

**THE PHOENIX PRECEDENTS: THE UNEXPECTED REBIRTH
OF REGIONAL CIRCUIT JURISDICTION OVER PATENT
APPEALS AND THE NEED FOR A CONSIDERED
CONGRESSIONAL RESPONSE**

*Elizabeth I. Rogers**

TABLE OF CONTENTS

I. INTRODUCTION.....	412
II. THE EARLY HISTORY OF APPELLATE PATENT ADJUDICATION AND THE CREATION OF THE FEDERAL CIRCUIT’S PREDECESSOR COURTS.....	414
III. THE BIRTH OF THE FEDERAL CIRCUIT AS THE EXCLUSIVE NATIONWIDE TRIBUNAL FOR INITIAL APPEALS ARISING UNDER THE PATENT LAW	421
<i>A. The Legislative Battle</i>	421
<i>B. The Resulting Legislation</i>	430
IV. THE DEVELOPMENT OF THE <i>AEROJET</i> JURISDICTIONAL REGIME AND THE SUBSEQUENT ADOPTION OF THE CONTROVERSIAL <i>MIDWEST CHOICE-OF-LAW</i> RULE	437
<i>A. Development of the Jurisdictional Rule That Counterclaims Arising Under the Patent Laws Confer Jurisdiction over the Appeal upon the Federal Circuit</i>	437
<i>B. The Expansion of the Federal Circuit’s Willingness to Apply Its Own Law to Issues Outside Its Grant of Exclusive Jurisdiction</i>	444
V. <i>VORNADO</i> AND THE REBIRTH OF REGIONAL CIRCUIT JURISDICTION OVER — AND APPLICATION OF SUBSTANTIVE LAW TO — CERTAIN PATENT APPEALS.....	448
<i>A. Vornado’s Jurisdictional Holding</i>	448
<i>B. The Potentially Harmful Implications of Vornado on the Substantive Patent Law — the Phoenix Precedents Reborn</i>	457

* Associate, Fish & Richardson P.C., San Diego, 2002–present; Law Clerk to the Honorable Arthur J. Gajarsa, United States Court of Appeals for the Federal Circuit, 2001–2002; Associate, Hale and Dorr LLP, Boston, 2000–2001; J.D., Harvard Law School, *cum laude*, 2000; B.A., University of Pennsylvania, *magna cum laude*, 1997. I wish to thank Patricia McDermott and David Lockwood of the Federal Circuit Library for lending their expert knowledge and research advice regarding the Federal Circuit’s creation. I am also deeply indebted to Ben Goldberger, Rebecca Gelfond, and Greg Vetter for their invaluable comments regarding earlier drafts. The shortcomings of this Article are, of course, entirely mine.

VI. ALTERNATIVES FOR APPELLATE PATENT	
JURISDICTION AND CHOICE-OF-LAW IN PATENT	
LITIGATION AFTER <i>VORNADO</i>	462
A. <i>Wait and See</i>	462
B. <i>Affix Federal Circuit Jurisdiction upon Appeal if a</i> <i>Patent Issue Is Present</i>	464
C. <i>Certify Questions of Patent Issues to the Federal</i> <i>Circuit or Require Courts to Apply Federal Circuit</i> <i>Law</i>	465
D. <i>Recodify Aerojet for Compulsory Counterclaims</i>	467
VII. CONCLUSION.....	472

I. INTRODUCTION

In the Federal Courts Improvement Act of 1982 (“FCIA”),¹ Congress created the Court of Appeals for the Federal Circuit, in which it vested exclusive nationwide jurisdiction over appeals arising under the patent laws. The Federal Circuit’s first chief judge, Howard T. Markey, referred to the Federal Circuit as “The Phoenix Court,” because it arose “from the ashes of two former courts[:]”² the Court of Claims and the Court of Customs and Patent Appeals (“CCPA”). The primary motivation for vesting jurisdiction over patent appeals in the Federal Circuit was the desire to promote uniformity and stability in the patent system by having one national court, rather than multiple regional circuit courts, interpret and apply patent law. Over the past two decades, the Federal Circuit effectively came to speak the law of the land, subject only to Supreme Court review, with respect to issues of patent law.

Then, last term, in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,³ the Supreme Court resurrected regional circuit jurisdiction over certain patent appeals, inviting those circuits to apply precedents that had lain virtually lifeless for almost twenty years. One anomalous result of this jurisdictional holding is that district courts may now apply different substantive law to virtually identical patent issues: regional circuit law if the complaint is devoid of claims arising under the patent laws and the patent issues appear only as defenses or counterclaims, and Federal Circuit law if the complaint arises, at least in part, under the patent laws. The choice-of-law implications of the jurisdictional holding in *Vornado* threaten to undermine the uniformity and stability in the patent law that the Federal Circuit was created

1. Pub. L. No. 97-164, 96 Stat. 25 (1982) (effective Oct. 1, 1982).

2. Howard T. Markey, *The Phoenix Court*, 32 CLEV. ST. L. REV. 1, 1 (1983) (footnote omitted).

3. 535 U.S. 826, 122 S. Ct. 1889 (2002).

to secure. Consequently, Congress should consider a legislative response, such as restoring the pre-*Vornado* status quo.

Part II reviews the early history of patent appellate adjudication in the United States and the creation of the Federal Circuit's predecessor courts. It shows that from the beginning of the development of the nation's circuit court appellate structure there were calls for a single court to handle patent appeals in the name of uniformity and stability in the patent law.

Part III reviews the regime in place immediately prior to the creation of the Federal Circuit, the reasons for its creation, and the jurisdictional and choice-of-law questions left open by the FCIA with regard to appeals in patent cases. Because the Federal Circuit's appellate patent jurisdiction was designed to bring uniformity and stability to the patent law, issues of jurisdiction and choice-of-law are intimately intertwined in this context. Congress legislated only with regard to jurisdiction, but in the wake of *Vornado* it must consider both issues to ensure that the regime it chooses has the greatest chance of achieving the uniformity and stability the Federal Circuit was created to ensure.

Part IV explains the jurisdictional rule that had been in place for the past decade, which the Federal Circuit adopted in its unanimous, en banc opinion in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*⁴ This Part also explains the evolution of the Federal Circuit's choice-of-law regime. The Federal Circuit's choice-of-law rules were initially viewed as deferential to regional circuit precedents, so there was little reason to challenge the jurisdictional rule adopted in *Aerojet*. However, in the late 1990s, a line of decisions culminating in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*,⁵ evidenced an apparent sea change in the Federal Circuit's willingness to apply its own law to issues outside its exclusive jurisdiction. This, in turn, seems to have motivated the challenge to the Federal Circuit's jurisdiction that was successfully launched in *Vornado*.

Part V explains the Supreme Court's decision in *Vornado* and examines the implications of its strict application of the well-pleaded complaint rule, particularly with regard to uniformity in the patent law and forum-shopping. Although *Vornado* was a decision about jurisdiction, its greatest impact lies in the introduction of uncertainty with regard to what law will be applied in patent disputes. Many of the conflicting regional circuit rules that prompted Congress to vest nationwide jurisdiction over patent appeals in the Federal Circuit may now unexpectedly and unpredictably rear their ugly heads. Even if

4. 895 F.2d 736 (Fed. Cir. 1990) (en banc), *overruled by Vornado*, 535 U.S. 826, 122 S. Ct. 1889 (2002).

5. 175 F.3d 1356 (Fed. Cir. 1999).

they do not, patentees and potential infringers alike will be threatened by that possibility.

Part VI explores potential alternatives regarding the treatment of appeals involving patent issues and concludes that Congress should consider legislative options to reduce the risk that *Vornado* will cause a return to uncertainty in the patent law and rampant forum-shopping. One option is to wait and see whether the impact of the decision will be severe. Other options for reform include: (i) determining appellate jurisdiction at the time of filing a notice of appeal, and conferring jurisdiction upon the Federal Circuit if at least one issue arising under the patent law is present on appeal; (ii) severing patent issues from regional circuit appeals and sending those issues to the Federal Circuit or requiring other courts to apply Federal Circuit law to patent issues; and (iii) amending the Federal Circuit's jurisdictional statute to encompass appeals in which the counterclaims alone arise under the patent law. Each alternative avoids the assumption that conferring jurisdiction upon a court necessarily requires that court to apply its own law.

II. THE EARLY HISTORY OF APPELLATE PATENT ADJUDICATION AND THE CREATION OF THE FEDERAL CIRCUIT'S PREDECESSOR COURTS

Although the Federal Circuit was created in 1982, the origins of its nationwide appellate patent jurisdiction stretch much further back. In fact, they can be traced back almost to our nation's founding. The early history of United States patent law has been recounted elsewhere in greater detail,⁶ as has the history of the nation's appellate structure.⁷ With notable exceptions,⁸ histories of the Federal Circuit tend instead to begin in the twentieth century.⁹ Nevertheless, the early

6. See, e.g., Giles S. Rich, *Are Letters Patent Grants of Monopoly?*, 15 W. NEW ENG. L. REV. 239, 239-44 (1993) (outlining the history of the monopoly of letters patent in England, the abolition of patents except for inventions, and the introduction of patents for useful inventions in the United States).

7. See, e.g., Paul M. Carrington, *Crowded Dockets and the Courts of Appeals: The Threat to the Function of Review and the National Law*, 82 HARV. L. REV. 542 (1968) (providing historic background on the framework for the appellate system).

8. See, e.g., Paul M. Janicke, *To Be or Not to Be: The Long Gestation of the U.S. Court of Appeals for the Federal Circuit (1887-1982)*, 69 ANTITRUST L. J. 645 (2002) (providing a detailed history of the creation of the Federal Circuit beginning in 1887).

9. See, e.g., Daniel J. Meador, *Retrospective on the Federal Circuit: The First 20 Years* 34 *A Historical View*, 11 FED. CIR. B.J. 557, 558 (2001) [hereinafter Meador, *Retrospective*] (noting that "[i]n any historical story there is always the question of the appropriate starting point," and identifying the appointment of Griffin Bell in early 1977 as the appropriate starting point in the history of the Federal Circuit); James F. Davis, *Interview with Judge Giles S. Rich*, 9 FED. CIR. B.J. 55 (1999); Pauline Newman, *The Federal Circuit — A Reminiscence*, 14 GEO. MASON L. REV. 513 (1992) [hereinafter Newman, *A Reminiscence*]; Donald W. Banner, *Witness at the Creation*, 14 GEO. MASON L. REV. 557 (1992)

history of proposals regarding the treatment of patent appeals in the United States bears revisiting in light of *Vornado*, because it provides insight into the long-ingrained assumption that by vesting jurisdiction in a single appellate tribunal, one uniform patent law would result. Before explaining why Congress can no longer assume that uniform patent law will result from the appellate jurisdictional regime it created with the Federal Circuit, it will be helpful to examine the roots of that assumption.

As early as the ratification of the Constitution, students of patent law emphasized the importance of uniformity in patent appeals and the need for a single court to issue nationally binding decisions. Article I, section 8, clause 8 of the Constitution authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹⁰ Congress initially did so in 1790, permitting the grant of a patent for fourteen years if any two of the Secretary of State, the Secretary of War, and the Attorney General agreed that the invention was sufficiently useful and important.¹¹ Patent trials began in the circuit courts, and from there, litigants had an appeal as of right to the Supreme Court.¹² Thus, in the years immediately following the ratification of the Constitution and first patent act, one appellate forum possessed exclusive nationwide jurisdiction over patent appeals: the Supreme Court.¹³

At first, the Supreme Court was able to focus a fair amount of attention on patent disputes and to resolve them relatively rapidly. Although an adjudication of invalidity was merely an adjudication between the particular parties involved in the case, not technically a decision in rem invalidating the patent, “the general public was fairly safe in thereafter disregarding the patent” once the Supreme Court

[hereinafter Banner, *Witness*]; Daniel J. Meador, *Origin of the Federal Circuit: A Personal Account*, 41 AM. U. L. REV. 581 (1992) [hereinafter Meador, *Origin*]; FRANK P. CIHLAR, *THE COURT AMERICAN BUSINESS WANTED AND GOT: THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT* (1982).

10. U.S. CONST. art. I, § 8, cl. 8.

11. H.R. 41, Act of Apr. 10, 1790; see also Judge Marion T. Bennett, *The United States Court of Appeals for the Federal Circuit — Origins*, in *THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT — A HISTORY 1982–1990*, at 9 (1991) [hereinafter *A HISTORY 1982–1990*] (stating that “Secretary of State Thomas Jefferson personally examined all applications for patents for the first three years,” and that President Washington and Attorney General Edmond Randolph signed the first patent, which was issued on July 31, 1790).

12. Janicke, *supra* note 8, at 647.

13. *Id.* at 647–48; see also Herbert H. Mintz & Linda Jean Swofford, *Patent Court Debate Reflects Clash of Perspectives*, LEGAL TIMES OF WASH. June 22, 1981, at 17 (noting that before the Evarts Act of 1891, “a single court, the Supreme Court, heard all appeals in patent cases”).

invalidated it.¹⁴ Over time, however, dispositions of patent appeals in the Supreme Court began to take an average of ten years; this was more than half the life of a patent.¹⁵

Then, in 1891, Congress passed the Evarts Act, which established the regional circuit courts of appeal.¹⁶ Appealing to the Supreme Court was no longer a matter of right.¹⁷ The Evarts Act was intended “to enable the Supreme Court to discharge its indispensable functions in our federal system by relieving it of the duty of adjudication in cases that are important only to the litigants.”¹⁸ It did not improve the situation for patent litigants, however, as the legislative history of the proposal for a single appellate patent tribunal confirms:

The years subsequent to the establishment of these courts of appeals demonstrated that neither the public nor the patentee was in an improved position. Since the decision of a court of appeals in any one circuit was of no binding effect in any other circuit, and the doctrine of comity was not often applied, this arrangement merely resulted, to a considerable extent, in there being nine different courts of last resort.¹⁹

In 1887, even before the passage of the Evarts Act, but likely in its anticipation, Congress considered a bill to create a single appellate tribunal for patent cases.²⁰ Almost immediately following the passage of the Evarts Act, there were repeated calls for a return to a single nationwide appellate forum to resolve patent disputes.²¹ From 1893 to 1921, 32 bills were introduced in Congress, of which 5 were reported, but none were passed by either chamber.²² In the early 1900s, prior to

14. STUDY OF THE SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, SINGLE COURT OF PATENT APPEALS — A LEGISLATIVE HISTORY 1 (Comm. Print 1959) [hereinafter A LEGISLATIVE HISTORY].

15. *Id.*

16. Act of Mar. 3, 1891, ch. 517, § 2, 26 Stat. 827.

17. Janicke, *supra* note 8, at 648.

18. *Dick v. N.Y. Life Ins. Co.*, 359 U.S. 437, 448 (1959) (citing 21 CONG. REC. 3403–05, 10220–22 (1890); 22 CONG. REC. 3585 (1891)).

19. A LEGISLATIVE HISTORY, *supra* note 14, at 1.

20. Janicke, *supra* note 8, at 648 (citing S. 2141, 50th Cong. (1887)).

21. A LEGISLATIVE HISTORY, *supra* note 14, at 2 (“Although the introduction of bills to establish a court of patent appeals antedates the creation of the United States circuit courts of appeals in 1891, from that moment forward until World War I, there was a continuous interest in the introduction and support of such bills.”); *see also* Dale I. Carlson, *New Patent Court: It’s a Good Idea*, NAT’L L.J., Dec. 10, 1979, at 15 (“Since 1891, the congressional outcry for a single court of patent appeals has been heard repeatedly.”) (footnote omitted).

22. A LEGISLATIVE HISTORY, *supra* note 14, at 1–9; *see also* Mintz & Swofford, *supra* note 13, at 17 (“Since the Supreme Court’s exclusive jurisdiction over patent appeals ended in 1891, more than 40 bills have been introduced in Congress to create a special intermediate court of patent appeals.” (citing A LEGISLATIVE HISTORY, *supra* note 14)).

World War I, the American Bar Association (“ABA”) led proposals for creating a single court of patent appeals.²³

Not only litigants, but judges as well, asked for a court capable of issuing authoritative rulings. Then-Judge Learned Hand, who has been called perhaps the strongest advocate for a court such as the Federal Circuit,²⁴ noted that the courts should not be expected to “blunder along without the aid of unpartisan and authoritative scientific assistance” such as the technically proficient judges employed in Germany.²⁵

President Taft initiated his own call in 1912. He requested authorization from Congress to appoint a commission of qualified persons to investigate the nation’s patent laws.²⁶ Although neither the President’s request nor the authorizing resolution specifically mentioned the investigation of a single court of patent appeals,²⁷ the Commission nevertheless reported that based on its investigation, “the opinion is practically unanimous that such a court be established.”²⁸ Ultimately, the Commission limited its recommendations to issues specifically mentioned, and therefore did not formally recommend the creation of a nationwide court of patent appeals.

These early requests for the return to a single forum of appellate patent adjudication emphasized the need for uniformity in patent law. Before the 60th Congress, Fredrik P. Fish argued on behalf of the ABA that, barring the unlikely return of a direct appeal of right to the Supreme Court, a special court of patent appeals whose decisions bound the remaining courts of the United States, was the preferable solution.²⁹ Senator O’Mahoney’s introduction to the compiled legislative history also explains the presumed link between vesting jurisdiction in a single patent appellate tribunal and uniformity in substantive patent law:

Ever since 1891, when patent appeals to the circuit courts of appeal were substituted for direct appeals to the Supreme Court, patent appellate procedure has been the target for criticism because of the delay and

23. Joseph C. O’Mahoney, *Foreword* to A LEGISLATIVE HISTORY, *supra* note 14, at III.

24. Carlson, *supra* note 21, at 15.

25. *Parke-Davis & Co. v. H.K. Mulford Co.*, 189 F. 95, 115 (C.C.S.D.N.Y. 1911), *aff’d in part, rev’d in part*, 196 F. 496 (2d Cir. 1912). Germany employs judges with a high degree of technical training in specialized courts for technically complex areas of the law such as judgments regarding patent validity. See Philippe Signore, *On the Role of Juries in Patent Litigation (Part 1)*, 83 J. PAT. & TRADEMARK OFF. SOC’Y 791, 794 (2001); Philip Leith, *Revision of the EPC, the Community Patent Regulation and “European Technical Judges”*, 23 EUR. INTELL. PROP. REV. 250, 252–54 (2001).

26. A LEGISLATIVE HISTORY, *supra* note 14, at 23–24 (citing H.R. DOC. NO. 749 (1911)).

27. A LEGISLATIVE HISTORY, *supra* note 14, at 24.

28. *Id.* at 24 (quoting H.R. DOC. NO. 1110 at 13 (1912)).

29. Janicke, *supra* note 8, at 649 (citing A LEGISLATIVE HISTORY, *supra* note 14, at 13).

inconsistencies supposedly resulting from nine different jurisdictions — and, subsequently, even more — reaching independent decisions on the validity of patents, despite the fact that the national reach of the patent grant makes *a single uniform national decision* highly desirable. While ultimate review by the Supreme Court frequently occurs, there is no assurance of such review. In any event, the existing procedure has appeared to many to be unnecessarily cumbersome, time consuming and expensive.³⁰

In the aftermath of World War I and in the face of unsuccessful proposals to Congress, calls for a single appellate patent court ebbed.³¹ The calls eventually began again:

In 1936, companion bills were introduced in the Senate and House to establish a single court of patent appeals, and from then until the commencement of World War II there were intermittent proposals in Congress respecting the court. This resurgence of interest can in considerable measure be ascribed to awakened concern about the economic effect of patents, which was ultimately explored in the hearings and studies of the Temporary National Economic Committee.³²

In its final report in 1941, the Temporary National Economic Committee (“TNEC”) unanimously recommended the establishment of a single court of patent appeals.³³ The Legislative History noted that concern over the economic state of the nation played a key role in the desire to reinvigorate the patent system by creating a special court:

This revival seems to have been instigated chiefly by the economic depression of the thirties, and the various studies being made looking toward the stimulation of industry. It was thought that a special court, which would assist in the more expeditious settlement of patent disputes, would be a factor of consid-

30. O’Mahoney, *supra* note 23, at III (emphasis added).

31. A LEGISLATIVE HISTORY, *supra* note 14, at 1–2 (referring to an ABA report setting aside advocacy due to concerns from the war and lack of congressional action).

32. *Id.* at 2.

33. *Id.* at 38 (citing TEMP. NAT’L ECON. COMM., 75TH CONG., INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER, FINAL REPORT 37 (Comm. Print 1941)).

erable help in encouraging the taking out of patents and the creation of industry under their protection.³⁴

At separate times during these early calls for a single appellate patent tribunal, Congress created the Federal Circuit's predecessor courts. These courts, the Court of Claims and the Court of Customs and Patent Appeals, heard certain categories of patent appeals. They did not, however, have jurisdiction over appeals from patent infringement cases in the district courts.

The Court of Claims was an Article I court established in 1855 as a "Court for the Investigation of Claims against the United States."³⁵ It exercised both trial and appellate jurisdiction. Congress eventually vested the Court of Claims with authority to hear patent and copyright claims against the United States.³⁶ For many years, generalist trial judges, including former patent practitioners, sat on the Court of Claims, and it heard enough patent cases to become "conversant with patent law."³⁷

In 1890, Congress created the Board of General Appraisers to resolve customs disputes.³⁸ Congress then replaced the Board with the Court of Customs Appeals in 1909.³⁹ In 1929, Congress transferred jurisdiction to review appeals from decisions of the Patent and Trademark Office ("PTO") from the Court of Appeals for the District of Columbia to the Court of Customs Appeals, which it renamed the Court of Customs and Patent Appeals ("CCPA").⁴⁰ Upon becoming

34. A LEGISLATIVE HISTORY, *supra* note 14, at 24.

35. Act of Feb. 24, 1855, ch. 122, 10 Stat. 612 (1855), *amended by* FCIA, Pub. L. No. 97-164, § 105, 96 Stat. 25 (1982).

36. *See* 28 U.S.C. § 1498(a), (b) (2003). The United States has not consented to suits alleging infringement under 35 U.S.C. § 271 as are asserted against private infringers; however, pursuant to 28 U.S.C. § 1498, it has consented to suits in the Court of Federal Claims for reasonable compensation for the unauthorized use or manufacture of patented articles. The standards for government liability under § 1498 largely parallel, but do not necessarily evolve with, the standards for infringement by private litigants under § 271. *See* *Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 837 (2002) ("Because nothing in the legislative history indicates that Congress intended for the meaning and effect of section 1498 to change in congruence with changes in 35 U.S.C. § 271, the Court is constrained to hold that section 1498 does not apply to all forms of direct infringement as currently defined in 35 U.S.C. § 271.").

37. Jim Davis, *Formation of the Federal Circuit*, 11 FED. CIR. B.J. 547, 548 (2001) (arguing that the patent law approaches of the Court of Claims and CCPA were without significant differences, and that on matters such as infringement and damages, the Court of Claims tended to follow the law of the Second, Fifth, and Seventh Circuits, which were "kinder to patents" than the Eighth, Ninth, and Tenth circuits).

38. Customs Administrative Act, ch. 407, 26 Stat. 131 (1890), *repealed by* Act of Aug. 5, 1909, ch. 6, 36 Stat. 11.

39. Act of Aug. 5, 1909, ch. 6, 36 Stat. 11, *amended by* Act of Mar. 2, 1929, ch. 488, 45 Stat. 1475.

40. Act of Mar. 2, 1929, ch. 488, 45 Stat. 1475, *repealed by* FCIA, Pub. L. No. 97-164, § 122, 96 Stat. 25 (1982); *see also* *A Look at the Federal Courts Improvement Act and the New Courts*, 38 FED. CONT. REP. 788 (1982).

the CCPA, the court retained its status as an Article III appellate tribunal. In addition to PTO appeals, the CCPA heard appeals from decisions by the International Trade Commission (“ITC”) regarding the exclusion from importation of allegedly infringing products under 19 U.S.C. § 1337(c). Thus, the CCPA also decided certain patent infringement issues.⁴¹

Once Congress vested jurisdiction to adjudicate infringement claims against the United States with the Court of Claims, there were multiple appellate tribunals of first instance for patent issues. In fact, when the Eleventh Circuit split off from the Fifth Circuit on October 1, 1981,⁴² there were a total of fourteen. Appeals from final judgments of the PTO and ITC on patent issues went to the CCPA. Judgments regarding alleged infringement by the United States were appealed to the appellate division of the Court of Claims. The district courts possessed jurisdiction over infringement actions against private litigants. Appeals from those district court judgments went to one of twelve regional circuits. The Supreme Court had jurisdiction to review judgments from each of these tribunals, but due to increasing pressure on its docket the Court rarely granted certiorari in patent cases.⁴³

Despite the creation of these specialized predecessors, which heard limited categories of patent-related issues, Congress failed to act on calls to create one appellate patent tribunal whose decisions would bind the entire nation. Calls for the creation of such a court abated during World War II. Then, in 1955, Senator O’Mahoney introduced a proposal to create a special court of patent appeals.⁴⁴ Once again, Congress took no action on the bill.⁴⁵

In the several decades between the introduction of Senator O’Mahoney’s bill and the passage of the FCIA, much happened to the state of substantive patent law that made the need for uniformity and stability more acute. The time became ripe for the Federal Circuit’s birth.

41. See Charles L. Gholz, *Patent and Trademark Jurisdiction of the Court of Customs and Patent Appeals*, 40 GEO. WASH. L. REV. 416 (1972).

42. See Fifth Circuit Court of Appeals Reorganization Act of 1980, Pub. L. No. 96-452, 94 Stat. 1994.

43. Janicke, *supra* note 8, at 648 (stating that grants of certiorari in patent cases “grew slimmer and slimmer as a percentage of the total number of patent cases as the high court’s docket of cases expanded after the two world wars”).

44. *Id.* at 651 n.31 (citing A LEGISLATIVE HISTORY, *supra* note 14, at 28).

45. Janicke, *supra* note 8, at 651.

III. THE BIRTH OF THE FEDERAL CIRCUIT AS THE EXCLUSIVE NATIONWIDE TRIBUNAL FOR INITIAL APPEALS ARISING UNDER THE PATENT LAW

A. The Legislative Battle

In the 1970s, concern over the rising level of appellate litigation in general, and particularly the pressure it produced on the Supreme Court's docket, prompted studies and proposals to restructure the judicial system. These studies exposed particularly egregious problems of a lack of uniformity in patent cases and the forum-shopping that this lack of uniformity created. By vesting exclusive jurisdiction over appeals arising under the patent laws in the Federal Circuit, Congress intended to cure these problems. The Federal Circuit's birth, it was assumed, would signal the death of the regional circuits' problematic patent precedents.

At the beginning of this decade, then-Chief Justice Warren Burger appointed a Study Group on the Caseload of the Supreme Court.⁴⁶ Harvard Law professor Paul A. Freund chaired the Group, which became known as the Freund Committee.⁴⁷ The Freund Committee recommended creating a National Court of Appeals composed of circuit judges who would sit on a revolving basis and would screen certiorari petitions for the Supreme Court.⁴⁸ This proposed National Court of Appeals was intended to allow the Supreme Court to focus on addressing the merits of many additional cases.⁴⁹ The Freund Committee's proposal was controversial, and Congress failed to act on it.⁵⁰

After failing to act on the Freund Committee's proposal, Congress, in 1972, created a Commission on Revision of the Federal Court Appellate System.⁵¹ Senator Roman Hruska chaired this commission.⁵² Its report, known as the Hruska Commission Report, indicated that the Supreme Court's limited capacity to resolve numerous inter-circuit conflicts was an endemic problem:

46. *A Look at the Federal Courts Improvement Act and the New Courts*, *supra* note 40, at 796.

47. A HISTORY 1982–1990, *supra* note 11, at 3.

48. *Id.*

49. *A Look at the Federal Courts Improvement Act and the New Courts*, *supra* note 40, at 796 (citing *Report of the Study Group on the Caseload of the Supreme Court*, 57 F.R.D. 573, 590–95 (1972)).

50. A HISTORY 1982–1990, *supra* note 11, at 3 n.3 (“The proposal was described by one observer as having been reduced ‘to a residue of embers in legal journals.’” (quoting Harold Leventhal, *A Modest Proposal for a Multi-Circuit Court of Appeals*, 24 AM. U. L. REV. 881, 889–90 (1975))).

51. Act of Oct. 13, 1972, Pub. L. No. 92–489, 86 Stat. 807.

52. COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM, STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE, at ii (1975), *reprinted in* 67 F.R.D. 195 (1975) [hereinafter HRUSKA COMMISSION REPORT].

The multiplicity of such courts . . . invites diversity within the system, since the Supreme Court alone is available to assure consistency and uniformity, and its capacity to do so is limited by the sheer volume of adjudications, not to speak of its other major tasks. It has been urged upon the Commission that inter-circuit conflict and disharmony have proliferated to the point where “jurisprudential disarray” threatens to become “an intolerable legal mess.” Where differences in legal rules applied by the circuits result in unequal treatment of citizens with respect to such matters as their obligations to pay federal taxes, their duty to bargain collectively or their liability to criminal sanctions, solely because of differences in geography, the circumstance is admittedly an unhappy one.⁵³

The Hruska Commission identified patent law as an area in which circuit conflicts and forum-shopping were “particularly acute.”⁵⁴ Based on the experiences of “consumers,” those who used the patent appellate system, the Commission reported that:

The Commission’s patent law consultants reported that their study confirmed that “the lack of uniformity in decisions on patent-related issues has been a widespread and continuing fact of life” and “continues to be a problem.” On the basis of the survey and their own experience, these consultants concluded that there is a clear need for a new court which “could not only deal with the actual conflicts which develop between circuits and within circuits but more importantly . . . could provide a monitoring function to eliminate or at least minimize the attitudinal aberrations with which we are too often now confronted.”⁵⁵

Although the Hruska Commission concluded that the Supreme Court should continue to set national patent law policy, it determined that the Court “should not be expected to perform a monitoring func-

53. *Id.* at 3.

54. *Id.* at 15 (“[M]ad and undignified races,” Judge Henry Friendly describes them, “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 them.” (quoting HENRY J. FRIENDLY, FEDERAL JURISDICTION: A GENERAL VIEW 155 (1973))).

55. HRUSKA COMMISSION REPORT, *supra* note 52, app. B, at 144.

tion on a continuing basis in this complex field.”⁵⁶ After recognizing that the Supreme Court alone could not ensure uniformity in patent law, the Hruska Commission took note of suggestions to create a single court devoted to hearing patent appeals, but ultimately did not recommend creating one.⁵⁷ The Commission concluded that specialized courts were not a desirable solution to the problems of conflicting national law and appellate caseload. The decision-making of such courts, it feared, might fall prey to “tunnel vision” and the judges might impose their own policy views instead of impartially applying the law.⁵⁸

The Commission recommended solving the problems of regional circuit conflicts, uncertainty, potential conflicts, and forum-shopping by creating a National Court of Appeals, albeit one of a slightly different configuration than that which the Freund Committee had recommended.⁵⁹ The Hruska Commission’s National Court of Appeals would consist of seven Article III judges, and would sit only en banc.⁶⁰ The court’s jurisdiction would extend to cases referred to it by the Supreme Court, or transferred to it from a regional court of appeals, the Court of Claims, or the CCPA.⁶¹ Decisions of the National Court of Appeals would constitute binding precedents for the circuit courts, subject to modification or overruling by the Supreme Court.⁶² On federal questions, decisions of the National Court of Appeals would bind the state courts as well.⁶³ The Hruska Commission’s proposed National Court of Appeals also proved to be too controversial. It went the way of the Freund Committee’s recommendation.

Yet another research organization, the Advisory Council for Appellate Justice, which was chaired by Professor Maurice Rosenberg of the School of Law at Columbia University, studied the issue. The Advisory Council for Appellate Justice “reached conclusions not inconsistent with the Freund and Hruska bodies regarding the undesirability of circuit court conflicts which could not, or with increasing frequency did not, reach the Supreme Court.”⁶⁴

“[N]otwithstanding the hundreds of thousands of dollars spent and years of thought and effort devoted to analyses of the problems and agreements by Members of Congress, judges, legal scholars, and knowledgeable spokesmen for industry that ‘something had to be

56. *Id.* at 15.

57. *Id.* at 29 (“In analyzing the advantages and disadvantages of specialized tribunals, the Commission gave particular attention to the proposal for centralizing in a single national tribunal appellate review of decisions involving patent related issues.”).

58. *Id.* at 28–29.

59. *Id.* at 29–30.

60. *Id.* at 30.

61. *Id.* at 32, 34–35.

62. *Id.* at 30.

63. *Id.*

64. A HISTORY 1982–1990, *supra* note 11, at 4.

done,”⁶⁵ it seemed that nothing would be done. The turning point occurred when President Carter appointed Griffin B. Bell to the position of Attorney General.⁶⁶ Bell created a new Office for Improvements in the Administration of Justice (“OIAJ”) within the Department of Justice.⁶⁷ The President appointed University of Virginia Law School Professor Daniel J. Meador as the Assistant Attorney General to head the new office.⁶⁸ Professor Meador earned the unofficial title of “Father of the Federal Circuit.”⁶⁹

On July 21, 1978, Professor Meador invited public comment on a proposal to restructure the federal judiciary by merging the Court of Claims and the CCPA into a new circuit court.⁷⁰ Three new judges would be added, such that the new circuit would be a fifteen-judge court with the appellate jurisdiction of its predecessors plus exclusive appellate jurisdiction in civil tax, environmental, and patent cases, including patent appeals from district courts.⁷¹ Unlike the previous proposals for a National Court of Appeals, this new circuit would occupy the same tier in the appellate pyramid as the regional circuits.

The proposed tax and environmental jurisdiction proved to be extraordinarily controversial, and, in the face of strong opposition by the bar, was removed from Professor Meador’s proposal.⁷² The patent community, however, responded with strong, albeit not unanimous, support for the proposal.⁷³ The opposition within the patent bar was small enough that it did not prevent Professor Meador from proceeding with the proposal.⁷⁴ Moreover, as he describes it, the reaction of the judges on the Court of Claims and CCPA, as well as of Chief Justice Burger, contained “no strong objection,” which he took as “a green light to proceed with developing the proposal.”⁷⁵

While Professor Meador was launching his proposal, industry mobilized in favor of revamping the appellate patent system as well. The recession of the 1970s exposed concern for the health of the ma-

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.*

69. See Donald R. Dunner, *Reflections on the Founding of the Federal Circuit*, 11 FED. CIR. B.J. 545, 546 (2001); see also Griffin B. Bell & Terence B. Adamson, *Daniel J. Meador—Visionary*, 80 VA. L. REV. 1209, 1212–13 (1994) (describing Meador’s efforts as head of OIAJ to establish the new Federal Circuit); Introductory Comments of Chief Judge Helen W. Nies, *Special Session of the United States Court of Appeals for the Federal Circuit Commemorating Its First Ten Years*, 2 FED. CIR. B.J. 267, 270 (1992) (“Professor Meador was the first to conceive the idea of the Federal Circuit. As Assistant Attorney General from 1977 to 1979, he headed the Office for Improvements in the Administration of Justice which shepherded the legislation to create this court.”).

70. A HISTORY 1982–1990, *supra* note 11, at 4–5.

71. *Id.* at 5.

72. *Id.*

73. *Id.*

74. Meador, *Retrospective*, *supra* note 9, at 558–59.

75. *Id.*

tion's industry, particularly research-based technology.⁷⁶ President Carter convened a Domestic Policy Review regarding industrial innovation in 1978.⁷⁷ The bipartisan review included a committee to study the patent aspects of research and development policy. The committee concluded that "a viable patent system was important to support technologic innovation."⁷⁸ It recommended not only instituting a system of patent reexamination to ensure that patentees and competitors could correct errors in the grant of patents, but also reform of the appellate system.⁷⁹ "It was clear that patents could never serve as reliable investment incentives when their fate in the courts was so unpredictable, and the judicial attitude in general so hostile."⁸⁰ Consequently, the patent advisory committee "warmly embraced"⁸¹ Professor Meador's proposed patent appellate tribunal, as "a specialized court for patent appeals that wasn't specialized because it had substantial non-patent jurisdiction."⁸²

Although the proposal made great progress that year, it was not enacted in 1979. Senator Edward M. Kennedy, who had replaced Senator James O. Eastland as the Chairman of the Judiciary Committee in January of 1979, contacted Professor Meador about developing a package of court improvements and accepted the proposal to create the Federal Circuit, and to vest it with jurisdiction over patent appeals from the district courts.⁸³

This development assisted Professor Meador in generating White House support for the proposal.⁸⁴ Although Attorney General Bell had personally advocated for President Carter and his staff's support, before Senator Kennedy's interest in the Federal Circuit, the White House had demonstrated little to none.⁸⁵ But Senator Kennedy had made noises about running against the President in the upcoming pri-

76. Pauline Newman, *Origins of the Federal Circuit: The Role of Industry*, 11 FED. CIR. B.J. 541, 541–42 (2001) (stating that in the late 1970s inflation rendered the prime rate over 20%; that there was virtually no investment in industry; that of the major industrial nations the United States had the highest percentage of obsolete plants, the lowest capital investment percentage, and the lowest growth of productivity; that industries laid off scientists and engineers at a high rate; and that "[s]omething was seriously wrong.").

77. *Id.* at 541.

78. *Id.* at 542.

79. *Id.*

80. *Id.* at 542–43 (explaining that "some courts hadn't ever sustained a patent, and bragged about it").

81. Donald R. Dunner, *Reflections on the Founding of the Federal Circuit*, 11 FED. CIR. B.J. 545, 546 (2001).

82. *Id.* at 545.

83. Meador, *Retrospective*, *supra* note 9, at 560.

84. *Id.*; *see also* Meador, *Origin*, *supra* note 9, at 599 ("Here at last might be what we had been hoping to find: an influential Senator willing to assume aggressive leadership in seeking passage of our court improvement measures.").

85. Meador, *Retrospective*, *supra* note 9, at 560; *see also* Meador, *Origin*, *supra* note 9, at 599 (describing "frustrations during the past year in trying to get President Carter to exert leadership on our justice system program").

maries, and President Carter was loath to cede the spotlight on any significant issues.⁸⁶ Given the demonstrated interest of “the industrial might of the nation”⁸⁷ in reforming the patent system to strengthen research and development, and thereby to revive the stagnant economy, this issue was apparently significant enough. On February 27, 1979, President Carter delivered a special message to Congress in which he urged the creation of a new Court of Appeals for the Federal Circuit.⁸⁸ Senator Kennedy announced his support. And so it was that Professor Meador’s proposed Federal Circuit garnered executive as well as legislative support.

The House, which had previously declined to hold hearings on Professor Meador’s proposal, changed its position as well. The House Subcommittee on Courts, Civil Liberties, and the Administration of Justice, chaired by Congressman Robert W. Kastenmeier, held hearings on the proposed creation of a single appellate patent court. That fall, a bill that would enact President Carter’s proposal passed the House with unanimous support.⁸⁹ Trouble arose, however, in the Senate.

Initially, Senate proceedings went smoothly. Senator Kennedy introduced two versions of a bill that would enact President Carter’s proposal: one version was the President’s, the other included Senator Kennedy’s own modifications. The bills were consolidated into one “clean version,” S. 1477, which passed the Senate with bipartisan support on October 30, 1979.⁹⁰

The bill was plagued, however, with two serious political problems.⁹¹ First, Senator Dale Bumpers, a Democrat from Arkansas, had introduced a highly controversial extraneous amendment to S. 1477.⁹² The Bumpers Amendment, as it came to be called, would have reversed the presumption of validity for all agency rules and regulations.⁹³ Second, S. 1477 included provisions from Senator Kennedy’s bill taking an approach on disciplinary procedures for the federal judiciary which was unpopular with the House Judiciary Committee.⁹⁴ The House never considered S. 1477 and, as agreement to eliminate

86. Meador, *Retrospective*, *supra* note 9, at 560.

87. Newman, *supra* note 76, at 543.

88. A HISTORY 1982–1990, *supra* note 11, at 5.

89. *Id.* at 6. The bill number was H.R. 3806. *Id.*

90. *Id.*

91. Meador, *Origin*, *supra* note 9, at 614.

92. A HISTORY 1982–1990, *supra* note 11, at 6.

93. *Id.*; see also Ronald M. Levin, Comment, *Review of “Jurisdictional” Issues Under the Bumpers Amendment*, 1983 DUKE L.J. 355, 358–59 (1983) (reviewing the legislative history of the Bumpers Amendment, and explaining that it “would have directed courts reviewing administrative action to decide all questions of law ‘de novo’ and to forswear any ‘presumption of validity’ associated with rules and regulations”).

94. Meador, *Origin*, *supra* note 9, at 614.

the Bumpers Amendment and the disciplinary provisions proved impossible, “the legislation died with the end of the 96th Congress.”⁹⁵

In the meantime, in the late summer of 1979, Professor Meador left the OIAJ as scheduled, to return to his faculty position at the University of Virginia.⁹⁶ Professor Rosenberg took his place at the OIAJ, and saw the congressional proceedings through until the enactment of the bill creating the Federal Circuit in 1982.⁹⁷ Benjamin Civiletti replaced Griffin Bell as the Attorney General.⁹⁸

President Reagan was elected in 1980, and at first it was unclear whether the new administration would support the creation of the Federal Circuit.⁹⁹ It did. The overwhelming support in the private sector for vesting nationwide appellate patent jurisdiction increased,¹⁰⁰ and Congress passed the Federal Courts Improvement Act of 1982 (“FCIA”), creating the Federal Circuit.¹⁰¹ President Reagan signed it into law at a special Rose Garden ceremony on April 2, 1982.¹⁰² The new court of appeals was unique among circuits because, unlike the geography-based jurisdiction of the other circuits, the Federal Circuit’s jurisdiction extended nationwide, but to more limited subject matter,¹⁰³ including appeals from district court cases arising in whole or in part under the patent laws.¹⁰⁴

The creation of the Federal Circuit was intended in part to alleviate docket pressure on the regional circuits by reallocating certain complex cases without creating additional judgeships, but primarily to improve uniformity and predictability in the patent law.¹⁰⁵ Members of Congress as well as representatives of industry and the patent bar believed that the nation’s appellate courts were in a state of crisis. According to the House Committee Report:

95. A HISTORY 1982–1990, *supra* note 11, at 6.

96. Meador, *Retrospective*, *supra* note 9, at 560.

97. *Id.*

98. Meador, *Origin*, *supra* note 9, at 614.

99. A HISTORY 1982–1990, *supra* note 11, at 6.

100. *Id.*

101. Pub. L. No. 97-164, 96 Stat. 25 (1982).

102. Meador, *Origin*, *supra* note 9, at 617.

103. S. REP. NO. 97-275, at 3 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 13 (“[T]he Federal Circuit differs from other federal courts of appeals, however, in that its jurisdiction is defined in terms of subject matter rather than geography.”); *see also* Emmette F. Hale, III, *The “Arising Under” Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 FLA. ST. U. L. REV. 229, 230 (1986); Joseph R. Re, *Brief Overview of the Jurisdiction of the U.S. Court of Appeals for the Federal Circuit Under § 1295(a)(1)*, 11 FED. CIR. B.J. 651, 652 (2001) (“The Federal Circuit is unique among the circuit courts, however, because its jurisdiction is defined by subject matter rather than geography.”). *But cf.* Daniel J. Meador, *A Challenge To Judicial Architecture: Modifying the Regional Design of the U.S. Courts of Appeals*, 56 U. CHI. L. REV. 603, 609 (1989) (noting that although defining appellate jurisdiction based upon subject matter “is relatively new in the United States, such designs have long pervaded the courts of Europe”) [hereinafter Meador, *A Challenge*].

104. 28 U.S.C. §§ 1295(a)(1), 1338 (2000).

105. H.R. REP. NO. 97-312, at 18 (1981).

Over the past two decades, the caseload of the federal appellate system has grown so large that a crisis has arisen. Between 1962 and 1981, appellate court filings increased more than fivefold from 4,832 cases to 26,362. At the same time, the number of federal circuit judges increased only from 78 to 132. The caseload of each judge more than tripled during this period The net result is that the federal appellate system faces a crisis that actually is worsening rather than being solved.¹⁰⁶

The solution required more than simply adding judges to the existing appellate tribunals, because “[t]he mere addition of new judgeships itself creates problems such as increased intracircuit conflicts, unwieldy en banc proceedings and a loss in judicial collegiality.”¹⁰⁷ Although recognizing the benefit on alleviating docket pressure of the regional circuits, the House Committee noted that “case management is not the primary goal of the legislation; rather, the central purpose is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law.”¹⁰⁸

The legislative history confirms that Congress recognized an acute need for “a single court to hear patent appeals”¹⁰⁹ due to the special need for uniformity in patent cases, and in order to reduce forum-shopping.¹¹⁰ Members of Congress, as well as numerous witnesses, recognized that uncertainty, lack of uniformity in appellate patent decisions, and resultant forum-shopping were rampant, and were weakening the United States patent system. According to the House Committee Report:

Patent litigation long has been identified as a problem area, characterized by undue forum-shopping and unsettling inconsistency in adjudications In a Commission survey of practitioners, the patent bar reported that uncertainty created by the lack of national law precedent was a significant problem; the

106. *Id.* at 17; see also S. REP. NO. 97-275, at 3, reprinted in 1982 U.S.C.C.A.N. 11, 13 (“Contemporary observers recognize that there are certain areas of Federal law in which the appellate system is malfunctioning.”).

107. H.R. REP. NO. 97-312, at 17 (citing H.R. REP. NO. 95-858 (1978) (reporting on the Omnibus Judgeship Bill that “the federal judiciary cannot be enlarged indeterminably without threatening its high quality”)).

108. H.R. REP. NO. 97-312, at 23.

109. *Id.* at 20.

110. S. REP. NO. 97-275, at 2, reprinted in 1982 U.S.C.C.A.N. 11, 12 (stating that one purpose of the Act was “to fill a void in the judicial system by creating an appellate forum capable of exercising nationwide jurisdiction over appeals in areas of the law where Congress determines there is a special need for nationwide uniformity”).

Commission found patent law to be an area in which widespread forum-shopping was particularly acute.¹¹¹

The House Committee Report also noted the toll on American industry, stating:

At present, the validity of a patent is too dependent upon geography (*i.e.*, the accident of judicial venue) to make effective business planning possible. It is particularly difficult for small businesses to make useful and knowledgeable investment decisions where patents are involved when they fear a patent may be tied up for years in expensive litigation and when the standard of patentability varies from circuit to circuit. A single court of appeals for patent cases will promote certainty where it is lacking to a significant degree and will reduce, if not eliminate, the forum-shopping that now occurs.¹¹²

Because one court would, de facto, govern substantive patent law, the then-rampant forum-shopping in patent cases was expected to diminish.¹¹³

Thus, the decision to vest jurisdiction in the Federal Circuit over appeals from the district courts in patent cases was driven primarily by a concern about substantive patent law. Vesting exclusive nationwide appellate jurisdiction in the Federal Circuit was, in fact, the sole vehicle by which the FCIA sought to promote substantive uniformity and stability in the patent law;¹¹⁴ for example, the FCIA contains no statutory language regarding choice-of-law in patent cases. The Senate Report does indicate, however, that “[d]ecisions of this court will have precedential effect throughout the country.”¹¹⁵ From the grant of exclusive nationwide appellate jurisdiction, Congress expected uniform substantive patent law to flow as a matter of course.

111. H.R. REP. NO. 97-312, at 20–21 (citing HRUSKA COMMISSION REPORT, *supra* note 52, at 15, 144–57).

112. H.R. REP. NO. 97-312, at 22 (footnotes omitted).

113. S. REP. NO. 97-275, at 5, *reprinted in* 1982 U.S.C.C.A.N. 11, 15 (stating that the Federal Circuit “will produce desirable uniformity” in the patent law, and that “[s]uch uniformity will reduce the forum-shopping that is common to patent litigation”).

114. *See* Thomas H. Case & Scott R. Miller, Note, *An Appraisal of the Court of Appeals for the Federal Circuit*, 57 S. CAL. L. REV. 301, 326 (1984) (suggesting that the congressional motivation for leaving “the unification of patent law to the CAFC instead of doing the job directly through legislation” may have been to allow for case-by-case resolution, or to turn its attention to more pressing business, but that these possibilities fail to justify its failure to legislate on the issue directly).

115. S. REP. NO. 97-275, at 7, *reprinted in* 1982 U.S.C.C.A.N. 11, 17.

Thus, it was important to create a Federal Circuit “free of jurisdictional uncertainties,” and Congress intended to do so.¹¹⁶ As a review of the statutory text and legislative history reveals, however, uncertainties abounded.

B. The Resulting Legislation

Given its intention to create a court unique among the other circuits, one might have expected Congress to employ unique language to delineate the Federal Circuit’s jurisdiction. Instead, the statutory language employed the long-used “arising under” language appearing in other federal statutes, most notably the statute that confers general federal question jurisdiction on the district courts: 28 U.S.C. § 1331.

Three statutes delineate the Federal Circuit’s appellate jurisdiction over appeals from final judgments involving patent law: 28 U.S.C. §§ 1291, 1295(a), and 1338. Section 1291 exempts the Federal Circuit from the general authorization of the regional circuits to hear appeals from all final decisions of the district courts, and provides that:

The jurisdiction of the United States Court of Appeals for the Federal Circuit shall be limited to the jurisdiction described in sections 1292(c) and (d) and 1295 of this title.¹¹⁷

Section 1295(a) confers exclusive jurisdiction upon the Federal Circuit to hear certain patent appeals. It provides, in pertinent part:

The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

116. H.R. REP. NO. 97-312 at 19 (1981); *see also* Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422, 1433 n.6 (Fed. Cir. 1984) (quoting a statement to the Judicial Conference of the United States Court of Customs and Patent Appeals in May 1982 by Mr. Frank Cihlar, one drafter of the FCIA, indicating that 28 U.S.C. § 1295 was intended to provide a “bright line” jurisdictional rule), *overruled in part*, Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998); Howard A. Kwon, *Expansion of the Exclusive Jurisdiction of the Federal Circuit: A Matrix Analysis*, 1 FED. CIR. B.J. 48, 52 (1991) (noting that the FCIA “was drafted pursuant to a ‘bright line’ approach designed to clearly demarcate the limits of the CAFC’s exclusive jurisdiction” (citing Charles W. Adams, *The Court of Appeals for the Federal Circuit: More Than a National Patent Court*, 49 MO. L. REV. 43, 61 (1984) (“The FCIA attempted to minimize jurisdictional disputes by using a ‘bright line’ approach.”))).

117. 28 U.S.C. § 1291 (2003). Section 1292(c) and (d) govern interlocutory appeals. 28 U.S.C. § 1292(c), (d) (2003). As originally codified, these sections failed to confer jurisdiction to hear interlocutory appeals in district court cases where the Federal Circuit would have jurisdiction over the appeal from a final judgment, but Congress recognized and remedied this deficiency.

(1) of 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, 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 title¹¹⁸

The “in whole or in part” language suggests that in cases involving multiple issues, the Federal Circuit has jurisdiction to decide every issue on appeal, provided the district court possessed jurisdiction over at least one issue that arose under the patent or plant variety protection laws. At the outset, however, it was unclear whether the Federal Circuit would exercise jurisdiction over all issues in such appeals.¹¹⁹ This was one of many ambiguities that plagued the new statutory scheme. Section 1338 seems only to complicate the question.

Section 1338 confers original jurisdiction in the federal district courts for cases arising under, among other things, the patent laws. The Federal Circuit’s grant of appellate jurisdiction in § 1295(a)(1) is predicated upon whether the district court exercises jurisdiction under the patent or plant variety portions of § 1338. Section 1338 provides:

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.

The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim

118. 28 U.S.C. § 1295(a)(1) (2003). The other parts of section 1295 confer the remainder of the Federal Circuit’s exclusive jurisdiction, which now includes a number of additional areas. See § 1295(a)(2)–(14), (b), (c).

119. In *Atari*, the Federal Circuit held that the language “in whole or in part” authorized jurisdiction over the entire appeal, not just the patent issues. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 at 1440, *overruled in part* by *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998). Although not all regional circuits accepted this interpretation, the Supreme Court confirmed the jurisdictional analysis set forth in *Atari*. See *United States v. Hohri*, 482 U.S. 64, 75–76 (1987) (holding that in “mixed case[s]” involving claims within and outside the Federal Circuit’s express jurisdiction, such claims “may be appealed only to the Federal Circuit”); see also Helen W. Nies, *Celebrating the Tenth Anniversary of the United States Court of Appeals for the Federal Circuit*, 14 GEO. MASON U. L. REV. 505, 508 (1992) (citing *Hohri*, 482 U.S. at 75–76).

under the copyright, patent, plant variety protection or trademark laws.

Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17 to the same extent as such subsections apply to copyrights.¹²⁰

What does it mean to confer exclusive appellate jurisdiction upon the Federal Circuit in cases where the district court's jurisdiction was "based, in whole or in part on [the patent or plant variety protection portions of] section 1338"?¹²¹ Section 1338 confers exclusive original jurisdiction upon the federal district courts over "any civil action arising under any Act of Congress relating to patents" and plant variety protection.¹²² So there are several questions that must be answered in order to determine the scope of the Federal Circuit's jurisdictional grant. First, and most importantly for present purposes, when does a case "arise under" an act of Congress relating to patents? The "arising under" language is not new; it tracks the language of § 1331, which provides the district courts with original, but non-exclusive, jurisdiction over "all civil actions arising under the Constitution, laws, or treaties of the United States."¹²³ Did Congress intend to incorporate by reference the general federal question jurisprudence?

Second, when must the determination be made whether a district court in fact exercised jurisdiction "in whole or in part" on that basis: at the filing of the initial complaint? The amended pleadings? After summary judgment? After trial and the disposition of post-trial motions? Upon filing of a notice of appeal? Even if the test for jurisdiction over cases arising under the patent laws is exactly parallel to the general federal question test for purposes of district courts exercising jurisdiction over complaints or authorizing removal of actions, is it possible for the district court subsequently to exercise jurisdiction "in part" based on § 1338 such that the Federal Circuit would be authorized to hear the appeal?

Third, over what portion of the appeal does the Federal Circuit possess exclusive jurisdiction — merely the § 1338 patent and plant variety issues on appeal, or over the entire case on appeal? If the latter, would the Federal Circuit have jurisdiction over the appeal if the only issues being appealed fell outside its exclusive jurisdictional grant?

The statute leaves these questions open to interpretation, and the legislative history provides limited assistance in ascertaining the will

120. 28 U.S.C. § 1338 (2003).

121. *Id.* § 1295(a)(1).

122. *Id.* § 1338.

123. *Id.* § 1331.

of Congress. At times, even the legislative history is inconsistent regarding the intended breadth of the new court's patent jurisdiction. For example, the House Committee Report states that the Federal Circuit would "handle all patent appeals."¹²⁴ Later, however, the Report indicates that:

Cases will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to "arise under" federal law for purposes of federal question jurisdiction. Contrast *Coastal States Marketing Inc. v. New England Petroleum Corp.*, 604 F.2d 179 (2d Cir. 1979).¹²⁵

Coastal States Marketing was a case involving the scope of the jurisdictional grant of the Economic Stabilization Act ("ESA"), which was amended in 1971 to vest exclusive jurisdiction in the Temporary Emergency Court of Appeals ("TECA") over appeals "arising under" the ESA.¹²⁶ In *Coastal States Marketing*, the Court of Appeals for the Second Circuit interpreted "arising under" in this statute to confer issue-specific (as opposed to case-specific) jurisdiction.¹²⁷ Under the issue-specific interpretation adopted in *Coastal States Marketing*, all issues "arising under" the ESA and only those issues went to the TECA; the remaining issues were severed and appealed in the regional circuits.¹²⁸ Consequently, the statement from the House Committee Report distinguishing *Coastal States Marketing* suggests that Congress knew that "arising under" was a term of art subject to differing judicial interpretations.

That Congress did not intend the issue-specific interpretation of "arising under" jurisdiction employed in *Coastal States Marketing* to apply to the Federal Circuit's jurisdiction under the FCIA suggests that the Federal Circuit was to have jurisdiction over entire appeals, not just patent issues. But the reference to general federal question jurisdiction suggests that Congress should have been aware that it was not creating an appellate court that would hear *all* patent appeals. As with other issues of federal law, patent issues can arise solely as defenses in a manner that fails to satisfy the well-pleaded complaint rule

124. HR. REP. NO. 97-312, at 19 (1981).

125. *Id.* at 41.

126. Economic Stabilization Act Amendments of 1971, Pub. L. No. 92-210, § 211, 85 Stat. 743, 748-750.

127. 604 F.2d at 186.

128. In the Federal Courts Administration Act of 1992, Congress abolished the TECA effective April 29, 1993 and vested its remaining jurisdiction in the Federal Circuit. Pub. L. No. 102-572, § 102, 106 Stat. 4506, 4506-07. The Federal Circuit adopted the TECA's holdings as precedent, including the former court's issue-specific interpretation of its "arising under" jurisdiction. *Tex. Am. Oil Corp. v. Dep't of Energy*, 44 F.3d 1557, 1561, 1563 (Fed. Cir. 1995) (en banc).

applicable to the interpretation of "arising under" employed in § 1331.¹²⁹

Given the conflicting statements in the legislative history, Congress may have been purposefully ambiguous regarding the precise extent of the Federal Circuit's jurisdiction over patent appeals from the district courts. The House Committee Report indicates that Congress expected the courts to develop jurisdictional guidelines.¹³⁰ It states:

Should questions legitimately arise respecting ancillary and pendent claims and for the direction of appeals in particular cases, the Committee expects the courts to establish, as they have in similar situations, jurisdictional guidelines respecting such cases.¹³¹

Similarly, the Senate Report indicates that one purpose of the Act was to centralize appeals in patent cases,¹³² but the report then recognizes the need for courts to interpret the boundaries of the jurisdictional grant.¹³³ At various points, the report indicates that the Federal Circuit "will handle all patent appeals,"¹³⁴ and that the Act "provides for increased stability in the patent law by channeling appeals in those cases to a single forum."¹³⁵ Nevertheless, the report expresses concern "that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated."¹³⁶ It emphasized that the requirement that a district court have jurisdiction under § 1338 was substantial, and that "[i]mmaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court," and consequently, no jurisdiction over such appeals in the Federal Circuit either.¹³⁷ As an example, the report stated that "mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit," and indicated that where a "patent claim is manipulatively joined to an antitrust action, but severed or dismissed," the appeal should lie in the regional circuit.¹³⁸ At the same time, the report recognized that other antitrust claims, such as patent misuse, raise "patent issues merely couched in antitrust terms," and that "[n]o difficulty would occur" in

129. See *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149 (1908).

130. H.R. REP. NO. 97-312, at 41.

131. *Id.*

132. S. REP. NO. 97-275, at 2 (1981), reprinted in 1982 U.S.C.C.A.N. 11, 12.

133. *Id.* at 20, reprinted in 1982 U.S.C.C.A.N. at 30 ("The committee intends for the jurisdictional language to be construed in accordance with the objectives of the act . . .").

134. *Id.* at 6, reprinted in 1982 U.S.C.C.A.N. at 16.

135. *Id.* at 7, reprinted in 1982 U.S.C.C.A.N. at 17.

136. *Id.* at 19, reprinted in 1982 U.S.C.C.A.N. at 29.

137. *Id.*

138. *Id.* at 20, reprinted in 1982 U.S.C.C.A.N. at 30.

appealing such cases to the Federal Circuit.¹³⁹ Thus, although the report expressed confidence that the jurisdictional language “will not pose undue difficulties,”¹⁴⁰ the potential for such difficulties was apparent from the face of the report because complaints can have more than one legitimate gravamen.

Notwithstanding these potential ambiguities — all of which were recognized to some extent in the legislative history and commentaries on the FCIA — the overwhelming body of literature described the new circuit’s jurisdiction in patent cases as exclusive.¹⁴¹ The Federal Circuit’s first Chief Judge, Howard T. Markey, described the court as the only intermediate appellate tribunal for patent cases:

For the first time in our history, the judgments of all district courts in the land, in particular fields of law, are reviewable by one intermediate appellate court. Where jurisdiction in the district court was based in whole or in part on the patent infringement portion of title 28 section 1338, or on certain subsections of section 1346 relating to claims, judgments will be appealable exclusively to the Court of Appeals for the Federal Circuit.¹⁴²

There was also speculation from the bar that the Federal Circuit might have jurisdiction over antitrust issues in cases in which they

139. *Id.* at 36, reprinted in 1982 U.S.C.C.A.N. at 46 (letter from Legislative Affairs Officer William James Weller).

140. *Id.* at 19, reprinted in 1982 U.S.C.C.A.N. at 29.

141. See, e.g., Donald W. Banner, *The Creation of the Federal Circuit Court of Appeals and the Resulting Revitalization of the Patent System*, 50 ALB. L. REV. 585, 585 (1986) (“All appeals in patent infringement cases from all of the district courts throughout the United States are now taken only to the CAFC.”); Case & Miller, *supra* note 114, at 306 (“For all practical purposes, the CAFC has exclusive jurisdiction over patent appeals . . .”); Ellen E. Sward & Rodney F. Page, *The Federal Courts Improvement Act: A Practitioner’s Perspective*, 33 AM. U. L. REV. 385, 386 (1984) (stating that the Federal Circuit has “exclusive jurisdiction over patent appeals from the district courts”); *A Look at the Federal Courts Improvement Act and the New Courts*, *supra* note 40, at 790 (“One of the objectives achieved by the FCIA is the centralization of all patent appeals in the CAFC The consolidation of patent jurisdiction in the CAFC is the principal initiative of the Federal Courts Act in creating a true national court of appeals for resolution of questions of federal law.”); J. GARY MCDAVID & STEVEN C. LAMBERT, *THE CREATION OF UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT AND THE UNITED STATES CLAIMS COURT — AN OVERVIEW 2* (1982) (In addition to assuming the appellate functions of the CCPA and the Court of Claims, the Federal Circuit will “have exclusive, nationwide jurisdiction to hear appeals in certain types of cases, notably patent cases, coming from the U.S. district courts . . .”).

142. Markey, *supra* note 2, at 4 (citations omitted); see also Jerome D. Drabiak, *Jurisdiction of the New Court of Appeals for the Federal Circuit*, 73 ILL. B.J. 218, 218 (1984) (describing Chief Judge Markey’s characterization of the Federal Circuit’s jurisdiction as broad).

were intertwined with at least one patent issue.¹⁴³ Due to the exclusivity of the Federal Circuit's jurisdictional grant, the regional circuits could not properly exercise jurisdiction over such cases:

With the birth of the CAFC, however, appellate review of district court decisions relating to patent matters has now explicitly been given *exclusively* to the CAFC. Accordingly, the court of appeal embracing the district court (where the case was tried) now may *not* properly hear the patent portion of an appeal including patent-antitrust issues.¹⁴⁴

One thing should be clear: the main reason commentators called for and Congress ultimately provided a nationwide court for patent appeals was to bring uniformity to patent law. Thus, although jurisdiction and choice-of-law are legally distinct concepts, they are inextricably intertwined in the context of the Federal Circuit's appellate patent jurisdiction.¹⁴⁵ One impacts the other: were the Federal Circuit to have applied regional circuit law to patent appeals, it would have flouted its congressional mandate to bring uniformity to the patent laws. The court's choice-of-law rules with regard to non-patent issues can significantly alter the incentive to forum-shop by attempting to defeat the Federal Circuit's jurisdiction. In fact, this is what happened.

The need for the Federal Circuit to clarify its jurisdictional grant was apparent,¹⁴⁶ and several early Federal Circuit decisions dealt with the boundaries of its patent jurisdiction. These decisions ultimately led to the adoption of the *Aerojet* jurisdictional regime. The next Part describes the adoption of this relatively uncontroversial regime, which went unchallenged until the perceived expansion of the Federal Circuit's willingness to apply its own law to non-patent issues. That expansion, which culminated in *Midwest*, appears to have motivated the jurisdictional challenge that was successfully launched in *Vornado*.

143. Drabiak, *supra* note 142, at 219, 222 (“[I]t can be argued, by implication, that the CAFC has appellate jurisdiction to hear a case involving patent-antitrust matters, on the grounds that patent issues, whether intertwined with nonpatent issues or not, are, by statute, exclusively within the appellate jurisdiction of the CAFC; and thus, the CAFC may properly assume jurisdiction over such matters.”).

144. *Id.* at 224 (stating also that unfair competition claims joined with a substantial patent claim should also be subject to exclusive review in the Federal Circuit).

145. See Kwon, *supra* note 116, at 53 (“As a consequence of the limited scope of the exclusive jurisdiction of the CAFC, the court has faced significant choice-of-law questions.”).

146. Drabiak, *supra* note 142, at 224 (“Being a new court, with appellate jurisdiction entirely different from that of its predecessor courts, it is only a matter of time, however, before these and other jurisdictional issues are brought to full light before the CAFC.”).

IV. THE DEVELOPMENT OF THE AEROJET JURISDICTIONAL
REGIME AND THE SUBSEQUENT ADOPTION OF THE
CONTROVERSIAL MIDWEST CHOICE-OF-LAW RULE

*A. Development of the Jurisdictional Rule That Counterclaims Arising
Under the Patent Laws Confer Jurisdiction over the Appeal upon the
Federal Circuit*

Early decisions of the Federal Circuit recognized that its exclusive jurisdiction did not extend to all appeals involving patent issues. However, they fell short of specifying precisely which patent issues fell outside its jurisdictional grant.

In *Atari, Inc. v. JS & A Group, Inc.*,¹⁴⁷ the Federal Circuit recognized that under its jurisdictional grant some patent issues may be decided by state courts or regional circuits.¹⁴⁸ Writing later about *Atari*, Chief Judge Markey explained:

In *Atari*, it was also pointed out that the mere presence of a “patent issue” would not assure jurisdiction in the Federal Circuit. Suit by a patent licensor-citizen of one state against a licensee-citizen of another state may be filed in, or transferred from a State Court to a Federal District Court, whose jurisdiction would be based on “diversity of citizenship,” not on 28 U.S.C. § 1338 (which is required for Federal Circuit jurisdiction. 28 U.S.C. § 1295(a)(1)). The suit is one for breach of contract, a matter of state law. The licensor may assert patent invalidity or non-infringement as defenses. Though those patent issues would be decided by the District Court, that Court’s decision would be appealed to the involved regional circuit.¹⁴⁹

Eventually, a question regarding the scope of the Federal Circuit’s jurisdiction reached the Supreme Court. In *Christianson v. Colt Industries Operating Corp.*,¹⁵⁰ the appellant had initially filed a notice of appeal in the Federal Circuit. The Federal Circuit held that it lacked jurisdiction because the patent issues arose solely as defenses and in an unpublished order transferred the case to the appropriate regional

147. 747 F.2d 1422 (Fed. Cir. 1984), *overruled in part by*, *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

148. *Atari*, 747 F.2d at 1432.

149. Howard T. Markey, *The Patent Jurisdiction of the United States Court of Appeals for the Federal Circuit*, 18 I.L.C. 693, 697 n.10 (1987).

150. 486 U.S. 800 (1988).

circuit, the Seventh.¹⁵¹ The Seventh Circuit determined that the Federal Circuit's jurisdictional analysis was "clearly wrong" and transferred the case back.¹⁵² Upon its return, the Federal Circuit reiterated that it lacked jurisdiction under its understanding of the statutory scheme and stated that the Seventh Circuit's jurisdictional analysis constituted "a monumental misunderstanding of the patent jurisdiction granted this court," but exercised jurisdiction "in the interests of justice," to avoid subjecting the litigants to more "jurisdictional ping pong" between the circuits.¹⁵³

The Supreme Court granted certiorari and held that the Federal Circuit's appellate jurisdiction under § 1295(a)(1) did not extend to cases in which a patent issue was present solely as a defense.¹⁵⁴ The "arising under" language of § 1338(a), it held, must be interpreted consistently with the "arising under" grant of general federal question jurisdiction in § 1331.¹⁵⁵ Accordingly, the well-pleaded complaint rule applied. The Court considered the possibility that determining the Federal Circuit's appellate jurisdiction based upon the case actually litigated rather than the complaint well-pled might better serve Congress' goals in creating the Federal Circuit and vesting it with exclusive jurisdiction over certain patent cases in order to increase uniformity and reduce uncertainty in the patent law.¹⁵⁶ Nevertheless, due to the statutory "arising under" language, the Court determined that:

Linguistic consistency, to which we have historically adhered, demands that § 1338(a) jurisdiction likewise extend only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.¹⁵⁷

Even after *Christianson*, uncertainty regarding the scope of the Federal Circuit's jurisdictional grant as well as calls for more expansive review abounded. In his concurring opinion, Justice Stevens,

151. See Jerry R. Selinger, *A Survey of Article III Procedural Issues Considered at the Federal Circuit During Its First Decade*, 27 J. MARSHALL L. REV. 25, 29 (1993).

152. 798 F.2d 1051, 1056–57, 1062 (7th Cir. 1986).

153. 822 F.2d 1544, 1547 (Fed. Cir. 1987).

154. *Christianson*, 486 U.S. at 809 ("Thus, a case raising a federal patent-law defense does not, for that reason alone, 'arise under' patent law . . .").

155. *Id.* at 808–09.

156. *Id.* at 813.

157. *Id.* at 808–09.

joined by Justice Blackmun, noted that “Congress could not have intended precisely the same analysis” of “arising under” for appellate as for original jurisdiction.¹⁵⁸ In an article following *Christianson*, Professor Rochelle Cooper Dreyfuss of New York University Law School suggested that although the Federal Circuit had fulfilled its founders’ expectations “concerning both the precision and accuracy of patent law,” the court lacked a coherent set of jurisdictional rules and “the Supreme Court has thoroughly failed to grapple with the unique problems” posed by the existence of the Federal Circuit.¹⁵⁹ Because Congress intended to relieve regional circuits from having to deal with technically complex patent cases, she found it “difficult to believe” that Congress intended to limit the Federal Circuit’s jurisdiction to the well-pleaded complaint rule and noted that “the statutes delineating the Federal Circuit’s jurisdiction are opaque enough to admit to an enlargement of its authority.”¹⁶⁰ Although recognizing that difficult cases may arise under a jurisdictional regime that failed to secure appellate jurisdiction until after all the amended pleadings were filed, Professor Dreyfuss argued that “the cost of entertaining a few difficult cases is outweighed by the benefits of expanding the [Federal Circuit]’s jurisdiction.”¹⁶¹

Even apart from expanding jurisdiction beyond what *Christianson* seemed to authorize, significant questions remained about what *Christianson* did not foreclose. Because that case had involved only a patent defense, not a patent counterclaim, there was a potential loophole. Although courts could interpret *Christianson* to impose a strict understanding of the well-pleaded complaint rule, the Supreme Court had actually never directly addressed in the general federal question context whether a case involving compulsory federal law counterclaims “arises under” federal law.¹⁶² Two years after *Christianson*, the Federal Circuit issued a decision that answered this important question for patent counterclaims.

In *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,¹⁶³ the Federal Circuit issued an explanatory opinion that reduced the practical import of *Christianson*. *Aerojet* seemed to settle most of the remaining uncertainties regarding the scope of the Federal Circuit’s jurisdiction consistently with the purposes of the FCIA.

158. *Id.* at 823 (Stevens, J., concurring).

159. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 8, 31 (1989).

160. *Id.* at 35, 55.

161. *Id.* at 36 n.209.

162. *See Vornado*, 122 S. Ct. at 1893 (“Admittedly, our prior cases have only required us to address whether a federal defense, rather than a federal counterclaim, can establish ‘arising under’ jurisdiction.”).

163. 895 F.2d 736 (Fed. Cir. 1990) (en banc), *overruled by* *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 122 S. Ct. 1889 (2002).

The plaintiff in *Aerojet* had initiated an action for unfair competition, interference with prospective advantage, and false representation pursuant to 15 U.S.C. § 1125(a), and also sought a declaratory judgment that trade secrets were not misappropriated.¹⁶⁴ The district court's jurisdiction was authorized by the presence of general federal questions and diversity of citizenship;¹⁶⁵ the complaint raised no issues based upon § 1338.¹⁶⁶ The defendant, Machine Tool Works, answered and filed a compulsory counterclaim for the infringement of two patents pursuant to 35 U.S.C. § 271.¹⁶⁷

After the district court issued an order staying the proceedings and mandating arbitration of all claims, including the counterclaim for patent infringement, Aerojet sought an interlocutory appeal in the Federal Circuit.¹⁶⁸ Under 28 U.S.C. § 1292(c)(1), the Federal Circuit was authorized to exercise jurisdiction over an interlocutory order only in cases in which it "would have jurisdiction of an appeal under section 1295."¹⁶⁹ The Federal Circuit determined sua sponte that whether it properly could exercise jurisdiction over the appeal was a potential question of exceptional importance in light of *Christianson*.¹⁷⁰ Accordingly, the en banc court ordered briefing by the parties and requested briefs by amicus curiae. The question presented was whether the Federal Circuit could exercise jurisdiction based solely on issues raised in a counterclaim over which the district court would have had jurisdiction based on § 1338(a) had the counterclaim been brought as a complaint.¹⁷¹

After considering briefs by the parties, the Federal Circuit Bar Association, the American Intellectual Property Law Association, the District of Columbia Bar, and the Bar Association of the District of Columbia, the Federal Circuit issued an order exercising jurisdiction, and stating that an explanatory opinion of its determination that it had jurisdiction would issue in due course.¹⁷² In that opinion, the Federal Circuit explained that it had jurisdiction over appeals in which the action had properly been brought in district court, and although the complaint raised no issue based on § 1338(a), a nonfrivolous compul-

164. 895 F.2d at 737.

165. 28 U.S.C. § 1331 (2003) (authorizing district courts to exercise general federal question jurisdiction); *Id.* § 1332 (2003) (authorizing district courts to exercise jurisdiction based upon diversity of citizenship).

166. *Aerojet*, 895 F.2d at 738 n.1.

167. *Id.* at 738. The court noted that there was no suggestion that the patent infringement counterclaim was "insubstantial, frivolous, or asserted to manipulate the jurisdiction of this court." *Id.*

168. *Id.*

169. *Id.* at 738 n.2.

170. *Id.* at 738.

171. *Id.*

172. *Id.* at 738 & n.3, 739.

sory counterclaim for patent infringement had been filed.¹⁷³ A subsequent panel decision extended the *Aerojet* rule to permissive counterclaims.¹⁷⁴

In *Aerojet*, the Federal Circuit emphasized that its determination to exercise jurisdiction over appeals in which a compulsory counterclaim arose under the patent laws was consistent with both the well-pleaded complaint rule as it was announced in *Christianson*, as well as with the congressional purpose in vesting exclusive jurisdiction over patent appeals in the Federal Circuit.¹⁷⁵ The patent infringement counterclaim, it explained, “is a separate well-pleaded claim with its own jurisdictional basis” under § 1338.¹⁷⁶ Unlike the patent-related defense at issue in *Christianson*, which would disappear upon dismissal of the complaint, district courts “have frequently looked to counterclaims in determining that cases arise under federal law for purposes of federal question jurisdiction without regard to the complaint. Thus, courts have repeatedly retained jurisdiction and adjudicated a counterclaim having its own jurisdictional basis even where the court had no jurisdiction over the complaint.”¹⁷⁷ After citing numerous cases “in which counterclaims arising under section 1338 and other federal statutes have been held to support the jurisdiction of the district courts,”¹⁷⁸ the Federal Circuit noted that the basic federalism concerns behind the well-pleaded complaint rule are absent where the question is which federal appellate court will exercise jurisdiction.¹⁷⁹ The court then emphasized that “Congress clearly wanted this court to get its hands on well-pleaded, nonfrivolous *claims* arising under the patent laws,” and concluded that there was no justification to “frustrate Congress’ desire to foster uniformity and preclude forum shopping” by directing appeals involving compulsory patent infringement counterclaims to the regional circuits.¹⁸⁰

The Supreme Court’s decision in *Christianson* had risked interpreting the appellate jurisdictional grant of § 1295(a)(1) so as not to

173. The requirement that the action be properly brought in federal district court prevented the *Aerojet* decision from altering “established principles governing removal of actions from state to federal courts.” *Id.* at 739 & n.4 (citing *Rath Packing Co. v. Becker*, 530 F.2d 1295, 1303 (9th Cir. 1975) (holding that filing a counterclaim for patent infringement will not alone support removal), *aff’d on other grounds sub nom.*, *Jones v. Rath Packing Co.*, 430 U.S. 519 (1977)).

174. *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir. 1999).

175. *Aerojet*, 895 F.2d at 742–45.

176. *Id.* at 742.

177. *Id.* at 742–43 (citing *Rengo Co. v. Molins Mach. Co.*, 657 F.2d 535, 539 (3d Cir. 1981), *cert. denied*, 454 U.S. 1055 (1981); *Pioche Mines Consol., Inc. v. Fidelity-Philadelphia Trust Co.*, 206 F.2d 336, 336–37 (9th Cir. 1953), *cert. denied*, 346 U.S. 899 (1953); *Isenberg v. Biddle*, 125 F.2d 741, 743 (D.C. Cir. 1941)).

178. *Aerojet*, 895 F.2d at 743.

179. *Id.* at 743–44.

180. *Id.* at 744.

comport with the legislative purpose; it did so in the name of “linguistic consistency.”¹⁸¹ But *Aerojet* reduced the risk that *Christianson* would return instability and uncertainty to the patent law. For appellate purposes, *Aerojet* limited *Christianson* to cases in which the patent issue arose solely as a defense. As a practical matter, however, patent issues rarely arise solely as defenses. In any case in which a defendant to a breach of license claim wanted to raise invalidity, noninfringement, or unenforceability as a defense, the defendant could also counterclaim for declarations of invalidity, noninfringement, or unenforceability of the patent. Pursuant to *Aerojet*, the Federal Circuit would exercise jurisdiction over the appeals in such cases. Likewise, a patentee-defendant to an antitrust claim could counterclaim directly for patent infringement. Because the pertinent patent defenses could virtually always be put forth as counterclaims, *Aerojet* prevented a sharp increase in regional circuit jurisdiction over appeals involving patent issues in the wake of *Christianson*. Commentators continued to refer to the Federal Circuit’s jurisdiction over patent appeals as exclusive, or virtually exclusive.¹⁸² For their part, the regional circuits continued to transfer a significant number of patent appeals to the Federal Circuit,¹⁸³ and after *Christianson*, the jurisdictional decisions of those circuits became the law of the case, subject to change only for gross error.¹⁸⁴

Moreover, under *Aerojet*’s interpretation of the rule announced in *Christianson*, state courts exercised jurisdiction over cases involving patent issues to the same extent they had traditionally. In those relatively rare instances in which state courts heard patent defenses, *Aero-*

181. *Christianson*, 486 U.S. at 808.

182. See, e.g., Daniel A. Crane, *Exit Payments in Settlement of Patent Infringement Lawsuits: Antitrust Rules and Economic Implications*, 54 FLA. L. REV. 747, 786 n.163 (2002) (stating that the Federal Circuit “has exclusive jurisdiction over all patent appeals”); M.A. Cunningham, *Preliminary Injunctive Relief in Patent Litigation*, 35 IDEA 213, 220 (1995) (stating that the Federal Circuit “has exclusive jurisdiction over all matters relating to patents”); Note, *Heads I Win, Tails You Lose: A Study of Antitrust Jurisprudence In the Federal Circuit*, 1 FORDHAM ENT., MEDIA & INTELL. PROP. L. FORUM 231, 231 (1991) (To achieve uniform and stable patent law, and to prevent forum-shopping abuses, “the Federal Circuit has been granted the exclusive, nationwide jurisdiction over all appeals involving patent issues from both the federal district courts and the Patent and Trademark Office.” (footnote omitted)); A HISTORY 1982–1990, *supra* note 11, at 229 (“Thus, the Federal Circuit has jurisdiction of final decisions in district court cases whenever a patent claim, i.e., a claim ‘arising under any Act of Congress relating to patents,’ is present.”); see also DONALD S. CHISUM, CHISUM ON PATENTS § 11.06[3][e][i] at 11-361 (1996) (describing the reasons articulated in the legislative history for creating the Federal Circuit “and transferring to it virtually exclusive appellate jurisdiction over patent cases”).

183. See, e.g., *Animal Legal Defense Fund v. Quigg*, 900 F.2d 195, 196 (9th Cir. 1990) (transferring appeal over whether PTO position that genetically altered animals constitute patentable subject matter under 35 U.S.C. § 101 to Federal Circuit).

184. 486 U.S. at 800 (holding that the doctrine of law of the case applies to transfer decisions of appellate courts, and that transferee courts need only revisit the issue where the transfer decision was “clearly erroneous” (quoting *Arizona v. California*, 460 U.S. 605, 619 n.8 (1983))).

jet did not authorize removal to federal court. Thus, the *Aerojet* regime generated no federalism concerns, but also preserved uniformity with regard to the patent law. State courts hearing federal patent issues are bound by the supremacy clause to follow federal law, and in light of *Aerojet*, there was no reason for them to apply anything other than Federal Circuit law to patent issues on which the Supreme Court had not directly spoken. Indeed, state courts, as well as the Federal Circuit, had recognized that on such issues, state courts were bound by Federal Circuit precedent. Consequently, there was no choice-of-law incentive to seek state versus federal court on patent issues under the *Aerojet* regime.

Thus, for much of the Federal Circuit's existence, the controlling construction of the jurisdictional language of § 1295(a)(1) mandated that certain patent issues be appealed to the regional circuits, or litigated entirely in state courts absent Supreme Court review. But such cases remained rare, and their impact on the patent system was largely theoretical. The Federal Circuit effectively remained the sole appellate tribunal to decide issues of coercive relief for patent infringement,¹⁸⁵ and even issues of invalidity and enforceability went there by virtue of *Aerojet*'s counterclaim rule.

The *Aerojet* jurisdictional regime remained intact for over a decade. Despite *Aerojet*'s arguably more liberal construction of the Federal Circuit's appellate patent jurisdiction than the rule imposed in *Christianson*, the *Aerojet* jurisdictional regime survived without challenge for over a decade because there was initially little reason to challenge it. At first, the Federal Circuit's approach to the non-patent issues present in patent appeals was considered deferential: the court applied the law of the regional circuit.¹⁸⁶ Patent issues would be decided by the Federal Circuit, in accordance with its understanding of the patent law. Non-patent issues would be decided either by the Federal Circuit or one of twelve other regional circuits, but always under regional circuit law. Thus, in the immediate wake of *Aerojet*, there was little incentive to seek jurisdiction in any particular federal appellate forum. In the late 1990s, that changed.

185. Until the 2002 term, the Supreme Court rarely granted certiorari to review patent law decisions. Lewis R. Clayton, *Justices Initiate Review of Federal Circuit Cases*, 3 PAT. STRATEGY & MGMT. 4, 4 (2002) ("For years, the U.S. Supreme Court rarely, if ever, decided to review patent rulings of the U.S. Court of Appeals for the Federal Circuit, seemingly reflecting the view that, as a specialized court, the Federal Circuit knew best how to construe the Patent Act. This Court term is different."). It remains unclear whether last term was an anomaly.

186. Kwon, *supra* note 116, at 53 (Because the Federal Circuit has no mandate to bring uniformity to non-patent matters, it "has consistently deferred to the law of the circuit in which the case originated when adjudicating nonpatent matters" (citing Joseph R. Re, *Federal Circuit Jurisdiction Over Appeals from District Court Patent Decisions*, 16 AIPLA Q.J. 169, 175 (1988) (footnote omitted)).4).

B. The Expansion of the Federal Circuit's Willingness to Apply Its Own Law to Issues Outside Its Grant of Exclusive Jurisdiction

Two en banc decisions in the late 1990s expanded the scope of the Federal Circuit's willingness to apply its own law, rather than that of the regional circuit, to subject matter that was outside of the court's exclusive jurisdiction.¹⁸⁷ First, in *Noblepharma AB v. Implant Innovations, Inc.*,¹⁸⁸ the court held that it would apply its own law to determine whether a patentee's conduct exposed it to antitrust liability. Although *Noblepharma* dealt specifically with whether patent law foreclosed a federal antitrust cause of action, it rested on the principle that the Federal Circuit was generally responsible for developing consistent rules regarding whether patent law preempts or conflicts with other causes of action. In *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, the Federal Circuit, announced the rule more broadly.¹⁸⁹ Again sitting en banc for the pertinent portion, the court overruled earlier cases holding that regional circuit law governed determinations about whether patent law preempts or conflicts with other laws, including the federal and state trademark claims at issue.¹⁹⁰

These decisions were unanimous, but controversial. In *Midwest*, the court recognized that the distinction between patent and non-patent issues largely clarified the choice-of-law question, but that "in some instances it has not been obvious whether a particular issue should be characterized as a 'patent' issue or not."¹⁹¹ The court explicitly recognized the risk that as a result of these decisions, "district courts and litigators could find themselves confronting two differing lines of authority."¹⁹² With different and potentially conflicting lines of authority comes an incentive to gerrymander jurisdiction to obtain review in the court with the most sympathetic view toward one's cause of action, as the legislative history of the FCIA recognized had been a problem in patent cases. Nevertheless, because the preemptive extent of the patent law was so related to the Federal Circuit's exclu-

187. Prior to these en banc decisions, a panel decision regarding unfair competition foreshadowed the more expansive choice-of-law approach the Federal Circuit would adopt. *See Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568, 1574 (Fed. Cir. 1996) (holding that Federal Circuit law governed the issue of whether inequitable conduct in prosecuting a patent constituted unfair competition). Because *Pro-Mold* was a panel decision and dealt with whether a patentee's misconduct before the PTO could be used against the patentee, creating additional liability, rather than as a preemptive shield, the decision seems not to have initially ignited the outcry over the expansion of Federal Circuit law into areas in which it had previously applied the law of the regional circuits.

188. 141 F.3d 1059, 1067 (Fed. Cir. 1998) (en banc), *cert. denied*, 525 U.S. 876 (1998).

189. 175 F.3d 1356, 1357 (Fed. Cir. 1999).

190. *Id.*

191. *Id.* at 1359.

192. *Id.* at 1361.

sive jurisdictional grant,¹⁹³ the court opted to speak with its own voice on such issues. It explained:

If we simply follow regional circuit law in deciding questions involving the interaction between patent law principles and other legal remedies, other courts will not have the benefit of our analysis of the substance and scope of patent law in such cases. Such abdication, we think, would in the end disserve the interest in attaining coherence and consistency in the law relating to patents.¹⁹⁴

This reasoning appears correct regarding the benefits of applying the Federal Circuit's own law to issues implicating the scope of patent law, but the *Midwest* decision may have underestimated the costs of such an approach. Given that the preemptive extent of patent laws bears a direct impact on the substance of the patent grant, it makes perfect sense that the Federal Circuit should independently contribute its expertise to the development of this area of the law. Moreover, the regional circuits were already empowered to apply their own law on such questions without being bound to follow the decisions of their sister circuits. The marginal cost of having thirteen sources of law, rather than twelve, may have seemed low in comparison to the benefit of having the Federal Circuit contributing definitively to determinations regarding the scope of the patent grant and its effect on other areas of the law.¹⁹⁵ However, the *Aerojet* jurisdictional regime, under which patent counterclaims alone were sufficient to confer Federal Circuit jurisdiction, made it likely that the Federal Circuit would hear such issues more than the other circuits.¹⁹⁶

One conceptual problem with this approach, however, is that the line between issues to which regional circuit versus Federal Circuit law applied became increasingly unclear. *Midwest* announced the following standards governing when the Federal Circuit would apply its own law rather than that of the regional circuits:

193. *Noblepharma AB*, 141 F.3d at 1067–68 (stating that the question of the preemptive extent of patent law “clearly involves our exclusive jurisdiction over patent cases”).

194. *Midwest*, 175 F.3d at 1361.

195. See Richard L. Revesz, *Specialized Courts and the Administrative Lawmaking System*, 138 U.P.A. L. REV. 1111, 1165 n.201 (1990) (arguing that the regional circuits have not benefited from the Federal Circuit's experience, but that by departing from the *Atari* rule and applying its own precedent to other questions of competition law, the court “could remedy this problem”).

196. There is some empirical support that this is indeed what occurred. See Ronald S. Katz & Adam J. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 ANTITRUST L.J. 687, 688 n.4 (finding that since 1996 the Federal Circuit heard 15 out of 27 of such cases).

In reviewing district court judgments in patent cases, we apply our own law with respect to patent law issues, but with respect to nonpatent issues we generally apply the law of the circuit in which the district court sits. We apply Federal Circuit law to patent issues in order to serve one of the principal purposes for the creation of this court: to promote uniformity in the law with regard to subject matter within our exclusive appellate jurisdiction. When we apply regional circuit law to nonpatent issues, we do so in order to avoid the risk that district courts and litigants will be forced to select from two competing lines of authority based on which circuit may have jurisdiction over an appeal that may ultimately be taken, and to minimize the incentive for forum-shopping by parties who are in a position to determine, by their selection of claims, the court to which an appeal will go.

Distinguishing between “patent issues” and “nonpatent issues” has clarified the choice of law question for most purposes, but in some instances it has not been obvious whether a particular issue should be characterized as a “patent” issue or not. We have held that a procedural issue that is not itself a substantive patent law issue is nonetheless governed by Federal Circuit law if the issue “pertain[s] to patent law,” if it “bears an essential relationship to matters committed to our exclusive control by statute,” or if it “clearly implicates the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction.”¹⁹⁷

These choice-of-law standards required “district courts to have the sophistication of Houdini and the imagination of Alice in Wonderland to sort out what principles the Federal Circuit has responsibility for and what principles the regional courts have the final say on.”¹⁹⁸ Even were the fuzzy line somehow to become clear, expanding the application of Federal Circuit law to issues outside the scope of its exclusive jurisdictional grant also meant that district courts might have to apply different law to identical non-patent issues depending

197. *Midwest*, 175 F.3d at 1359 (citations omitted).

198. James B. Gambrell, *The Evolving Interplay of Patent Rights and Antitrust Restraints in the Federal Circuit*, 9 TEX. INTELL. PROP. L.J. 137, 157 (2001).

on whether or not the case also involved a claim or counterclaim arising under the patent law.¹⁹⁹

Some commentators applauded the expansion.²⁰⁰ The antitrust community, however, was unpersuaded. On such issues, it feared the Federal Circuit would speak with a disproportionately pro-patent voice in a disproportionate number of cases.²⁰¹ As Professor James B. Gambrell of the University of Texas School of Law explained, “the fear is that the Federal Circuit will emasculate the patent-antitrust interface by taking too liberal a view of the bundle of rights granted to the patent owner when antitrust principles are involved.”²⁰² Moreover, there was no predicting where the court’s new willingness to apply its own rules to issues outside the scope of its exclusive jurisdiction might end.²⁰³ At the very least, though the new rule seemed likely to

199. *Id.* (“Thus, a district court in a circuit with a conflicting antitrust rule — for example, the 9th Circuit — would be required to apply different antitrust law to the identical claims depending on the nature of other claims asserted in the complaint.”).

200. *See, e.g.*, Stephen A. Gigot, Comment, *Midwest Industries v. Karavan Trailers Federal Circuit Reverses Earlier Opinions and Expands Control over Intellectual Property Claims*, 84 MARQ. L. REV. 659, 659–60 (2001) (arguing that the Federal Circuit’s *Midwest* decision constituted a “dramatic change” in the court’s choice-of-law rules, and was “the logical and necessary step in strengthening intellectual property law by judicial recognition of the increasing interrelationship of different forms of intellectual property, and by providing cohesion among the different intellectual property disciplines”); Daniel B. Ravicher & Shani C. Dilloff, *Antitrust Scrutiny of Intellectual Property Exploitation: It Just Don’t Make No Kind of Sense*, 8 SW. J. L. & TRADE AM. 83, 154 (2001) (arguing that the Federal Circuit already has a “wealth of experience in applying antitrust principles to intellectual property rights,” and concluding that it “is the most appropriate appellate court to resolve issues concerning the application of antitrust law to intellectual property.”).

201. *See, e.g.*, Katz & Safer, *supra* note 196, at 688 (arguing that because of the frequent interrelation between patent and antitrust claims, “and because the Federal Circuit has asserted exclusive jurisdiction over such paired claims, the Federal Circuit hears a disproportionate number of antitrust issues, particularly in the delicate area where the balance between antitrust and intellectual property is struck” (footnote omitted)); Scott A. Stempel & John F. Terzaken III, *Casting a Long IP Shadow over Antitrust Jurisprudence: The Federal Circuit’s Expanding Jurisdictional Reach*, 69 ANTITRUST L.J. 711, 729 (2002) (stating that the Federal Circuit’s deference to regional circuit precedent eroded “suddenly and dramatically with respect to non-patent substantive issues — particularly antitrust issues,” in the wake of *Midwest*). A former Chairman of the Federal Trade Commission also suggested that the Federal Circuit’s recent antitrust jurisprudence had upset the traditional balance between antitrust and intellectual property “in a way that has disturbing implications for the future of antitrust in high-technology industries.” Willard K. Tom, Editor’s Note, *Symposium: the Federal Circuit and Antitrust*, 69 ANTITRUST L.J. 627, 628 (2002) (quoting Robert Pitofsky, *Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property*, Remarks at the National Press Club before the American Antitrust Institute Conference: An Agenda for Antitrust in the 21st Century (June 15, 2000), at <http://www.antitrustinstitute.org/recent/73.cfm>).

202. Gambrell, *supra* note 198, at 139 (citing James B. Kobak, Jr., *The Federal Circuit as a Competitive Law Court*, Address Before the National Conference of Intellectual Property Law Associations CLE Program (Sept. 8–9, 2000)).

203. *See* Peter M. Boyle et al., *Antitrust Law at the Federal Circuit: Red Light or Green Light at the IP-Antitrust Intersection?* 69 ANTITRUST L.J. 739, 740 (2002) (predicting that the recent expansion “could set the stage for the court to exercise exclusive jurisdiction over purely independent antitrust claims,” not appended to any patent issue); Stempel & Terzaken III, *supra* note 201, at 731–32 (asking, of “the potential reach of the Federal Circuit’s

increase forum-shopping; it provided litigants with a motivation “to fashion their claims with an eye toward avoiding (through careful pleading) or seeking (through attachment of counterclaims) Federal Circuit jurisdiction precisely because of the court’s application of its own distinct precedents.”²⁰⁴

The disappointed parties sought review in both *Noblepharma*, and *Midwest*, but the Supreme Court denied certiorari to review the Federal Circuit’s new choice-of-law rules.²⁰⁵ Thus, these choice-of-law rules remained largely indeterminate and unmanageable.²⁰⁶

This new potential for pro-patentee, anti-antitrust law in the Federal Circuit likely prompted the jurisdictional challenge to *Aerojet* that was successfully launched in *Vornado*. Although the *Aerojet* rule had been in place for over a decade, within three years of the en banc expansion of the Federal Circuit’s choice-of-law approach in *Midwest*, the jurisdictional rule that seemed so innocuous and consistent with the goals of the FCIA was challenged before the Supreme Court. In *Vornado*, the antitrust complainant also requested certiorari review of the choice-of-law rule announced in *Midwest*, but the Supreme Court heard only the jurisdictional question. Nevertheless, the choice-of-law implications appear to have prompted the jurisdictional challenge,²⁰⁷ and those implications are the most complicated and troubling results of the *Vornado* decision.

V. VORNADO AND THE REBIRTH OF REGIONAL CIRCUIT JURISDICTION OVER — AND APPLICATION OF SUBSTANTIVE LAW TO — CERTAIN PATENT APPEALS

A. *Vornado’s Jurisdictional Holding*

The dispute that gave rise to the Supreme Court’s decision in *Vornado* demonstrates that patent issues can legitimately be intertwined with other intellectual property laws, but that the patent issues nevertheless need not form part of the plaintiff’s well-pleaded complaint. The respondent, *Vornado Air Circulation Systems*, had previously sued one of its competitors, *Duracraft*, in 1992, alleging that

jurisdiction over antitrust cases in which there is no express patent claim, . . . how far will they go?”).

204. Stempel & Terzaken III, *supra* note 201, at 731.

205. *See Karavan Trailers, Inc. v. Midwest Industries, Inc.*, 528 U.S. 1019 (1999) (denying certiorari); *Noblepharma AB v. Implant Innovations, Inc.*, 525 U.S. 876 (1998) (denying certiorari).

206. *See Dreyfuss*, *supra* note 159, at 38–41.

207. At the oral argument in *Vornado*, the petitioner *Holmes Group, Inc.*, referred several times to the Federal Circuit’s choice-of-law ruling in *Midwest* as evidence of the potentially harmful implications of the jurisdictional ruling to which the grant of certiorari pertained. *See Transcript of Oral Argument, Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889 (2002), available in 2002 WL 485037, at *16, *45–47 (Mar. 19, 2002).

Duracraft's product violated Vornado's trade dress rights in a "spiral grill design" for fans and heaters.²⁰⁸ On appeal, the Tenth Circuit held that Vornado lacked the trade dress rights it had asserted against Duracraft.²⁰⁹ The Tenth Circuit held that trade dress protection for a product configuration is unavailable when that configuration is claimed in a patent and is a "described, significant inventive aspect" of the patented invention, even if the configuration is nonfunctional.²¹⁰

That holding, however, did not stop Vornado from filing a complaint in 1999 in the United States International Trade Commission ("ITC") claiming that another competitor, Holmes, was selling fans and heaters with a spiral grill design that infringed Vornado's patents and trade dress rights.²¹¹ The trade dress rights Vornado asserted against Holmes were the same rights the Tenth Circuit had deemed unprotectable in *Vornado v. Duracraft*.²¹² Instead of proceeding entirely in the ITC, Holmes opted to file suit against Vornado in the District of Kansas, seeking, among other things, a declaratory judgment that its fans and heaters did not infringe Vornado's trade dress rights and an injunction restraining Vornado from issuing promotional materials that accused Holmes of such infringement.²¹³

The complaint Holmes filed neither mentioned patent rights nor sought a declaratory judgment that Holmes was not infringing Vornado's patents.²¹⁴ Nevertheless, Holmes' trade dress complaint was well-pled. Vornado then counterclaimed for patent infringement. As the Supreme Court recognized, this counterclaim was compulsory because it concerned the same products and sales as Holmes' complaint.²¹⁵

The district court granted Holmes the declaratory judgment that it did not infringe Vornado's trade dress rights and enjoined Vornado from using promotional materials accusing Holmes of infringing those rights.²¹⁶ The district court held that Vornado was precluded from relitigating the trade dress rights in the spiral grill design that the Tenth Circuit had held to be unprotectable in *Vornado v. Duracraft*.²¹⁷ Between these cases, however, came the intervening decision in *Mid-*

208. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889, 1892 (2002) (citing *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995) [hereinafter *Vornado v. Duracraft*]).

209. *Vornado v. Duracraft*, 58 F.3d at 1500.

210. *Id.* at 1510.

211. *Vornado*, 122 S. Ct. at 1892.

212. *Id.* (citing *Vornado v. Duracraft*, 58 F.3d 1498).

213. *Vornado*, 122 S. Ct. at 1892.

214. *See id.* at 1892, 1895 (stating that "petitioner's complaint did not include any claim based on patent law").

215. *Id.* at 1892.

216. *Id.* (citing 93 F. Supp. 2d 1140 (D. Kan. 2000)).

217. *Vornado*, 122 S. Ct. at 1892.

west, in which the Federal Circuit had held that it would apply its own law rather than that of the regional circuit to questions about the scope of preemption of patent rights on other causes of action. *Midwest* post-dated the Tenth Circuit's decision in *Vornado v. Duracraft*, and expressly disagreed with the opinion's reasoning.²¹⁸

Nevertheless, the District Court of Kansas rejected *Vornado's* argument that the intervening Federal Circuit decision in *Midwest* constituted a change in the law of trade dress justifying relitigation of its claim to trade dress protection.²¹⁹ The district court then stayed proceedings pending appeal, and indicated that *Vornado's* counterclaim for patent infringement would be dismissed if the declaratory judgment and injunction for Holmes were affirmed on appeal.²²⁰

Asserting jurisdiction based on § 1295(a)(1), *Vornado* filed an appeal in the Federal Circuit.²²¹ Although Holmes' complaint raised no issue under § 1338, *Vornado's* counterclaim for patent infringement clearly did. Under the *Aerojet* rule, therefore, the Federal Circuit had jurisdiction over the appeal. Moreover, because the Federal Circuit had expressly disagreed with the Tenth Circuit's reasoning in *Vornado v. Duracraft*, there was a far greater chance that the Federal Circuit would overrule the district court's grant of the declaratory judgment and injunction against *Vornado's* trade dress rights. Before the Federal Circuit resolved the appeal, however, the Supreme Court issued its decision in *Traffix Devices, Inc. v. Marketing Displays, Inc.*,²²² which resolved the circuit split between *Vornado v. Duracraft* and *Midwest*.²²³

The Federal Circuit in turn issued a nonprecedential order, reaching the merits. Although Holmes had challenged the Federal Circuit's jurisdiction,²²⁴ the court did not discuss the jurisdictional issue.²²⁵ It simply vacated the district court's judgment and remanded for consideration of whether the intervening Supreme Court decision in *Traffix*

218. *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1364 (Fed. Cir. 1999) (stating that the district court's conclusion was based on the *Vornado* decision, which held that trade dress protection is unavailable for a product configuration claimed in a patent and that is a described, "significant inventive aspect" of the patent, and concluding that "[a]s we view the interaction between patent law and the Lanham Act, that is not a sufficient basis on which to deny Lanham Act protection to trade dress that would otherwise qualify for such protection").

219. *Vornado*, 122 S. Ct. at 1892.

220. *Id.*

221. *Id.* at 1892, 1894 (citing 13 Fed. Appx. 961 (Fed. Cir. 2001)).

222. 532 U.S. 23 (2001).

223. *Id.* at 30 (holding that a utility patent is strong evidence that a claimed feature is functional, but that it does not foreclose trade dress protection; rather, it shifts the burden to the party claiming trade dress protection to prove that the feature in question is a "merely ornamental, incidental, or arbitrary aspect of the device").

224. *Vornado*, 122 S. Ct. at 1892.

225. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 13 Fed. Appx. 961 (June 5, 2001) (per curiam).

gave rise to the change-in-law exception to collateral estoppel, such that Vornado should be entitled to relitigate its trade dress claims.²²⁶

Holmes petitioned for certiorari, seeking review of 3 issues: (1) whether § 1295(a)(1) divests regional circuits of appellate jurisdiction where the plaintiff's well-pleaded complaint contains no claim arising under patent law, (2) whether the Federal Circuit had improperly exercised jurisdiction over the appeal, and (3) whether the Federal Circuit was required to apply the law of the regional circuit to claims over which it had only pendant or nonexclusive jurisdiction. The Supreme Court granted certiorari but limited its grant solely to the jurisdictional issues.²²⁷ It vacated the Federal Circuit's order, holding that the Federal Circuit lacked jurisdiction over the appeal.²²⁸

In a decision authored by Justice Scalia; joined by Chief Justice Rehnquist, Justices Kennedy, Souter, Thomas and Breyer; and joined in part by Justice Stevens, the Court held that the well-pleaded complaint rule limited the Federal Circuit's jurisdiction on appeal to those cases in which the plaintiff's complaint arose under § 1338.²²⁹ Because it was undisputed that Holmes' complaint failed to assert any claim arising under the patent law, the Federal Circuit lacked jurisdiction notwithstanding Vornado's counterclaim for patent infringement.²³⁰

After reiterating the commitment to linguistic consistency expressed in *Christianson*, the majority emphasized that the same test applied under § 1331 must govern whether a district court had jurisdiction under § 1338.²³¹ The cases articulating the test for arising under jurisdiction in the context of § 1331 were predicated on "the principle that federal jurisdiction generally exists 'only when a federal question is presented on the face of the *plaintiff's* properly pleaded complaint.'" ²³² Adopting the complaint-or-counterclaim rule, the majority explained, would be inconsistent with cases in which the Court declined to adopt a test that would consider the defendant's answer before determining whether the case arises under federal law,²³³ because counterclaims "appear[] as part of the defendant's answer, not as part of the plaintiff's complaint."²³⁴

226. *Id.* at 961–62.

227. *Vornado*, 122 S. Ct. at 1892 (citing 534 U.S. 1016 (2001)).

228. *Vornado*, 122 S. Ct. at 1895.

229. *Id.* at 1893.

230. *Id.*

231. *Id.* at 1893 (citing *Christianson*, 486 U.S. at 808–09).

232. *Vornado*, 122 S. Ct. at 1893 (quoting *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987) (emphasis added in *Vornado*)).

233. *Vornado*, 122 S. Ct. at 1894 (citing *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 10–11 (1983)).

234. *Vornado*, 122 S. Ct. at 1894 (citing *In re Adams*, 809 F.2d 1187, 1188 n.1 (5th Cir. 1987); *FDIC v. Elephant*, 790 F.2d 661, 667 (7th Cir. 1986); *Takeda v. Northwestern Nat'l Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985); 14B CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 3722, at 402–14 (3d ed. 1998)).

Although Congress vested jurisdiction in the Federal Circuit to reduce rampant forum-shopping, the majority's rationale rested heavily on respecting the plaintiff's choice of a state forum. Allowing a counterclaim to establish arising under jurisdiction would violate the longstanding policy that "the plaintiff is 'the master of the complaint,'"²³⁵ and would "radically expand the class of removable cases"²³⁶

In practice, neither concern held true under the *Aerojet* regime. In *Aerojet*, the Federal Circuit had expressly limited its exercise of jurisdiction over appeals based on counterclaims to cases that were otherwise properly in federal court.²³⁷ Removal on the basis of counterclaims was nonexistent, not radically expanded. Instead, for purposes of § 1295(a), the district court was determined to have based jurisdiction in part on § 1338 only when the plaintiff had already chosen the federal forum.²³⁸ The Federal Circuit's rule in *Aerojet* neatly avoided the *Vornado* majority's federalism concerns while remaining true to Congress's goal of directing appeals in patent cases to the Federal Circuit, rather than the regional circuits.

In the portion of the opinion that Justice Stevens declined to join, the majority rejected this option. Promoting the congressional goal of ensuring patent-law uniformity was ruled an unavailable option in light of the "arising under" language that Congress employed by reference to § 1338, because it is well settled that the language invokes the well-pleaded complaint rule.²³⁹ Despite the decade-old interpretation adopted unanimously by the en banc Federal Circuit in *Aerojet*, the majority brushed this option aside with stinging rhetoric and little analysis, stating:

It would be an unprecedented feat of interpretive necromancy to say that §1338(a)'s "arising under" language means one thing (the well-pleaded-complaint rule) in its own right, but something quite different (respondent's complaint-or-counterclaim rule) when referred to by § 1295(a)(1).²⁴⁰

In a footnote, the majority dismissed the cases relied on in *Aerojet* as irrelevant because they "do not even mention the well-pleaded-complaint rule that the statutory phrase 'arising under' invokes," but rather, deal only with whether a federal district court may "retain ju-

235. *Vornado*, 122 S. Ct. at 1894 (quoting *Caterpillar*, 482 U.S. at 398-99).

236. *Vornado*, 122 S. Ct. at 1894.

237. *Aerojet*, 895 F.2d at 736, 742-43.

238. *Id.* at 739.

239. *Vornado*, 122 S. Ct. at 1895.

240. *Id.*

jurisdiction over a counterclaim” despite dismissal of, or a jurisdictional defect in, the complaint.²⁴¹

This statement fails to address the substantive significance of the cases on which the Federal Circuit relied in *Aerojet*. In holding that a district court may retain jurisdiction over a counterclaim despite dismissal of or a jurisdictional defect in the complaint, these cases demonstrate that a district court may exercise jurisdiction in some instances when the well-pleaded-complaint rule has not been satisfied.²⁴² Either these cases were incorrect — a proposition the majority did not entertain — or they demonstrate that, unlike defenses, there is an independent jurisdictional basis for counterclaims.

Assuming these cases were correct, *Vornado* seems to leave room for an exception to its strict-complaint-based holding in cases in which the entirety of the complaint (devoid of issues arising under the patent law) has been dismissed, and only a patent law counterclaim remains.²⁴³ In such cases, jurisdiction over the appeal may not be governed by the no-longer-extant complaint. But if § 1295(a)(1) can properly be interpreted to authorize Federal Circuit jurisdiction over appeals in such cases, then it becomes difficult to see why the district court’s independent jurisdictional basis over patent infringement counterclaims should have relevance to appellate jurisdiction only in instances in which the complaint is dismissed. Why should the district court not be deemed to have exercised jurisdiction *in part* under § 1338 in cases in which the complaint contains no claims arising under the patent law and has not been dismissed, but the entire case, including a patent law counterclaim, is present on appeal?

Although these concerns may fail to prove definitively that the *Vornado* majority reached the wrong conclusion, they demonstrate that the Court’s decision to interpret the Federal Circuit’s jurisdictional grant contrary to congressional intent should, perhaps, not have been reached as easily and with such brusque analysis as the majority

241. *Id.* at 1895 n.4.

242. *See, e.g.,* Rengo Co. v. Molins Mach. Co., 657 F.2d 535, 539 (3d Cir.), *cert. denied*, 454 U.S. 1055 (1981) (holding that the district court had jurisdiction over a counterclaim for patent noninfringement and invalidity despite potentially lacking jurisdiction over the original complaint because “a jurisdictional defect in the complaint will not preclude adjudication of a counterclaim over which the court has an independent basis of jurisdiction”).

243. However, the regional circuits may interpret *Vornado* to mandate their exercise of jurisdiction over such patent appeals. Under the Federal Circuit rule, dismissal of claims without prejudice renders the claims insufficiently substantial to support appellate jurisdiction because such dismissal operates as an amendment of the complaint. *See, e.g.,* Nilssen v. Motorola, Inc., 203 F.3d 782 (Fed. Cir. 2000). The Federal Circuit retains jurisdiction over appeals in which the district court dismisses a patent claim with prejudice, however. *See, e.g.,* Zenith Elecs. Corp. v. Exzec, Inc., 182 F.3d 1340 (Fed. Cir. 1999). In light of *Vornado*, the regional circuits may apply a similar approach to the dismissal of non-patent claims in the complaint, leading them to entertain appeals in cases in which all other claims have been dismissed and only patent counterclaims remain.

employed. Justice Stevens recognized as much.²⁴⁴ He agreed with the majority's strict imposition of the well-pleaded-complaint rule, but noted the existence of "well-reasoned precedent" supporting the conclusion that the "in whole or in part" language of § 1295(a)(1) can embrace cases in which the district court entertained a patent law counterclaim.²⁴⁵ He also pointed out that Congress had employed the term "arising under" in other statutes in which the courts had not applied the well-pleaded-complaint rule.²⁴⁶

Congress may well have justifiably thought that courts would interpret § 1295(a)(1) and its reference to § 1338 as the Federal Circuit did in *Aerojet*: consistently with the legislative intent of the FCIA to promote uniformity and reduce forum-shopping by directing appeals in patent cases to the Federal Circuit. The Supreme Court has directed that jurisdictional statutes are to be construed "with an eye toward practicality and necessity,"²⁴⁷ and the legislative history of the FCIA specifically directs courts to interpret the Federal Circuit's jurisdiction consistently with the practical problems that gave rise to the court's creation.²⁴⁸ The statutory interpretation of "arising under" is a gloss that is far more restrictive than the broad interpretation of the identical

244. *Vornado*, 122 S. Ct. at 1896 n.1 (Stevens, J., concurring in part and in the judgment) ("Thus, although I am in agreement with the Court's ultimate decision not to determine appellate jurisdiction by reference to the defendant's patent counterclaim, I find it unnecessary and inappropriate to slight the contrary reasoning of the Court of Appeals."). Justice Stevens's concurring opinion also pointed out that appellate jurisdiction is not fixed until the notice of appeal is filed, and emphasized another aspect that the majority declined to decide in *Vornado* and *Christianson* although it has been the Federal Circuit rule for years: the basis for district court jurisdiction must be assessed with reference to amended complaints, otherwise unscrupulous plaintiffs could manipulate appellate jurisdiction. *Id.* at 1896 (Stevens, J., concurring in part and in the judgment). Justice Stevens's view is preferable from a policy standpoint because the plaintiff is the master of her amendments to the complaint.

245. *Id.* (Stevens, J., concurring in part and in the judgment).

246. *Id.* at 1896 n.1 (Stevens, J., concurring in part and in the judgment). Justice Stevens explained:

In any event, the assertion that only the power of black magic could give "arising under" a different meaning with respect to appellate jurisdiction is belied by case law involving the Temporary Emergency Court of Appeals (TECA), which had exclusive jurisdiction over appeals in cases "arising under" the Economic Stabilization Act of 1970 (ESA), § 211(b)(2), 85 Stat. 749. Most courts departed from the traditional understanding of "arising under" and interpreted the statute to grant TECA appellate jurisdiction over ESA issues, including those raised as a defense. Courts nevertheless interpreted the statute's identical language respecting the district courts to grant traditional "arising under" jurisdiction.

Id. (Stevens, J., concurring in part and in the judgment) (citing *Coastal Sales Marketing, Inc. v. New Eng. Petroleum Corp.*, 604 F.2d 179, 185–86 (2d Cir. 1979)).

247. *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 20 (1983).

248. S. REP. NO. 97-275, at 20 (1981), reprinted in 1982 U.S.C.C.A.N. 11, 30 ("The committee intends for the jurisdictional language to be construed in accordance with the objectives of the act . . .").

language in Article III.²⁴⁹ In light of the differing statutory definitions that courts have afforded “arising under,” and the particular need for uniformity and the reduction of forum-shopping that motivated creating the Federal Circuit and vesting it with exclusive nationwide jurisdiction in patent cases, interpretation of that jurisdictional grant would seem a particularly appropriate context in which to adopt the *Aerojet* rule.²⁵⁰ Justice Ginsburg, joined by Justice O’Connor, would have done so in those cases in which the district court actually adjudicated a patent claim.²⁵¹

Despite Justice Stevens’s apt recognition that well-reasoned authority supported the *Aerojet* interpretation of the Federal Circuit’s jurisdiction, his concurring opinion is the most disappointing aspect of *Vornado* from the standpoint of fidelity to the congressional goals that prompted enactment of the FCIA. In concurring with the majority, Justice Stevens relied on policies directly contravening congressional intent.

In Justice Stevens’s view, the policy of protecting the plaintiff’s choice of forum extends not only to the trial court, “but to the appellate court as well.”²⁵² Because the Federal Circuit’s exclusive jurisdiction does not extend to trademark and copyright claims included under § 1338, and “these other areas of intellectual property law are not infrequently bound up with patent counterclaims,” predicated jurisdiction on counterclaims could increase the number of appeals the Federal Circuit hears on issues Congress specifically placed outside its exclusive jurisdiction.²⁵³ Additionally, Justice Stevens predicated his concurrence upon “the interest in maintaining clarity and simplicity in rules governing appellate jurisdiction,” which he stated would be “served by limiting the number of pleadings that will mandate review in the Federal Circuit.”²⁵⁴

249. Hale, III, *supra* note 103, at 233 (noting that despite the expansive interpretation of “arising under” in *Osborn v. President, Dirs., and Co. of the Bank of the U.S.*, 22 U.S. 738 (1824), “after Congress granted the district courts jurisdiction over federal questions in 1875, the Supreme Court began to give a more narrow construction to the jurisdiction of the federal courts” (footnote omitted)).

250. Hale, III, *supra* note 103, at 265 (arguing that the creation of a unique appellate court with limited subject matter but nationwide geographic jurisdiction requires reexamination of the traditional jurisdictional rules); cf. RICHARD H. FALLON, JR. ET AL., *HART & WECHSLER’S THE FEDERAL COURTS AND THE FEDERAL SYSTEM* 900 (4th ed. 1996) (noting that original and appellate jurisdiction should be governed by different tests, because they serve different purposes).

251. *Vornado*, 122 S. Ct. at 1898 (Ginsburg, J., concurring in the judgment) (“I conclude that, when the claim stated in a compulsory counterclaim ‘aris[es] under’ federal patent law and is adjudicated on the merits by a federal district court, the Federal Circuit has exclusive appellate jurisdiction over that adjudication and other determinations made in the same case.” (citing *Aerojet*, 895 F.2d at 741–44)).

252. *Vornado*, 122 S. Ct. at 1897 (Stevens, J., concurring in part and in the judgment).

253. *Id.* (Stevens, J., concurring in part and in the judgment).

254. *Id.* (Stevens, J., concurring in part and in the judgment).

Each of these points may be gravely misguided. First, it is unclear why the plaintiff should be able to choose to avoid review in the Federal Circuit when the claims she asserts are so intertwined with patent claims that the defendant's patent law counterclaims are compulsory. The traditional rationale for respecting the plaintiff's right to assert claims in the forum of her choice is that if one is "free not to vindicate rights in court at all, then [she] should be free" to assert only certain rights.²⁵⁵ But where a plaintiff's decision to vindicate rights in court forces the defendant either to assert her rights in court or relinquish them, the defendant is deprived of the same freedom afforded to the plaintiff merely because the plaintiff arrived at the courthouse first. Basing jurisdictional rules on such a race to the courthouse is a perverse incentive. Prioritizing the plaintiff's choice of forum in patent cases is particularly perverse given that patent rights are exclusively federal creatures and that Congress created the Federal Circuit in part to decrease forum-shopping. Congress specifically wanted to place patent appeals and related issues in the Federal Circuit, which is why it used the language "in whole or in part."²⁵⁶

This congressional intent highlights a second problem with Justice Stevens's reasoning. In the wake of *Vornado*, patentees with legitimate patent claims who desire review in the Federal Circuit, as Congress intended, will have an incentive to sue for patent infringement first and negotiate licenses later. Thus, it is far from clear that the decision will reduce the number of pleadings that will require review in the Federal Circuit.

Finally, although there may be clarity and simplicity with respect to what happens in the actual case initiated by a potential patent infringer on non-patent-related causes of actions against a patentee, *Vornado* will raise a host of complicated issues about what will happen when the patentee initiates a separate suit instead of asserting its patent infringement claims as counterclaims. Although the ordinary rule is that the first-filed suit proceeds, there is a forum-shopping exception to this rule.²⁵⁷ District courts may need to address whether to apply that exception in cases in which it appears that the plaintiff has intentionally attempted to avoid review in the Federal Circuit. What will the jurisdictional rule be for consolidated suits? Consolidation may provide an escape hatch from regional circuit patent jurisdiction. Jurisdiction over consolidated appeals in which one case arose under

255. Selinger, *supra* note 151, at 33 (quoting *Hunter v. United Van Lines*, 746 F.2d 635, 640 (9th Cir. 1984)).

256. 28 U.S.C. § 1295(a)(1) (2003).

257. *See, e.g.*, *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1081 (Fed. Cir. 1989) (explaining that there is an exception to the rule that the first-filed case proceeds when forum-shopping alone motivated the choice of sites for the first suit) (citing *William Gluckin & Co. v. Int'l Playtex Corp.*, 407 F.2d 177, 178 (2d Cir. 1969)).

§ 1338 properly lies in the Federal Circuit.²⁵⁸ Consequently, if a patentee initiates a separate suit alleging patent infringement instead of (or in addition to) counterclaiming for patent infringement in the initial suit in response to an attempt to escape Federal Circuit jurisdiction, the Federal Circuit may have jurisdiction over the appeal.

In contrast, the *Aerojet* regime, at least for compulsory counterclaims, provided simplicity in appellate jurisdictional rules, because it obviated the need to address these difficult questions. Consequently, the considerations that prompted Justice Stevens to concur in part in the majority opinion and in its result should perhaps have prompted him to join Justice Ginsburg. But these are not the most distressing aspects of his concurrence. Apart from *Vornado's* direct holding, the greatest potentially harmful ramifications come from language in Justice Stevens's concurrence that will prompt accused infringers to attempt to benefit from the direct jurisdictional holding in order to obtain review by regional circuit courts who may apply their old patent-hostile laws.

B. The Potentially Harmful Implications of Vornado on the Substantive Patent Law — the Phoenix Precedents Reborn

Justice Stevens's concurring opinion foreshadowed the application of regional circuit law in appeals in which patent issues are present as counterclaims. He wrote:

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

258. See Joan Steinman, *The Effects of Case Consolidation on the Procedural Rights of Litigants: What They Are, What They Might Be, Part I: Justiciability and Jurisdiction (Original and Appellate)*, 42 UCLA L. REV. 717, 831 (1995) ("In light of the statutory commitment of exclusive jurisdiction over an appeal from a final decision if the jurisdiction of the district court was based at least in part on 28 U.S.C. § 1338, the conclusion that consolidation of a patent case, even for limited purposes, suffices to justify Federal Circuit jurisdiction over the whole consolidation is reasonable and not in conflict with anything advocated here.").

*tidote to the risk that the specialized court may develop an institutional bias.*²⁵⁹

This language not only grants jurisdiction in the regional courts of appeals, but also invites them to apply their own law to patent issues. Consequently, it makes the same assumption that Congress made in enacting the FCIA: choice-of-law follows from the exercise of jurisdiction. Moreover, because it indicates that these regional circuits may counter any institutional bias in the Federal Circuit, this portion of the concurring opinion not only invites appellate forum-shopping, it renders forum-shopping attempts practically inevitable. Any institutional bias that exists at the Federal Circuit is perceived to be pro-patent. Therefore, those circuits previously reputed to be anti-patent are the most likely candidates to see such attempts at forum-shopping.

Because patent issues are “not infrequently” intertwined with antitrust and other intellectual property issues such that plaintiffs may separately bring well-pled claims based only on those issues, *Vornado* risks returning the law to the condition that prompted the creation of the Federal Circuit over twenty years ago.²⁶⁰ Patent infringement disputes frequently generate allegations that the patentee has committed antitrust violations in attempting to enforce her patent. There once was a time in which patent infringement claims were treated as “largely disfavored exceptions to the antitrust laws.”²⁶¹ In light of Justice Stevens’s concurring opinion suggesting that regional circuits may apply their own law to patent issues, *Vornado* may portend a return to that state of affairs. At the very least, accused infringers may attempt to engender such a return. The risks of such a regression are clear.²⁶²

A company receiving a cease-and-desist letter accusing it of patent infringement may now seek a circuit that had a reputation for being unfriendly to patent rights prior to the creation of the Federal Circuit. In such a circuit, the accused infringer may choose to initiate an attempted monopolization claim against the patentee, leaving the

259. *Vornado*, 122 S. Ct. at 1897–98 (Stevens, J., concurring in part and in the judgment) (footnotes omitted) (citation omitted) (emphasis added).

260. See Stempel & Terzaken III, *supra* note 201, at 724 (“[T]he Federal Circuit’s reasoning in *Aerojet* is fairly compelling” regarding compulsory counterclaims because the opposite conclusion allows “a clever infringer to avoid Federal Circuit review of a claim of infringement merely by filing a preemptive non-patent claim arising from the same transaction as the infringement action in a jurisdiction requiring the patent claim to be asserted as a compulsory counterclaim.”).

261. James B. Kobak, Jr., *Running the Gauntlet: Antitrust and Intellectual Property Pitfalls on the Two Sides of the Atlantic*, 64 ANTITRUST L.J. 341, 344 (1996).

262. As Professor Meador explained, “[p]rior to the Federal Circuit, different circuits placed varying burdens on patentees and infringers that led to rampant forum shopping and uncertainties about the validity of patents, which in turn had an adverse impact on investments in research and production.” Meador, *A Challenge*, *supra* note 103, at 616 (citing Dreyfuss, *supra* note 159, at 7).

complaint devoid of any issues arising under the patent law. Now, not only is there “no requirement that the regional circuits apply the law as enunciated by the CAFC,”²⁶³ there is a statement by a Supreme Court Justice regarding the benefits of not doing so. All patents that wind up in litigation now face the risk of being subjected to differing rules depending on which of the thirteen circuits has jurisdiction over the appeal.

Moreover, to the extent the Federal Circuit clarified patent law by distinguishing or diminishing the practical import of Supreme Court precedent,²⁶⁴ there is a risk that the regional circuits will return to now-obsolete but never technically overruled propositions of dead letter. For example, the Federal Circuit for many years has flatly rejected the rule that a combination patent must reflect “synergism” to be valid when faced with an obviousness challenge, so the Supreme Court has never needed to overrule its older pronouncements regarding the synergism requirement.²⁶⁵ Nevertheless, a regional circuit exercising jurisdiction over a counterclaim for patent invalidity may decide that it is bound to follow those pronouncements, because, of course, only the Supreme Court is empowered to overrule its prior precedents.

The risk that regional circuits will apply long-dead Supreme Court or regional circuit precedents presents a significant threat to patentees’ ability to enforce their rights given that “patents were sometimes not worth the paper they were written on depending upon

263. Dreyfuss, *supra* note 159, at 57 n.294 (noting that Congress may enact a statute requiring regional circuits and state courts to apply the Federal Circuit’s patent precedents but that doing so would engender the same problems that arise from the Federal Circuit’s application of regional circuit law on other issues).

264. See Mark J. Henry, *State Courts Hearing Patent Cases: A Cry for Help to the Federal Circuit*, 101 DICK. L. REV. 41, 61 (1996) (“As a ‘final arbiter,’ the Federal Circuit has been known to effectively overrule Supreme Court decisions by carefully reasoning around the decisions.” (citing Richard H. Stern, *Post-Sale Patent Restrictions After Mallinckrodt—An Idea in Search of Definition*, 5 ALB. L.J. SCI. & TECH. 1, 6–7 (1994); Thomas R. Rouse, *The Preclusive Effect on ITC Patent Fact Findings on Federal District Courts: A New Twist on In re Convertible Rowing Exerciser Patent Litigation*, 27 LOY. L. REV. 1417, 1462 (1994); Sean T. Moorhead, Comment, *The Doctrine of Equivalents: Rarely Actionable Non-Literal Infringement or the Second Prong of Patent Infringement Charges?*, 53 OHIO ST. L.J. 1421, 1436(1992))).

265. See Janicke, *supra* note 8, at 661–62 (arguing that, with the Supreme Court’s “tacit cooperation,” the Federal Circuit “expressly dismantled” this and other subjective pronouncements, thereby introducing greater clarity and coherence to the patent law (citing *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152 (1950) (“[O]nly when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable.”); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540 (Fed. Cir. 1983) (holding that the statute contains no synergism requirement, and therefore the rule requiring synergism has “no place in evaluating evidence on obviousness”))). Because the Patent Act of 1952 post-dates the decision in *Great Atlantic & Pacific Tea*, there is a sound basis on which regional circuits could distinguish it and follow the Federal Circuit’s *Stratoflex* rule. There is, however, no guarantee they will do so on this or other significant issues of substantive patent law.

the circuit in which a case was filed.”²⁶⁶ We may return to the situation described by the House Committee Report prior to the Federal Circuit’s creation:

Even in circumstances in which there is no conflict as to the actual rule of law, the courts take such a great variety of approaches and attitudes toward the patent system that the application of the law to the facts of an individual case produces unevenness in the administration of the patent law. Perceived disparities between the circuits have led to “mad and undignified races” between alleged infringers and patent holders to be the first to institute proceedings in the forum they consider most favorable.²⁶⁷

Avoiding this risk will force the patentee either to litigate any compulsory patent infringement counterclaims in the appropriate regional circuit, or to file suit elsewhere and hope for the best. The best, in that situation, would presumably be to argue that the cases should be consolidated and the appeal should lie in the Federal Circuit,²⁶⁸ or that the patent infringement suit should proceed first despite the general rule that the second-filed case is stayed while the first-filed case proceeds.

The situation after *Vornado* may be problematic for accused infringers as well. Patentees seeking to avoid wasteful litigation and an uncertain fate at the hands of a regional circuit may be prone to sue first, alleging patent infringement, and to negotiate later.²⁶⁹ By contrast, under current practice, patentees who suspect someone of infringement customarily send a letter so stating. Not infrequently, such letters resulted in the negotiation of a license between the patentee and the accused infringer, avoiding litigation and providing benefits to both parties. But after *Vornado*, such letters risk inviting the accused infringer to begin forum-shopping.

266. Matthew G. Jacobs & Michael S. Mireles, *The Intersection of Intellectual Property and Antitrust Law: In re Independent Service Organizations Antitrust Litigation*, 15 *TRANSNAT'L LAW* 293, 297 (2002); see also *Jungersen v. Ostby & Barton Co.*, 335 U.S. 560, 572 (1949) (Jackson, J., dissenting) (“[T]he only patent that is valid is one which this Court has not been able to get its hands on.”).

267. H.R. REP. NO. 97-312, at 21 (1981) (concluding that patentees “scramble to get into the 5th, 6th, and 7th circuits,” and that such forum-shopping “not only increases litigation costs inordinately and decreases one’s ability to advise clients, it demeans the entire judicial process and the patent system as well” (citing HRUSKA COMMISSION REPORT, *supra* note 52, at 152)).

268. See discussion *supra* note 258.

269. Lewis R. Clayton, *Justices Initiate Review of Federal Circuit Cases*, 3 *PAT. STRATEGY & MGMT.* 4, 4 (2002) (stating that *Vornado* will “promote a race to the courthouse”).

Additionally, in the wake of *Vornado*, parties may face increased litigation over meta-jurisdictional issues. For example, whose law will apply to determinations regarding whether a complaint contains an issue arising under the patent laws: that of the regional circuit or the Federal Circuit? Before the creation of the Federal Circuit, the Seventh Circuit had held that declaratory judgments for patent invalidity do not arise under the patent law.²⁷⁰ The likely counterclaim alleging infringement that would have ensured Federal Circuit jurisdiction before *Vornado*, is now insufficient to do so. Regional circuits may claim jurisdiction over declaratory judgments for invalidity, despite the fact that the Federal Circuit considers them generally to arise under patent law²⁷¹ and it is difficult to see how they could arise from any other source.²⁷²

Finally, *Vornado* will unduly complicate the substantive application of patent law in the state and district courts. State courts must now confront the question of whether to follow the precedents of the regional circuits in which they sit or the law of the Federal Circuit on patent issues to which the Supreme Court has not spoken. Let patentees and accused infringers alike hope they choose wisely.²⁷³

District courts may feel they have less of a choice, and must follow the law of the circuit to which the appeal will go. That means that

270. See *Milprint, Inc. v. Curwood, Inc.*, 562 F.2d 418, 422 (7th Cir. 1977).

271. *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 880–82 (Fed. Cir. 1983) (holding that patent licensee may bring a declaratory judgment to declare the licensed patent invalid where there is an actual case or controversy created by the licensor’s threat of an infringement action, and such a case arises under federal patent law).

272. The Declaratory Judgment Act provides that a court of the United States may declare the rights of an interested party seeking such a declaration “in a case of actual controversy within its jurisdiction.” 28 U.S.C. § 2201(a) (2003). Section 2201, therefore, does not independently confer subject matter jurisdiction on the federal courts. Indeed, “district courts possess discretion in determining whether and when to entertain an action under the Declaratory Judgment Act, even when the suit otherwise satisfies subject matter jurisdictional prerequisites.” *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995).

273. Relying on *Vornado*, one state court has already exercised jurisdiction over a copyright counterclaim. See *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784, 787 (Ind. 2002). In *Green*, the Supreme Court of Indiana exercised jurisdiction over a counterclaim alleging breach of a covenant not to reproduce a copyright protected writing, which it held on the merits to be preempted by federal copyright law. *Id.* at 786–87. Regarding jurisdiction, the Court explained:

[A]t the time this case arrived at our Court, we regarded the federal authorities cited in this opinion as requiring us to force bifurcated litigation by finding exclusive federal jurisdiction over the Greens’ counterclaim. However, we think the recent decision of the Supreme Court of the United States in *Holmes Group, Inc. v. Vornado Air Circulation Design Sys., Inc.*, implies that there is no exclusive federal jurisdiction over this claim.

Id. at 787 (citation omitted). Because *Green* involved a counterclaim arising under the copyright laws, which, unlike the patent laws, are outside the grant of the Federal Circuit’s exclusive appellate jurisdiction, *Green* provides no insight into whether state courts will apply regional circuit versus Federal Circuit law to patent counterclaims. It does, however, indicate that state court cases addressing that issue are likely to be forthcoming.

different law may apply to identical patent issues depending on whether they appear in the complaint or as compulsory counterclaim. Patentees may lose the benefit of the application of settled Federal Circuit precedent to adjudicate their legitimate allegations of infringement simply by virtue of losing the race to the courthouse.

In those cases in which a patentee is unlucky enough to find herself stuck in a situation in which *Vornado* will vest appellate review in a regional circuit whose long-dormant precedents were unfriendly to patents, certain patent rights that were previously fairly stable and predictably valued may now be rendered worthless. The problem is not so much that this will happen frequently, although it may. Rather, the larger problem is that it may happen to any patent, even one in which a substantial investment has been made with the expectation of the application of settled background principles of patent law. These implications of *Vornado* present problems serious enough that Congress should evaluate its alternatives and act quickly to return patent law, if not Federal Circuit jurisdiction, to a state of relative certainty.

VI. ALTERNATIVES FOR APPELLATE PATENT JURISDICTION AND CHOICE-OF-LAW IN PATENT LITIGATION AFTER *VORNADO*

If Congress desires to return patent law to the desired state of uniformity and certainty that drove it to enact the FCIA, it must consider legislating in response to *Vornado*. This article presents four alternatives, some of which involve potential sub-choices in the resulting appellate and choice-of-law regime for patent litigation. Several of these alternatives would be preferable to inaction. These preferable options have one thing in common: they avoid the mistaken assumption that choice-of-law follows or must inevitably follow directly from the conferral of jurisdiction. Instead, these options consider both issues in shaping the appellate patent law regime.

A. *Wait and See*

Option one is to wait and observe the consequences of *Vornado*. As I have described above, with respect to the application of old, patent-hostile precedents (or precedents that are too friendly to patentees), the uncertainty and forum-shopping that seem destined to result may never actually happen. The extent to which patent law will become unsettled is an empirical question, and we have not had the chance to observe the results. On certain patent issues over which the circuits were split immediately prior to the creation of the Federal

Circuit, the Supreme Court has clarified the law.²⁷⁴ Where the Supreme Court has not spoken, the regional circuits may sit en banc to adopt Federal Circuit precedent as binding on issues of patent infringement, enforceability, and invalidity. Alternatively, and more realistically, the regional circuits might adopt rules generally consistent with Federal Circuit precedent to replace their outdated ones.

On the other hand, they may apply their own precedent rather than look to the law of the Federal Circuit, and it may differ dramatically. They may do so in a sufficient number of instances to affect the worth of valuable patents. Patent law may return to a state of uncertainty and the resulting forum-shopping may once again become rampant.

At the very least, gauging the consequences of *Vornado* will take time. The wait-and-see option guarantees unnecessary uncertainty. As the Hruska Commission Report warned over forty years ago, the absence of a clearly binding national decision is problematic even if no actual circuit conflict develops:

Actual conflicts, however, are not the measure of the total problem; potential conflicts, the persevering possibility of differences developing, often have a broader impact. The absence of definitive decision, equally binding on citizens wherever they may be, exacts a price whether or not a conflict ultimately develops. That price may be years of uncertainty and repetitive litigation, sometimes resulting from the unwillingness of a government agency to acquiesce in an unfavorable decision, sometimes from the desire of citizens to take advantage of the absence of a nationally-binding authoritative precedent. These conditions suggest the need for change which would increase the system's capacity for definitive adjudication of issues of national law by the creation of a new national court.²⁷⁵

It reiterated:

In many cases there are years of uncertainty during which hundreds, sometimes thousands, of individuals are left in doubt as to what rule will be applied to

274. For example, the Supreme Court has clarified the scope of the doctrine of equivalents. It held that whether an accused device infringes a patent claim under the doctrine of equivalents is a question that must be applied to the individual elements of the patent claim at issue, not to the invention as a whole. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29–30 (1997).

275. HRUSKA COMMISSION REPORT, *supra* note 52, at 3.

their transactions. Moreover, such uncertainty breeds repetitive litigation as (for instance) successive taxpayers, or employers, or producers litigate the identical issue in circuit after circuit, encouraged by the hope of developing a conflict. Whether or not their hope is ever realized, the relitigation is costly both to their adversaries and to the system as a whole.²⁷⁶

If the law is to be restored to any modicum of consistency with the certainty-promoting purposes that drove Congress to enact the FCIA, Congress must reject the wait-and-see approach.

B. Affix Federal Circuit Jurisdiction upon Appeal if a Patent Issue Is Present

A second option is to adopt the regime advocated by Justice Ginsburg, with whom Justice O'Connor joined, in *Vornado*. This option codifies *Aerojet*, but confers jurisdiction upon the Federal Circuit over only those appeals in which the district court has adjudicated a patent issue on the merits, and presumably, in which at least one such issue is present on appeal. Professor Dreyfuss has suggested that this option is viable.²⁷⁷

Waiting until the filing of the notice of appeal is a problematic alternative, however, because it deprives the district court of the certainty of knowing whose law will apply on appeal. Moreover, it could result in the application of different legal rules in similarly situated cases. Thus, if this option is selected, Congress should consider accompanying it with legislation regarding choice-of-law as well.

Such legislation would require that, absent a conflicting Supreme Court opinion, Federal Circuit law applies to patent issues and regional circuit law applies to other issues. But the Federal Circuit's choice-of-law jurisprudence shows that it is very difficult to distinguish "patent issues" from "non-patent" issues. Unless Congress can draft legislation clarifying the matter, it should be wary that this option might complicate rather than clarify the present uncertainties.

²⁷⁶ *Id.* at 14.

²⁷⁷ Dreyfuss, *supra* note 159, at 36 ("It is, however, difficult to see why early resolution of the appellate court's adjudicatory authority is equally necessary . . . There is no substantial cost in deferring consideration of the route of appeal until after all the pleadings have been filed. Thus, there is little point in having a rule that limits consideration of jurisdiction to the first pleading made in the case — especially when that rule frustrates other important goals.") (footnote omitted).

*C. Certify Questions of Patent Issues to the Federal Circuit or
Require Courts to Apply Federal Circuit Law*

A third option is to enact legislation that would authorize issue-specific patent jurisdiction for the Federal Circuit. Judge Newman has explained that vesting the Federal Circuit with issue-specific patent appellate jurisdiction would prevent litigants from forum-shopping on both patent and non-patent claims.²⁷⁸ Despite this potential benefit, the costs of taking an issue-specific jurisdiction approach are significant, particularly now that the Federal Circuit's casewise jurisdictional approach has become entrenched.

First, limiting the Federal Circuit's jurisdiction to patent issues would compromise the congressional goal of providing the Federal Circuit with sufficient breadth of subject matter to avoid undue specialization. In creating the Federal Circuit, Congress created a court of dignity equal to that of the other circuits, and placed upon it generalist judges with responsibility over entire appeals, not just patent issues. Although these judges would still hear appeals in the other areas of jurisdiction granted to the Federal Circuit in § 1295, limiting their jurisdiction over patent appeals solely to the patent issues would deprive them of hearing the plethora of other issues that keeps them in touch with regional circuit law.

Second, issue-specific appellate jurisdiction would be extremely inefficient. It would require bifurcation of a large number of appeals, and would engender litigation over which issues are "patent issues" that belong in the Federal Circuit. Parsing these issues would be difficult to accomplish on a principled basis.

Finally, issue-specific jurisdiction might upset the balance of the Federal Circuit's contribution to areas where patent law intersects with other important rights. As the Federal Circuit recognized in *Midwest*, it would be costly to deprive the law of the Federal Circuit's expertise on such issues.²⁷⁹ In contrast, if issues involving whether patent law preempts or conflicts with other rights, such as antitrust, were consistently held to constitute "patent issues," the law would remain subject to Katz and Safer's criticism that the Federal Circuit hears a disproportionate number of antitrust issues.²⁸⁰

A variant of issue-specific jurisdiction, however, is more attractive: Congress could authorize the regional circuits (or the district courts in cases in which, under *Vornado*, the appeal belongs in the regional circuit) to sever patent issues and send appeals of those issues

278. Jon O. Newman, *Tails and Dogs: Patent and Antitrust Appeals in the Court of Appeals for the Federal Circuit*, 10 APLA Q. J. 237, 239-42 (1982).

279. See *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1361 (Fed. Cir. 1999).

280. See Katz & Safer, *supra* note 196, at 688.

to the Federal Circuit. As Professor Dreyfuss noted, “[b]ifurcation would cause delay, but resolution of the nonpatent issues by the CAFC would open another avenue for forum shopping.”²⁸¹ Professor Daniel Meltzer has suggested that Congress could create a procedure for certifying patent issues for appeal to the Federal Circuit from state courts as well, and could constitutionally make such a procedure mandatory and its outcome binding.²⁸²

This hybrid alternative, in which the Federal Circuit would continue to exercise jurisdiction over the entire appeal in cases where the complaint arose under the patent law, but would hear only the patent issues raised by cases where the complaint did not arise under patent law, would alleviate some of the incentive to forum-shop created by *Vornado*. It would undercut the possibility of obtaining the application of regional circuit patent law by appealing a federal case to a regional circuit or by filing suit in state court. This approach would therefore likely reduce the number of cases subject to the inefficiency of bifurcating appeals. At the same time, this approach would allow the plaintiff some choice of a state or federal appellate forum on the non-patent issues that are frequently intertwined with patent issues.

One drawback to this approach is that it would still cause some inefficiency in those appeals in which bifurcation was necessary. Moreover, this approach could generate a fair amount of secondary litigation regarding what issues should be separated and sent to the Federal Circuit for review. Finally, if one believes that the Federal Circuit was correct in its rationale in *Midwest*, that federal law would benefit from its unique perspective on issues that are not technically within its grant of exclusive jurisdiction but that frequently intersect with patent issues, this issue-bifurcation-and-certification approach could deprive the law of that voice. Nevertheless, it would be a serious improvement in certainty, uniformity, and stability in the patent law compared to the post-*Vornado* status quo. This option therefore deserves serious congressional consideration.

Another variant of the issue-specific approach is to enact legislation directed to choice-of-law rather than jurisdiction. Congress could require federal courts other than the Supreme Court (as well as state courts) to apply Federal Circuit precedent to issues of patent infringement, enforceability, and validity unless the Supreme Court has directly overturned the applicable Federal Circuit precedent. This approach is less desirable than appealing such issues to the Federal Circuit, because it is always difficult for one court to apply the law of

281. Dreyfuss, *supra* note 159, at 26.

282. Daniel J. Meltzer, *Overcoming Immunity: The Case of Federal Regulation of Intellectual Property*, 53 STAN. L. REV. 1331, 1357 n.93 (2001) (“In my view, however, . . . Congress could provide that a state court must honor the Federal Circuit’s answer to a certified question of federal patent law — at least until it is overturned by the Supreme Court.”).

another, which may fail to address the precise question at issue. Additionally, these other courts would be constrained by existing rules,²⁸³ whereas only the Federal Circuit or Supreme could overrule its precedent.

However, requiring other courts to apply Federal Circuit precedent to patent issues has significant advantages. It would avoid the inefficiencies of bifurcating patent appeals. Most importantly, it would constitute a significant step toward securing uniformity and stability in patent law. A guarantee to litigants that whatever court exercised jurisdiction over a patent law issue would apply Federal Circuit law, where the Supreme Court has not overturned it, would be far preferable to the uncertainty that exists in the wake of *Vornado*.

D. Recodify Aerojet for Compulsory Counterclaims

A fourth option is to revise the Federal Circuit's jurisdictional statute to return the law to its pre-*Vornado* state, at least for compulsory counterclaims. Before *Vornado*, patent law was relatively uniform and stable. Praise for the Federal Circuit's contribution to patent law is plentiful.²⁸⁴

Some have criticized the Federal Circuit for the seeming panel-contingency or lack of uniformity of its decisions.²⁸⁵ Notwithstanding

283. See Dreyfuss, *supra* note 159, at 60.

284. See, e.g., Kwon, *supra* note 116, at 66 ("The Court of Appeals for the Federal Circuit, since its inception in 1982, has had a profound and positive impact on patent law."); Janicke, *supra* note 8, at 662 (stating that "the Federal Circuit has greatly clarified the law and made it more coherent and understandable"); Jon F. Merz & Nicholas M. Pace, *Trends in Patent Litigation: The Apparent Influence of Strengthened Patents Attributable to the Court of Appeals for the Federal Circuit*, 76 J. PAT. & TRADEMARK OFF. SOC'Y 579, 579 (1994) ("In the last 10 years, the Court has made a good deal of progress towards the goal of uniformity and predictability.") (citing Robert L. Harmon, *Seven New Rules of Thumb: How the Federal Circuit Has Changed the Way Patent Lawyers Advise Clients*, 14 GEO. MASON L. REV. 573 (1992); Lawrence G. Kastriner, *The Revival of Confidence in the Patent System*, 73 J. PAT. & TRADEMARK OFF. SOC'Y 5 (1991)).

285. See, e.g., Kimberly A. Moore, *Are District Court Judges Equipped to Resolve Patent Cases?*, 15 HARV. J.L. & TECH. 1, 19–22 (2001) (arguing that stare decisis should, but does not always empirically appear to, govern the claim construction rulings in which the Federal Circuit engages); Remarks of Moderator Charles Schill, *Panel Discussion on Intra-Circuit Conflicts*, 11 FED. CIR. B.J. 623, 623–24 (2001) ("Over the last almost 20 years of existence of the Federal Circuit, some people have come to perceive that there are conflicts among cases at the court . . ."); *Conflicts in Federal Circuit Patent Law Decisions*, 11 FED. CIR. B.J. 723, 724 & n.4 (2001) (noting commentaries on the issue of perceived and real conflicts among panel decisions of the Federal Circuit) (citing Albert G. Tramposch, *The Dilemma of Conflicting Precedent: Three Options in the Federal Circuit*, 17 AIPLA Q.J. 323, 326–27 (1989); Matthew F. Weil & William C. Rookledge, *Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making*, 80 J. PAT. & TRADEMARK OFF. SOC'Y 791 (1998); William C. Rookledge & Matthew F. Weil, *En Banc Review, Norror Pleni, and the Resolution of Patent Law Conflicts*, 40 SANTA CLARA L. REV. 787 (2000)); Don J. DeBenedictis, *Inconsistent Patent Rulings*, A.B.A. J. Dec. 1992 at 36 (stating that for its tenth anniversary the Federal Circuit engaged in a public fight over the scope of product-by-process claim s); see also Gerald J. Mossinghoff & Donald R. Dun-

such criticism, the Federal Circuit's decisions likely ensure greater consistency on important patent law issues, such as claim construction, than the multiple regional circuits provided prior to the Federal Circuit's creation.²⁸⁶ This consistency is due, in part, to the various procedural safeguards employed by the Federal Circuit.

First, the Federal Circuit's panels are devised randomly, so every judge on the court participates in a representative sampling of its cases. The House Committee Report explains:

Section 103 further amends the first sentence of subsection 46(b) by requiring the new court to determine by rule a procedure for the rotation of judges from panel to panel to ensure that all the judges sit on a representative cross section of the cases heard.

Several witnesses before the Committee expressed fears that the Court of Appeals for the Federal Circuit would be unduly specialized or would soon be captured by specialized interests. This provision should reduce these fears by ensuring that all the judges sit on a representative sampling of all the cases heard. It will, in short, prohibit judges with a patent law expertise from sitting on a disproportionate number of patent cases.²⁸⁷

The decisions of these representative panels remain precedential; overruling requires an en banc decision of the Federal Circuit.²⁸⁸

In contrast, after *Vornado*, there can be no guarantee that a patent appeal will be heard by a representative panel of the expert court created to hear patent issues. The ratio of regional circuit judges to patent appeals is likely to be such that the regional circuits could not make

ner, *Increasing Certainty in Patent Litigation: The Need for Federal Circuit Approved Pattern Jury Instructions*, 83 J. PAT. & TRADEMARK OFF. SOC'Y 431, 432 (2001) (arguing that "[t]he beneficial results of the creation of the Federal Circuit were immediate and felt throughout America's high-technology industries," but that district courts need guidance in order to properly instruct juries on complex patent law).

286. See Moore, *supra* note 285, at 25–26 (concluding, based on empirical analysis of Federal Circuit decisions from 1996 to 2000, that there is a surprisingly "high degree of conformance among voting patterns of the Federal Circuit judges" in claim construction appeals); see also *Conflicts in Federal Circuit Patent Law Decisions*, *supra* note 285, at 723 ("Since its earliest days, the Court of Appeals for the Federal Circuit has made a concerted effort to insure against conflicts in its own decision.").

287. H.R. REP. NO. 97-312 at 31 (1981) (footnote omitted).

288. *Conflicts in Federal Circuit Patent Law Decisions*, *supra* note 285, at 723 (noting that at the Federal Circuit's First Annual Judicial Conference, Chief Judge Markey outlined this rule as one mechanism designed to insure against conflicts in the Federal Circuit's decisions) (citing Chief Judge Howard T. Markey, State of the Court, Address Before the First Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit (May 20, 1983), reprinted in 100 F.R.D. 499, 502–03 (1984)).

similar guarantees even if they were so inclined. Rather, it is uncertain who among the numerous members of the regional circuit benches will adjudicate patent appeals after *Vornado*, as well as their patent experience and proclivities.

There are two additional safeguards present at the Federal Circuit that litigants may attempt to circumvent by forcing patentees to litigate patent infringement claims as counterclaims and appealing such claims to the appropriate regional circuit:

The first safeguard is that all decisions will be reviewed by the Chief Technical Advisor to the court; the second safeguard is that opinions will be circulated to all judges of the CAFC and not just to the judges constituting the panel hearing the case. In this way the court is making all efforts to speak with a single voice.²⁸⁹

The Staff Technical Advisory to the Federal Circuit reviews all precedential opinions prior to publications.²⁹⁰ The Staff Technical Advisory review highlights conflicts, both apparent and real, that the Federal Circuit's opinion might present,²⁹¹ thereby affording the panel the opportunity to clarify the opinion before releasing it to the public.

These structural safeguards allow differences among the Federal Circuit's judges to operate as controlled "percolation."²⁹² Thus, the purported benefits of percolation were not entirely lost under the pre-*Vornado* regime.²⁹³ In the FCIA, Congress opted for this microcosm of percolation for patent issues, rather than keeping it at the inter-circuit level, which produced too many conflicts that the Supreme Court could not expend the time to resolve.

Additionally, although there have been charges that the Federal Circuit is pro-patent,²⁹⁴ empirical data indicates that "no particular class of litigant has an advantage" in patent cases before the Federal

289. Charles A. Wendel, *Things You Must Know About the New Court of Appeals for the Federal Circuit*, 21 PAT. L. ANN. 177, 178–79 (1983).

290. See Remarks of The Hon. Arthur Gajarsa, *Panel Discussion on Intra-Circuit Conflicts*, 11 FED. CIR. B.J. 623, 640–41 (2001) ("Sometimes the review that [house counsel] does could be two pages, sometimes it's 20 pages and the panel and the authoring judges have to consider all of those particular issues before they publish the opinion because basically that review goes to the entire court . . .").

291. *Id.*

292. Newman, *A Reminiscence*, *supra* note 9, at 528 (stating that differences in opinion are "in microcosm, the 'percolation' that scholars feared would be lost by a national court at the circuit level").

293. *Id.*

294. See, e.g., Robert P. Merges, *Commercial Success and Patent Standards: Economic Perspectives on Innovation*, 76 CAL. L. REV. 803, 822 (1988).

Circuit.²⁹⁵ Moreover, the court “is credited with bringing coherence to the field of patent law,”²⁹⁶ and the credit in all fairness is likely due — although patent law is complex and will always invite complicated distinctions, and new and difficult questions, the Federal Circuit’s experience with patent law allows it to apply the policy behind the regime.²⁹⁷ The court’s first Chief Judge, Howard T. Markey, reported that in its first three years, the Federal Circuit “identified and resolved all of the thirteen conflicts in the previous patent law decisions of the regional circuit courts and removed the slogans that for years had barnacled the patent law.”²⁹⁸ From the perspective of purging patent law of nebulous, nonstatutory decision rules, “there can be no question that the Federal Circuit has been successful.”²⁹⁹

Although empirical evidence suggests that before *Vornado* litigants engaged in some forum-shopping at the district level,³⁰⁰ this can be explained by the perceived expertise of districts such as those in California, Delaware, and Massachusetts in dealing with complex patent cases. In contrast, *Vornado* is likely to increase the pernicious kind of shopping based upon the attempt to secure the application of different substantive rules that motivated the FCIA in the first instance.

Before *Vornado*, some critics suggested that the Federal Circuit heard a disproportionate number of cases on issues that fall outside its exclusive jurisdiction but are frequently part of the same transaction or occurrence giving rise to a patent dispute. But deeming the number of cases heard as “disproportionate” begs the question. Even if empirically the Federal Circuit heard a larger proportion of, for example, refusal-to-deal antitrust claims than other circuits, if the refusal to deal was based on a colorable patent claim, perhaps the number of such cases heard by the Federal Circuit was just right. After all, there is some support in the legislative history for the proposition that Con-

295. Randall R. Rader, *Specialized Courts: The Legislative Response*, 40 AM. U. L. REV. 1003, 1013 & n. 51 (1991) (citing Special Project, *Published and Unpublished Federal Circuit Patent Decisions: A Comparison*, 30 J.L. & TECH. 233 (1990)).

296. Revesz, *supra* note 195, at 1117 (citing Dreyfuss, *supra* note 159, at 66); *see also* Kwon, *supra* note 116, at 66.

297. *See* Dreyfuss, *supra* note 159, at 52 (arguing that the Federal Circuit has improved patent law by making it “both more rational and easier to apply”).

298. Howard T. Markey, *The Federal Circuit and Congressional Intent* 41 AM. U. L. REV. 577, 577 (1992).

299. Janicke, *supra* note 8, at 660; *see also* Banner, *Witness*, *supra* note 9, at 571 (concluding that although the Federal Circuit’s performance has been imperfect, it has clearly brought stability to the patent law, strengthening the patent system in a manner that fosters industry).

300. *See* Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 83 J. PAT. & TRADEMARK OFF. SOC’Y 558, 561–63 (2001) (observing that “despite the creation of the Federal Circuit, choice of forum continues to play a critical role in the outcome of patent litigation” among the district courts, and considering the creation of a specialized patent trial court or restriction in patent venue laws to reduce it).

gress intended the Federal Circuit to exercise exclusive jurisdiction over patent issues merely masquerading as antitrust issues.³⁰¹ Perhaps the nation would be better off if the Federal Circuit decided all antitrust issues that implicate patent rights.³⁰² The time is ripe for Congress to make a considered judgment on this issue.

Congress should hesitate before crediting the charge that the court hears too many non-patent cases raised in connection with patent appeals. The regional circuits certainly hear non-patent issues as well, and the Supreme Court remains able to remedy the application of laws it deems incorrect in these areas, which are already subject to circuit splits. Preserving a voice on such issues for the Federal Circuit — even if it is a voice some perceive to be unduly loud — seems preferable to silencing that voice, as the other options risk doing.

Consequently, Congress should consider redrafting § 1295(a)(1) to authorize the Federal Circuit to exercise jurisdiction over counterclaims arising under the patent laws (or plant variety protection laws). Returning to *Aerojet* seems prudent, because it was the rule for over a decade, minimized uncertainty, and comported with Congress' reasons for creating the court in 1982.

There are, however, two caveats that warrant significant attention. First, the risks *Vornado* poses are vastly reduced for permissive counterclaims and cross-claims. Because such claims need not be asserted or relinquished, patentees can avoid the pitfalls of *Vornado* simply by asserting them in a separate forum. Although litigating such claims separately might be more costly than asserting them as counterclaims in the same suit, asserting permissive patent infringement counterclaims as claims in a separate suit bound for the Federal Circuit would still save patentees from the significant financial risk stemming from the application of uncertain patent law principles by other courts. Consequently, Congress could do much to restore the law to consistency with the purposes of the FCIA simply by codifying a return to *Aerojet*, but limiting the Federal Circuit's jurisdiction to compulsory counterclaims.

The second caveat is this: the Federal Circuit's choice-of-law regime remains woefully unclear.³⁰³ It currently requires litigants and district courts to engage in extraordinarily nebulous judgments. Moreover, where the Federal Circuit applies its own law to issues outside its exclusive jurisdictional grant, district courts must apply differing

301. See S. REP. NO. 97-275, app. B, at 37 (1981), reprinted in 1982 U.S.C.C.A.N. 11, 46 (letter from Legislative Affairs Officer William James Weller).

302. See Ravicher & Dilloff, *supra* note 200, at 154 (arguing that the Federal Circuit already has a "wealth of experience in applying antitrust principles to intellectual property rights," and concluding that it "is the most appropriate appellate court to resolve issues concerning the application of antitrust law to intellectual property").

303. See generally Gambrell, *supra* note 198, at 141-48 (discussing choice-of-law rules in the Federal Circuit).

rules to virtually identical non-patent issues depending on where the appeal will lie. Clarification of precisely which issues constitute “patent issues” on which the law of the Federal Circuit is binding is essential. The Federal Circuit (sitting en banc), the Supreme Court, or Congress should create a principled bright line rule.

One potential line is this: if the Federal Circuit is interpreting the meaning of patent-related federal common law or a patent law statute, including whether the patent law preempts state law or conflicts with other federal law, it should apply its own precedent. This approach might greatly reduce the instances in which the Federal Circuit applies its own law, but it would provide more certainty for litigants and district court judges. Moreover, it seems to comport with congressional intent, and would reduce the incentive to forum-shop that exists under an expansive regime in which the Federal Circuit applies its own law to many non-patent issues. Of course, because issues can be phrased as either a question of patent law or not, this line may not be bright enough. Nevertheless, it would ensure that the Federal Circuit applied regional circuit law to those questions that cannot be phrased as patent-related, and would reduce the incentive to forum-shop that the unclear, expansive current regime invites.

VII. CONCLUSION

Although returning exclusive jurisdiction over appeals in which either the complaint or a counterclaim arises under the patent laws will not guarantee uniformity or certainty in patent litigation, vesting jurisdiction over counterclaims with the regional circuits will guarantee uncertainty and non-uniformity. Although *Vornado* may not precipitate a crisis, it should be clear that the potential consequences of the decision are very troubling. Developments in the state, district, and circuit courts interpreting choice-of-law rules for patent issues in the wake of *Vornado* may significantly alleviate the potential uncertainty. Nevertheless, we should not need to wait so long,³⁰⁴ congressional action is preferable.

304. See HRUSKA COMMISSION REPORT, *supra* note 52, at 3 (“A state of emergency should not be viewed as a prerequisite to the consideration of improvements in the federal judicial system.”).