Aerojet Takes a Dive After Over Twelve Years of Flight

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NOTE: AEROJET TAKES A DIVE AFTER OVER TWELVE YEARS OF FLIGHT

I. INTRODUCTION

Uniformity in patent law, which was a major driving force behind the creation of the United States Court of Appeals for the Federal Circuit, may be in jeopardy. Although the Federal Circuit has allowed patent claims raised in responsive pleadings to serve as a basis for its appellate jurisdiction for the previous twelve years, the United States Supreme Court’s recent holding in Holmes Group, Inc. v. Vornado Air Cooling Circulation Systems, Inc. halts this practice. Consequently, forum shopping and races to the courthouse may ensue, which, in turn, may produce a significant loss of uniformity in patent law.

Part II of this Note sets forth the background against which Holmes was decided. Part III critiques the Supreme Court’s analysis in Holmes and examines the likely consequences of the Court’s ruling. Finally, Part IV concludes that the sole method of remedying the negative effects of Holmes is through a legislative revision of the Federal Circuit’s appellate jurisdiction. Part IV also offers suggested revisions of the statutes governing the Federal Circuit’s jurisdiction.

II. BACKGROUND

A. Establishing the Federal Circuit

The Federal Circuit was established in 1982. Contrary to a regional court of appeals’ jurisdiction, which is geographically limited, the Federal Circuit’s jurisdiction is statutorily limited by subject matter. The legislative history indicates the following three purposes for establishing this court: (1) “reliev[ing] the regional appellate courts’ workload”; (2) “obtain[ing] greater uniformity in patent law

development and application”; and (3) “mak[ing] more effective use of currently available federal judicial resources.” Nevertheless, “[t]he majority of the legislative history . . . centers on the need for centralized review of patent appeals.” Both the Federal Circuit itself and the Supreme Court have occasionally recognized this uniformity-driven purpose as the reason for establishing the Federal Circuit.

For various reasons, the Federal Circuit’s creation was not without its critics. Some critics argued that Congress was merely passing the responsibility of clarifying patent law to the judiciary rather than doing so itself. The effects of centralizing a specific area of law in a single court was also vexatious to opponents of the Federal Circuit’s creation. Critics also feared that creating the Federal Circuit would lead to the creation of other specialty courts. Even the American Bar Association opposed the creation of the Federal Circuit.


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4. CHISUM, supra note 2, § 11.06(3)(e), at 11-361 to -363; see also Trybus, supra note 2, at 736-37 (listing similar purposes for the Federal Circuit’s creation).
6. For example, the Supreme Court has noted:
   “It was just for the sake of such desirable uniformity that Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate court for patent cases, . . . observing that increased uniformity would ‘strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.’”

   Though this court’s exclusive substantive jurisdiction encompasses six major areas of national law in which Congress desired greater uniformity, of which patent law is but one, the Seventh Circuit correctly noted the congressional emphasis on the need for greater uniformity in patent law and for freeing the judicial process from the forum shopping caused by conflicting patent decisions in the regional circuits.

provides that the Federal Circuit shall have exclusive jurisdiction over appeals from the final decisions of all United States district courts where the jurisdiction of the district court was based, in whole or in part, on 28 U.S.C. § 1338. Section 1338(a) states that "the district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." Thus, when a district court's jurisdiction is based, at least in part, on the patent laws, the Federal Circuit is given exclusive appellate jurisdiction. As a result of these interrelated statutes, the Federal Circuit's jurisdiction is clearly defined with reference to the basis of a district court's jurisdiction. However, Congress's use of the phrase "arising under" in defining the Federal Circuit's jurisdiction has led to problems which the Supreme Court recently resolved, for better or for worse, in Holmes.

While the establishment of the Federal Circuit was designed to create uniformity in patent law, the Federal Circuit has never been entitled to "absolute exclusivity" to decide all patent issues. For instance, issues involving breach or enforcement of a patent license may be litigated in state court if the claims arise under state contract law rather than federal patent law. Further, a case does not arise under federal patent law when the federal patent law issue only appears in the assertion of a defense while the original claims are

12. The statute 28 U.S.C. § 1295(a)(1) provides:
   (a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—
      (1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title.
13. See § 1338(a).
15. See supra notes 5-6 and accompanying text.
16. See 8 DONALD S. CHISUM, CHISUM ON PATENTS § 21.02[1][c], at 21-91 to -92 (2002) [hereinafter 8 CHISUM] ("T]he Supreme Court has emphasized that state courts are competent to adjudicate patent questions so long as the action itself does not arise under the patent laws.").
entirely under state law. Nevertheless, "[a]ny civil action of which federal district courts have original jurisdiction may, if brought in a state court, be removed by the defendant to the federal district court embracing the location of the state court." The fact remains that, while the Federal Circuit was created, in part, to ensure uniformity in patent law, state courts may still decide some patent issues.

B. The Federal Circuit's "Arising Under" Jurisdiction

The Supreme Court's decision in Christianson v. Colt Industries Operating Corp. and the Federal Circuit's response to Christianson in Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd. form the background of the Federal Circuit's jurisdiction, or lack thereof, over cases with patent issues raised only in responsive pleadings. These two cases ultimately led to the Supreme Court's recent decision of Holmes.

I. Christianson v. Colt Industries Operating Corp.

In Christianson the Supreme Court dealt with the scope of the Federal Circuit's jurisdiction. Colt, a "leading" manufacturer, seller, and marketer of M16 rifles and parts, was the former employer of Charles R. Christianson. After leaving Colt in 1975, Christianson established International Trade Services, Inc. (ITS), which began selling M16 parts. Christianson, despite signing a nondisclosure agreement while in the employ of Colt, began utilizing information at ITS that Colt considered "proprietary." Subsequently, Colt filed a patent infringement suit against two other companies, but it also joined Christianson and ITS for supplying the M16 specifications to the alleged infringing companies. Colt later dismissed its claims against

18. HARMON, supra note 17, § 16.1(b), at 929.
19. Id. § 8.1(a)(iv), at 468.
20. Id., § 8.1(a)(i), at 434; see also CHISUM, supra note 16, § 21.02[1][e], at 21-91 ("State courts are competent to adjudicate patent questions so long as the action itself does not arise under the patent laws.").
22. 895 F.2d 736 (Fed. Cir. 1990).
24. 486 U.S. at 803.
25. Id. at 804.
26. Id.
27. Id.
28. Id. at 804-05.
Christianson and ITS but notified several of their customers that the company was illegally utilizing Colt's trade secrets.29

Subsequently, Christianson and ITS brought a lawsuit against Colt under the federal antitrust laws and, as later amended, a state law claim of tortious interference with business relationships.30 Colt defended and counterclaimed by alleging that Christianson and ITS had improperly used trade secrets—a claim based on state law.31 Christianson and ITS answered these allegations, arguing that Colt's patents were invalid because they failed to satisfy the best mode and enablement requirements.32 Relying on this argument, the district court granted summary judgment on the antitrust and tortious-interference claims and invalidated nine of Colt's patents.33 What followed the district court's judgment was a game of jurisdictional ping-pong in which the Supreme Court became a referee.

Colt appealed to the Federal Circuit, which ultimately concluded that it lacked jurisdiction and, consequently, ordered that the case be transferred to the Seventh Circuit.34 However, the Seventh Circuit determined that the Federal Circuit did have jurisdiction and was "clearly wrong" in transferring the case.35 After the case was returned to the Federal Circuit, the court once again decided that it lacked jurisdiction but proceeded to decide the case on the merits in the "interest of justice."36 The Federal Circuit added that the Seventh Circuit displayed "a monumental misunderstanding of the patent jurisdiction granted this court. An appeal in a pure and simple antitrust case is here solely because an issue of patent law appears in an argument against a defense [or, rather, in the plaintiff's response to a defense]."37 Following the Federal Circuit's adjudication on the merits,

29. Id. at 805.
30. Christianson, 486 U.S. at 805. The complaint by Christianson also contained an "obscure" paragraph hinting at the invalidity of Colt's patents. Id.
31. Id. at 806.
32. Id. at 806. Specifically, 35 U.S.C. § 112 (2002) requires that a patent be issued only when the applicant satisfies what is commonly referred to as the "enablement requirement" and the "best mode requirement." Enablement requires that the patent applicant disclose information sufficient for a person "skilled in the art" to "make and use" the invention while the "best mode" requires that a patent applicant disclose any best mode of the invention, if there is one.
33. Christianson, 486 U.S. at 806.
34. Id.
35. Id. (citation omitted).
36. Id. at 807 (citation omitted).
the Supreme Court granted certiorari to review the jurisdictional dispute.\(^{38}\)

The Supreme Court agreed that the Federal Circuit did not have jurisdiction over the case.\(^{39}\) The Court reasoned that "linguistic consistency" required that the phrase "arising under" from 28 U.S.C. § 1338(a) be interpreted in the same manner as other statutes using the phrase, particularly 28 U.S.C. § 1331, which grants federal jurisdiction over federal questions.\(^{40}\) Thus, with linguistic consistency in mind, the Court held that § 1338(a) jurisdiction extends only to cases where the "well-pleded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleded claims."\(^{41}\) The Court also stated that "whether a claim 'arises under' patent law '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 or avoidance of defenses which it is thought the defendant may interpose."\(^{42}\) Because the Court reasoned that a case could not "arise under" the federal patent laws based on a defense or the anticipation of a defense, the Federal Circuit's judgment was vacated and the case was remanded to the Seventh Circuit.\(^{43}\) The Court found that the Federal Circuit's jurisdiction is based on the well-pleded complaint and not the well-tried case.\(^{44}\)


While the Federal Circuit has conformed to the Supreme Court's Christianson ruling, it has interpreted the holding narrowly. This narrow interpretation is evident in Aerojet.\(^{45}\)

Aerojet sued Machine Tool Works and Oerlikon-Buehrle Ltd. (MTW) for unfair competition, interference with prospective advantage, and false representation and sought a "declaratory

\(^{38}\) Christianson, 486 U.S. at 807.

\(^{39}\) See id. at 819.

\(^{40}\) Id. at 808-09.

\(^{41}\) Id. (citations omitted).

\(^{42}\) Id. at 809 (quoting Franchise Tax Bd. of Cal. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 10 (1983).

\(^{43}\) See id. at 809, 819.

\(^{44}\) Christianson, 486 U.S. at 809, 814. See infra note 104 and accompanying text.

\(^{45}\) 895 F.2d 736 (Fed. Cir. 1990).
judgment that trade secrets were not misappropriated." Federal subject matter jurisdiction was initially "predicated" under federal question jurisdiction (28 U.S.C. § 1331) and diversity jurisdiction (28 U.S.C. § 1332). However, as the Federal Circuit expressly noted, "[n]o reference to patent invalidity, noninfringement, or unenforceability appears anywhere in Aerojet's complaint."

MTW answered the complaint and counterclaimed for breach of contract, unfair competition, trade secret misappropriation, false representation, and patent infringement, and the parties agreed that the counterclaims were compulsory. The court added that they would "treat the pleadings as written, i.e., as a complaint based on a claim of false representation and a counterclaim for, inter alia, patent infringement."

The Federal Circuit expressly limited its discussion and holding to "nonfrivolous compulsory counterclaim[s] for patent infringement [actions]" originally filed and brought in a federal district court. By doing so, the court intended to expressly limit its holding so that it did not deal with removal actions or permissive counterclaims.

The court noted that if MTW's counterclaim for patent infringement was filed as a complaint, the claim would have fully complied with the well-pleaded complaint rule and would have been a sufficient basis to state a cause of action under the federal patent laws. In keeping with this reasoning, the court stated:

It would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled "complaint" but not when the identical well-pleaded claim is the basis of a pleading labeled "counterclaim". [sic] 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.

46. Aerojet, 895 F.2d at 737.
47. Id. at 738.
48. Id. at 738 n.1.
49. Id. at 738.
50. Id. at 738 n.1.
51. Id. at 739.
52. Aerojet, 895 F.2d at 739.
53. Id. at 742.
54. Id. at 742.
Further, the *Aerojet* case would not present any of the federal-state conflicts that typically arise under the well-pleaded complaint rule in removal actions, which also utilize the "arising under" phraseology.  

The Court recognized that "Congress did not require that this court 'get its hands on every appeal involving an allegation that a patent issue is somehow involved.'"  

Nevertheless, the court opined that this was a case in which jurisdiction was present, stating 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 informed the FCIA [the Federal Courts Improvement Act of 1982]. 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.  

With these considerations set forth, the Federal Circuit held that it had appellate jurisdiction over the case because MTW’s compulsory counterclaim rendered the district court’s jurisdictional basis to be based “in part” on 28 U.S.C. § 1338.  

The court reached this conclusion by noting that the counterclaim asserted had a jurisdictional basis independent from the original complaint.  

Nevertheless, the Supreme Court recently reached a different result on this issue in

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55. *Id.* at 743-44.  
56. *Id.* at 744 (quoting *Atari, Inc. v. JS & A Group, Inc.* 747 F.2d 1422, 1429 (1987)).  
57. *Id.* at 744.  
58. *Aerojet*, 895 F.2d at 745.  
59. *Id.* The Federal Circuit had previously issued an order stating that it had subject matter jurisdiction over the appeal. The opinion in which the above reasoning is set forth was released approximately four months after the initial order. Further, the jurisdictional issue was taken on by the court in an order stating the issue and inviting briefs. See *id.* at 738-739.
Holmes, thereby virtually ignoring, and implicitly overruling, the rationale set forth in Aerojet.


Acting twelve years after the Federal Circuit’s Aerojet decision, the Supreme Court overruled Aerojet sub silentio in Holmes. The issue in Holmes, essentially identical to the issue in Aerojet, was “whether the Court of Appeals for the Federal Circuit has appellate jurisdiction over a case in which the complaint does not allege a claim arising under federal patent law, but the answer contains a patent-law counterclaim.” Justice Scalia’s opinion for the Supreme Court clearly answered this question in the negative.

Holmes involved Vornado, a manufacturer holding patents for fans and heaters. Vornado filed a complaint with the United States International Trade Commission against Holmes Group, Inc., alleging that Holmes' sale of fans and heaters with a “spiral grill design” infringed Vornado’s patent and trade dress. Vornado had also previously sued a different competitor, Duracraft, for trade dress infringement of Vornado’s “spiral grill design.” In that case, the Tenth Circuit Court of Appeals held that Vornado had “no protectible trade-dress rights in the grill design.” Subsequently, Holmes filed an action in federal district court seeking a declaratory judgment that its products were not infringing Vornado’s trade dress and an injunction restraining Vornado from making such accusations. Vornado, in a compulsory counterclaim, alleged that Holmes was guilty of patent infringement.

The District Court for the District of Kansas granted Holmes’ request for a declaratory judgment and an injunction, explaining that Vornado was collaterally estopped from asserting its trade-dress rights because the issue had already been litigated in its action against

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60. 122 S. Ct. 1889 (2002).
61. The majority only briefly mentions Aerojet in a footnote before dismissing it completely. Id. at 1895 n.4.
63. Id. at 1892.
64. Id. at 1893-95.
65. Id. at 1892.
66. Id.
67. Id.
68. Holmes, 122 S. Ct. at 1892.
69. Id.
70. Id.
Duracraft. The district court also stayed all proceedings related to the patent infringement counterclaim, stating that the counterclaim would be dismissed if the declaratory judgment were affirmed on appeal.

Vornado then appealed to the Federal Circuit. Notwithstanding Holmes’ challenge of the Federal Circuit’s jurisdiction, the court vacated the district court’s judgment and remanded the case. However, the Supreme Court granted certiorari to consider the issue of whether the Federal Circuit properly asserted jurisdiction over the case.

The Court observed that 28 U.S.C. § 1331, which provides for federal question jurisdiction, contains the same “arising under” language as 28 U.S.C. § 1338(a). Referring to Christianson, Justice Scalia, writing for the majority of the Court, reasoned that “linguistic consistency” requires that the phrase “arising under” be interpreted in the same manner for both § 1338(a) and § 1331. This interpretation, established by § 1331 precedent, invokes the well-pleaded complaint rule and requires that jurisdiction “must be determined from what necessarily appears in the plaintiff’s statement of his own claim in the bill or declaration.” According to the Supreme Court, because the only patent assertion in Holmes appears in the compulsory counterclaim and not from the plaintiff’s well-pleaded complaint, the Federal Circuit lacked jurisdiction over the case.

The Court refused to allow a counterclaim to serve as a basis for “arising under” jurisdiction, noting that such an approach had been previously declined. This approach, according to the Court, would be against the “longstanding policies underlying our precedents.” One

71. Id.
72. Id.
73. Id.
74. Holmes, 122 S. Ct. at 1892. The Federal Circuit vacated and remanded the case for the district court to determine whether another case, which was decided after the district court’s decision but before the appeal, would satisfy the “change in law” exception to collateral estoppel on the trade dress issue. Id.
75. Id.
76. Id. at 1893. The statute, § 1331, provides, “The district court shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.” (emphasis added).
78. Holmes, 122 S. Ct. at 1893. The well-pleaded complaint rule is also invoked in determining whether a case is removable from state court to federal court under 28 U.S.C. § 1441(a). Id. at 1893 n.2.
79. Id. at 1893 (quoting Christianson, 486 U.S. at 809).
80. Id.
81. Id. at 1894.
82. Id.
such policy is that the plaintiff is "the master of the complaint."\(^{83}\) Under this theory, the plaintiff is capable of foregoing claims under federal law in order to have his case heard in state court.\(^{84}\) Next, the Court explained that Vornado's approach would "radically expand the class of removable cases, contrary to the '[d]ue regard for the rightful independence of state governments."\(^{85}\) Finally, the proposed approach would "undermine the clarity and ease of administration of the well-pleaded-complaint doctrine."\(^{86}\)

The Court also flatly rejected Vornado's alternative argument that the "arising under" phrase should be interpreted differently in the context of 28 U.S.C. § 1338(a) because of the congressional intent of creating uniformity in patent law.\(^{87}\) Justice Scalia claimed this interpretive option was simply not available because the Court's duty is to determine the fair meaning of the words of the statute and not to determine Congress's goals in enacting the statute.\(^{88}\)

The Court noted that 28 U.S.C. § 1295(a) (the statute conferring appellate jurisdiction) does not even use the phrase "arising under," relying instead on 28 U.S.C. § 1338(a).\(^{89}\) If § 1295 contained the "arising under" phrase itself, "[e]ven 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."\(^{90}\)

In summary, the Court reasoned that "[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)."\(^{91}\) As a result of this analysis, the Supreme Court vacated the judgment

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83. *Holmes*, 122 S. Ct. at 1894.
84. *Id.*
85. *Id.* (quoting Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941)) (alteration in original).
86. *Id.*
87. *Id.* at 1894-95.
88. *Id.* at 1895.
89. *Holmes*, 122 S. Ct. at 1895.
90. *Id.* Neologism is defined as either "a new word, usage, or expression" or "a meaningless word coined by a psychotic." MERRIAM-WEBSTER'S COLLEGIATE DICTIONARY 776 (10th ed. 2000). Justice Scalia was presumably using the word in the context of the former.
91. *Holmes*, 122 S. Ct. at 1895. Necromancy is defined, in relevant part, as a "conjuration of the spirits of the dead for purposes of magically revealing the future or influencing the course of events." MERRIAM-WEBSTER COLLEGIATE DICTIONARY 774 (10th ed. 2000).
of the Federal Circuit for lack of subject matter jurisdiction and remanded the case to the Tenth Circuit.\textsuperscript{92}

In his concurring opinion, Justice Stevens disagreed with the Court’s assertion that if a compulsory counterclaim were allowed to serve as a jurisdictional basis, it would be a “neologism” involving “an unprecedented feat of interpretive necromancy.”\textsuperscript{93} His concurrence argued that there is “well-reasoned precedent” to the contrary,\textsuperscript{94} including \textit{Aerojet}, which the majority dismissed as irrelevant.\textsuperscript{95}

Nevertheless, in spite of these comments, Justice Stevens ultimately agreed with the Court’s overall interpretation of the statute.\textsuperscript{96} He reasoned that the plaintiff’s choice of forum includes appellate forum as well as trial forum.\textsuperscript{97} He was also concerned that 28 U.S.C. § 1295(a)(1) does not include exclusive appellate jurisdiction for copyright and trademark claims.\textsuperscript{98} Because these types of claims “are not infrequently bound up with patent counterclaims,” the Federal Circuit may inappropriately gain exclusive jurisdiction over these claims which were expressly excluded by Congress.\textsuperscript{99} He agreed with the Court that the decision will maintain “clarity and simplicity” in appellate jurisdictional rules.\textsuperscript{100} Justice Stevens finally noted that there are some benefits to having other courts occasionally resolve patent issues, such as identifying conflicts in decisions that merit the Court’s attention and avoiding institutional bias that a specialized court may develop.\textsuperscript{101}

In a separate concurring opinion joined by Justice O’Conner, Justice Ginsburg adopted the approach that the Federal Circuit’s jurisdiction is based on the well-tried case.\textsuperscript{102} Under this approach, which Justice Scalia observed was rejected by the Court in \textit{Christianson},\textsuperscript{103} a compulsory counterclaim that “aris[es] under” federal patent law and is adjudicated on the merits by a federal district court” is within the exclusive appellate jurisdiction of the Federal

\textsuperscript{92} \textit{Holmes}, 122 S. Ct. at 1895.
\textsuperscript{93} \textit{Id}. at 1896.
\textsuperscript{94} \textit{Id}.
\textsuperscript{95} See \textit{id}. at 1895 n.4.
\textsuperscript{96} \textit{Id}. at 1896-97.
\textsuperscript{97} \textit{Id}. at 1897.
\textsuperscript{98} \textit{Holmes}, 122 S. Ct. at 1897.
\textsuperscript{99} \textit{Id}.
\textsuperscript{100} \textit{Id}.
\textsuperscript{101} \textit{Id}. at 1898. Justice Stevens particularly notes the benefit of various opinions in developing the law and also the possibility that courts of broader jurisdiction occasionally handling a case with patent issues will help to avoid “institutional bias” that a “specialized court” may develop. \textit{Id}.
\textsuperscript{102} \textit{Id}. at 1898.
\textsuperscript{103} \textit{Holmes}, 122 S. Ct. at 1894 n.3.
Justice Ginsburg correctly asserted that the question at issue does not affect the plaintiff's choice of trial forum. Rather, the issue "concerns Congress's allocation of adjudicatory authority among the federal courts of appeals." Placing an emphasis on Congress's intent in creating the Federal Circuit and noting that the Court's opinion "delves on district court authority," Justice Ginsburg sought to give effect to congressional intent. However, because Holmes involved a patent claim that was not adjudicated, she concurred in the judgment, though her method of reasoning was markedly different.

III. ANALYSIS

In Holmes the Court, with the exception of Justices Ginsburg and O'Connor, held that a compulsory patent counterclaim is not a sufficient basis for the Federal Circuit to have jurisdiction. While the opinion is straightforward, the result is contrary to the congressional intent underlying the creation of the Federal Circuit. Furthermore, the outcome of Holmes will likely have a destabilizing effect on the uniformity of patent law.

A. Holmes is Contrary to Congressional Intent

The Federal Courts Improvement Act of 1982, which established the Federal Circuit, demonstrates that the Court's opinion is at odds with congressional intent. Particularly, the legislative history states that "[t]he Committee intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns [of forum shopping]." Thus, while the Court insists on giving the words of the statute their "plain meaning," the Court's plain meaning appears incongruent with any definition that Congress may have attached to the words. The Court's interpretation simply goes
against the Act’s intent by reopening the door to forum shopping—the very thing the Federal Circuit was created to halt.\textsuperscript{112}

The legislative history does comment that a traditional “arising under” analysis is to apply to the Federal Circuit’s jurisdiction.\textsuperscript{113} However, the comment was most likely intended to contrast the Federal Circuit’s jurisdiction with that of the Temporary Emergency Court of Appeals, a court with jurisdiction over issues and not entire cases, and was not an expression by Congress that the well-pleaded complaint rule should apply.\textsuperscript{114} The phrase “arising under” was intended to establish that the Federal Circuit is to have jurisdiction over entire cases and not merely the patent issues from cases.\textsuperscript{115}

The legislative history provides that the Federal Circuit’s jurisdiction regarding patent cases extends “in the same sense that cases are said to ‘arise under’ federal law for purposes of federal question jurisdiction.”\textsuperscript{116} However, at least one commentator has suggested that “[i]t is doubtful that Congress appreciated the nuances of the traditional ‘arising under’ analysis.”\textsuperscript{117} Such doubt is certainly reasonable because the dilemma of choosing between federal appellate courts based on the subject matter of a case had not arisen prior to the Federal Circuit’s creation.

\textbf{B. The Well-Pleaded Complaint Rule Should Not Apply to § 1338(a) When Determining Appellate Jurisdiction}

Section 1338 of Title 28 of the U.S. Code grants exclusive jurisdiction to federal district courts for actions that “arise under” the patent laws. Two different issues may develop under § 1338.\textsuperscript{118} First, there is the original jurisdiction issue, which asks whether a case may be initially filed in or removed to federal court.\textsuperscript{119} This issue requires a traditional analysis under the well-pleaded complaint rule. The second possible issue involves determining appellate jurisdiction,

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\textsuperscript{112} See notes 110–11 and discussion infra Part III.C.
\textsuperscript{115} See id.
\textsuperscript{116} H.R. Rep. No. 97-312, at 41.
\textsuperscript{117} Donofrio & Donovan, supra note 114, at 1861; see also Rochelle Cooper Dreyfuss, The Federal Circuit: A Case Study in Specialized Courts, 64 N.Y.U. L. REV. 1, 35-36 (1989) (“Congress could not have intended to fully incorporate the well-pleaded complaint rule into the definition of the [Federal Circuits’s] power.”).
\textsuperscript{118} Donofrio & Donovan, supra note 114, at 1839 n.14, 1851.
\textsuperscript{119} Id.
asking whether a case already properly in federal court is based on § 1338, a different jurisdictional basis, or a combination thereof.\textsuperscript{120} In other words, instead of determining whether a case belongs in federal court, the determination under this second issue is what the jurisdictional basis is for a case that is already in federal court. This second determination is necessary because the Federal Circuit only has appellate jurisdiction when the \textit{district court's} original jurisdiction was based, at least in part, on § 1338.\textsuperscript{121}

Although defined by reference to a statute that grants original jurisdiction to federal district courts, the Federal Circuit’s appellate jurisdiction invokes vastly different policies than those invoked by a district court’s original jurisdiction. In particular, the well-pleaded complaint rule, which was formulated for original federal court subject matter jurisdiction, is based on policies, discussed infra, that are simply not present in the context of determining the Federal Circuit’s appellate jurisdiction.\textsuperscript{122} Because the well-pleaded complaint rule is based on these policies that are not applicable in determining appellate jurisdiction, § 1338 should be interpreted without resort to the well-pleaded complaint rule when determining appellate jurisdiction.\textsuperscript{123}

\textsuperscript{120} Id.

\textsuperscript{121} 28 U.S.C. § 1295 (2000). This second determination only became necessary after the Federal Circuit’s creation, because appeals prior to its creation simply proceeded to the regional appellate court without regard to the particular basis of jurisdiction, beyond diversity and federal question jurisdiction. Donofrio & Donovan, supra note 114, at 1851-52.

\textsuperscript{122} See Donofrio & Donovan, supra note 114, at 1861 (“The Supreme Court [in Christianson] . . . imposed a system that developed in the context of state versus federal jurisdictional problems and applied it in a federal versus federal context.”). The Donofrio and Donovan article provides a thorough argument detailing why the well-pleaded complaint rule is inappropriate in cases already in federal court. The article generally calls for a modified interpretation of the “arising under” language in situations such as \textit{Holmes} where no federal versus state issues are involved. Although this option is clearly foreclosed after \textit{Holmes}, the rationale is supportive of the need for Congress to act legislatively to alter the result of \textit{Holmes}.

\textsuperscript{123} Although determining that a district court has jurisdiction by using one interpretation of § 1338 and then determining what the district court’s jurisdiction is based upon by using a different interpretation of § 1338 may be admittedly counterintuitive, this method is necessary to give effect to the different policies underlying original jurisdiction as compared with appellate jurisdiction, discussed infra. The alternative option exists that a district court’s jurisdiction is based only on those grounds that conferred original jurisdiction. This alternative is in force after \textit{Holmes}. However, as discussed infra, this method does not give effect to the policies underlying the Federal Circuit’s appellate jurisdiction. Therefore, the two differing interpretations of § 1338 are necessary. Any aspect of this related to this approach that is against intuition may be attributed to Congress’s decision to define the Federal Circuit’s jurisdiction by reference to a district court’s jurisdiction.
However, the well-pledged complaint rule still applies to § 1338 when determining original subject matter jurisdiction.

As discussed above, the well-pledged complaint rule is based on policies that are not pertinent in the context of determining appellate jurisdiction. In particular, the Court in Holmes noted the policy of the plaintiff serving as "master of the complaint." The opinion stated that the well-pledged complaint rule allows a plaintiff to eschew federal law claims in order to have the case heard in state court. Because the Holmes case already had original jurisdiction in federal court, this concern was simply not at issue in the context of the case before the Court. The Court could have completely avoided this policy concern by limiting its holding to cases, such as Holmes, where § 1338 is being interpreted solely for determining appellate jurisdiction. Nevertheless, as Justice Ginsburg properly noted, the Court dwelled on district court authority by extending (without question) the plaintiff's right to choose the trial forum to the right to choose the appellate forum. Ironically, this choice of appellate forum that the Court extends to the plaintiff is precisely what Congress sought to curtail with the creation of the Federal Circuit.

Second, the Court observed that allowing a counterclaim to establish "arising under" jurisdiction would "radically expand the class of removable cases, contrary to the 'due regard for the rightful independence of state governments' that our cases addressing removal require." However, this conclusion is misguided. As noted above, Holmes only involved a determination of appellate jurisdiction, which is different from removal cases that involve determinations of original jurisdiction. The scope of removal jurisdiction would have remained unaffected if the Court distinguished between interpreting § 1338 for determining appellate jurisdiction and original jurisdiction, and then limited its holding to the former. By such a distinction, the "rightful independence of state governments" would still remain protected by the continued application of the traditional "arising under" analysis still to determinations of original jurisdiction.

125. Id.
126. Id. at 1898; see also Dreyfuss, supra note 117, at 36 ("The Supreme Court [in Christianson] also did not bother to examine whether the well-pledged complaint rule, which has been used exclusively to define trial court jurisdiction, was appropriate for appellate courts. Had it done so, it might have realized that there are significant differences between trial and appellate tribunals.").
127. See discussion infra Part III.A.
128. Holmes, 122 S. Ct. at 1894 (quoting Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941)) (alteration in original).
129. See id. at 1892.
Also underlying the well-pleaded complaint rule is the goal of providing a mechanism for federal courts to quickly determine if they have jurisdiction over a case so that time is not wasted developing a case where no jurisdiction exists. However, this policy is irrelevant for determining whether a regional circuit or the Federal Circuit will handle the appeal because the determination need not be made immediately when the case is initially filed. While the difficulty may arise in determining which appellate court’s precedent should be followed, the Federal Circuit’s choice of law practice serves to reduce this difficulty. In particular, the Federal Circuit applies regional circuit law to non-patent issues, and this should alleviate the problem of a district court having to decide which precedent to follow.

C. The Practical Implications of Holmes

As the legislative history notes, the Federal Circuit was designed, in part, to “alleviate the serious problems of forums shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals.” Using a single appellate forum to resolve patent disputes has been somewhat effective. However, in light of the Supreme Court’s decision in Holmes, the ability of the plaintiff to plead claims strategically, or to be an “artful pleader,” creates the opportunity to have issues litigated outside the Federal Circuit that should be within the Federal Circuit’s exclusive appellate jurisdiction.

130. See Dreyfuss, supra note 117, at 36.
131. See id.
132. See, e.g., Harmon, supra note 17, § 18.3, at 1086 (“The court applies regional circuit law, to the extent it can be discerned, on all but the substantive issues reserved especially to it . . . .”). However, commentators have recently begun criticizing the Federal Circuit for abandoning this choice of law concept with regard to some non-patent issues. See, e.g., James B. Gambrell, The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit, 9 Tex. Intell. Prop. L.J. 137 (2001) (discussing the Federal Circuit’s treatment of and choice of law regarding antitrust issues).
133. See Harmon, supra note 17, at ix (noting that the Federal Circuit’s job is “to increase doctrinal stability in the field of patent law” and “[i]t would be chauvinistic in the extreme for this author to suggest that the court has in any way failed to do that job); Dreyfuss, supra note 117, at 74 (“On the whole, the [Federal Circuit] experiment has worked well for patent law, which is now more uniform, easier to apply, and more responsive to national interests.”).
134. According to Chief Judge H. Robert Mayer of the Federal Circuit, who spoke in an interview, Holmes is likely to limit the availability of Federal Circuit review and permit forum shopping, and both results may return the state of patent law to that existing before the Federal Circuit’s creation, a situation in which the diversity
By way of example, a plaintiff may plead an antitrust claim, which is not within the Federal Circuit’s exclusive jurisdiction, while being aware that the defendant will be forced to make a compulsory counterclaim on similarly related patent issues under Rule 13(a) of the Federal Rules of Civil Procedure. Hence, the patent counterclaim, which has an independent jurisdictional basis, is adjudicated, but the Federal Circuit is avoided simply because of the artful pleading of the original plaintiff. Thus, the uniformity of patent law, which was to be developed in the federal system by a single appellate court, is jeopardized because the Holmes decision opens the door to alternative jurisdictions by way of artful pleading.

Connected with the concept of using artful pleading to accomplish forum shopping, the Holmes decision may also create a “race to the courthouse.” This situation is likely when a potential plaintiff sends a letter to cease-and-desist to a potential defendant, alleging infringing activities. The potential defendant may subsequently file a suit, similar to the example described above, including only non-patent claims while knowing that the potential plaintiff, now the defendant, will be forced to make a patent counterclaim.

The likelihood of forum shopping and races to the courthouse is high for one major reason: the Federal Circuit has been described as being “pro-patent” or “patent friendly.” Alleged patent infringers may seek to avoid the Federal Circuit in favor of a regional circuit court that may be less “patent friendly.” Further, the regional courts of appeals are not bound to follow the Federal Circuit’s precedent, even in the application of the patent laws reduced the value of patents.” Anne M. Maher, *The Holmes’ Decision*, NAT’L L.J., July 8, 2002, at B11.


137. The rule requires counterclaims to be asserted if they arise from the same transaction or occurrence of the opposing party’s claim.

138. See, e.g., Wexler & O’Malley, *supra* note 136 (“But, whether or not [Holmes], has a dramatic effect on the development of patent law, it is almost certain to introduce some strategic forum shopping, pleading strategies and races to the courthouse . . . .”).

139. See, e.g., Dreyfuss, *supra* note 117, at 26 (“The anecdotal evidence suggests that the [Federal Circuit] is a good court for patentees.”); Wexler & O’Malley, *supra* note 136 (“[T]he Federal Circuit has been viewed at times as pro-patent and hostile to antitrust claims.”).
on patent issues, because the Federal Circuit is only equal to other federal appellate courts.\footnote{See S. REP. NO. 97-275, at 2-3 (1981) ("The new [Federal Circuit] court is on line with other Federal courts of appeals, that is, it is not a new tier in the judicial structure.")}{.supra note 124.}

\section*{D. Possible Remedial Measures}

While the Supreme Court’s interpretation of the Federal Circuit’s jurisdiction appears to be at odds with the congressional intent of creating the Federal Circuit and the policies underlying the well-pleaded complaint rule, the option of "arising under" obtaining a different judicial interpretation of §1295 is now highly unlikely.\footnote{See supra note 124.} Nevertheless, Congress is not without a remedy. The \textit{Holmes} decision turned entirely on \textit{statutory} interpretation; hence, Congress may legislatively alter the result in \textit{Holmes} by simply altering the statute.

One possibility is that Congress may rewrite the Federal Circuit’s jurisdiction so that it covers appellate jurisdiction over cases properly in federal court that have any patent claims or defenses. The general use of the word claims should include claims made by any party. Furthermore, by including defenses within the Federal Circuit’s appellate jurisdiction, the goal of uniformity in patent law will be given greater effect. Therefore, in order to give effect to the goals of uniformity in patent law and alleviating forum shopping in patent cases, the Federal Circuit should also have jurisdiction over cases that include patent claims by any party and/or patent defenses.

Another option that Congress may consider for altering the statutory construction of the Federal Circuit’s jurisdiction is the concept of the well-tried case that was rejected by the Court in both \textit{Christianson}\footnote{486 U.S. 800, 814 (1988).} and \textit{Holmes}\footnote{122 S. Ct. 1889, 1894 n.3 (2002).} This option could be implemented by a statute that grants the Federal Circuit appellate jurisdiction over cases where patent claims are actually adjudicated. One possible criticism of this approach is the potential of multiple appellate forums for a single case. For instance, consider a case where a patent claim was not originally adjudicated and the case was appealed to a regional appellate court. Subsequently, the regional appellate court remanded the case and the patent claim was then adjudicated. Under the well-tried case approach, the next appeal of the case would be to the Federal Circuit. However, this change in appellate forums on different appeals is of little concern because the Federal Circuit would likely be
applying the regional circuit law on all non-patent issues. Further, the panel of judges for each appeal within the same forum would likely be different on each appeal, and no consistency is lost by changing forums when the panel of judges would likely have changed anyway. In addition, the well-tried case does not need to be limited to claims that were adjudicated. For the same purpose of furthering uniformity in patent law that was discussed with the first alternative set forth above, Congress should extend the well-tried case doctrine to cases where any patent issues were adjudicated, including both claims and defenses.

There is a principal distinction between the two suggested approaches set forth supra. Appeals under the first approach would proceed to the Federal Circuit based on the pleadings, whether the patent issue were actually adjudicated or not. However, under the well-tried case approach, the Federal Circuit would only have jurisdiction where the patent issue were actually adjudicated. Thus, the well-tried case approach appears more appropriate because the policies underlying the Federal Circuit are not implicated when the patent issue is not actually adjudicated.

IV. CONCLUSION

For better or for worse, the Supreme Court has clearly stated its position on the issues set forth in this Note. At this point, if Congress’s intent in creating the Federal Circuit was to create uniformity in patent law and to alleviate forum shopping, and if the jurisdictional statute is to be interpreted in light of these goals, then Congress’s remedy now is to act legislatively in response to the Court’s holding in Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc. Otherwise, any uniformity in patent law that has been established through the exclusive jurisdiction of the Federal Circuit may now be compromised by the artful pleader who avoids the Federal Circuit in favor of another court.

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