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On Your Mark, Get Set, Go! A New Race to the Courthouse Sponsored by Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.

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I. INTRODUCTION

Patents are a significant part of our nation’s economy. Companies invest billions of dollars annually in patents covering innovative products and services.\(^1\) In some fields, such as the high-technology industry, a company must make substantial investments in research and patent protection to remain competitive.\(^2\) Certainty and consistency in adjudications of patent issues are important so that companies and other parties who invest in patents have some confidence in their patent protection.\(^3\) Before the formation of the United States Court of Appeals for the Federal Circuit, some commentators expressed a belief that consistency in the patent law arena could only be achieved through specialized courts that were experienced with patent issues,\(^4\) which include “some of the most complex and time-consuming issues the courts consider.”\(^5\) In 1982,

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1. For example, revenue from patent licensing in the United States increased from “$15 billion in 1990 to more than $100 billion in the year 2000.” CRAIG HOVEY, THE PATENT PROCESS: A GUIDE TO INTELLECTUAL PROPERTY FOR THE INFORMATION AGE 189 (2002).


4. COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM, STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE, reprinted in 67 F.R.D. 195, 234 (1975) [hereinafter COMMISSION ON REVISION]; see, e.g., Rochelle Cooper Dreyfuss, The Federal Circuit: A Case Study in Specialized Courts, 64 N.Y.U. L. REV. 1, 1 (1989) (“How long we shall continue to blunder along without the aid of unpartisan and authoritative scientific assistance in the administration of justice, no one knows; but all fair persons not conventionalized by provincial legal habits of mind ought, I should think, unite to effect some such advance.” (quoting Judge Learned Hand in Parke-Davis & Co. v. H.K. Mulford Co., 189 F. 95, 115 (S.D.N.Y. 1911))).

Congress responded to these cries for consistency in patent law by creating the Court of Appeals for the Federal Circuit. Since then, several cases have defined the scope of the Federal Circuit’s jurisdiction, including the recent United States Supreme Court case Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.

In Holmes, the Supreme Court held that Federal Circuit appellate jurisdiction could not be based solely on a patent law counterclaim. This Note disagrees with the decision and argues that the Supreme Court improperly interpreted Federal Circuit jurisdiction, disregarding the recognized congressional goal in creating the Federal Circuit of establishing patent law uniformity. As a result, Holmes may work to promote inconsistencies in patent law adjudications among the federal circuit courts of appeal and prompt races to the courthouse between patent owners and alleged infringers as each group shops for the most favorable forum in which to litigate.

This Note addresses the limitation Holmes places on the scope of Federal Circuit jurisdiction and the likely consequences of the Court’s decision. In Part II, this Note describes the state of patent law prior to the establishment of the Federal Circuit and recounts the subsequent development of the law concerning the patent law jurisdiction of this specialized court. Part III presents the facts of and the decision in Holmes, including the two concurring opinions. In Part IV, this Note analyzes the Court’s reliance on the well-pleaded-complaint rule, through strict textual interpretation of the “arising under” language of 28 U.S.C. § 1338, for limiting the Federal Circuit’s jurisdiction. In addition, Part IV explains how federalism concerns do not apply in appellate jurisdiction questions and argues that policy considerations behind the creation of the Federal Circuit should have militated a different holding by the Court. Finally, Part V offers a brief conclusion.

8. 122 S. Ct. at 1895.
II. BACKGROUND

A. Pre-Federal Circuit Patent Law

Prior to the creation of the Federal Circuit in 1982, the state of patent law was anything but consistent.9 It was well settled that the United States district courts had original jurisdiction over cases “arising under” the patent laws,10 and appeals were filed by geographic jurisdiction in the various circuit courts of appeal.11 However, because each appellate court reviewed patent decisions in its geographic area, regional biases surfaced among the circuits. For example, some circuits imposed higher standards on patentees attempting to assert the validity of their patents.12 Other circuits were known for being pro-patentee.13 Varying standards among the circuits14 and other factors caused uncertainty and great concern to American businesses that did not know if their patent protection would be sustained in court.15 The inconsistency among circuits also

9. See Commission on Revision, supra note 4, at 220 (relating that “the perceived disparity in results in different circuits leads to widespread forum shopping”).
10. See 28 U.S.C. § 1338(a) (1976) (“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 trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.”).
11. The proper appellate court would have been determined under 28 U.S.C. § 1294(1) (1976) (an appeal from the decision of a district court was taken “to the court of appeals for the circuit embracing the district”).
13. See id. at 7. Dreyfuss cites statistics regarding patent law adjudications between 1945 and 1957. During this period, “a patent was twice as likely to be held valid and infringed in the Fifth Circuit than in the Seventh Circuit, and almost four times more likely to be enforced in the Seventh Circuit than in the Second Circuit.” Id.
15. Such fear among businesses was not unfounded. One Supreme Court Justice remarked that “the only patent that is valid is one which this Court has not been able to get its hands on.” Jungersen v. Osby & Barton Co., 335 U.S. 560, 572 (1949) (Jackson, J., dissenting).
led to forum shopping\textsuperscript{16} and races to the courts\textsuperscript{17} by parties seeking to have their claims adjudicated by a court favorable to the parties’ particular circumstances.

The confusion prompted Congress, in 1982, to establish the Court of Appeals for the Federal Circuit, a specialized court that would, among other responsibilities, adjudicate patent law claims.\textsuperscript{18} 28 U.S.C. § 1295(a) provides the United States Court of Appeals for the Federal Circuit with “exclusive jurisdiction . . . of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that [district] court was based, in whole or in part, on section 1338 of this title.”\textsuperscript{19} Members of Congress expressed hope that the Federal Circuit could bring harmony among conflicting patent law decisions and alleviate the rampant forum shopping by parties.\textsuperscript{20} The specialized subject matter jurisdiction of the Federal Circuit would also provide a unique forum for handling the complex appellate litigation involved in most patent cases.\textsuperscript{21}

\textbf{B. Post-1982: Federal Circuit Era}

Since 1982, defining the boundaries of Federal Circuit jurisdiction over patent issues has been an ongoing judicial task. Because most litigated issues relating to the jurisdiction of an appellate court did not concern the appellate court’s subject matter jurisdiction, there was little case law for the courts to rely on when deciding how to direct an appeal of a patent case involving jurisdictional questions.\textsuperscript{22} Initially, challenges arose with respect to

\begin{itemize}
\item \textsuperscript{16} See Dreyfuss, \textit{infra} note 4, at 7.
\item \textsuperscript{17} See \textsc{Henry J. Friendly}, \textit{Federal Jurisdiction: A General View} 155 (1973) (noting “the mad and undignified races . . . between a patentee who wishes to sue for infringement in one circuit believed to be benign toward patents, and a user who wants to obtain a declaration of invalidity or non-infringement in one believed to be hostile to patents”).
\item \textsuperscript{18} See FCIA, § 127(a) (codified at 28 U.S.C. § 1295(a) (2000)).
\item \textsuperscript{19} For the pertinent language of 28 U.S.C. § 1338, see \textit{infra} note 10.
\item \textsuperscript{21} See, \textit{e.g.}, 127 CONG. REC. S29,861 (daily ed. Dec. 8, 1981) (statement of Sen. Leahy).
\item \textsuperscript{22} See Dreyfuss, \textit{infra} note 4, at 25 (“The judicial power of the United States is, on the whole, allocated geographically. As a result, there is little law on how to decide when a case raising a patent question should be channeled to the patent court.”).
\end{itemize}
the authority of the Federal Circuit to adjudicate non-patent issues included in a case having patent law claims in the complaint and with respect to which law the Federal Circuit would apply in such an adjudication. Subsequent cases addressed Federal Circuit jurisdiction in actions in which there was no patent law claim included in the original complaint.

In Christianson v. Colt Industries Operating Corp., a landmark case limiting Federal Circuit jurisdiction, the Supreme Court held that the exclusive jurisdiction of the Federal Circuit did not extend to appeals from cases wherein the sole patent issue was raised only as a defense. The Court reasoned that the Federal Circuit’s exclusive jurisdiction only extended to those cases that “arose under” an act of Congress relating to patents, as required by § 1338. In analogizing Federal Circuit appellate jurisdiction over patent law cases to the federal question jurisdiction of a district court, the Court concluded that for the Federal Circuit to have jurisdiction over a case “arising under” federal patent law, federal patent law must necessarily create the plaintiff’s cause of action. Thus, the Court summarized that “a case raising a federal patent-law defense does not, for that reason alone, ‘arise under’ patent law, ‘even if the defense is anticipated in the plaintiff’s complaint, and even if both parties admit that the defense is the only question truly at issue in the case.”


25. Christianson, 486 U.S. at 809.

26. Id. at 807.

27. Id. at 808–09 (Federal Circuit jurisdiction under § 1338 “extend[s] only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law”); see also Louisville & Nashville R.R. Co. v. Motley, 211 U.S. 149, 152 (1908) (for federal question jurisdiction, a “suit arises under the Constitution and laws of the United States only when the plaintiff’s statement of his own cause of action shows that it is based upon those laws or that Constitution”).

Two years later in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, the Federal Circuit unanimously held that it did indeed have jurisdiction over an appeal wherein a patent issue was raised in a counterclaim but not in the complaint.\(^{29}\) The en banc court distinguished the Supreme Court’s decision in *Christianson* by pointing out that *Christianson* involved a patent law defense.\(^{30}\) The Federal Circuit reasoned that, unlike a defense, a counterclaim “states a separate cause of action unquestionably ‘arising under’ (indeed created by) a patent statute.”\(^{31}\) Refusing to be bound by a strict application of the well-pleaded-complaint rule,\(^{32}\) the court concluded that it had jurisdiction over counterclaims raising patent issues.\(^{33}\) Such was the state of the law until *Holmes*.

III. *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*

A. Facts and Procedural History

Vornado Air Circulation Systems, Inc. ("Vornado") manufactures patented household fans and heater fan products\(^{34}\) and has sought to enforce its intellectual property rights through litigation. In 1992, Vornado initiated a lawsuit against a competitor claiming that the competitor infringed the trade dress of Vornado’s fans by using a certain “spiral grill design.”\(^{35}\) On appeal, the Court of Appeals for the Tenth Circuit reversed the district court’s order

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29. 895 F.2d 736, 745 (Fed. Cir. 1990) (en banc).
30. Id. at 741.
31. Id. at 742.
32. Id. at 741 (saying that “[the Supreme Court] did not intend to make a rigid application of the well-pleaded-complaint rule a Procrustean bed for [Federal Circuit] jurisdiction”); see also id. at 743 (“[T]he phrase ‘well-pleaded complaint’ is merely the name of the rule, not a statement of a principle of law.”).
35. Id.
issuing an injunction in favor of Vornado and held that Vornado had no protectable trade dress rights in the grill design of its fans.36

Notwithstanding the adverse decision of the Tenth Circuit, four years later Vornado filed a complaint with the United States International Trade Commission (“ITC”) against Holmes Group, Inc. (“Holmes”).37 Vornado claimed that Holmes’s sale of fans and heaters with a spiral grill design infringed Vornado’s patent rights and infringed the same trade dress that was the subject of the Tenth Circuit litigation.38 Several weeks later, Holmes filed an action in the United States District Court for the District of Kansas seeking a declaratory judgment that its products did not infringe Vornado’s trade dress but sought no declaration with respect to Vornado’s patent rights. Holmes also sought a preliminary injunction restraining Vornado from accusing Holmes of trade dress infringement in promotional materials.39 In response to Holmes’s declaratory judgment action, Vornado asserted a compulsory counterclaim that raised allegations of patent and trade dress infringement, the same issues that were raised in the earlier ITC complaint.40

The district court granted Holmes a declaratory judgment of non-infringement and a preliminary injunction based on the collateral estoppel effect of the 1992 Tenth Circuit decision.41 Vornado contended that an intervening Federal Circuit decision, Midwest Industries, Inc. v. Karavan Trailers, Inc.,42 which disagreed

36. See Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498, 1510 (10th Cir. 1995).
38. See Holmes, 122 S. Ct. at 1892.
39. See Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 93 F. Supp. 2d 1140, 1140–41 (D. Kan. 2000). Interestingly enough, this was the same court in which Vornado had brought its action against Duracraft in 1992. That action resulted in the judgment against Vornado. See id. at 1141.
41. Holmes, 93 F. Supp. 2d at 1143–44.
with the reasoning of the Tenth Circuit, 43 constituted a change in
the law of trade dress, and, thus, collateral estoppel did not apply. 44
The district court rejected this argument by concluding that it was
bound by Tenth Circuit law, which had not changed since the
previous case, and that Vornado was estopped from re-litigating the
trade dress claims. 45 The district court added that Vornado’s
counterclaim for infringement would be dismissed if the declaratory
judgment and the injunction were affirmed on appeal. 46

Vornado appealed to the Court of Appeals for the Federal
Circuit, which subsequently vacated the district court’s summary
judgment and remanded for consideration whether the “change in
the law” exception to collateral estoppel applied in view of the
Supreme Court case TrafFix Devices, Inc. v. Marketing Displays,
Inc. 47 The Supreme Court granted certiorari to consider whether the
Federal Circuit properly asserted jurisdiction over the appeal. 48

B. Majority Opinion

Writing for the majority, Justice Scalia phrased the issue in the
case as “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.” 49 To address this question of
jurisdiction, the Court first turned to select federal statutes. Defining
the jurisdiction of the Federal Circuit as it relates to patent law, 28

43. Id. at 1364 (expressly rejecting the Tenth Circuit’s holding in Vornado. “The Tenth
      Circuit stands alone [among other federal appellate courts] in . . . ruling that trade
dress protection is unavailable for a product configuration that is claimed in a patent and is a
‘described, significant inventive aspect’ of the patented invention, even if the configuration is
nonfunctional.” (quoting Vornado Air Circulation Sys., Inc. v. Duracraft Corp., 58 F.3d 1498,
1510 (10th Cir. 1995)).
44. Holmes, 93 F. Supp. 2d at 1143 (“It is well established that an intervening change in
      the law can be a sufficient basis for declining to apply collateral estoppel.”).
45. Id. at 1144–45.
46. Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 122 S. Ct. 1889, 1892
      (2002).
      WL 712760 (Fed. Cir.) (remanding in view of TrafFix Devices, Inc. v. Mktg.
Displays, Inc., 532 U.S. 23 (2001) (resolving circuit split between the Tenth Circuit’s Vornado
and the Federal Circuit’s Midwest Industries)).
      (cert. granted).
49. Holmes, 122 S. Ct. at 1892.
U.S.C. § 1295 states that the Federal Circuit shall have exclusive jurisdiction over “an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title.” Section 1338(a), in turn, provides that a district court “shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents.” From these two sections, the Court determined that “the Federal Circuit’s jurisdiction is fixed with reference to that of the district court, and turns on whether the action arises under federal patent law.”

The Court then proceeded to compare the “arising under” phrase of § 1338(a) with the “arising under” phrase of § 1331, which confers general federal-question jurisdiction on the United States district courts. Referring to Christianson, the Court held that to preserve “linguistic consistency,” the same test used to determine whether a case arises under § 1331 should also apply to § 1338(a). This test is commonly known as the well-pleaded-complaint rule.

Adapting the well-pleaded-complaint rule to § 1338(a), the Court concluded that determining whether a case arises under patent law is based on “what necessarily appears in the plaintiff’s statement of his own claim in the bill or declaration.” The Court then set

52. Holmes, 122 S. Ct. at 1893. The Court declined to address the question of “whether the Federal Circuit’s jurisdiction is fixed with reference to the complaint as initially filed or whether an actual or constructive amendment to the complaint raising a patent-law claim can provide the foundation for the Federal Circuit’s jurisdiction.” Id. at 1893 n.1.
53. 28 U.S.C. § 1331 (2000) provides: “The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States” (emphasis added).
55. Holmes, 122 S. Ct. at 1893. The “well-pleaded-complaint rule” is not only relevant in determining if a claim “arises under” federal law but also is used to determine whether a case is removable from state to federal court:

Except as otherwise expressly provided by Act of Congress, any civil action brought in a State court of which the district courts of the United States have original jurisdiction, may be removed by the defendant or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending.

Holmes, 122 S. Ct. at 1893 n.2 (quoting 28 U.S.C. § 1441(a)).
56. Id. at 1893 (quoting Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 809 (1988)).
forth two ways in which to determine, based on the plaintiff’s complaint, that a case arises under patent law. First, the plaintiff’s well-pleaded complaint may establish that “federal patent law creates the cause of action.”57 Second, the case arises under patent law if “the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law.”58

The Court rejected Vornado’s assertion that the well-pleaded-complaint rule allows for a counterclaim to serve as a basis for the district court’s “arising under” jurisdiction. Referring to case law concerning whether federal jurisdiction for an action exists in general, the Court concluded that determining “whether a case arises under federal patent law ‘cannot depend upon the answer’” and, thus, cannot depend on a counterclaim.59

To support its conclusion, the Court identified three longstanding policies that would be undermined if a counterclaim could be used to establish “arising under” jurisdiction. First, the Court noted that the plaintiff would cease to be “the master of the complaint,” and the defendant would be allowed to control the litigation forum by being “the master of the counterclaim.”60 Second, allowing the defendant to be the “master of the counterclaim” could “radically expand” the class of cases removable from state to federal courts.61 Third, the Court explained that “allowing responsive pleadings by the defendant to establish ‘arising under’ jurisdiction would undermine the clarity and ease of administration of the well-pleaded-complaint doctrine, which serves as a ‘quick rule of thumb’ for resolving jurisdictional conflicts.”62

The Court also rejected Vornado’s assertion that the phrase “arising under” in § 1338 should be interpreted differently when ascertaining Federal Circuit jurisdiction.63 To support its assertion, Vornado referred to Congress’s reasoning for creating the Federal

57. Id. (quoting Christianson, 486 U.S. at 809).
58. Id. (quoting Christianson, 486 U.S. at 809).
59. Id. at 1893–94 (citing The Fair v. Kohler Die & Specialty Co., 228 U.S. 22, 25 (1913)).
60. Id. at 1894.
61. Id. (asserting that “expand[ing] the class of removable cases . . . [would be] contrary to the ‘[d]ue regard for the rightful independence of state governments’” (quoting Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941))).
62. Id.
63. Id. at 1895.
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Circuit, such as promoting patent law uniformity, preventing forum shopping, and encouraging industrial innovation. The Court, however, refused to engage in a subjective analysis of the congressional policies and stated that the case was simply one of statutory interpretation. The Court also noted that the “arising under” language did not even appear in 28 U.S.C. § 1295(a)(1), the Federal Circuit’s jurisdiction-conferring statute. Instead, the language was a part of § 1338, where it had been “well established that ‘arising under any Act of Congress relating to patents’ invokes, specifically, the well-pleaded-complaint rule.” The Court stated 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).” Reaching this conclusion, the Court vacated the judgment of the Federal Circuit and remanded the case with instructions to transfer the case to the Tenth Circuit.

C. Concurring Opinions

Justice Stevens concurred in the judgment of the Court and agreed that the jurisdiction of the Federal Circuit is fixed with reference to the district court, but he noted that such assignment of jurisdiction should not occur until the notice of appeal is filed. He reiterated his concern from Christianson that an amendment to an original complaint not containing a patent law claim could serve as a basis for Federal Circuit jurisdiction if the amendment contained a patent law claim. Justice Stevens claimed that “[a]ny other

65. Holmes, 122 S. Ct. at 1895 (“Our task here is not to determine what would further Congress’s goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean.”).
66. Id.
67. Id.
68. Id.
69. Id. (Stevens, J., concurring).
71. Holmes, 122 S. Ct. at 1896 (Stevens, J., concurring). The majority in Christianson, like the majority in Holmes, recognized the issue of the amended complaint raising a patent law
approach ‘would enable an unscrupulous plaintiff to manipulate appellate court jurisdiction by the timing of the amendments to its complaint.’”

Though Justice Stevens agreed with the majority that § 1295(a)(1) excludes from the Federal Circuit’s jurisdiction cases in which a patent claim is only raised in a counterclaim, he recognized that “there is well-reasoned precedent” supporting the opposite conclusion.73 He then submitted that the three policies identified by the Court as supporting the use of the well-pleaded-complaint rule in determining district court jurisdiction applied as well to the question of appellate court jurisdiction.74 Justice Stevens also stated that an occasional conflict between courts with a broader jurisdiction and specialized courts could be useful in identifying cases that merit the attention of the Supreme Court and may be helpful in providing an “antidote to the risk that the specialized court may develop an institutional bias.”75

In a separate concurrence, Justice Ginsburg, joined by Justice O’Connor, took exception with the Court’s analysis and concluded that “when the claim stated in a compulsory counterclaim ‘arises’ under federal patent law and is adjudicated on the merits by a federal district court, the Federal Circuit has exclusive appellate jurisdiction over that adjudication and other determinations made in that claim, but the Court specifically chose not to address it. See supra notes 26–29 and accompanying text.

72. Holmes, 122 S. Ct. at 1896 (quoting Christianson, 486 U.S. at 824).

73. Id. Justice Stevens specifically disagrees here with Justice Scalia’s comment that allowing a patent law counterclaim to serve as a separate basis for a district court’s jurisdiction would involve “an unprecedented feat of interpretive necromancy.” Id. at 1895. To support his opinion, Justice Stevens cites cases from five different federal appellate courts that had elaborated on the Federal Circuit’s unanimous decision in Aerojet. Id. at 1896. Justice Scalia, however, discounts the assertion that there is “well-reasoned precedent” allowing a patent law counterclaim to serve as an independent basis for Federal Circuit jurisdiction, noting that the cases cited by Justice Stevens never “mention the well-pleaded-complaint rule that the statutory phrase ‘arising under’ invokes. Nor do any of [the] cases interpret § 1295(a)(1).” Id. at 1895 n.4.

74. Id. at 1897. In Justice Stevens’s opinion, the three policies as adapted to determining appellate court jurisdiction were as follows: (1) the plaintiff has an interest in choosing “the court that will conduct the trial [and] the appellate court as well”; (2) “[t]he potential number of cases in which a counterclaim might direct to the Federal Circuit appeals that Congress specifically chose not to place within its exclusive jurisdiction” could be significant; and (3) “[r]equiring assessment of a defendant’s motive in raising a patent counterclaim or the counterclaim’s relative strength wastes judicial resources.” Id.

75. Id. at 1898.
the same case." Justice Ginsburg cited the Federal Circuit’s unanimous decision in *Aerojet*, which distinguished *Christianson* and “observed that a patent infringement counterclaim, unlike a patent issue raised only as a defense, has as its own, independent jurisdictional base, 28 U.S.C. § 1338” and asserted that “such a claim ‘discretely arises under the patent laws.’” Noting that *Holmes* did not specifically concern the plaintiff’s choice of trial forum, Justice Ginsburg suggested the sole issue in the case concerned “Congress’s allocation of adjudicatory authority among the federal courts of appeals.” She concluded, however, that no patent claim was actually adjudicated in the case and, for that reason alone, concurred in the Court’s judgment.

IV. RACE TO THE COURTS: CONGRESSIONAL INTENT, JURISDICTION, AND THE PREDICTED IMPACT OF *Holmes*

*Holmes* goes too far in limiting the exclusive appellate jurisdiction of the Federal Circuit over patent law claims. The Supreme Court’s opinion is flawed in three respects. First, the Court improperly suggests that Congress, when it drafted § 1295 to establish the subject matter jurisdiction of the Federal Circuit, knew the statute would be so limited by the “arising under” language of § 1338 as to not encompass patent law counterclaims. Second, because it was not clear at the time § 1295 was drafted that § 1338 would be interpreted to exclude patent law counterclaims from serving as a basis for Federal Circuit jurisdiction, the Court should have deferred to the congressional intent behind creating the Federal Circuit, which was to establish uniformity in patent law. Third, the Court responds to the federal appellate jurisdiction question in *Holmes* with answers concerning state-federal jurisdictional issues.

A. “Linguistic Consistency” and Statutory Interpretation of Appellate Jurisdiction

The Court grounds its decision in *Holmes* on “linguistic consistency” between § 1338(a) (conferring jurisdiction to district
courts over an “action arising under any Act of Congress relating to patents”) and § 1331 (conferring jurisdiction to district courts over “actions arising under the Constitution, laws, or treatises of the United States”). The Court suggests that in basing Federal Circuit jurisdiction on § 1338, Congress knew that the “arising under” language of § 1338 would invoke the limitations of the well-pleaded-complaint rule.80 From this, the Holmes Court concludes that the specific language of the 1982 statute defining Federal Circuit jurisdiction did not grant jurisdiction over counterclaims raising patent law issues.

The Supreme Court’s “linguistic consistency” rationale may be attacked on two fronts. First, in focusing on the “arising under” relationship between § 1331 and § 1338(a), the Court neglected to give sufficient attention to the language of § 1295(a), the section that actually defines the jurisdiction of the Federal Circuit. Section 1295(a) states that the jurisdiction of the district court need only be “based, in whole or in part, on section 1338.”81 Thus, the district court’s jurisdiction does not have to be based solely, even primarily, on § 1338 in order for the Federal Circuit to have exclusive jurisdiction over an appeal of a final decision of that court.

Section 1295(a) suggests that the Federal Circuit may have exclusive jurisdiction over an appeal in which a patent law counterclaim was raised because the district court would have had jurisdiction over that counterclaim in part under § 1338(a).82 It is true that a compulsory counterclaim need not have an independent jurisdictional basis to be heard by a district court,83 but that does not

80. See id. at 1895.
82. This point was raised by Justice Ginsburg in her concurrence. Holmes, 122 S. Ct. at 1898 (“[A] patent infringement counterclaim, unlike a patent issue raised only as a defense, has as its own, independent jurisdictional base 28 U.S.C. § 1338, i.e., such a claim discretely arises under the patent laws.”); see also DONALD S. CHISUM, 8 CHISUM ON PATENTS § 21.02[5][a][vi][B] (2002); Frank P. Chilar, Remarks at The Ninth Annual Judicial Conference of the United States Court of Customs and Patent Appeals (May 25, 1982), reprinted in 94 F.R.D. 347, 404–05 (1982) (stating that a counterclaim may have an independent jurisdictional basis of its own under § 1338).

A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim and does not
mean that such a counterclaim may not have another jurisdictional basis, such as under § 1338.84 When read together, without focusing solely on the “arising under” language, § 1295(a) and § 1338(a) provide textual support for Federal Circuit appellate jurisdiction over patent law counterclaims.85

The second flaw in the Court’s “linguistic consistency” rationale relates to the fact that, in 1982, it was not clearly established law that the well-pleaded-complaint rule excluded counterclaims from serving as a basis for federal jurisdiction.86 The Court admits in Holmes that

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84. See Aerojet-General Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd., 895 F.2d 736, 742 n.6 (Fed. Cir. 1990) (stating that every compulsory counterclaim for patent infringement has “an independent jurisdictional basis in section 1338”).


86. See Wright, Miller, & Cooper, 14B FEDERAL PRACTICE AND PROCEDURE 3D § 3722, at 414–15 n.21 (1998) (citing cases supporting the proposition that a counterclaim may not serve as a basis for federal jurisdiction). Most of the cases that addressed the question of whether a counterclaim may serve as a basis for federal jurisdiction were heard after 1982. Only two pre-1982 federal court of appeals cases are identified that addressed this jurisdictional question; the two courts came to opposite conclusions. See id.; Duncan v. First Nat’l Bank, 597 F.2d 51, 55 n.3 (5th Cir. 1979) (counterclaim could be used to establish an independent basis for federal district court jurisdiction); Rath Packing Co. v. Becker, 530 F.2d 1295, 1303 (9th Cir. 1975) (“Removability cannot be created by defendant pleading a counter-claim presenting a federal question . . . .”), aff’d on other grounds sub nom. Jones v. Rath Packing Co., 430 U.S. 519 (1977). On the other hand, several pre-1982 district cases are cited that
it had never been required to address whether a federal counterclaim
could establish “arising under” jurisdiction. Therefore, it was not
clear in 1982 when Congress defined the jurisdiction of the Federal
Circuit that such jurisdiction, even if subject to the limitations of the
well-pleaded-complaint rule, would not encompass compulsory
counterclaims raising patent law issues.

B. Deferring to Congressional Intent to Create a
Uniform System of Patent Law

Because it was not clear that the statutory definition of Federal
Circuit jurisdiction excluded appellate jurisdiction based solely on a
patent law counterclaim, the Court should have considered the
congressional policies behind the creation of the Federal Circuit. The
Supreme Court has previously explained that the construction of a
statute should not impede Congress’s goal behind enacting the
statute. Federal statutes should not be treated “as a wooden set of
self-sufficient words,” especially in the case of interpreting
jurisdiction-conferring statutes where “determinations about federal
jurisdiction require sensitive judgments about congressional intent,
judicial power, and the federal system.”

In holding that the Federal Circuit does not have jurisdiction
over appeals from cases in which a patent law issue is raised solely in
a compulsory counterclaim, the Supreme Court undermined the
clear congressional goal of uniformity in patent law. As previously

87. Holmes, 122 S. Ct. at 1893.
statutory construction that “clearly thwart[ed] Congress’ goal of ensuring predictability”).
89. Merrell Dow Pharm. Inc. v. Thompson, 478 U.S. 804, 810 (1986) (citing Romero
v. Int’l Terminal Operating Co., 358 U.S. 354, 379 (1959)).
Merrell Dow, 478 U.S. at 810) (emphasis added).
91. It is widely recognized that one of the main purposes for creating the Federal
Circuit was to establish uniformity in patent law. See Christianson, 486 U.S. at 813; Aerojet-
General Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd., 895 F.2d 736, 744 (Fed. Cir.
Donofrio & Donovan, supra note 33, at 1837; Emmette F. Hale, III, The “Arising Under”
noted, prior to the establishment of the Federal Circuit, patent law was full of inconsistencies and uncertainty. It was described as “a quagmire of doctrinal inconsistency” in which each circuit developed its own interpretation of patent law, resulting in a system that was a “forum shopper’s delight and an innovator’s nightmare.” Both supporters and opponents of the creation of a new specialized appellate court acknowledged the inconsistencies and rampant forum shopping characteristic of patent law.

Congress was concerned with patent law uniformity because it believed the inconsistency in the law hindered American business and innovation. Congress was especially mindful of small businesses that did not have the resources to invest in meaningful patents when it would be impossible to survive prolonged, expensive patent litigation. In addition, Congress believed that a “greater uniformity and reliability made possible by a national court of appeals” would promote the filing of patent applications and the investing in commercializing inventions. In its decision in *Aerojet*, the Federal
Circuit also acknowledged these problems had existed and recognized Congress’s solution to the problem was to create the new specialized appellate court in 1982.98

The decision in *Holmes* may be a step backward because it reintroduces the same fears and problems that were rampant in patent law before the creation of the Federal Circuit. Once again, there will be a race to the courts between the patent holder and the alleged infringer in an attempt to litigate in a forum favorable to the party’s cause. The classic example would be that of the alleged patent infringer who tries to win the race by bringing a declaratory judgment action99 in a circuit that does not have a pro-patentee philosophy. To escape Federal Circuit jurisdiction, the alleged infringer would only need to omit all patent law claims from its complaint.100 The patentee, on the other hand, would be required to bring a compulsory counterclaim alleging, among other things, patent infringement.101 As a result, any regional circuit court could adjudicate the patent law issue and apply its own law in doing so.102


99. Of course, an action for a declaratory judgment may only be filed if there is an actual controversy between the parties. 28 U.S.C. § 2201 (2000). Hypothetically, the patentee could control this type of race by not creating an actual controversy, such as by sending a cease and desist letter, with a third party. The patentee would have to begin the controversy by filing an infringement suit in federal court.

100. This classic example is precisely what happened in *Holmes*, with one unique twist. The defendant-patentee (Vornado) in *Holmes* had already brought an action for patent infringement against Holmes before the ITC. In an appeal from a patent law determination by the ITC, the Federal Circuit would have had jurisdiction. See supra note 37. However, Vornado withdrew its complaint before the ITC in June 2000 because it lacked the resources to litigate both its case in the ITC and other cases that were simultaneously pending. See Brief for Respondent at 6, Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 122 S. Ct. 1889 (2002) (No. 01-408).

101. See discussion supra note 83 (concerning compulsory counterclaims).

102. It is possible that the sister circuits could defer to Federal Circuit precedent in adjudicating these patent issues. Such a scenario would help prevent inconsistencies between the circuits. See Christianson v. Colt Indus. Operating Corp., 822 F.2d 1544, 1552 n.10 (Fed. Cir. 1987) (“[T]he regional circuits might elect to apply the patent precedents of this court in such cases, just as this court applies regional circuit precedents in areas of law and procedure not within its exclusive jurisdiction.”), vacated & remanded with instructions to transfer appeal to Court of Appeals for the Seventh Circuit, 486 U.S. 800 (1988). The same argument may be made for state courts adjudicating patent law issues. See Speedco, Inc. v. Estes, 853 F.2d 909, 913–14 (Fed. Cir. 1988) (“As Congress created this court in order to bring uniformity to the national law of patents, presumably the state courts confronted with issues of federal law which

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This scenario is just what Congress sought to avoid in establishing the Federal Circuit.103

C. Federal-State v. Federal-Federal Jurisdiction Issues

The Court also failed to adequately distinguish Holmes as a jurisdictional issue between two federal appellate courts from a question of jurisdiction between state and federal courts. The former includes jurisdictional conflicts between appellate courts over cases in which original jurisdiction has already been established for the federal district courts. The latter, on the other hand, deals with the allotment of judicial power between the state and federal government and addresses concerns of federalism and respect for states’ general jurisdiction of legal issues. These two concerns are wholly separate from each other and merit separate analysis.104

Instead of addressing policy considerations regarding the allotment of federal appellate jurisdiction, the Supreme Court supported its holding in Holmes, that a counterclaim cannot be used to establish “arising under” jurisdiction, with three policies that are mostly relevant in the state-federal jurisdiction context.105 The first policy raised by the Court is concerned with a defendant being able to remove a case, defeating the plaintiff’s choice to file in state court, solely by raising a federal law counterclaim.106 Although this policy is well established for a case originally filed in a state court,107 it is less
relevant to the *Holmes* situation where the action is originally filed in a federal district court. The *Holmes* situation concerned which appellate forum was appropriate, not the original forum in which the suit was filed. The only reason the plaintiff would be concerned with choosing an appellate forum, by including or not including a patent claim in the complaint, is if there was a difference in the law between the circuit courts of appeal.\(^\text{108}\) But it is this difference in adjudications relating to patent law that prompted the creation of the Federal Circuit in the first place. Thus, the decision in *Holmes* works to create a forum shopping opportunity between the Federal Circuit and the regional circuits, an opportunity Congress sought to foreclose.

Second, the Court was afraid of “radically expand[ing] the class of removable cases, contrary to the ‘[d]ue regard for the rightful independence of state governments.’”\(^\text{109}\) Again, this policy consideration does not apply to the federal appellate jurisdictional issues in this case, in which the case is initially brought in federal court. Adapting this policy to the situation presented in *Holmes*, if a compulsory counterclaim were used to establish Federal Circuit appellate jurisdiction, the caseload of the Federal Circuit would arguably not increase at all since the Federal Circuit has already been hearing cases in which its jurisdiction was based solely on a compulsory counterclaim.\(^\text{110}\)

To the contrary, the *Holmes* decision may work to decrease the number of patent cases before the Federal Circuit in two ways. First, future cases that the Federal Circuit would have heard in which the jurisdiction was based on a compulsory counterclaim will now be distributed to the regional circuits in which the case ‘arises under’ federal law.\(^\text{111}\) Though states may entertain patent questions that do not “arise under” federal patent law, some states have declined to adjudicate patent law issues. See *Chisum*, supra note 82, at § 21.02[1][e] (2002) (citing state adjudications of patent issues and states that have declined to address patent issues).

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\(^{108}\) Justice Stevens makes this observation in his concurring opinion. *Holmes*, 122 S. Ct. at 1897 (Stevens, J., concurring).

\(^{109}\) *Id.* at 1894 (citing Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941)).

\(^{110}\) For an example of such a case, see *Aerojet-General Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (en banc). This argument also addresses the concern of Justice Stevens that “[t]he potential number of cases in which a counterclaim might direct to the Federal Circuit appeals that Congress specifically chose not to place within its exclusive jurisdiction is . . . significant.” *Holmes*, 122 S. Ct. at 1897 (Stevens, J., concurring).
brought. Second, it is likely that the number of cases filed with a “well-pleaded complaint,” purposely omitting a patent law claim, will increase as plaintiffs race to file declaratory judgments before the patentee files an infringement action with a patent law claim.111

The third policy identified by the Court is probably the most pertinent to the issue present in Holmes allowing a counterclaim to establish “arising under” jurisdiction would undermine the clarity and ease of administration in resolving jurisdictional conflicts. In a state-federal jurisdictional question it is important to establish early on in the case the forum in which the parties are to litigate.112 The well-pleaded-complaint rule can serve as a “quick rule of thumb” for judges trying to make that determination.113 In the federal-federal jurisdictional questions for the appellate court, the need for such a “quick rule of thumb” is not as great. The question of appellate jurisdiction in most cases would not arise until the end of the case, and even then, not all cases would be appealed. The only time a jurisdictional question may arise earlier is if the district court must decide which law to apply, between the law of the Federal Circuit and the law of a sister circuit, to a given set of circumstances. Again, such a conflict in law between the Federal Circuit and a sister circuit would only arise if other circuits could apply their own law to patent issues. Thus, this third policy for not allowing a patent law counterclaim to establish “arising under” jurisdiction becomes pertinent only when a patent law counterclaim is not allowed to establish “arising under” jurisdiction.

V. CONCLUSION

Compulsory counterclaims that raise a patent law claim in federal district court should have an independent basis for Federal Circuit appellate jurisdiction. The Supreme Court’s decision in Holmes, however, reaches the opposite conclusion and goes too far in limiting the jurisdiction of the Federal Circuit. In attempting to answer appellate jurisdictional questions with the well-pleaded-complaint rule, the Court conflates federal-federal appellate jurisdiction.

111. See supra discussion in Part IV(A).
112. This sentiment is reflected in 28 U.S.C. § 1446 (2000), which sets forth the procedure for removal. Section 1446(b) establishes a thirty-day time period following the receipt of the initial pleadings in which a defendant must file a notice of removal.
113. Holmes, 122 S. Ct. at 1894.
jurisdiction with state-federal jurisdiction issues. In doing so, the Court undermines the congressional policy of bringing uniformity to patent law through the establishment of the Federal Circuit. In addition, the Court’s decision may reintroduce inconsistencies and forum shopping in patent law cases and spark races to the courthouse between patentees and alleged patent infringers. In summary, *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.* could undercut the foundation of uniform patent law that the Federal Circuit has helped establish over the past twenty-one years, a foundation that provides vital support for the economy and businesses of the United States.

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