-patent issues. I use a recent Supreme Court decision, *Holmes Group, Inc. v. Vornado Air Circ. Sys., Inc.*,⁸ as a reference point, analyzing the expansion

Committee expects the courts to establish, as they have in similar situations, jurisdictional guidelines respecting such cases.” H.R.Rep. No. 312, 97th Cong., 1st Sess. 41 (1981); *see also* S.Rep. No. 275, 97th Cong., 1st Sess. 19-20 (1981).

⁶The Federal Circuit’s role in antitrust law has attracted a good deal of attention recently. *See, e.g.*, Mark D. Janis, *Transitions in IP and Antitrust*, 47 ANTITRUST BULLETIN 253 (2002); *Symposium: The Federal Circuit and Antitrust*, 69 ANTITRUST L.J. 627 (2001); James B. Kobak, Jr., *The Federal Circuit as a Competition Law Court*, 83 J. PAT. TM. OFF. SOC’Y 527 (2001).

For a study of procedural aspects of the patent/antitrust interface, focusing on Federal Circuit law, *see generally* HERBERT HOVENKAMP, MARK D. JANIS, AND MARK LEMLEY, IP AND ANTITRUST ch. 5 (2001).

⁷For example, the legislative history reflects concern that parties might manipulate appellate jurisdiction by joining “trivial” patent allegations to “claims involving substantial antitrust issues,” but gives courts no guidance on distinguishing between illegitimate manipulation and legitimate pursuit of the most favorable forum. S. Rep. No. 275, 97th Cong., 1st Sess. 20 (1981) (stating that “[i]f, for example, a patent claim is manipulatively joined to an antitrust action but severed or dismissed before final decision of the antitrust claim, jurisdiction over the appeal of the antitrust claim. . . should rest with the regional court of appeals.”).

⁸122 S.Ct. 1889 (2002).

of Federal Circuit power over “mixed” cases before *Holmes* (Part II), and the possibility of retrenchment after *Holmes* (Part III). I criticize *Holmes*, and, unlike some observers, generally express approval of the Federal Circuit’s imperialist tendencies in mixed cases. I conclude by observing that it is surprising that the scope of Federal Circuit power -- a fundamental feature of the modern U.S. patent system -- is so highly fluid and so readily subject to redefinition on a case-by-case basis.

II. Federal Circuit Power Before *Holmes*

Prior to *Holmes*, the Federal Circuit had gradually expanded the reach of its appellate jurisdiction in the name of promoting uniformity in substantive patent law. Simultaneously, the Federal Circuit had moved even more aggressively with regard to choice of law rules, creating Federal Circuit law for a variety of issues outside the strict bounds of substantive patent law – such as patent/antitrust.

A. Federal Circuit Appellate Jurisdiction.

Although the Federal Circuit itself has taken principal responsibility for describing the limits of its own jurisdictional authority, the Supreme Court set the baseline for the jurisdictional inquiry in *Christianson v. Colt*.⁹ In *Christianson*, the plaintiff, a former employee of Colt who established a competing firm, brought suit alleging that Colt’s litigation tactics (including prior patent litigation)

⁹*Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988). For relevant review and commentary, see, e.g., John Donofrio & Edward C. Donovan, *Christianson v. Colt Industries Operating Corp.: The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U. L. REV. 1835 (1996). See also Douglas Y’Barbo, *On the Patent Jurisdiction of the Federal Circuit: A Few Simple Rules*, 79 J. PAT. TM. OFF. SOC’Y 651 (1997).

and various warning letters (alleging trade secret misappropriation) to potential customers violated both Sherman Act §§1 and 2 (due to an alleged group boycott and alleged attempted monopolization). Christianson’s antitrust theories included a convoluted argument relating to patents – namely, that Colt had failed to disclose certain details of its inventions in its patents, instead retaining the information improperly as trade secrets, that this fact would have rendered the patents invalid, that since Colt had already benefitted from the invalid patents by way of this nondisclosure, it should not now be allowed to benefit from trade secret protection, so Colt’s trade secrets were invalid and its assertion of trade secret protection was potentially anticompetitive.

Christianson prevailed on this argument at the District Court, and Colt appealed to the Federal Circuit, which declined to exercise jurisdiction, transferring the case to the regional circuit (the Seventh). The Seventh Circuit, in turn, declined to exercise jurisdiction and transferred the case back to the Federal Circuit. The Federal Circuit continued to maintain that it lacked jurisdiction, but reluctantly reached the merits, inviting Supreme Court review.

The Supreme Court granted review and concluded that the Federal Circuit had, indeed, lacked appellate jurisdiction. Observing that §1338(a) echoed the “arising under” language from the general federal question provision (§1331),¹⁰ and that the Court analyzed §1331 jurisdiction under a “well-pleaded complaint” rule, the Court concluded that “linguistic consistency” demanded that §1338(a) jurisdiction also be tested in accordance with a well-pleaded complaint rule. Specifically, the Court called for a determination of whether the patent allegation forms part of the “well-pleaded complaint,” meaning that patent law either (1) “creates the cause of action” or (2) is

¹⁰28 U.S.C. §1331 (“The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”).

a “necessary element of one of the well-pleaded claims,” such that “plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law.”¹¹

To what extent had Congress pre-ordained this result -- i.e., to what extent had Congress intended to couple Federal Circuit appellate jurisdiction with §1338(a) patent jurisdiction, and to what extent had Congress further intended to couple §1338(a) patent jurisdiction with §1331 general federal question jurisdiction? Was a court bound to reach the same result in each of the three contexts? The Court certainly suggested that it was bound by considerations of “linguistic consistency” to couple “arising under” in §1338(a) to “arising under” in §1331. The Court also rejected the argument that policy considerations peculiar to the creation of the Federal Circuit should trump Congress’ choice of language:

Colt might be correct (although not clearly so) that Congress' goals [of enhancing uniformity and reducing uncertainty in patent law] would be better served if the Federal Circuit's jurisdiction were to be fixed "by reference to the case actually litigated," rather than by an ex ante hypothetical assessment of the elements of the complaint that might have been dispositive. Congress determined the relevant focus, however, when it granted [case-based] jurisdiction to the Federal Circuit. . . . Since the district court's jurisdiction is determined by reference to the well-pleaded complaint, not the well-tried case, the referent for the Federal Circuit's jurisdiction must be the same. The legislative history of the Federal Circuit's jurisdictional provisions confirms that focus. See, e.g., H.R.Rep. No. 97-312, supra, at 41

¹¹*Christianson*, 486 U.S. at 808-09. The Court also suggested general federal question jurisprudence would be useful in applying the rule, particularly the second prong. Thus, in accord with general federal question cases, the second prong would not be satisfied where patent law was merely an element of a defense, nor would it be satisfied unless patent law was “essential” to *each* of the alternative theories in the complaint supporting any given claim. *Christianson*, 486 U.S. at 809- 810.

As applied to *Christianson*’s complaint, the Court noted that prong one clearly was not satisfied (patent law clearly did not create the cause of action), and prong two was likewise not satisfied (because even if the patent law issue was arguably necessary to at least one theory under both the §1 and §2 claims, either of those claims could also have succeeded entirely independently of the patent law issue. *Id.* at 811-13 (concluding that the appearance on the face of the complaint of alternative, non-patent theories in support of a given antitrust claim compels a conclusion that the well-pleaded complaint test is not met).

(cases fall within the Federal Circuit's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction"). In view of that clear congressional intent, we have no more authority to read § 1295(a)(1) as granting the Federal Circuit jurisdiction over an appeal where the well-pleaded complaint does not depend on patent law, than to read § 1338(a) as granting a district court jurisdiction over such a complaint.¹²

Yet even as it was disclaiming its discretion to inject policy considerations into the interpretation of the Federal Circuit's jurisdictional grant, the Supreme Court also seemed to be suggesting that coupling patent jurisdiction with §1331 general federal question jurisdiction was a complex policy matter involving "sensitive judgments:"

Colt correctly points out that in this case our interpretation of § 1338(a)'s "arising under" language will merely determine which of two federal appellate courts will decide the appeal, and suggests that our "arising under" jurisprudence might therefore be inapposite. Since, however, § 1338(a) delineates the jurisdiction of the federal and state courts over cases involving patent issues, the phrase (like the identical phrase in § 1331) "masks a welter of issues regarding the interrelation of federal and state authority and the proper management of the federal judicial system." See *Franchise Tax Board of California v. Construction Laborers Vacation Trust*, 463 U.S. 1, 8, 103 S.Ct. 2841, 2846, 77 L.Ed.2d 420 (1983) (footnote omitted). See also *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 810, 106 S.Ct. 3229, 3233, 92 L.Ed.2d 650 (1986) ("[D]eterminations about federal jurisdiction require sensitive judgments about congressional intent, judicial power, and the federal system").¹³

The Court gave no hint of recognizing any tension between these rationales.

Justice Stevens wrote separately to elaborate on the question. The Court's approach to Federal Circuit appellate jurisdiction appeared to assume that "whether a case 'arises under' the patent laws turns on the same considerations whether one is determining the Federal Circuit's appellate jurisdiction or a federal district court's original jurisdiction."¹⁴ According to Justice

¹²*Id.* at 813-14.

¹³*Id.* at 808 n.2

¹⁴*Id.* at 822 (Stevens, J., concurring).

Stevens, however, even though Congress had made §1338(a) the basis for both assessments, Congress surely had not intended “precisely the same analysis in both instances.”¹⁵ Instead, Congress surely intended that courts would apply a common-sense approach that would take account of whether patent issues arose in the case as actually litigated, rather than being rigidly fixed on examination of only the initial complaint as if the well-pleaded complaint rule were restricted to the initial complaint.

Justice Stevens offered two patent/antitrust examples to illustrate his approach to the question of appellate jurisdiction:

If a patentee should file a two-count complaint seeking damages (1) under the antitrust laws and (2) for patent infringement, the district court's jurisdiction would unquestionably be based, at least in part, on § 1338(a). If, however, pretrial discovery convinced the plaintiff that no infringement had occurred, and Count 2 was therefore dismissed voluntarily in advance of trial, the case that would actually be litigated would certainly not arise under the patent laws for purposes of appellate jurisdiction. Even though the district court's original jurisdiction when the complaint was filed had been based, in part, on § 1338(a), the case would no longer be one arising under the patent laws for purposes of Federal Circuit review when the district court's judgment was entered. Conversely, if an original complaint alleging only an antitrust violation should be amended after discovery to add a patent-law claim, and if the plaintiff should be successful in proving that its patent was valid and infringed but unsuccessful in proving any basis for recovery under the antitrust laws, the district court's judgment would sustain a claim arising under the patent laws even though the complaint initially invoking its jurisdiction had not mentioned it, and an appeal would properly lie in the Federal Circuit.¹⁶

This debate over the extent to which courts could de-couple the analysis of Federal Circuit appellate jurisdiction from other “arising under” analyses remained unresolved (as it still remains).

In the meantime, the Federal Circuit dealt with jurisdictional questions in a number of

¹⁵*Id.* at 823.

¹⁶*Id.*

patent/antitrust matters and other cases involving patent and non-patent claims. In general, the Federal Circuit asserted the freedom to import Federal Circuit-specific policy considerations into its jurisdictional analysis, and, in general, those considerations led the Federal Circuit to a relatively broad conception of its jurisdiction.

For the vast majority of patent/antitrust matters, the Federal Circuit is properly vested with appellate jurisdiction even under a strict approach to applying the *Christianson* well-pleaded complaint rule. Many patent/antitrust matters are patent infringement actions in which the alleged infringer's counterclaims raise antitrust allegations, typically Sherman Act §2 claims based on a theory that the patentee is enforcing the patent anticompetitively.¹⁷ In these actions, the patent allegations clearly satisfy the well-pleaded complaint rule, and the Federal Circuit takes jurisdiction over the entirety of the case, including the antitrust counterclaims.¹⁸ According to the Federal Circuit, this rule holds even where the patent claims have been resolved on the merits prior to the appeal, such that the appeal only involves the antitrust claims.¹⁹

¹⁷Patent enforcement might be anticompetitive where the patent being enforced was procured through inequitable conduct (a so-called "Walker Process" claim), or where the litigation is otherwise a sham. See HOVENKAMP, JANIS & LEMLEY, *supra* note 6, at ch. 11 (detailing the elements of *Walker Process* and sham litigation claims).

¹⁸*E.g.*, *Virginia Panel Corp. v. Mac Panel Co.*, 133 F.3d 860, 864 (Fed. Cir. 1997) (exercising jurisdiction without comment over patent infringement case involving misuse defenses and antitrust counterclaims).

¹⁹*See* *U.S. Philips Corp. v. Windmere Corp.*, 861 F.2d 695, 701-702 (Fed. Cir. 1988), cert. denied, 490 U.S. 1068 (1989) (appellate jurisdiction proper in appeal involving only antitrust issues, where patent claim was resolved below on jury verdict, and Rule 54(b) final judgment entered on antitrust counterclaim); *Korody-Colyer Corp. v. General Motors Corp.*, 828 F.2d 1572 (Fed. Cir. 1987) (same). *See generally* HOVENKAMP, JANIS & LEMLEY, *supra* note 6, at §5.2b2 (discussing relevant authority).

By contrast, where the patent allegations are dismissed prior to any merits determination (e.g., by voluntary dismissal), the Federal Circuit has held (in contexts outside the patent/antitrust arena) that Federal Circuit appellate jurisdiction disappears with the

Not all patent/antitrust matters fit this pattern, however. A smaller set of patent/antitrust cases originate as antitrust complaints that draw patent infringement counterclaims. For example, consider a case in which a plaintiff alleges that a defendant patent owner violated Sherman Act §2 by a unilateral refusal to license certain patents, and the defendant patent owner counterclaims for patent infringement.²⁰ In such a case – i.e., one in which only non-patent claims appear on the face of the complaint – should the Federal Circuit take appellate jurisdiction? And, more importantly, may the Federal Circuit take account of policy considerations peculiar to its mission when analyzing jurisdiction?

In *Aerojet*,²¹ the Federal Circuit answered both questions affirmatively, holding that nonfrivolous compulsory patent counterclaims were sufficient to supply the jurisdictional predicate required under the well-pleaded complaint rule. Starting from the premise that the Supreme Court’s *Christianson* decision “did not intend to make a rigid application of the well-pleaded complaint rule a Procrustean bed for [Federal Circuit] jurisdiction,”²² the Federal Circuit provided a number of reasons why the well-pleaded complaint rule as applied in the patent context should be read expansively to encompass patent counterclaims. First, it would be “incongruous” to say that a

disappearance of the patent allegations. *See, e.g., Nilssen v. Motorola, Inc.*, 203 F.3d 782 (Fed. Cir. 2000); *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515 (Fed. Cir. 1987).

²⁰For example, in the *Independent Services Organization* litigation, plaintiffs alleged anticompetitive refusal to sell patented parts and anticompetitive refusal to license copyrighted software, and the defendant counterclaimed for patent infringement. *Independent Serv. Orgs. Antitrust Lit.*, 203 F.3d 1322 (Fed. Cir. 2000).

²¹*Aerojet-General Corp. v. Machine Tool Works*, 895 F.2d 736, 739-745 (Fed. Cir. 1990) (*en banc*). *Aerojet* was not a patent/antitrust matter; the plaintiff’s complaint alleged federal law unfair competition theories, and the defendant counterclaimed for patent infringement.

²²*Id.* at 741.

document labeled “complaint” sufficed under the rule while the same document labeled “counterclaim” did not.²³ Second, a rule equating complaints and counterclaims is justified because a counterclaim, like a complaint, is generally treated as a separate claim that must have its own jurisdictional basis, and is generally filed early enough in the case to retain the advantage of setting appellate jurisdiction early in the litigation.²⁴ Third, there was precedent from the general federal question jurisprudence for treating counterclaims as providing an independent basis for federal jurisdiction.²⁵ Fourth, the basic purpose for rigorous adherence to the well-pleaded complaint rule in non-patent federal question cases was to avoid federal/state conflicts, and obviously the question of Federal Circuit appellate jurisdiction implicated no such conflicts.²⁶

Finally, extending the well-pleaded complaint rule to patent counterclaims would comport with Congress’ principal goal for the court: promoting uniformity. As the Federal Circuit saw it:

Congress did not mention the "well-pleaded complaint rule" as such and no warrant exists for reading that judicially created device into the statute when doing so would defeat the congressional purpose. Directing appeals involving compulsory counterclaims for patent infringement to the twelve regional circuits could frustrate Congress' desire to foster uniformity and preclude forum shopping.²⁷

²³*Id.* at 742 (“The distinctions between complaints and counterclaims can be important in other contexts, but can have no meaningful role in governing the direction of the appeal under the unique statute that created this court when the counterclaim arises under the patent laws.”).

²⁴*Id.*

²⁵*Id.* at 742-43 (citing patent and non-patent authority).

²⁶*Id.* at 743-44.

²⁷*Id.* at 744-45, *citing Christianson*, 108 S.Ct. at 2181 (Stevens, J., concurring) (“Congress' goal of ensuring that appeals of patent-law claims go to the Federal Circuit would be thwarted by determining that court's appellate jurisdiction only through an examination of the complaint as initially filed. That approach would enable an unscrupulous plaintiff to manipulate appellate court jurisdiction by the timing of the amendments to its complaint.”).

The Federal Circuit maintained an expansive view of its appellate jurisdiction after *Aerojet*. For example, In *DSC*, the Federal Circuit extended this rule to permissive patent counterclaims.²⁸

The Federal Circuit's willingness to assert jurisdiction expansively in mixed patent/non-patent cases goes part way towards illuminating the Federal Circuit's attitudes towards the scope of its own power relative to its sister appellate circuits. To get a more complete picture, however, we must also consider whether the Federal Circuit is entitled to create its own law as to non-patent issues.

B. Federal Circuit Choice of Law

In its approach to defining its jurisdiction, the Federal Circuit developed an expansive approach to applying the well-pleaded complaint rule. The Federal Circuit developed an even more aggressively expansionist stance with its choice-of-law rules. The Federal Circuit's *Nobelpharma* decision from the patent/antitrust area illustrates this stance.

As anyone knows, patent cases aren't purely contests about substantive patent law issues. They may present substantive issues going beyond patent law. They frequently present procedural issues. Sometimes these issues don't implicate patent policy concerns to any meaningful degree. But sometimes they do; sometimes the "procedural" issues look pretty substantive, and the "non-patent" issues look pretty patentish.²⁹

As we have seen, Congress vested the Federal Circuit with jurisdiction over "cases," not

²⁸*DSC Communications Corp. v. Pulse Communications*, 170 F.3d 1354, 1358-59 (Fed. Cir. 1999).

²⁹*See, e.g., Midwest Indus., Inc. v. Karavan*, 175 F.3d 1356, 1359 (Fed. Cir.1999) (en banc in relevant part) ("Distinguishing between 'patent issues' and 'nonpatent issues' has clarified the choice of law question for most purposes, but in some instances it has not been obvious whether a particular issue should be characterized as a 'patent' issue or not.").

issues. So, it was inevitable that when the Federal Circuit exercised jurisdiction over entire patent cases, it would be confronted not only with substantive patent law issues, but also with tag-along issues: procedural and non-patent substantive matters.³⁰ This sets up a unique choice of law problem: when adjudicating procedural or non-patent substantive issues, should the Federal Circuit apply the law of the originating circuit, or should the Federal Circuit create its own law? Congress left the question unresolved.

In its early jurisprudence, the Federal Circuit attempted to draw a sharp distinction between procedural and substantive issues, holding “as a matter of policy” that the Federal Circuit would defer to regional law when reviewing procedural issues “that are not unique to patent issues.”³¹ Looking to the legislative history of the Federal Circuit’s enabling statute, the court concluded that Congress had given it a mandate “to achieve uniformity in patent matters,”³² and that Congress naturally sought to minimize “conflicts and confusion in the judicial system.”³³ By deferring to regional circuit law on procedural matters not unique to patent law, the Federal Circuit could help maintain uniform standards (and alleviate confusion) in the judiciary at large while still preserving uniformity within the sphere of patent law:

Where, as here, a procedural question that is independent of the patent issues is in dispute, practitioners within the jurisdiction of a particular regional circuit court should not be required to practice law and to counsel clients in light of two different sets of law for an

³⁰*Panduit Corp. v. All States Plastics Mfg. Co.*, 744 F.2d 1564,1573 (Fed. Cir. 1984) (“Since our jurisdiction to review a district court’s decision is predicated on the presence of a bona fide patent claim in that action, we, naturally, have the exclusive jurisdiction to review any other matters which were tried below.”).

³¹*Panduit*, 744 F.2d at 1574-75.

³²*Panduit*, F.2d at 1574, *citing* H.R. REP. 97-312, 97th Cong., 1st Sess. 23 (1982).

³³*Id.*

identical issue due to the different routes of appeal. An equal, if not more important, consideration is that district judges also should not be required to decide cases in this fashion. . . . The possibility of different requirements should be minimized especially where a dispute is totally unrelated to patent issues and the resolution of that dispute does not impinge on the goal of patent law uniformity. . . . This policy [of deference to regional law] is within the intent and spirit of not only our enabling statute but also the general desire of the federal judicial system to minimize confusion and conflicts. Since our mandate is to eliminate conflicts and uncertainties in the area of patent law, we must not, in doing so, create unnecessary conflicts and confusion in procedural matters.³⁴

The court candidly admitted in *Panduit* that the “exact parameters” of its ruling “will not be clear until such procedural matters are presented to this court for resolution.”³⁵ In fact, over time, the Federal Circuit came to view an increasing number of procedural issues as being “related” to “substantive matters unique to the Federal Circuit”,³⁶ “bear[ing] an essential relationship to matters committed to our exclusive control by statute,”³⁷ or “clearly implicat[ing] the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction.”³⁸ The reach of Federal Circuit lawmaking responsibility now extends to such matters as preliminary injunction standards, personal jurisdiction rules, rules defining the scope of attorney-client privilege, among others.³⁹

³⁴*Panduit*, 744 F.2d at 1574-75 (footnotes omitted).

³⁵*Panduit*, 744 F.2d at 1575.

³⁶*Chrysler Motors Corp. v. Auto Body Panels of Ohio, Inc.*, 908 F.2d 951, 953 (Fed. Cir.1990).

³⁷*Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 858-59 (Fed. Cir.1991).

³⁸*Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1212 (Fed. Cir.1987).

³⁹*See, e.g.*, *Mylan Pharmaceuticals, Inc. v. Thompson*, 268 F.3d 1323, 1329 n. 1 (Fed. Cir. 2002) (applying Federal Circuit law to determine the standards for a preliminary injunction against an “Orange Book” listing of a patent in a Hatch-Waxman case); *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803-04 (Fed. Cir. 2000) (Federal Circuit law applies to determination of whether invention record is protected by attorney-client privilege, because the determination “clearly implicates, at the very least, the substantive patent issue of inequitable conduct.”); *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564 (Fed. Cir.1994)

Increasingly, the Federal Circuit has connected the scope of its lawmaking authority with the scope of its jurisdictional grant. For example, in *Biodex*, the court opined that while the Federal Circuit should take account of the “core policy” of avoiding conflicts with standards from other circuits, that policy should not trigger deference to regional circuit law when the Federal Circuit confronts either procedural or substantive matters that are “essential to the exercise of [the Federal Circuit’s] exclusive jurisdiction.”⁴⁰ Under this rubric, where “the precise issue involves an interpretation of the Federal Rules of Civil Procedure or the local rules of the district court,” the Federal Circuit should defer,⁴¹ but the mere fact that a procedural issue “might separately arise in a case having nothing to do with the patent laws” would not trigger deference.⁴²

The Federal Circuit’s choice of law rules for non-patent substantive issues has reflected a similar pattern of expansion. For example, in its early encounters with patent/antitrust issues, the

(Federal Circuit law applies to determination of whether court has personal jurisdiction over defendant in a patent case); *Hybritech Inc. v. Abbott Lab.*, 849 F.2d 1446, 1451 n. 12 (Fed. Cir.1988) (Federal Circuit law applies to determination of requirements for awarding preliminary injunctive relief to plaintiff patentee in an infringement case); *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d 1207, 1212 (Fed. Cir. 1987) (Federal Circuit law applies to determination of discoverability of particular materials because the determination “implicates the substantive law of patent validity and infringement.”). *But cf.* *Vardon Golf Co., Inc. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1333 (Fed. Cir. 2002) (applying regional circuit law to determine the standard for collateral estoppel); *Bayer AG. v. Biovail Corp.*, 279 F.3d 1340, 1345 (Fed. Cir.2002) (same); *but see Vardon*, 294 F.3d at 1336 (Dyk, J., concurring) (asserting that deference to regional circuit law on collateral estoppel creates the potential for nonuniformity and forum shopping). *See also Vivid Technologies, Inc. v. American Science & Engineering, Inc.*, 200 F.3d 795, 807 (Fed. Cir. 1999) (holding that a Rule 56(f) discovery issue would be decided under regional circuit law).

⁴⁰*Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 857 (Fed. Cir. 1991).

⁴¹*Id.* at 857-58(arguing that the resolution of such issues “manifestly implicates the consistency of future trial management”).

⁴²*Id.* at 858 (asserting that “[s]uch an application of the rule in *Panduit* would be too expansive”).

Federal Circuit deferred to regional circuit law, even going so far as to imply that such deference was non-discretionary.⁴³ In determining whether to defer to regional circuit law on non-patent substantive issues, the Federal Circuit cited trial management and forum shopping as the major considerations:

When we apply regional circuit law to nonpatent issues, we do so in order to avoid the risk that district courts and litigants will be forced to select from two competing lines of authority based on which circuit may have jurisdiction over an appeal that may ultimately be taken, and to minimize the incentive for forum-shopping by parties who are in a position to determine, by their selection of claims, the court to which an appeal will go.⁴⁴

⁴³*Loctite Corp. v. Ultraseal, Ltd.*, 781 F.2d 861 (Fed. Cir. 1985), *overruled*, *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067-68 (Fed. Cir.), *cert. denied*, 525 U.S. 876 (1998). According to the court in *Loctite*, “We *must* approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review.” *Loctite*, 781 F.2d at 875.

The Federal Circuit deferred to regional circuit law in a number of cases presenting patent/antitrust issues. *See Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1556-57 (Fed. Cir. 1997) (looking to Sixth Circuit law to review a summary judgment grant on a Sherman Act §2 claim relating to patent enforcement); *Cygnus Therapeutics Sys. v. ALZA Corp.*, 92 F.3d 1153, 1161 (Fed. Cir. 1996) (looking to Ninth Circuit law to review a summary judgment grant on a *Walker Process* claim); *Carroll Touch, Inc. v. Electro Mechanical Systems, Inc.*, 15 F.3d 1573, 1582-83 (Fed. Cir. 1993) (looking to Seventh Circuit law to review a summary judgment grant on a Sherman Act §2 claim relating to patent enforcement)); *U.S. Philips Corp. v. Windmere Corp.*, 861 F.2d 695, 702 (Fed. Cir. 1988) (looking to Eleventh and Fifth Circuit law to review a §2 monopolization claim); *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1385-6 (Fed. Cir. 1987) (looking to Ninth Circuit law to decide whether inequitable conduct could serve as the basis for the “fraud” element of a *Walker Process* claim).

⁴⁴*Midwest*, 175 F.3d at 1359, *citing Atari*, 747 F.2d at 1439; *see also Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 909 (Fed. Cir. 1984) (asserting that the Federal Circuit should seek to “avoid exacerbating the problem of intercircuit conflicts” on substantive questions lying outside the scope of the Federal Circuit’s exclusive jurisdiction). Applying these considerations, the Federal Circuit nonetheless declined to defer to regional circuit law in *Midwest*, even though by doing so the court was undoubtedly creating the potential for forum shopping on trade dress infringement claims. *Midwest*, 175 F.3d at 1361 (Federal Circuit law applies to determination of whether patent law preempts trade dress infringement claims under federal and state trademark law).

Consistent with its approach to “procedural” issues, the Federal Circuit has now shifted to a more expansive approach to applying its own law to non-patent substantive issues,⁴⁵ including patent/antitrust issues. In *Nobelpharma*,⁴⁶ after acknowledging that “[a]s a general proposition, when reviewing a district court’s judgment involving federal antitrust law, we are guided by the law of the regional circuit in which that district court sits,”⁴⁷ the Federal Circuit concluded that Federal Circuit law would apply to the particular patent/antitrust issue before it (a *Walker Process* claim),⁴⁸ and to “all antitrust claims premised on the bringing of a patent infringement suit.”⁴⁹

The Federal Circuit’s rationale for this expansion was familiar -- indeed, it was essentially the same rationale that it had previously deployed to justify deference. According to the Federal Circuit, most antitrust claims premised on patent enforcement activities would be pled as

⁴⁵*Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1379 (Fed. Cir. 2000) (Federal Circuit law applies to determination of whether a patent applicant’s conduct before the PTO satisfies the predicate act requirement for federal RICO claims); *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568 (Fed. Cir.1996) (Federal Circuit law applies to determination of whether inequitable conduct in procurement of a patent constitutes unfair competition). *But cf.* *Transmatic, Inc. v. Gulton Industries, Inc.*, 180 F.3d 1343, 1347-48 (Fed. Cir. 1999) (regional circuit law applies to determination of timing for awards of pre- and post-judgment interest because the patent statute does not “determine the issue,” such awards are not unique to patent law, and the rationale for such awards is not unique to patent law).

⁴⁶*Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067-68 (Fed. Cir.), *cert. denied*, 525 U.S. 876 (1998).

⁴⁷*Id.*

⁴⁸Specifically, the court concluded that “whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law.” *Nobelpharma*, 141 F.3d at 1068.

⁴⁹*Id.* As the court noted, this entailed overruling of the contrary choice of law approach expressed in at least *Cygnus*, *Loctite*, and *Atari*. *Id.*

counterclaims to patent infringement claims, and hence most such antitrust claims arise in cases over which the Federal Circuit would have appellate jurisdiction. Therefore, the Federal Circuit was in the best position to create a “uniform body of federal law” on the subject and avoid the “confusion” of attempting to discern the laws of other circuits.⁵⁰ Additionally, the Federal Circuit declared that the antitrust claim at issue “clearly involves our exclusive jurisdiction over patent cases” and “impacts our exclusive jurisdiction.”⁵¹

The Federal Circuit did not go so far as to assert Federal Circuit lawmaking authority over all elements of patent-related antitrust claims. Whereas the Federal Circuit would apply Federal Circuit law to the patent-related aspects of patent/antitrust claims, the court would continue to defer to regional circuit law on “issues involving other elements of antitrust law such as relevant market, market power, damages, etc.”⁵² The Federal Circuit has now applied the *Nobelpharma* choice-of-law rule in a few cases,⁵³ as have the district courts.⁵⁴

⁵⁰*Nobelpharma*, 141 F.3d at 1068.

⁵¹*Nobelpharma*, 141 F.3d at 1067.

⁵²*Id.*

⁵³In re Independent Service Organizations Antitrust Litigation, 203 F.3d 1322, 1325 (Fed. Cir. 2000). In that case, CSU, an independent service organization servicing Xerox copiers, alleged antitrust violations stemming from (1) Xerox’s refusal to sell patented parts for Xerox copiers and (2) Xerox’s refusal to sell or license copyrighted manuals and software. The Federal Circuit concluded that the claim for unilateral refusal to sell patented parts would be adjudicated under Federal Circuit law, while the claim for unilateral refusal to sell or license copyrighted material would be adjudicated under the law of the originating circuit. *C.R. Bard v. M3 Systems*, 157 F.3d 1340, 1367 n.7 (Fed. Cir. 1998) (noting that under *Nobelpharma*, the fraudulent procurement element of a *Walker Process* claim would be adjudicated under Federal Circuit law, while the other elements, such as the market power issue, would be governed by regional circuit law).

⁵⁴*Victus, Ltd. v. Collezione Europa U.S.A., Inc.*, 26 F. Supp.2d 772, 778-9, n.4 (M.D.N.C. 1998) (looking to Federal Circuit law to adjudicate a Sherman Act §2 claim

As the Federal Circuit has itself observed, any notion of a “rigid division” between substantive patent issues and other issues (procedural and non-patent substantive issues)

no longer represents this court's approach to choice-of-law questions in patent cases. Rather, cases such as . . . Nobelpharma make clear that our responsibility as the tribunal having sole appellate responsibility for the development of patent law requires that we do more than simply apply our law to questions of substantive patent law.⁵⁵

Thus, prior to the Supreme Court’s *Holmes* decision, the Federal Circuit was gradually extending its power over patent cases by redrawing the parameters of its own jurisdiction and choice of law powers.

III. *Holmes* and After

Holmes may mark the beginning of a countertrend in Federal Circuit power. In *Holmes*,⁵⁶ the Supreme Court rejected the broad vision of Federal Circuit appellate jurisdiction expressed in Federal Circuit’s *Aerojet* and *DSC Communications* cases. The Court did not take the opportunity to comment on choice of law issues in *Holmes*, but the implications of *Holmes* for both jurisdiction and choice of law bear examination, especially for future application in patent/antitrust matters.

A. The *Holmes* Decision

The jurisdictional battle that culminated in the *Holmes* decision undoubtedly owes its origin

concerning bad faith patent enforcement, but looking to Fourth Circuit law to adjudicate “issues involving other elements of antitrust law, such as relevant market”). *See also* Travelers Exp. Co., Inc. v. American Exp. Integrated Payment Systems Inc., 80 F. Supp.2d 1033, 1042 (D. Minn. 1999) (looking to Federal Circuit law to adjudicate a Sherman Act §2 claim predicated on the filing of a series of allegedly meritless patent suits).

⁵⁵*Midwest*, 175 F.3d at 1360.

⁵⁶*Holmes Group, Inc. v. Vornado Air Circ. Sys., Inc.*, 122 S.Ct. 1889 (2002).

to a substantive battle over the appropriate standard for trade dress protection. In prior litigation, Vornado had claimed trade dress protection for its spiral fan grill design, and had sued Duracraft. In a controversial decision, the Tenth Circuit had rejected Vornado's claim of trade dress protection on the ground that Vornado had already secured patent protection covering the design.⁵⁷ Subsequently, the Federal Circuit confronted a similar case and rejected the Tenth Circuit's reasoning, setting forth a standard that appeared to be more favorable to the trade dress claimant.⁵⁸

Perhaps heartened by the Federal Circuit's ruling, Vornado tried again, this time initiating an action in the U.S. International Trade Commission (I.T.C.) against a different party, Holmes, but making the same claim of trade dress protection in the spiral grill design. Appeals from the I.T.C. go to the Federal Circuit.⁵⁹

Holmes initiated a separate action in District Court in Kansas, appeals from which go to the Tenth Circuit. Holmes sought a declaration that Holmes' fans did not infringe Vornado's trade dress, and that Vornado's statements to the marketplace about the alleged infringement violated various federal and state unfair competition laws. Vornado counterclaimed, asserting that Holmes' fans infringed Vornado's patent. The district court ruled for Holmes on the trade dress issue, concluding that Vornado was collaterally estopped from relitigating the trade dress protection issue in view of the Tenth Circuit's *Duracraft* decision, notwithstanding the Federal Circuit's contrary precedent. The district court did not reach the merits of the patent infringement counterclaim.

⁵⁷Vornado Air Circulation Systems, Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995).

⁵⁸Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999). For a discussion of the choice of law aspects of the *Midwest* decision, see *supra* II.B.

⁵⁹28 U.S.C. §§1295(a)(5)-(6).

Vornado appealed – but to Federal Circuit, not the Tenth Circuit. Vornado had counterclaimed for patent infringement, and the counterclaim remained alive for adjudication on its merits, so Federal Circuit appellate jurisdiction would have been proper under *Aerojet* and *DSC Communications*. The Federal Circuit so ruled, accepting jurisdiction, vacating the District Court’s judgment, and remanding to allow the District Court to reconsider the propriety of giving collateral estoppel effect to the Tenth Circuit’s *Duracraft* ruling.⁶⁰

Holmes then petitioned to the Supreme Court, challenging the Federal Circuit’s decision to take appellate jurisdiction in the case. The Court ruled resoundingly in favor of Holmes, vacating the Federal Circuit’s decision and instructing that the case be transferred to the Tenth Circuit. In an opinion written by Justice Scalia, the Court held that a counterclaim could not serve as the basis for appellate jurisdiction under the *Christianson* well-pleaded complaint rule, thus overruling *Aerojet* and *DSC Communications*.

The ruling had an immediate impact on patent/antitrust matters. In *Telecomm*,⁶¹ plaintiffs brought Sherman Act §2 claims against Seimens; Seimens counterclaimed for patent and copyright infringement. In the District Court, the plaintiffs lost on the antitrust claim and on the infringement counterclaims, and appealed to the Federal Circuit. The Federal Circuit declined to exercise jurisdiction in view of *Holmes*.⁶²

⁶⁰13 Fed.Appx. 961 (Fed. Cir. 2001) (non-precedential). A Supreme Court decision, *TraFFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001), rendered after the district court’s judgment, raised further questions about the propriety of giving collateral estoppel effect to the Tenth Circuit’s *Duracraft* decision.

⁶¹*Telecomm Technical Servs. Inc. v. Siemens Rolm Communications, Inc.*, 295 F.3d 1249 (Fed. Cir. 2002).

⁶²*Id.* at 1252 (observing that the Supreme Court held in *Holmes* that “the well-pleaded complaint rule endures no necromancy that would vest the statutory phrase ‘arising under’ with a

B. *Holmes* Rationales

Justice Scalia’s opinion in *Holmes* tersely rejected the Federal Circuit’s expansive vision of its own appellate jurisdiction – but not based on arguments specific to the goals of the Federal Circuit or of the patent system. Instead, Justice Scalia drew from the general jurisprudence of federal question jurisdiction. Citing primarily cases and materials on removing state actions to federal court, Justice Scalia concluded that it was well-established that federal law defenses would not satisfy the well-pleaded complaint rule, so, by extension, federal law counterclaims should also fail to satisfy the rule; neither the defenses nor the counterclaims appeared on the face of the well-pleaded complaint.⁶³

Having invoked general federal question precedent, Justice Scalia then turned to general federal question policy. A rule refusing to recognize counterclaims as sufficient to confer jurisdiction would (1) advance the policy of allowing the plaintiff to be the “master of his complaint”; (2) avoid “radically expanding” the number of state cases that are removable to the federal courts; and (3) preserve the well-pleaded complaint rule as a clear and easily-administered jurisdictional rule of thumb.

The first part of Justice Scalia’s opinion was premised on an assumption that notions of “arising under” jurisdiction employed in the general federal question context must also apply to

meaning that encompasses appellate jurisdiction for a case to be heard in the Federal Circuit based on a patent infringement counterclaim”).

Cf. Golan v. Pingel Enterprise, Inc., 310 F.3d 1360, 1366-67 (Fed. Cir. 2002) (Federal Circuit appellate jurisdiction established under *Holmes* where plaintiff sought declaration of non-infringement in response to threats of suit for patent infringement; the threatened action would have arisen under the patent laws, and this conclusion follows irrespective of whether a counterclaim for patent infringement is actually filed in response to the declaratory claim).

⁶³*Holmes*, 122 S.Ct. at 1893-94.

“arising under” jurisdiction in the patent context. In the second part of his opinion, Justice Scalia proceeded explicitly to dismiss the proposition that “arising under” in the patent context should receive a different treatment in view of the policy goal of promoting uniformity in patent law. Here Scalia concluded that the statutory language foreclosed any prospect of differential treatment based upon policy goals. According to Justice Scalia, the dots were very simple to connect: “arising under” in the general federal question analysis triggers the well-pleaded complaint rule (not a “complaint or counterclaim” rule); “arising under” §1338(a) likewise triggers the well-pleaded complaint rule (not a “complaint or counterclaim” rule); and §1295(a) (establishing Federal Circuit appellate jurisdiction) merely incorporates §1338(a) by reference, so Federal Circuit appellate jurisdiction must necessarily depend on the well-pleaded complaint rule (not a “complaint or counterclaim” rule). To Scalia, “[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 (respondent's complaint-or-counterclaim rule) when referred to by § 1295(a)(1).”⁶⁴

Here, Justice Scalia parted company with three of his colleagues. Both Justice Stevens (concurring in part) and Justice Ginsburg (concurring in the judgment, with O’Connor, J., joining), thought that the existing statutory structure provided room for developing more nuanced rules of Federal Circuit appellate jurisdiction. I discuss their specific proposals, along with a few other observations, in the next section.

C. Responses to *Holmes*, and Some First Thoughts on the Benefits of Federal Circuit

⁶⁴*Id.* at 1895.

Imperialism

In *Holmes*, Justice Scalia claimed that the statutory language governing Federal Circuit jurisdiction precluded courts from examining and fine-tuning Federal Circuit appellate jurisdiction in reference to the broad policy objectives underlying the creation of the Federal Circuit. In the wake of *Holmes*, Congress should do what Justice Scalia claimed that the courts could not do – reexamine the Federal Circuit’s jurisdictional grant in light of the policy factors that motivated creation of the Federal Circuit in the first place. In this section, I conclude the essay by offering some first thoughts on such a reexamination.

(1). *Linking Jurisdiction and Choice of Law.* Unlike Justice Scalia, Justice Stevens (concurring in *Holmes*) was willing to examine the policy objectives underlying the provisions that define Federal Circuit appellate jurisdiction. According to Justice Stevens, the result reached in *Holmes* was sound policy because there are benefits in having some regional circuit participation in shaping patent doctrine.⁶⁵ This rationale should be examined critically; it may fail to account for the realities of choice-of-law doctrine.

Consider the following illustration. In the *Xerox* case,⁶⁶ the ISO’s alleged antitrust violations based on Xerox’s alleged refusal to sell patented replacement parts and Xerox’s alleged refusal to license certain copyrighted materials, and Xerox counterclaimed for patent and copyright infringement. The Federal Circuit exercised appellate jurisdiction without comment, presumably

⁶⁵*Holmes*, 122 S.Ct. at 1897-98 (Stevens, J., concurring). Justice Stevens also cited the interest in preserving the plaintiff’s choice of forum, and the need to give effect to Congress’ choice to retain some significant number of intellectual property disputes for regional circuit adjudication.

⁶⁶*In re Independent Services Org. Antitrust Lit.*, 203 F.3d 1322 (Fed. Cir. 2000).

applying the standard from *Aerojet*. After the Supreme Court’s *Holmes* decision, however, appellate jurisdiction would lie in the regional circuit in such a case (the Tenth Circuit in *Xerox*), because Xerox’s patent counterclaim would not suffice to establish Federal Circuit jurisdiction.

However, having taken jurisdiction in this hypothetical post-*Holmes* scenario, whose law would the Tenth Circuit apply? As is evident from the actual case, the Federal Circuit would have applied Federal Circuit law both to the patent infringement counterclaim and (applying its *Nobelpharma* decision) to the antitrust claim for refusal to sell patented parts. Perhaps the Tenth Circuit would do the same – i.e., apply Federal Circuit law to the patent infringement claim and the patent-related antitrust claim. If so, one may wonder what is gained by a jurisdictional rule that directs the case to the Tenth Circuit. “Useful” circuit conflicts will not emerge if the regional circuits merely apply the rules that the Federal Circuit would have applied. It hardly seems productive to have jurisdictional rules that channel some “mixed” patent/non-patent cases to the regional circuits, only to have the regional circuits applying Federal Circuit law, or, worse, speculating about what result the Federal Circuit would have reached.⁶⁷

Alternatively, perhaps the Tenth Circuit would refuse to be bound by Federal Circuit law on the patent infringement counterclaim, reasoning that if Congress intended to retain for the regional circuits some jurisdictional authority over patent matters, then Congress surely expected the regional

⁶⁷There are, of course, many other alternatives involving slicing the issues in the case more finely. The Tenth Circuit might apply Federal Circuit law to the patent infringement counterclaim, while applying Tenth Circuit law to the patent-related antitrust claim. Or, the Tenth Circuit might apply Federal Circuit law to the patent infringement counterclaim and to the patent-related aspects of the antitrust counterclaim a la *Nobelpharma*.

circuits to apply their own law to those patent matters.⁶⁸ If a regional circuit goes this route, it might find that it is compelled to apply binding substantive patent law precedent created prior to the existence of the Federal Circuit. Under this jurisdiction/choice-of-law regime, one might question whether the Congressional goal of promoting uniformity in patent law is being adequately served.

At the very least, the illustration demonstrates why. From a policy perspective, Federal Circuit appellate jurisdictional rules alone don't adequately forecast outcomes. When Congress and the courts make policy about the allocation of adjudicative responsibility for patent law, they must consider choice-of-law rules, not merely jurisdictional rules.⁶⁹

(2). *Good Uniformity, Bad Uniformity.* If Congress or the courts accept the advice from the preceding paragraphs -- that is, they design appellate jurisdiction with an eye towards choice-of-law consequences -- how should they design Federal Circuit appellate jurisdiction? Presumably, Congress and the courts would quickly flock to the standard of uniformity. As we have seen from the cases discussed in this essay, the courts frequently invoke the promotion of uniformity and the

⁶⁸Prior to Holmes, the Federal Circuit seemed to indulge a contrary assumption. That is, the Federal Circuit seems to have assumed that in a case where a regional appellate circuit court adjudicates a substantive patent law issue, that court would defer on policy grounds to Federal Circuit substantive patent law:

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. *Speedco, Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988) (citations omitted). Post-*Holmes* cases may reveal whether the Federal Circuit's expectations are well-founded.

⁶⁹Other scholars have recognized the importance of this linkage. *E.g.* Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 59-61 (1989).

reduction of forum-shopping as rationales justifying Federal Circuit jurisdictional or choice-of-law rules.

The uniformity and forum-shopping rationales are legitimate and should be given careful attention, but their deployment in many judicial opinions is a bit suspect. Almost invariably, appeals to “uniformity” in the context of Federal Circuit jurisdiction and choice-of-law are, in fact, value judgments about promoting uniformity in one sphere of the law while sacrificing it in another. Recall that in *Aerojet*, the Federal Circuit cited the need to promote uniformity in patent law as one among several justifications for concluding that a patent counterclaim satisfied the well-pleaded complaint rule for purposes of Federal Circuit appellate jurisdiction. In its subsequent *Biodex* opinion, the Federal Circuit “note[d] in passing” that *Aerojet* also might undermine uniformity in the law of pendent non-patent substantive issues: i.e., it might promote forum-shopping “between our circuit and the regional circuit by the sequence in which claims and counterclaims are filed.”⁷⁰

Uniformity arguments must also be viewed with caution in the context of specialized adjudication. A fundamental criticism of specialized courts is that too much uniformity is itself a bad thing, or leads to bad things -- such as insularity in decisionmaking and the potential for capture of the specialized tribunal by interest groups.⁷¹

Assuming *arguendo* that we should make a value judgment in favor of promoting *patent law* uniformity and minimizing patent law confusion, it’s quite easy to criticize the current jurisdiction/choice-of-law regime: *Holmes* is a step backwards, and *Nobelpharma* is a step forwards,

⁷⁰*Biodex*, 946 F.2d at 858, n. 11.

⁷¹See generally Dreyfuss, *supra* note 69, at 2-3 (summarizing standard arguments regarding costs and benefits of specialized adjudication).

but perhaps not far enough. *Holmes*, in theory, could erode patent law uniformity, depending upon how often regional circuits actually confront patent issues, and (as discussed above) whether those circuit courts apply their own law or Federal Circuit law to patent issues.⁷²

Holmes also may – in theory – generate races to the courthouse, and wasteful parallel litigation. Consider a case in which Y sues Z for antitrust violations, and Z files a compulsory counterclaim for patent infringement. Under *Aerojet*, the counterclaim would have sufficed to vest the Federal Circuit with appellate jurisdiction. Under *Holmes*, appellate jurisdiction will lie with the regional circuit unless patent law is a necessary element of Y’s antitrust claim. Suppose, however, that Z initiates a separate patent infringement action against Y in a different district court.⁷³ Appeal in that case clearly would go to the Federal Circuit. How should the district courts react: consolidate the cases, e.g., by transfer to the jurisdiction of the first-filed case (and thereby promote races to file)? Or allow both cases to proceed in parallel (and thereby promote races to final

⁷²See *Vardon Golf Co., Inc. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1336 (Fed. Cir. 2002) (Dyk, J., concurring) (suggesting that the goal of promoting uniformity in patent law is “still important” even though the *Holmes* decision may make it “more elusive”).

⁷³Practitioners have already begun to think along these lines. *E.g.*, Robert P. Taylor, *Twenty Years of the Federal Circuit: An Overview*, 716 PLI/PAT 9, 34 (2002) (“The [*Holmes*] decision does not address, for example, whether a patent claim may be filed as a separate action in federal court while an antitrust action is pending.”). The Indiana Supreme Court’s decision in *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784 (Ind. 2002), demonstrates the potential for parallel litigation as a result of *Holmes*, albeit in a case involving state law contract claims and a federal copyright counterclaim. In *Green*, a publisher sued an author in state court for money due to be repaid under a publishing agreement; the author filed a counterclaim that was treated as a claim for copyright infringement under federal law. The Indiana Supreme Court held that the rule from *Holmes* applied; the copyright infringement counterclaim did not suffice to cause the case to arise under the copyright laws in the sense of §1338, so that the state court properly took jurisdiction over the case. The Indiana court expressed the view that the counterclaimant was not precluded from initiating a separate action for copyright infringement in federal court.

judgment and litigation over issue preclusion)? Perhaps other options exist, but the potential for costly ancillary litigation seems high.

The *Nobelpharma* choice of law rule is also apt to generate confusion. The rule calls for the Federal Circuit to apply its own law only to the patent-related aspects of an antitrust issue, and experience from the cases attempting to distinguish between procedural issues “unique” to patent law and other procedural issues suggests that it will be difficult to distinguish between antitrust issues that uniquely impact patent law and those that do not. Moreover, the *Nobelpharma* rule will add complexity to nearly every patent/antitrust case, because any given antitrust claim is likely to include at least some elements (e.g., antitrust injury) that will be adjudicated under regional circuit law, and other elements that will be adjudicated under Federal Circuit law.⁷⁴ This, in turn, suggests that any hope of developing a “uniform” body of law on patent/antitrust issues may prove elusive: in any given case, the Federal Circuit is likely to be applying regional law (from different regional circuits) to at least some of the elements of the antitrust claim. If “uniformity” is the critical virtue, the Federal Circuit did not go far enough in *Nobelpharma*.⁷⁵ The Federal Circuit might instead have

⁷⁴For example, suppose that a monopolization claim requires proof of (1) the claimant’s standing; (2) antitrust injury and causation; (3) market power; (4) unjustified patent litigation; and (5) damages. *Nobelpharma* would seem to indicate that only element (4) should be decided as a matter of Federal Circuit law, while all of the other elements would be decided as a matter of the law of the originating circuit.

⁷⁵A number of commentators take the opposite position. See, e.g., James B. Kobak, Jr., *The Federal Circuit as a Competition Law Court*, 83 J. PAT. TM. OFF. SOC’Y 527, 542 (2001) (wondering whether Congress “ever expected the Federal Circuit to have the institutional competence not only to make broad pronouncements about antitrust policy but also to assert that those pronouncements supplant the views of other circuits”); James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137, 141-42 (2001). Some practitioners have expressed similar sentiments. Ronald Katz & Adam J. Safer, *Why is One Patent Court Deciding Antitrust Law for the Whole Country?*, SF37 ALI-ABA 219, 245-51 (2000) (critiquing the Federal Circuit’s choice-of-law approach as

ruled that once it has determined that one element of an antitrust claim impacts the Federal Circuit's exclusive patent jurisdiction, *all* elements of that claim are to be decided under Federal Circuit law.⁷⁶

(3). *Well-pleaded Complaint v. Well-litigated case.* If the *Holmes* version of the well-pleaded complaint rule is problematic for the reasons just stated, one might ask whether there are modest alternative proposals that would not require Congressional intervention. According to Justice Stevens, concurring in *Holmes* (and echoing arguments from his concurring opinion in *Christianson*), appellate jurisdiction should be determined as of the time of the filing of the notice of appeal. Thus, a complaint that initially included only antitrust allegations, but was later amended to include patent allegations, could potentially satisfy the well-pleaded complaint rule. The converse was also true, according to Justice Stevens: “if the only patent count in a multi-count complaint was voluntarily dismissed in advance of trial, it would seem equally clear that the appeal should be taken to the appropriate regional court of appeals rather than to the Federal Circuit.” However, with this qualification about timing, Justice Stevens agreed with the Court that the *plaintiff's* filings should determine appellate jurisdiction, and therefore concurred in the outcome of the case.⁷⁷

contrary to Congressional intent and unmanageable).

⁷⁶The procedure/substance distinction, under which the Federal Circuit defers to regional circuit law on procedural issues not unique to patent law, may pose further complications in the patent/antitrust context. For example, suppose that the issue is whether a special pleading standard under Rule 9(b) should apply to a *Walker Process* counterclaim. Suppose that Federal Circuit law applies to the “patent”-related elements of the *Walker Process* counterclaim, and regional circuit law applies to the other elements. Is the Rule 9(b) issue a procedural issue unique to patent law, such that Federal Circuit law should apply? We suspect that the Federal Circuit might well determine that such an issue requires a uniform national rule and thus should be decided as a matter of Federal Circuit law.

⁷⁷*Id.* at 1896-97 (Stevens, J., concurring) (“I am nevertheless persuaded that a correct interpretation of § 1295(a)(1) limits the Federal Circuit's exclusive jurisdiction to those cases in

Justice Ginsburg, concurring in the judgment in *Holmes*, also offered an alternative proposal under which jurisdiction would turn on the well-litigated case rather than on the allegations on the face of the well-pleaded complaint. Justice Ginsburg’s analysis focused on whether patent allegations had been adjudicated on the merits prior to appeal as an indicator of whether the Federal Circuit should take appellate jurisdiction. Accordingly, a patent counterclaim could suffice to confer Federal Circuit appellate jurisdiction (as the Federal Circuit had concluded in *Aerojet*), but not in *Holmes*, because the District Court had not reached the counterclaim on its merits. Justice Ginsburg also would have extended jurisdiction only when the patent counterclaim was compulsory.⁷⁸

(4). *The monolithic approach to “arising under” jurisdiction.* In concluding that the “arising under” concept as applied to the determination of Federal Circuit jurisdiction is in lock-step with “arising under” concepts applied to the determination of District Court jurisdiction, the *Holmes* Court reached an unfortunate result. Although, in my view, the statute does not compel the result reached in *Holmes*, Congress should intervene. At a minimum, Congress should overrule the narrow holding of *Holmes*, clarifying that patent counterclaims, whether compulsory or permissive, suffice to establish Federal Circuit jurisdiction.

Congress might take a broader view, however, using *Holmes* as an opportunity to rethink the parameters of Federal Circuit power. One animating question in this reexamination could be whether borrowing the notion of “arising under” jurisdiction for use in determining Federal Circuit

which the patent claim is alleged in either the original complaint or an amended pleading filed by the plaintiff.”).

⁷⁸*Id.* at 1898 (Ginsburg, J., concurring). One disadvantage of this approach is that it generates litigation over what comprises a “merits” determination. Another disadvantage is that appellate jurisdiction can only be determined after the fate of the patent allegations has been determined.

appellate jurisdiction is worth the trouble. Whereas Congress perhaps assumed that developed concepts from “arising under” jurisprudence in federal question cases could flow forward to help define the limits of Federal Circuit appellate jurisdiction, Justice Scalia’s *Holmes* opinion demonstrates that the Court may always be concerned that “arising under” jurisprudence developed in connection with Federal Circuit appellate jurisdiction will flow backwards to federal question jurisdiction, potentially disrupting the allocation of decisionmaking responsibility between federal and state courts.

That concern seems perfectly legitimate, but, of course, it can be addressed by ways other than forcing Federal Circuit appellate jurisdiction into the general federal question mold.⁷⁹ Congress should make clear that Federal Circuit appellate jurisdiction need not be strictly coupled to federal question jurisdiction, either by making clear in the statute “linguistic consistency” does not demand a monolithic approach to “arising under” jurisdiction regardless of the context; or simply by searching for a better formulation than “arising under.” In searching for an alternative approach, Congress should consider Federal Circuit power comprehensively, fashioning jurisdictional rules that are informed by the choice-of-law regime.⁸⁰

⁷⁹It seems implausible that Congress would have intended to create a regime in which the Federal Circuit tail could ever wag the entire federal question dog, and thus it may seem implausible to construe “arising under” for Federal Circuit jurisdiction as perfectly congruent with “arising under” in all other contexts. Certainly, Justice Ginsburg took the view that policy considerations unique to the Federal Circuit could influence the construction of “arising under” for purposes of the Federal Circuit’s appellate jurisdiction. *Holmes*, 122 S.Ct. at 1898 (Ginsburg, J., concurring).

⁸⁰Congress should also take account of another component of the Federal Circuit’s power -- the extent of meaningful Supreme Court oversight. See Mark D. Janis, *Patent Law in the Age of the Invisible Supreme Court*, 2001 ILL. L. REV. 387 (2001) (exploring this issue). The Supreme Court has traditionally asserted very limited control over Federal Circuit jurisprudence, especially as to substantive patent law matters. The dismissive rhetoric of Justice Scalia’s

Congress might also reflect on the two decades of experience with Federal Circuit decisionmaking on patent cases and non-patent substantive issues. While the Federal Circuit has demonstrated some tendency towards imperialism in its approaches towards its own jurisdiction and choice of law rules, the experience has largely been positive. Moreover, healthy Federal Circuit imperialism may simply be an inevitable consequence of a well-functioning “specialized” court. Finally, experience with the Federal Circuit to date suggests that issues at the patent/antitrust interface provide good illustrations of the potential benefits of active Federal Circuit imperialism.

Holmes opinion, the suggestions in Justice Stevens’ concurring opinion that a little regional circuit intervention may be warranted, and other developments may indicate that at least some of the justices are beginning to take a less sanguine view of the Federal Circuit.