

HOLMES GROUP, INC. V. VORNADO AIR CIRCULATION SYSTEMS, INC.

By C.J. Alice Chen

I. BACKGROUND

A. The Federal Circuit's (Not-So-)Exclusive Jurisdiction Over Patent Cases

The U.S. Court of Appeals for the Federal Circuit possesses “exclusive jurisdiction” over all appeals from cases where the district court’s jurisdiction is, at least partly, based upon patent law.¹ The Federal Circuit is the only U.S. Court of Appeals with a jurisdictional grant based upon subject matter, rather than geography.² Congress purposefully created the Federal Circuit in 1982,³ with specific subject matter grants of jurisdiction, to promote uniformity and efficiency in applying certain areas of the law, such as patent law.⁴ However, under 28 U.S.C. §§ 1295(a)(1) and 1338(a), a case will be appealable to the Federal Circuit only where the district court’s jurisdiction, “in whole or in part,”⁵ “aris[es] under any Act of Congress relating to patents.”⁶ Since patent cases often involve issues in addition to those relating to patent law, it is often unclear whether the district

1. 28 U.S.C. § 1295(a)(1) (2000) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction – (1) of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title . . .”). Section 1338, in turn, grants U.S. district courts original jurisdiction over actions arising under patent law, amongst other intellectual property (“IP”) laws. *Id.* § 1338.

For more specific Federal Circuit jurisdictional grants for appeals of interlocutory decisions, appeals from the Board of Appeals and Interferences of the U.S. Patent and Trademark Office (“USPTO”), see 28 U.S.C. §§ 1295(a)(4), 1292(c).

2. 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).

3. John Donofrio & Edward C. Donovan, *Christianson v. Colt Industries Operating Corp.: The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U.L. REV. 1835, 1836 (1996) (citing Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25).

4. *See Re*, *supra* note 2, at 652. In addition to cases arising under the patent law, Congress also consolidated jurisdiction over all cases that previously were appealed to the Court of Claims and the Court of Customs and Patent Appeals (“CCPA”) by transferring that exclusive jurisdiction over to the new Federal Circuit. *See id.* at 653-54.

5. 28 U.S.C. § 1295(a)(1).

6. *Id.* § 1338(a).

court's jurisdiction is based upon patent law. As a result, "the issue of whether an action should be appealed to the Federal Circuit or the regional circuit court is often murky."⁷ In addition to the difficulty in determining whether an appeal to the Federal Circuit is appropriate, Congress compromised its own effort to induce uniformity and efficiency in the application of patent laws by making Federal Circuit jurisdiction dependent upon district court jurisdiction. 28 U.S.C. § 1338 grants to the Federal Circuit "jurisdiction of any civil action arising under any Act of Congress relating to patents," borrowing the phrase "arising under" from 28 U.S.C. § 1331.⁸ The Supreme Court has interpreted "arising under" jurisdiction using the well-pleaded complaint rule for both general federal question and Federal Circuit jurisdiction, thereby forcing regional circuits to apply patent law in cases where the patent issues are asserted by the defendant as defenses or counterclaims, rather than by the plaintiff.⁹ Hence, despite Congress' desire to create uniformity in the application of patent law, not all cases involving patent disputes will be appealed to the Federal Circuit.

B. The Supreme Court Determines "Arising Under" Jurisdiction Using the Well-Pleaded Complaint Rule

The Plaintiff, as the master of the complaint, chooses whether or not to invoke Federal Circuit jurisdiction by fashioning the complaint to include, or not to include, a claim that "arises under" a federal patent statute.¹⁰ For an action to properly arise under a federal patent statute, "the plaintiff must set up some right, title, or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one con-

7. Donofrio & Donovan, *supra* note 3, at 1837.

8. Section 1331 grants U.S. district courts federal question jurisdiction: "The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States." 28 U.S.C. § 1331 (2000).

9. See discussion *infra* Parts I.B-C, III; see also *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 122 S. Ct. 1889, 1893-94 (2002) (holding that the well-pleaded complaint rule does not allow counterclaims to serve as a basis for federal question, and hence Federal Circuit, jurisdiction); *Christianson v. Colt Indus. Operating Co.*, 486 U.S. 800, 809 (1988) (holding that cases raising patent issues only as defenses do not arise under the patent law for purposes of Federal Circuit jurisdiction).

10. See 8 DONALD S. CHISUM, CHISUM ON PATENTS § 21.02[1][a][v] (2002); see also *Fair v. Kholer Die & Specialty Co.*, 228 U.S. 22, 25 (1913) ("Of course the party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a 'suit arising under' the patent or other law of the United States by his declaration or bill.").

struction, or sustained by the opposite construction of these laws.”¹¹ Not only does the patent law claim have to be disclosed on the face of the complaint, “unaided by the answer,”¹² but “[i]ndeed, the complaint itself will not avail as a basis of jurisdiction in so far as it goes beyond a statement of the plaintiff’s cause of action and anticipates or replies to a probable defense.”¹³

In *Christianson v. Colt Industries Operating Company*,¹⁴ the Supreme Court reaffirmed its previously-stated rule that Federal Circuit “arising under” jurisdiction exists only where a well-pleaded complaint establishes the federal patent law cause of action.¹⁵ In the interest of “[l]inguistic consistency,”¹⁶ the Court held that the “arising under” language in § 1338, upon which § 1295 depends in granting Federal Circuit jurisdiction over patent cases, must be interpreted to rely on the same well-pleaded complaint rule that the Court uses in determining § 1331 federal question jurisdiction.¹⁷ Justice Brennan, writing for the Court, cited to his previous opinion in *Franchise Tax Board of California v. Construction Laborers Vacation Trust for Southern California*,¹⁸ where he extensively discussed federal question jurisdiction under § 1331, and the “arising under” language found therein.¹⁹ The body of case law culminating in *Christianson* ultimately concludes that cases where patent law is not an element of one of the well-pleaded claims, but is raised in a defense or in other collateral

11. *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897) (holding that the contract action for assumpsit did not arise under patent law, although a defense of patent invalidity was invoked).

12. *Gully v. First Nat’l Bank*, 299 U.S. 109, 113 (1936) (referring to § 1331 district court jurisdiction).

13. *Id.*

14. 486 U.S. 800 (1988).

15. *Id.* at 809 (citing the Federal Circuit’s opinion in *Christianson v. Colt Industries Operating Co.*, 822 F.2d 1544, 1553-56 (Fed. Cir. 1987), for the proposition that the Federal Circuit has jurisdiction in a patent case only where the complaint establishes a federal patent law “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”).

16. *Id.* at 808.

17. *Id.* at 808-09.

18. 463 U.S. 1 (1983).

19. *Id.* at 8-28 (discussing the history of § 1331 “arising under” jurisdiction, and concluding that the claims to enforce state tax levies against an ERISA-covered employee benefit plan, and state declaratory action to declare validity of such levies, did not arise under federal law). Justice Stevens, in *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, also cited *Franchise Tax Board* in referencing the well-pleaded complaint rule to determine federal question jurisdiction. 478 U.S. 804, 808 (1986) (“A defense that raises a federal question is inadequate to confer federal jurisdiction.”).

fashion, do not arise under an “Act of Congress relating to patents”²⁰ for the purposes of § 1295(a)(1)—Federal Circuit—jurisdiction.²¹

C. Aftermath of *Christianson*

Post-*Christianson*, the Federal Circuit resisted the application of a strict interpretation of the *Christianson* holding in cases dealing with § 1295(a)(1) jurisdiction and continued to construe its jurisdiction broadly.²² Distinguishing *Christianson* as not involving a compulsory counterclaim of patent infringement,²³ the Federal Circuit took jurisdiction in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*²⁴ The court reasoned that a compulsory counterclaim is, at the very least, its own well-pleaded claim, and that had the counterclaim been filed in a separate, independent complaint, it would clearly invoke Federal Circuit jurisdiction.²⁵ The Federal Circuit concluded that its assertion of jurisdiction over cases where the patent claim exists only as a nonfrivolous compulsory counterclaim does not violate the well-pleaded complaint rule.²⁶ The *Aerojet-General* opinion relied on legislative history indicating that Congress intended the Federal Courts Improvement Act of 1982²⁷ (herein-

20. 28 U.S.C. § 1338(a) (2000).

21. See, e.g., *Caterpillar Inc. v. Williams*, 482 U.S. 386 (1987) (holding that a defensive allegation of federal law preemption of plaintiff’s state employment law claims was insufficient to arise under federal law for federal question jurisdiction); *Phillips Petroleum Co. v. Texaco Inc.*, 415 U.S. 125 (1974) (holding that since the federal Natural Gas Act and Helium Act Amendments only serve to overcome potential defenses to the state law claims, they do not give rise to federal question jurisdiction). Cf. *Merrell Dow Pharms.*, 478 U.S. at 817 (5-4) (holding that invocation of a federal statute under an element of a state law claim, where Congress has not created a federal right of action under the statute, “does not state a claim ‘arising under the Constitution, laws, or treaties of the United States’”).

22. See *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 745 (Fed. Cir. 1990) (*en banc*) (holding that Federal Circuit had jurisdiction over nonpatent law cases involving a nonfrivolous compulsory counterclaim for patent infringement, because the counterclaim makes the district court jurisdiction depend, in part, on 28 U.S.C. § 1338). Cf. *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1014-15 (Fed. Cir. 1997) (transferring the case to the 9th Circuit because the patent law defense, raised as a declaratory judgment counterclaim, was insufficient to give rise to jurisdiction “arising under” a federal patent statute).

23. According to the Fed. R. Civ. P. 13(a), a compulsory counterclaim “arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.” Fed. R. Civ. P. 13(a).

24. 895 F.2d 736 (Fed. Cir. 1990).

25. *Id.* at 742.

26. *Id.*

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

after “FCIA”) to “alleviate the serious problems of forum shopping”²⁸ and “reduce the widespread lack of uniformity and uncertainty of legal doctrine that existed in the administration of patent law.”²⁹ In light of the clear legislative intent behind the formation and specific grant of subject matter jurisdiction in the FCIA, the Federal Circuit concluded that “the Justices [in *Christianson*] did not intend to make a rigid application of the well-pleaded complaint rule a Procrustean bed for this court’s jurisdiction.”³⁰

The Federal Circuit applied the *Aerojet-General* holding in several subsequent cases,³¹ prompting the Supreme Court to revisit the issue of Federal Circuit jurisdiction in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*³² In *Holmes Group*, the Supreme Court held that a defendant may not invoke Federal Circuit subject matter jurisdiction by asserting a patent law counterclaim, applying essentially the same reasoning used in finding that a defendant may not invoke Federal Circuit jurisdiction under § 1295(a)(1) by asserting a patent law defense to nonpatent claims.³³ *Holmes Group* clearly overrules *Aerojet-General*, and may render much of the Federal Circuit’s other precedents invalid as well.³⁴

28. *Aerojet-General Corp.*, 895 F.2d at 744 n.7 (quoting S. REP. NO. 97-275, at 29 (1981)) (internal quotations omitted).

29. *Aerojet-General Corp.*, 895 F.2d at 744 n.7 (quoting H.R. REP. NO. 97-312, at 20, 23 (1981)) (internal quotations omitted).

30. *Aerojet-General Corp.*, 895 F.2d at 741.

31. Following *Aerojet-General Corp.*, the Federal Circuit proceeded to decide cases dominated by nonpatent claims, even after all patent claims had extinguished. *See, e.g.*, *Crater Corp. v. Lucent Techs.*, 255 F.3d 1361, 1369 (Fed. Cir. 2001) (citing *Leatherman Tool Group Inc. v. Cooper Indus., Inc.*, 131 F.3d 1011 (Fed. Cir. 1997), for the proposition that the district court has supplemental jurisdiction over a state law claims that arise out of the same controversy as the patent claims that the district court has original jurisdiction over, even after patent infringement claim is dismissed); *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354, 1358-59 (Fed. Cir. 1999) (asserting jurisdiction over copyright case based on defendant’s nonfrivolous patent counterclaim); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1331 (Fed. Cir. 1998), *overruled on other grounds by* *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999) (affirming district court’s continued assertion of jurisdiction over cases where federal patent law claims were dismissed, and only state law claims remained, and thus confirming their own subject matter jurisdiction over the case); *Nobel-pharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1066-73 (Fed. Cir. 1998) (affirming the district court’s ruling on both the original patent claim as well as the antitrust counterclaim).

32. 122 S. Ct. 1889 (2002).

33. *Id.* at 1893-94; *see also* discussion *infra* Part II.D.

34. *See* discussion *infra* Part III.B-C (discussing the impact of *Holmes Group* on regional circuit and state court authority over patent claims).

II. CASE SUMMARY

A. Factual Background

The Holmes Group, Inc. ("Holmes"), Duracraft Corp. ("Duracraft"), and Vornado Air Circulation Systems, Inc. ("Vornado") are all in the business of selling fans and heaters with spiral grill designs.³⁵ Vornado's founders obtained a utility patent for their specialized fan grill in 1990,³⁶ and "a reissue patent expanding their claims, including those that involved the arcuate-shaped grill vane structure."³⁷ Duracraft and Holmes designed around Vornado's patent, and manufactured and sold fans very similar in design to Vornado's spiral grill, but not directly infringing Vornado's patent,³⁸ forcing Vornado to pursue other avenues to stop Duracraft and Holmes from using the spiral grill design.

B. Vornado I

Vornado began by suing Duracraft for trade dress infringement in the District of Kansas.³⁹ The district court awarded Vornado trade dress protection for the spiral grill design, determining that the structure was non-functional.⁴⁰ The Tenth Circuit, however, reversed the district court's injunction because it "effectively prevents defendant Duracraft Corp. from ever practicing the full invention embodied in the patented fans . . . after Vornado's utility patents expire," which, in the Tenth Circuit's view, violated patent policy.⁴¹ The Tenth Circuit's conclusion that "the inability freely to copy significant features of patented products after the patents expire impinges seriously upon the patent system's core goals"⁴² led them to "hold that where a disputed product configuration is part of a claim in a utility patent, and the configuration is a described, significant inventive aspect of the invention . . . so that without it the invention could not fairly be said to be the same invention, patent law prevents its protection as trade

35. *Holmes Group*, 122 S. Ct. at 1892.

36. U.S. Patent No. 4,927,324 (issued May 22, 1990).

37. *Vornado Air Circulation Sys. v. Duracraft Corp.*, 58 F.3d 1498, 1500 (10th Cir. 1995) [hereinafter *Vornado I*]; see also U.S. Patent No. RE34, 551 (issued Feb. 22, 1994).

38. *Vornado I*, 58 F.3d at 1501.

39. *Vornado Air Sys., Inc. v. Duracraft Corp.*, No. 92-1453-WEB, 1995 U.S. Dist. LEXIS 20104 (D. Kan. Nov. 29, 1995), *rev'd*, 58 F.3d 1498 (10th Cir. 1995) (rejecting Vornado's trade dress claim).

40. *Vornado I*, 58 F.3d at 1499-1500.

41. *Id.* at 1500.

42. *Id.* at 1508.

dress, even if the configuration is nonfunctional.”⁴³ Hence, Vornado’s utility patent prevented them from obtaining trade dress protection against Duracraft for their spiral grill design.⁴⁴

C. Holmes Group

1. *The District Court Decision*

Having failed to obtain trade dress protection in the Tenth Circuit, Vornado chose a different route in attacking Holmes: Vornado issued a press release accusing Holmes of trade-dress infringement⁴⁵ and filed a complaint against Holmes with the International Trade Commission (“ITC”) claiming that Holmes’ products infringed Vornado’s trade dress. In response to Vornado’s complaint to the ITC, Holmes brought a declaratory and injunctive relief action in the U.S. District Court for the District of Kansas.⁴⁶ Holmes asked for a declaration that Holmes’ products do not infringe Vornado’s trade dress, and an injunction “restraining [Vornado] from accusing it of trade-dress infringement in promotional materials.”⁴⁷ The district court agreed with Holmes that “[t]he elements of collateral estoppel are clearly satisfied,”⁴⁸ and “found that Vornado was collaterally estopped from arguing trade dress infringement, because of the Tenth Circuit’s earlier decision [in *Vornado I*],”⁴⁹ despite the Federal Circuit’s express rejection of *Vornado I* in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*⁵⁰

43. *Id.* at 1510 (citation omitted).

44. *See id.*; *see also Holmes Group*, 122 S. Ct. at 1892.

45. *Federal Circuit Jurisdiction Is Debated in Briefs for Upcoming Supreme Court Case*, 63 PATENT, TRADEMARK & COPYRIGHT J. (BNA) (No. 1563) 388, Mar. 8, 2002, available at <http://subscript.bna.com/SAMPLES/ptc.nsf/ca856c3562d5d50b852564e60009cbc6/335da6d4f573f08185256b75007cdfc5?OpenDocument> (last visited February 11, 2003) [hereinafter *Federal Circuit Jurisdiction Debated*].

46. *See Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 93 F. Supp. 2d 1140, 1141 (D. Kan. 2000); *Holmes Group*, 122 S. Ct. at 1892.

47. *Holmes Group*, 122 S. Ct. at 1892.

48. *Holmes Group*, 93 F. Supp. 2d at 1142-43.

49. *Cases and Recent Developments*, 12 FED. CIR. B.J. 135, 194; *see also Holmes Group*, 93 F. Supp. 2d at 1144 (“Under principles of collateral estoppel, the ruling in *Vornado I* bars Vornado from re-litigating the same issue in this action.”).

50. 175 F.3d 1356 (Fed. Cir. 1999).

The Tenth Circuit stands alone in . . . ruling that trade dress protection is unavailable for a product configuration that is claimed in a patent and is a ‘described, significant inventive aspect’ of the patented invention, even if the configuration is nonfunctional. . . . As 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

Vornado's answer to Holmes' declaratory judgment action also contained a compulsory counterclaim alleging patent infringement.⁵¹ The district court granted the declaratory judgment and injunction that Holmes sought, and stayed proceedings relating to the patent infringement counterclaim pending decision on the declaratory judgment and injunction on appeal.⁵²

2. *The Federal Circuit Decision*

Vornado appealed to the Federal Circuit, and Holmes' challenged the Federal Circuit's jurisdiction.⁵³ Notwithstanding the jurisdictional challenge, the Federal Circuit vacated and remanded the district court's ruling for further consideration, in light of *TrafFix Devices, Inc. v. Marketing Displays, Inc.*,⁵⁴ a Supreme Court decision that overruled the Tenth Circuit's holding in *Vornado I*.⁵⁵ Holmes filed for a writ of certiorari with the Supreme Court to re-assert their challenge to the Federal Circuit's exercise of jurisdiction.⁵⁶

Id. at 1364; *see also Holmes Group*, 93 F. Supp. 2d at 1143 ("The court concludes that this clear conflict in the substantive law of the circuits does not require, nor does it warrant, a refusal to apply the law of collateral estoppel in this action.").

51. *Holmes Group*, 122 S. Ct. at 1892.

52. *Id.*

53. *Id.*

54. 532 U.S. 23 (2001). *TrafFix Devices* involved a trade dress dispute, similar to *Vornado I* and *Holmes Group*; however, the relevant patent had been rendered irrelevant by its expiration, and the Court held that while a utility patent does not *per se* prevent the patentee from also obtaining trade dress protection, a utility patent that covered a specific design element constituted strong evidence that the design element was functional, and therefore not qualified for trade dress protection. *Id.* at 26, 31. *Marketing Displays, Inc.* could not overcome this presumption of functionality, created by their expired patent on the invention, and thus could not obtain trade dress protection. *Id.* at 32. In contrast, in *Vornado I*, the district court found that the spiral grill design was nonfunctional, and this finding remained undisputed by the Tenth Circuit, which reversed on different grounds. *See discussion supra* Part II.A-B. Instead, the Tenth Circuit ruled that trade dress protection is not available for designs covered by utility patents, "even if the configuration is nonfunctional," *Vornado I*, 58 F.3d at 1510, a statement that is clearly contradicted by the Supreme Court's holding in *TrafFix Devices*.

55. *Id.* at 28-31 (resolving the Circuit split on the issue of "whether the existence of an expired utility patent forecloses the possibility of the patentee's claiming trade dress protection in the product's design," against *Vornado I*'s holding that trade dress protection is foreclosed, although placing a heavy burden on the patentee to show nonfunctionality); *see also Holmes Group*, 122 S. Ct. at 1892 (stating *TrafFix*'s overruling of *Vornado I*).

56. *Holmes Group*, 122 S. Ct. at 1892.

D. Supreme Court Decision

The Supreme Court granted certiorari, and ultimately held that the Federal Circuit improperly asserted jurisdiction in vacating and remanding *Holmes Group*, and remanded the case back to the Court of Appeals for the Tenth Circuit.⁵⁷ Justice Scalia authored the majority opinion, citing to the Court's reasoning in *Christianson*, and strictly construing the Federal Circuit's grant of jurisdiction under §§ 1295(a) and 1338. Justice Stevens concurred, showing the same hesitation towards adopting a strict formalist approach to determining "arising under" jurisdiction as he did in *Christianson*. Justice Ginsburg concurred separately, joined by Justice O'Connor, hailing the *Aerojet-General* rule granting the Federal Circuit jurisdiction over all cases involving compulsory patent law counterclaims, with the proviso that the patent law claim be adjudicated in the lower courts. Thus, Justices Ginsburg and O'Connor would have disagreed with the majority outcome had the district court entertained Vornado's compulsory patent law counterclaim against Holmes.

1. Scalia's Majority Opinion

The majority opinion disregarded a decade worth of Federal Circuit reasoning on the subject of Federal Circuit jurisdiction, and stuck hard and fast to a strict interpretation of the *Christianson* holding. The Court reiterated the rule set forth in *Christianson*, that in order to "arise under" the patent law, the § 1338 basis for federal district court jurisdiction must be found in the plaintiff's complaint, which applies the same test under § 1338 as under § 1331.⁵⁸ Therefore, "a counterclaim—which appears as part of the defendant's answer, not as part of the plaintiff's complaint—cannot serve as the basis for 'arising under' jurisdiction."⁵⁹

The Court cited to previous cases where federal questions arose as defenses, quoting its previous opinions as stating that "federal jurisdiction exists 'only when a federal question is presented on the face of the *plaintiff's* properly pleaded complaint,'"⁶⁰ and "'whether a case arises under

57. *Id.* at 1895.

58. Compare 28 U.S.C. § 1338(a) with 28 U.S.C. § 1331 (2000) (conferring jurisdiction for "civil actions arising under" specified bodies of law: "any Act of Congress relating to patents" in the former, and "the Constitution, laws, or treaties of the United States" in the latter). See also *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808 (1988) (requiring that the same test be used to determine whether the case "arises under" for both § 1338(a) and § 1331, for 'linguistic consistency[']' sake).

59. *Holmes Group*, 122 S. Ct. at 1894.

60. *Id.* at 1893 (quoting *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987)).

federal patent law ‘cannot depend upon the answer.’”⁶¹ From these precedents, the Court reasoned that counterclaims cannot provide the basis for jurisdiction under § 1338 because counterclaims are brought by defendants in their answer to the complaint.

The Court declined Vornado’s invitation to determine “arising under” jurisdiction differently for the Federal Circuit, seeing their duty as “determin[ing] what the words of the statute must fairly be understood to mean” rather than “determin[ing] what would further Congress’s goal of ensuring patent-law uniformity.”⁶² Applying a different rule for § 1338 would violate the Court’s “longstanding policies”⁶³: (1) the plaintiff, as “the master of the complaint,” should be able to choose the appropriate forum; (2) removal doctrine requires that the federal courts respect the independence of the state governments, and “expand[ing] the class of removable cases” would impinge upon state independence; (3) the well-pleaded complaint doctrine has become a clear and easy rule for resolving jurisdictional conflicts, and creating a separate rule for the Federal Circuit would “undermine the clarity and ease of administrat[ing]” the doctrine.⁶⁴ For these reasons, the Court concluded that the well-pleaded complaint rule, as applied for § 1331, should be accordingly applied in determining Federal Circuit jurisdiction, which is conferred by § 1295(a), and reliant upon § 1338(a);⁶⁵ thus, patent counterclaims cannot give rise to Federal Circuit jurisdiction.

2. *Stevens’ Concurrence*

Just as in *Christianson*, Justice Stevens’ concurrence remained opposed to a formalistic determination of appellate jurisdiction based upon the original complaint filed in the action.⁶⁶ Stevens disagreed with the majority’s “statement that an interpretation of the ‘in whole or in part’ language of § 1295(a)(1) to encompass patent claims alleged in a compulsory

61. *Holmes Group*, 122 S. Ct. at 1894 (quoting *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22 (1913)).

62. *Holmes Group*, 122 S. Ct. at 1895.

63. *Id.* at 1894.

64. *Id.*

65. *Id.* at 1894-95.

66. *Compare id.* at 1895-97 (Stevens, J., concurring) (noting that “the jurisdiction of the court of appeals is not ‘fixed’ until the notice of appeal is filed,” and agreeing to a rule that “limits the Federal Circuit’s exclusive jurisdiction to those cases in which the patent claim is alleged in either the original complaint or an amended pleading filed by the plaintiff”) with *Christianson v. Colt Indus. Operating Co.*, 486 U.S. 800, 823-24 (1988) (Stevens, J., concurring) (“Congress’ goal of ensuring that appeals of patent-law claims go to the Federal Circuit would be thwarted by determining that court’s appellate jurisdiction only through an examination of the complaint as initially filed. That approach would enable an unscrupulous plaintiff to manipulate appellate court jurisdiction . . .”).

counterclaim providing an independent basis for the district court's jurisdiction would be a 'neologism' that would involve 'an unprecedented feat of interpretive necromancy,'"⁶⁷ because he felt that Judge Markey's opinion in *Aerojet-General Corp.* constituted "well-reasoned precedent."⁶⁸ Justice Stevens also noted that since "jurisdiction of the court of appeals is not 'fixed' until the notice of appeal is filed," the Federal Circuit should have jurisdiction to hear cases where patent claims are alleged in amended pleadings filed by plaintiff, and not just where patent claims appear in the original complaint.⁶⁹ However, he was content to settle for a rule that Federal Circuit jurisdiction is limited to cases where a "patent claim is alleged in either the original complaint or an amended pleading filed by the plaintiff,"⁷⁰ in order to preserve the plaintiff's choice of forum, and "maintain[] clarity and simplicity in rules governing appellate jurisdiction."⁷¹

3. Ginsburg's Concurrence

Justice Ginsburg, joined in her opinion by Justice O'Connor, also praises Judge Markey's opinion in *Aerojet-General*, but was not as quick as Justice Stevens to settle with Scalia's majority rule restricting Federal Circuit jurisdiction to cases where patent claims are found in an original or amended complaint.⁷² Ginsburg agreed with *Aerojet-General's* liberal interpretation of § 1295(a)(1), if not quite with the more liberal exercise of jurisdiction in *Holmes Group*. She argued that if "a compulsory counterclaim 'arises under' federal patent law *and is adjudicated on the merits* by a federal district court," then the Federal Circuit should have exclusive appellate jurisdiction over the case.⁷³ Ginsburg concurred with the majority decision only because the patent counterclaim in *Holmes Group* was never actually adjudicated.⁷⁴

67. *Holmes Group*, 122 S. Ct. at 1896.

68. *Id.*

69. *Id.*

70. *Id.*

71. *Id.* at 1897.

72. See discussion *supra* Part II.D.2.

73. *Holmes Group*, 122 S. Ct. at 1898 (emphasis added).

74. *Id.*

III. DISCUSSION

A. A Plaintiff's Right to Choose the Forum Versus Uniformity in the Patent Law

Critics of *Holmes Group* agree with Stevens' statement that the Federal Circuit's en banc opinion in *Aerojet-General* was thorough, sound, and well-reasoned precedent.⁷⁵ *Aerojet-General* addresses all the concerns that Scalia raises in *Holmes Group*, and harmonizes the legislative history behind § 1295(a)(1), the Supreme Court's ruling in *Christianson*, and the well-pleaded complaint rule with the Federal Circuit's assertion of jurisdiction on the basis of a nonfrivolous compulsory patent law counterclaim.⁷⁶ According to *Aerojet-General*, the well-pleaded complaint rule is preserved in allowing compulsory patent counterclaims to be appealed to the Federal Circuit because "it states a separate cause of action unquestionably 'arising under' (indeed created by) a patent statute," and is thereby "a separate, well-pleaded claim with its own jurisdictional basis [under] section 1338."⁷⁷ The same cannot be said for patent defenses, which may not be stated as separate, independent claims, and cannot provide independent bases for jurisdiction; therefore the Federal Circuit's reasoning does not contradict *Christianson*, which involved a patent issue raised as part of a defense to trade secret misappropriation.⁷⁸ Finally, the *Aerojet-General* court concluded that the above interpretation of § 1295(a)(1) "accords with the Congressional intent manifest in the legislative history of the FCIA," that of "increasing nationwide uniformity in certain fields of national law."⁷⁹ Thus it appeared that the Federal Circuit,

75. See Janice M. Mueller, "Interpretive Necromancy" or Prudent Patent Policy? The Supreme Court's "Arising Under" Blunder in *Holmes Group v. Vornado*, 2 J. MARSHALL REV. INTELL. PROP. L. 57, 66-68 (2002) (criticizing the Supreme Court's decision in *Holmes Group* and favoring the Federal Circuit's reasoning in *Aerojet* instead), available at <http://www.jmls.edu/ripl/vol2/issue1/mueller.pdf> (last visited Feb. 11, 2003); see also *Federal Circuit Jurisdiction Debated*, *supra*, note 45 (summarizing the D.C. Bar Association's amicus brief argument, in support of Vornado's procedural position, that predicating Federal Circuit jurisdiction on a patent counterclaim "is consistent with the well-pleaded complaint rule and Supreme Court precedent").

76. *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 741-45 (Fed. Cir. 1990).

77. *Id.* at 742.

78. See *id.* at 741 ("The Court's focus on the 'well-pleaded complaint rule' was, of course, perfectly appropriate in *Christianson*, where there was no counterclaim arising under a federal patent statute. Indeed, this court had employed the same analysis when the case was here.")

79. *Aerojet-General Corp.* 895 F.2d at 744. Markey cites the Supreme Court opinion in *Community For Creative Non-Violence v. Reid*, 490 U.S. 730, 749-50 (1989), for

in *Aerojet-General*, had found an interpretation of the statute that furthered Congress's intent to increase uniformity in the patent law, without violating the well-pleaded complaint rule.

However, the *Holmes Group* majority apparently was unsatisfied with the *Aerojet-General* court's reasoning, and was concerned that the well-pleaded complaint rule would be compromised by allowing "a defendant to remove a case brought in state court under state law, thereby defeating a plaintiff's choice of forum, simply by raising a federal counterclaim," which in turn would compromise the federal government's "due regard for the rightful independence of state governments."⁸⁰ Moreover, the Court reasoned that the plaintiff's ultimate right to choose a forum for the litigation, the main policy behind the well-pleaded complaint rule, prevailed over Congress's general policy for enacting the FCIA—to increase uniformity in the patent law.⁸¹ In declining to extend the Federal Circuit's "arising under" jurisdiction to include jurisdiction over compulsory patent counterclaims, Scalia unsurprisingly adhered to a textual, literal style of interpretation, stating that the Court's "task here is not to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean," thereby refusing to give credence to even clear, express Congressional intent.⁸² Thus, the *Holmes Group* majority pits patent law policy against a strict interpretation of "arising under" jurisdiction based on the well-pleaded complaint rule and its policy of preserving the plaintiff's right to choose a forum. Much of the *Holmes Group* commentary follows suit by also focusing on the well-pleaded complaint rule.⁸³ However, a broader analysis of the *Holmes Group* holding reveals other forces in conflict with patent policy, forces not discussed in any of the *Holmes Group* opinions, but that are nonetheless at play in the decision.

the proposition that "a construction that undermines a statute's goal cannot stand." *Id.* at 745.

80. *Holmes Group*, 122 S. Ct. at 1894 (quoting *Shamrock Oil & Gas Corp. v. Sheets*, 313 U.S. 100, 109 (1941)).

81. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982).

82. *Holmes Group*, 122 S. Ct. at 1895 (continuing on to declare that the term "arising under" will always be "a term familiar to all law students as invoking the well-pleaded-complaint rule," and that if a broader meaning were to be attributed to "arising under" jurisdiction in order to accord with Congressional intent, "the phrase would [simply] be some neologism [to] justify our adverting to the general purpose of the legislation").

83. See, e.g., Mueller, *supra*, note 75; *Federal Circuit Jurisdiction Debated*, *supra*, note 45, n.79.

B. Restoring Regional Circuit Authority Over Nonpatent Law

Holmes Group directly overrules *Aerojet-General*, where the two conflicting policies are the plaintiff's right to choose a forum and Congress's desire to increase uniformity in the patent law; however, the *Holmes Group* decision largely affects cases in which the Federal Circuit's exercise of jurisdiction impinges upon regional circuit authority to decide nonpatent law claims, such as antitrust, trade dress, and state-law contract claims.⁸⁴ Originally, the Federal Circuit, in *Atari, Inc. v. JS&A Group, Inc.*,⁸⁵ acknowledged that "Congress' passage of the FCIA . . . reflects its expectation that this court would not appropriate or usurp for itself a broad guiding role for the district courts beyond . . . the substantive law of patents."⁸⁶ Until 1989, the Federal Circuit obeyed this mandate, and applied regional circuit law to nonpatent law issues.⁸⁷ However, in 1989, the Federal Circuit panel in *Nobelpharma AB v. Implant Innovations, Inc.* departed from its tradition, and applied its own law in deciding an antitrust counterclaim.⁸⁸ The court, upon its authority over the patent infringement suit, eliminated a plaintiff's immunity from antitrust liability to the extent that such immunity conflicted with patent law.⁸⁹ *Nobelpharma* was not discarded as an exception, or lapse in judgment by a single Federal Circuit panel, but was embraced by the Federal Circuit, which continued to follow *Nobelpharma* in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*,⁹⁰ over-

84. See James W. Dabney, *Holmes v. Vornado: A Restatement of the "Arising Under" Jurisdiction of Federal Courts*, NYSBA Bright Ideas (N.Y. State Bar Ass'n), October 2002, at 5-6, available at <http://www.pennie.com/content/ItemContent/52FT/article.pdf> ("In the late 1990s . . . the Federal Circuit . . . held that it would start fashioning its own substantive liability rules for antitrust, trade dress, and other claims over which it had only pendent or nonexclusive jurisdiction"); see also *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067 (Fed. Cir. 1998) (characterizing the issue of "[w]hether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws [as] one of those issues that clearly involves [the Federal Circuit's] exclusive jurisdiction over patent cases").

85. 747 F.2d 1422 (Fed. Cir. 1984).

86. *Id.* at 1438.

87. See, e.g., *Hunter Douglas*, 175 F.3d at 1333 (applying Ninth Circuit law in determining a mixed patent and state law issue).

88. *Nobelpharma*, 141 F.3d at 1068.

89. *Id.* at 1067-68 (reasoning that not only should the Federal Circuit have exclusive jurisdiction over the matter, but that they "should decide these issues as a matter of Federal Circuit law, rather than rely on various regional precedents" because such antitrust claims are usually raised as counterclaims to patent infringement suits). The court ultimately affirmed the lower court's decision to take away *Nobelpharma*'s immunity from antitrust liability. *Id.* at 1072.

90. 175 F.3d 1356, 1358-59, 1361 (Fed. Cir. 1999) (holding that the Federal Circuit should apply its own law in deciding matters of mixed patent and nonpatent law, and in

ruling its previous decisions applying regional circuit law to nonpatent claims, *Hunter Douglas, Inc. v. Harmonic Design, Inc.* in particular.⁹¹ Thus, while the *Holmes Group* majority supported its holding by pitting the well-pleaded complaint rule against Congress' intent behind the FCIA, and finding in favor of the well-pleaded complaint rule, a more persuasive and directly-conflicting policy that they do not address is the preservation of regional circuit authority over nonpatent law claims.

C. Immediate Effects of *Holmes Group*

The Federal Circuit explicitly and summarily acknowledged *Holmes Group* as overruling *Aerojet-General* in a recent case, *Telcomm Technical Services, Inc. v. Siemens Rolm Communications, Inc.*,⁹² where it transferred the case to the Eleventh Circuit, citing *Holmes Group* for its lack of subject matter jurisdiction over the case.⁹³ *Telcomm* resembled *Aerojet-General* and *Holmes Group* in that the case involved a patent counterclaim, rather than a patent defense, and had a mixture of patent and nonpatent issues.⁹⁴ In *Telcomm*, Judge Gajarsa's opinion gave complete and utter deference to Scalia's *Holmes Group* decision: "In the Supreme Court's intervening decision in *Holmes Group*, it held that the well-pleaded complaint rule endures no necromancy that would vest the statutory phrase "arising under" with a meaning that encompasses appellate jurisdiction for a case to be heard in the Federal Circuit based on a patent infringement counterclaim."⁹⁵ *Telcomm* is the first Federal Circuit decision to follow *Holmes Group*, and exemplifies the immediacy of *Holmes Group's* effect on the Federal Circuit's docket. *Telcomm* signifies a sharp turn in the recent flow of Federal Circuit case law broadening its jurisdictional authority, and an acknowledgment by the Federal Circuit that they may have let their jurisdictional tide wash too far over the jurisdiction of other courts.⁹⁶

this case, whether principles of patent law foreclose Midwest's Lanham Act and state trademark law claims)

91. *Id.* at 1359

92. 295 F.3d 1249 (2002).

93. *Hunter Douglas*, 295 F.3d at 1251-52 ("See *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.* . . . overruled by *Holmes Group*, 122 S. Ct. at 1893.").

94. *Telcomm Technical Svc.*, 295 F.3d at 1251.

95. *Id.* at 1252 (citing *Holmes Group*, 122 S.Ct. at 1895).

96. See e.g., *Federal Circuit Jurisdiction Debated*, *supra*, note 45 ("Holmes argued that Federal Circuit law on the scope of its appellate jurisdiction has overreached the bounds of Sections 1295(a)(1) and 1338(a) as interpreted by *Christianson v. Colt Indus. Operating Corp.*").

While scholars predict that the actual number of cases affected by the *Holmes Group* decision will not be great,⁹⁷ the impact of *Holmes Group* “has been swift and dramatic”⁹⁸ and “multifaceted,”⁹⁹ and the cases will be “relatively high profile.”¹⁰⁰ *Holmes Group* not only overruled *Aerojet-General’s* jurisdictional holding, but also “overrules a substantial body of precedent holding that state courts lack jurisdiction to hear counterclaims arising under federal patent or copyright law,”¹⁰¹ whereas previously, state courts were only allowed to decide patent issues and questions, but not *claims*.¹⁰² Thus, *Holmes Group* sanctions state and regional appellate court decisions on patent law claims at the same time that it prohibits Federal Circuit decisions on nonpatent law claims.

In addition, *Holmes Group* casts doubt on the precedential value of all the recent Federal Circuit cases deciding mixed questions of nonpatent and patent laws—particularly the numerous cases addressing clashes between antitrust and patent laws.¹⁰³ It remains to be seen whether the regional circuit and state appellate courts should or will apply their own pre-*Nobelpharma* law to mixed patent and nonpatent law claims. Moreover, it is unclear whether they should or will apply their own patent case law, from before the early 1980s, to the patent claims that will appear on their benches by way of counterclaims to nonpatent causes of action, or whether they will rely on the rich, if sometimes confusing, body of patent law that the Federal Circuit has produced in the last two decades.

Holmes Group “(1) strengthens the traditional right of plaintiffs to choose their law and forum; . . . (3) reduces forum-shopping opportunities between the Federal Circuit and regional courts of appeals on nonpatent claims; (4) restores regional circuit authority over cases commenced under antitrust, copyright, trade dress, contract, or other nonpatent law; and (5) expands the power of state courts to decide the entirety of cases properly

97. Mueller, *supra*, note 75, at 69.

98. Dabney, *supra* note 84, at 3.

99. *Id.* at 6.

100. Mueller, *supra* note 75, at 69.

101. Dabney, *supra* note 84, at 4 & n.15 (citing to state cases from Delaware, Florida, New York and Ohio).

102. *Id.* at 4 & n.16.

103. *E.g.*, *CSU, LLC v. Xerox Corp.* 203 F.3d 1322 (Fed. Cir. 2000) (deciding a patent infringement counterclaim in the context of an antitrust case); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1358-59, 1361 (Fed. Cir. 1999) (applying Federal Circuit law to claims involving mixed patent, copyright and state law issues); *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir. 1998) (applying Federal Circuit law to claims involving a tension between antitrust and patent law).

brought before them under nonfederal law.”¹⁰⁴ On the other hand, it contradicts the stated Congressional intent behind the Federal Circuit’s grant of jurisdiction according to the FCIA; increases forum-shopping opportunities on patent claims; and bucks much of the hard work expended by the Federal Circuit in perfecting a broad view of their jurisdiction, thereby upsetting much of the Federal Circuit precedent. Ultimately, while scholars and practitioners may couch the decision as beneficial to state and regional federal appellate courts, in preserving and restoring authority that those courts have been gradually relinquishing to the Federal Circuit during the past two decades, the state and regional circuit courts may feel not relief, but confusion and burden as a result of having to decide patent claims again.¹⁰⁵

IV. CONCLUSION

The Supreme Court has made it clear that when balanced against other rights and authorities, such as the right of the plaintiff to choice of forum, the goal of preserving uniformity in patent law loses.¹⁰⁶ Although not explicit in the Supreme Court’s opinion in *Holmes Group*, the regional circuit courts’ authority over nonpatent law issues has incidentally won a victory over the Federal Circuit’s authority over patent issues as well.¹⁰⁷ While the *Holmes Group* mandate is clear, and the Federal Circuit is obediently abiding by its rule, its effects will be far-reaching and tumultuous, as regional courts, both in the state and federal system, dust the cobwebs off old regional patent law and re-enter the realm of deciding patent law claims.

104. Dabney, *supra* note 84, at 6.

105. See Mueller, *supra* note 75, at 69-70 (describing the patent related questions, arising from *Holmes Group*, that state and regional circuit courts will have to resolve, and quoting a statement, in *The Recorder*, from Edward Reines, a partner at Weil, Gotshal & Manges in Redwood Shores, California: “The clear losers in this case are the appellate judges around the country who thought that with the creation of the Federal Circuit they would not have to hear another patent case—with all the esoteric questions of law and technology that tend to come with them.”). For that matter, patent litigators that have become comfortable with, and knowledgeable in, the Federal Circuit case law will have to cope with case law stemming from all eleven circuits. *Id.*

106. *Holmes Group*, 122 S. Ct. at 1895 (“Our task here is not to determine what would further Congress’s goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean”); Mueller, *supra* note 75, at 67.

107. See discussion, *supra*, Part III.B.

