Summer 1986


Emmette F. Hale, III
University of Mississippi School of Law

Follow this and additional works at: http://ir.law.fsu.edu/lr

Part of the Intellectual Property Law Commons, and the Jurisdiction Commons

Recommended Citation
http://ir.law.fsu.edu/lr/vol14/iss2/2

This Article is brought to you for free and open access by Scholarship Repository. It has been accepted for inclusion in Florida State University Law Review by an authorized editor of Scholarship Repository. For more information, please contact bkaplan@law.fsu.edu.
THE "ARISING UNDER" JURISDICTION OF THE FEDERAL CIRCUIT: AN OPPORTUNITY FOR UNIFORMITY IN PATENT LAW

EMMETTE F. HALE, III*

The United States Court of Appeals for the Federal Circuit, created by Congress in 1982, holds the potential for an important change in patent law. In an effort to establish uniformity in patent law, Congress removed patent appeals from the regional courts of appeals and placed them within the jurisdiction of the newly created court. In this Article, Professor Hale examines recent Federal Circuit decisions defining the scope of the court's jurisdictional grant. He concludes that although these decisions are a step toward patent law uniformity, the Federal Circuit should abandon certain federal jurisdictional principles, such as the well-pleaded complaint rule, in order to exercise its jurisdiction over all appeals that contain substantial patent issues. Only then will the sought-after uniformity be realized.

A MILESTONE in patent jurisprudence was reached on October 1, 1982, when the United States Court of Appeals for the Federal Circuit (CAFC) was created by the merger of the Court of Claims and the Court of Customs and Patent Appeals.1 This new federal appellate court, the thirteenth court of appeals, resulted in part from congressional reaction to the federal appellate crisis2 and in part from an attempt to achieve uniformity in patent law.3 The Federal Circuit possesses the jurisdiction of its two predecessor courts as well as exclusive jurisdiction over all patent appeals.4

In this Article, the author discusses the court's jurisdictional grant, reviews the legislative history of the Federal Circuit, and ex-

---


Special thanks to my colleagues and friends, Professors Elyce Zenoff of George Washington University, and Bill Champion and Carolyn Ellis of the University of Mississippi.

2. From 1960 to 1983, the number of cases filed in the district courts increased 250% with the largest growth in civil filings. R. POSNER, THE FEDERAL COURTS 63-64 (1985). Appeals to the courts of appeals increased 686% while applications for Supreme Court review of federal appellate court decisions rose from 870 in 1960 to 2,841 in 1982. Id. at 65, 92.
3. See infra notes 58-73 and accompanying text.
amines recent cases concerning the court’s jurisdiction. The author concludes that this novel approach to appellate jurisdiction should not be encumbered with the traditional rules of federal jurisdiction. In particular, because of the legislative history and public policy considerations underlying the Federal Circuit, the well-pleaded complaint rule should not be employed to determine the “arising under” jurisdiction of the Federal Circuit. The clear mandates of Congress require that the Federal Circuit review all cases in which important patent issues are raised regardless of how and when those issues are raised. In summary, the Federal Circuit has the inherent jurisdiction to entertain appeals in cases where substantial patent issues are raised, whether through complaints, amended complaints, affirmative defenses, or counterclaims.

I. THE “ARISING UNDER” JURISDICTION OF THE FEDERAL CIRCUIT

The appellate jurisdiction of the Federal Circuit is unique in that it is defined in terms of limited subject matter jurisdiction with nationwide geographic jurisdiction. The Federal Circuit has exclusive jurisdiction over appeals that previously went to the Court of Customs and Patent Appeals and the appellate division of the Court of Claims. Additionally, the Federal Circuit has exclusive jurisdiction over certain interlocutory decisions; over appeals from civil actions filed in the district courts to review decisions of

5. See infra notes 33-42 and accompanying text.

Because it was granted the jurisdiction of the old Court of Customs and Patent Appeals, the Federal Circuit has exclusive jurisdiction over: decisions with respect to applications and interferences from the Board of Appeals and Patent Interferences, 28 U.S.C. § 1295(a)(4)(A) (Supp. 1985); appeals from decisions of the Commissioner of Patents and Trademarks or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings under 15 U.S.C. § 1071, 28 U.S.C. § 1295(a)(4)(B) (1982); appeals from final decisions of the United States Court of International Trade, id. § 1295(a)(5); appeals from final determinations of the United States International Trade Commission relating to unfair practices under 19 U.S.C. § 1337, 28 U.S.C. § 1295(a)(6) (1982); appeals on questions of law from “findings of the Secretary of Commerce under headnote 6 to schedule 8, part 4, of the Tariff Schedules of the United States,” id. § 1295(a)(7); appeals under section 71 of the Plant Variety Protection Act, id. § 1295(a)(8); and appeals from decisions of the Claims Court, which succeeded the trial division of the old Court of Claims, id. § 1295(a)(3).

8. Congress has given the Federal Circuit exclusive jurisdiction to review orders of the district courts “granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court,” where the jurisdiction of the Federal Circuit is based on § 1295. Id. § 1292(a)(1), (c)(1).
the Patent and Trademark Office; over appeals from final decisions of all district courts in civil actions against the United States for $10,000 or less which are not founded upon tax, tort, or title claims; over final decisions or orders of the Merit Systems Protection Board, except in discrimination cases; and over certain final decisions of agency boards of contract appeals. Finally, the court has exclusive jurisdiction over final decisions of district courts in patent actions based "in whole or in part" on 28 U.S.C. section 1338.

The most significant change resulting from the creation of the Federal Circuit is the transfer of patent appeals from the appellate jurisdiction of the regional courts of appeal to the Federal Circuit. The CAFC has exclusive jurisdiction over any appeal taken from the final decision of a district court "if the jurisdiction of that court has been properly invoked." 28 U.S.C. § 1295(a)(4)(C) (1982). Civil actions are cases filed in the district courts pursuant to 35 U.S.C. § 145 or § 146 to review decisions of the Patent and Trademark Office. See, e.g., Fregau v. Mossinghoff, 776 F.2d 1034 (Fed. Cir. 1985).

The Federal Circuit may issue extraordinary writs under the All Writs Act, 28 U.S.C. § 1651(a) (1982). The court has used this power only where necessary to aid its appellate jurisdiction or where there is a clear abuse of discretion by a district court or a usurpation of judicial power. See In re Newman, 782 F.2d 971 (Fed. Cir. 1986) (district court exceeded its discretion when it authorized destruction of invention during testing); In re Mark Indus., 751 F.2d 1219 (Fed. Cir. 1984) (clear abuse of discretion when district court ordered removal of presumption of validity as sanction for attorney's conduct); In re Snap-On Tools Corp., 720 F.2d 654 (Fed. Cir. 1983) (mandamus required to preserve jurisdiction of the court where plaintiff brought an action in state court based on patent infringement and state law causes of action, defendant removed to federal court, and district court remanded to state court); Mississippi Chem. Corp. v. Swift Agricultural Chem. Corp., 717 F.2d 1374 (Fed. Cir. 1983) (clear abuse of discretion when district court refused to give collateral estoppel effect to a holding of invalidity).


15. Historically, federal courts have required that appeals be taken only from final decisions. Andrews v. United States, 373 U.S. 334, 339 (1963); Cobbledick v. United States, 309 U.S. 323 (1940). Unfortunately, there is no single formulation for the determination of a
court was based, in whole or in part, on section 1338" with an exception for any "case involving a claim arising under any Act of Congress relating to copyrights or trademarks and no other claims under section 1338(a)." Section 1338 in turn vests exclusive jurisdiction in the district courts over cases which "arise under" the patent laws. Consequently, the interaction between 28 U.S.C. section 1295, which sets the jurisdiction of the Federal Circuit, and section 1338, which sets the patent jurisdiction of the district courts, defines the limits of the Federal Circuit's jurisdiction over appeals in patent cases.

A. Traditional Original "Arising Under" Jurisdiction

A thorough examination of the "arising under" jurisdiction of the federal courts is beyond the scope of this Article. However, a brief summary is necessary because the appellate jurisdiction of the Federal Circuit over patent appeals is defined in relation to the "arising under" jurisdiction of the district courts.

The origin of this phrase is the United States Constitution, which provides: "The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority." The Supreme Court first examined the meaning

---

In its short life, the Federal Circuit has addressed several times whether an order was final for purposes of appellate review. In some cases, the court has found the contested order not final and appealable. See Shiley, Inc. v. Bentley Laboratories, Inc., 782 F.2d 992 (Fed. Cir. 1986) (denial of motion for stay of injunction pending appeal on merits not final order); Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506 (Fed. Cir.) (order denying j.n.o.v. and motion for new trial not final order), cert. denied, 105 S. Ct. 220 (1984); Baker Perkins, Inc. v. Werner & Pfleiderer Corp., 710 F.2d 1561 (Fed. Cir. 1983) (order directing patentee to petition Patent Office to revive abandoned reissue application on expired patent not final order); Gould v. Control Laser Corp., 705 F.2d 1340 (Fed. Cir.) (stay of district court proceedings pending reexamination in patent office not final order), cert. denied, 440 U.S. 935 (1983); Veach v. Vinyl Improvement Prods. Co., 700 F.2d 1390 (Fed. Cir. 1983) (order denying summary judgment on less than all claims not final order, nor is order closing discovery).

On other occasions, it has found an order final for purposes of review. See Rhone-Poulenc Specialties Chimiques v. SCM Corp., 769 F.2d 992 (Fed. Cir. 1985) (denial of stay to permit arbitration final and appealable); Tenneco Resins, Inc. v. Reeves Bros., Inc., 736 F.2d 1508 (Fed. Cir. 1984) (order denying amendment to complaint to allege invalidity and unenforceability in reply to counterclaims for invalidity, infringement, and interference final and appealable).

---

of this provision in Osborn v. Bank of the United States. In Osborn, Chief Justice Marshall, never a miser with the power of the federal judiciary, opined that the judicial power of the federal courts should extend to those cases in which "the title or right set up by the party, may be defeated by one construction of the constitution or law of the United States, and sustained by the opposite construction." Moreover, in Chief Justice Marshall's view, "[W]hen a question to which the judicial power of the Union is extended by the constitution, forms an ingredient of the original cause, it is in the power of Congress to give the [federal courts] jurisdiction of that cause, although other questions of fact or of law may be involved in it."

Despite this expansive constitutional interpretation, 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. Although facially adhering to the "original ingredient" test of Osborn, the Court formulated several versions of a considerably more narrow test. In American Well Works Co. v. Layne & Bowler Co., Justice Holmes articulated the widely used test that "a suit arises under the law that creates the cause of action." The Supreme Court also has said that a case arises under federal law when a "right to relief under state law requires resolution of a substantial question of federal law in dispute between the parties." Professor Mishkin offers the succinct test that there must be "a substantial claim founded 'directly' upon national law." Finally, leading commentators on federal jurisdiction offer the test that "arising under" jurisdiction is established "if in order for the plaintiff to secure the relief sought he will be obliged to establish both the correctness and the applicability to his case of a proposition of federal law."

21. Id. at 823.
24. Id. at 260.
Even though no precise definition has emerged from the Court, there is generally little difficulty in establishing federal question jurisdiction if federal law expressly creates a remedy such as provided in the patent laws.\textsuperscript{28} The difficulty arises if federal law creates a duty without a corresponding remedy for its violation. While in some cases a federal remedy has been implied to vest federal question jurisdiction in the federal courts,\textsuperscript{29} in other cases a federal remedy has not been implied, thus denying jurisdiction.\textsuperscript{30}

In \textit{Smith v. Kansas City Title & Trust Co.},\textsuperscript{31} the Supreme Court found federal question jurisdiction where an important question of federal law was an essential element in the case even though both the right and the remedy were state-created. The Court concluded:

The general rule is that where it appears from the bill or statement of the plaintiff that the right to relief depends upon the construction or application of the Constitution or laws of the United States, and that such federal claim is not merely colorable, and rests upon a reasonable foundation, the [district courts have] jurisdiction . . . .\textsuperscript{32}

Thus, the Court opened the door for suits in the federal courts on state law causes of action where important federal questions must be resolved during the course of trial.

The definitional uncertainty of "arising under" jurisdiction has been ameliorated by the Court's adoption of the well-pleaded complaint rule, which requires that a federal question appear on the face of the complaint.\textsuperscript{33} In the first case to interpret the 1875 stat-

\textsuperscript{28} See, e.g., Feibelman v. Packard, 109 U.S. 421 (1883). \textit{But see} Shoshone Mining Co. v. Rutter, 177 U.S. 505 (1900) (despite congressional authorization to determine adverse mining rights, no federal question jurisdiction issue existed because local rules or customs would govern outcome).


31. 255 U.S. 180 (1921). In this case, a shareholder in Kansas City Tile & Trust sued to enjoin the company from investing in farm loan bonds issued by the Federal Land Bank. The plaintiff asserted that the congressional act authorizing the farm loan bonds was unconstitutional because it was not authorized by the Constitution. \textit{Id.} at 195.


ute, *Gold-Washing & Water Co. v. Keyes*, the Supreme Court held that where the plaintiff brought an action under state law alone and the defendant attempted to remove to federal court based on a federal defense, the case did not arise under federal law because the plaintiff did not assert a federal cause of action. Later, the Supreme Court extended the well-pleaded complaint rule to preclude original federal question jurisdiction where, in addition to presenting a state law cause of action, a plaintiff asserts that federal law prevents the defendant from raising a defense, or where a possible federal defense cannot defeat the state law claim. Furthermore, although the Court has conceded that even if a federal question arises during the course of litigation, this alone would be insufficient to establish "arising under" jurisdiction.

Justice Cardozo expounded upon the well-pleaded complaint rule in *Gully v. First National Bank*, explaining that the "complaint itself will not avail as a basis of [federal] 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." In other words, "the controversy must be disclosed upon the face of the complaint, unaided by the answer or by the petition for removal." Although he recognized that the difficulty in defining a cause of action was similar to that of defining causation in tort law, Justice Cardozo concluded that each case must be considered on its own facts to

---

34. 96 U.S. 199 (1877). In this case, plaintiff landowners sued defendant miners on a state law private nuisance theory to enjoin further mining on a river which abutted plaintiffs' lands. Defendants sought removal to federal court on the ground that their actions were authorized by an act of Congress. Id. at 201-02.


36. Franchise Tax Bd., 463 U.S. at 10 (citing Tennessee v. Union & Planters' Bank, 152 U.S. 454 (1894)).


38. 299 U.S. 109 (1936). In this case, Mississippi taxing authorities sued a nationally chartered bank in state court on a contract in which the bank agreed to assume the debts and liabilities of an insolvent bank it had purchased. At the time of the contract, the insolvent bank owed state taxes. Id. at 111-12. The case was removed to federal court and remand was denied on the ground that Mississippi's "power to lay a tax upon the shares of national banks has its origin and measure in the provisions of a federal statute . . . and that by necessary implication a plaintiff counts upon the statute in suing for the tax." Id. at 112.

39. Id. at 113.

40. Id.

determine federal question jurisdiction; in this case, the federal question was simply too remote.  

B. Patent Original "Arising Under" Jurisdiction

In patent cases, the jurisdiction of the district courts is based on a specific jurisdicational statute, 28 U.S.C. section 1338, rather than on the general federal question statute, 28 U.S.C. section 1331. However, because the phrase "arising under" is used in both sections, the courts have used the precedent of section 1331 in defining the jurisdicational boundaries of section 1338. Generally, jurisdictional questions arise in contractual or licensing disputes between patentees and licensees or assignees. If a patentee requests relief only under the patent statutes, jurisdiction usually exists even where a contractual question must be decided during the course of the litigation. On the other hand, the jurisdictional question becomes much closer when a district court is also asked to invoke its equitable powers concerning the license or assignment.

In the seminal case of Wilson v. Sandford, a patentee asked the district court to set aside an assignment of patent rights for nonpayment of royalties, to award profits from the time of nonpayment, and to enjoin defendants from future infringement. The Supreme Court concluded, "The rights of the parties depend alto-

42. Id. Justice Cardozo concluded:

The most one can say is that a question of federal law is lurking in the background, just as farther in the background there lurks a question of constitutional law, the question of state power in our federal form of government. A dispute so doubtful and conjectural, so far removed from plain necessity, is unavailing to extinguish the jurisdiction of the states.

Id. Justice Cardozo also found Mrs. Palsgraf's injury too remote. Palsgraf, 162 N.E. at 105.


44. In the seminal case of Waterman v. MacKenzie, 138 U.S. 252 (1891), the Supreme Court distinguished between an assignment and a license:

The patentee or his assigns may, by instrument in writing, assign, grant, and convey, either [1] the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or [2] an undivided part or share of that exclusive right; or [3] the exclusive right under the patent within and throughout a specified part of the United States.

A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement.

Id. at 255 (citations omitted).


46. 51 U.S. (10 How.) 99 (1850).
gether upon common law and equity principles."\(^{47}\) Even though the patentee asked for an injunction, a recognized remedy under the patent laws,\(^{48}\) the Court held that the particular injunctive relief sought was tied to the forfeiture of the contract, not to the patent laws.\(^{49}\) In other words, because the district court would have to use its equitable powers to restore title in the patentee prior to considering the injunction, the Court held that the case did not arise under the patent laws.

The Supreme Court in *Luckett v. Delpark, Inc.*,\(^{50}\) attempted to harmonize the case law which followed *Wilson*.\(^{51}\) In this case, the patentee brought an action against an exclusive licensee of one patent and an assignee of another patent asking for equitable relief.\(^{52}\) The Court concluded that *Wilson* and its progeny determined that a district court has jurisdiction over a suit by a patentee for an injunction against infringement and for profits and damages even though the complaint anticipates a defense of license or authority by making averments that would defeat those defenses.\(^{53}\) The Court also reaffirmed the *Wilson* holding that where a patentee sues for recovery of royalties under a license or assignment contract, or for damages for breach of contract covenants, or for specific performance, or asks the court to declare a forfeiture of the license or to restore an unclouded title to the patent, the district court does not have jurisdiction under the patent laws.

---

47. Id. at 102.
49. The Court stated:
   
   [T]he injunction ... is to be the consequence of the decree of the court sanctioning the forfeiture. [Plaintiff] alleges no ground for an injunction unless the contract is set aside. And if the case made in the bill was a fit one for relief in equity, it is very clear that whether the contract ought to be declared forfeited or not, in a court of chancery, depended altogether upon the rules and principles of equity, and in no degree whatever upon any act of Congress concerning patent rights.


50. 270 U.S. 496 (1926).


52. Luckett, 270 U.S. at 501-02.
53. Id. at 510.
laws.\textsuperscript{54} In addition, the Court concluded that a patentee cannot confer federal question jurisdiction by requesting an injunction based on an averment that the defendant will infringe after a forfeiture is declared or title to the patent is restored.\textsuperscript{55} The Court reasoned that "when the patentee exercises his choice and bases his action on the contract and seeks remedies thereunder, he may not give the case a double aspect . . . and make it a patent case conditioned on his securing equitable relief as to the contract."\textsuperscript{56}

In summary, to ascertain whether a case arises under the patent laws, the Supreme Court requires that the cause of action be determined from the complaint with attention placed on the specific relief requested by the plaintiff. A request for only contractual remedies, such as recovery of royalties, damages for breach of contract, or specific performance, places the case outside the patent "arising under" jurisdiction of the district courts. On the other hand, a request for injunctive relief to prevent future infringement does not necessarily place the case within the patent jurisdiction of the federal courts. If a district court is first required to exercise its equitable powers to establish ownership of the patent in question prior to considering the patent counts, the case is one in contract and does not arise under the patent laws. Unfortunately, the boundary between a contract case and a patent case does not always shine with crystal clarity.\textsuperscript{57}

C. Federal Circuit "Arising Under" Jurisdiction

The Supreme Court cases defining the limits of the "arising under" jurisdiction of the district courts were before Congress during its consideration of the Federal Courts Improvement Act of 1982 (the Act). Even though the language of section 1295 employs the magic phrase "arising under," the legislative history of the Act reflects the underlying congressional concerns.

The Act's central purpose is "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exists in the administration of patent law."\textsuperscript{58} The House and Senate Committee Reports show that Congress intended to achieve uniformity by directing patent appeals, which usually are complex and time con-

54. \textit{Id.}
55. \textit{Id.} at 510-11.
56. \textit{Id.} at 511.
FEDERAL CIRCUIT JURISDICTION

Assuming, away from the regional circuits to a single appellate court.\(^5\) Congress determined that by removing the incentive to shop for a hospitable forum, litigation costs would decrease. This would in turn foster investment in new products and technology. Attorneys would be in a better position to predict the outcome of litigation and, therefore, business planning would be facilitated. In effect, the change in the appellate route for patent appeals was designed to have a beneficial effect on the nation’s economy.\(^6\)

Congress implemented these goals by defining the jurisdiction of the Federal Circuit over patent appeals in relation to the district court’s jurisdiction—that is, if a district court had jurisdiction over a case under 28 U.S.C. section 1338(a), an appeal would be heard in the Federal Circuit. The “in whole or part” phrase of the jurisdictional grant to the Federal Circuit was of major concern to opponents of the Federal Circuit.\(^6\) Some critics feared frivolous patent claims might be tied to substantial antitrust claims to vest jurisdiction in the Federal Circuit. Opponents predicted that the “in part” jurisdiction could be “a locomotive that [would] pull all sorts of related issues into the terminal of the court’s appellate jurisdiction” and allow the Federal Circuit to appropriate large elements of federal law.\(^6\)

Congress dismissed these concerns as unwarranted, based on general federal jurisdiction principles. The federal courts are courts of limited jurisdiction and the basis for federal jurisdiction must always be affirmatively established; there is no presumption in favor of jurisdiction.\(^6\) Moreover, courts strictly construe their own jurisdiction and trial courts generally make a clear record on jurisdictional issues. Hence, Congress determined that jurisdiction would not be created through the pleading of “[i]mmaterial, inferential, and frivolous” patent claims,\(^6\) and thus the “in whole or in part” language was not too broad.\(^6\)

The Senate Report also evidenced concern about the possibility of manipulating Federal Circuit jurisdiction over patent appeals. While the Act was intended to prevent forum-shopping on patent


\(^{60}\) H.R. Rep. No. 312, supra note 58, at 22-23.

\(^{61}\) See id. at 41.

\(^{62}\) Id.; S. Rep. No. 275, supra note 59, at 19.


\(^{64}\) H.R. Rep. No. 312, supra note 58, at 41.

\(^{65}\) Id.; S. Rep. No. 275, supra note 59, at 19.
claims, at the same time it should not create opportunities for forum-shopping between the Federal Circuit and the regional courts of appeals on other claims. Thus, to protect the jurisdiction of the Federal Circuit, the Senate Report advised district judges to separate nonpatent claims "from trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction." Furthermore, the Senate Report encouraged the Federal Circuit to transfer appeals pursuant to 28 U.S.C. section 1631 when a patent claim was manipulatively joined to a nonpatent claim.

The House Report addressed the doctrines of pendent and ancillary jurisdiction, which can be used to expand the jurisdiction of the district courts. According to the Report, the House Committee expected the new court to establish "jurisdictional guidelines." The Committee admonished the Federal Circuit that no

67. 28 U.S.C. § 1631 (1982) provides:

Whenever a civil action is filed in a court . . . or an appeal . . . is noticed for or filed with such a court and that court finds that there is a want of jurisdiction, the court shall, if it is in the interest of justice, transfer such action or appeal to any other such court in which the action or appeal could have been brought at the time it was filed or noticed, and the action or appeal shall proceed as if it had been filed in or noticed for the court to which it is transferred on the date upon which it was actually filed in or noticed for the court from which it is transferred.

There are three requirements to effect a transfer under this statute:

First, the court where the action is originally filed must find that there is a want of jurisdiction; second, the court must determine if it is in the interest of justice; and third, that court shall then transfer the action to any such court in which the action could have been brought at the time it was filed.

69. Although often used interchangeably, these two doctrines are distinct. Pendent jurisdiction gives the district courts discretionary power to hear claims raised by the plaintiff, arising out of a "common nucleus of operative facts," that could not be heard in federal court otherwise. Ancillary jurisdiction permits district courts to hear claims usually raised by parties other than the plaintiff, such as compulsory counterclaims and cross-claims, which are factually related to and logically dependent on claims that provide the requisite jurisdictional basis. Corporacion Venezolana de Fomento v. Vintero Sales Corp., 477 F. Supp. 615, 622 n.13 (S.D.N.Y. 1979). Both doctrines permit the district courts to adjudicate all claims at the same time, rather than deciding only those claims that provide an independent jurisdictional basis.

Although the Federal Circuit apparently has not examined the limits of ancillary jurisdiction, it has been presented with several appeals of state law issues attached to federal patent claims. See, e.g., Litton Sys., Inc. v. Sundstrand Corp., 750 F.2d 952 (Fed. Cir. 1984) (misappropriation of trade secrets); Verdegaal Bros., Inc. v. Union Oil Co. 750 F.2d 947 (Fed. Cir. 1984) (misappropriation of trade secrets and unfair competition).
70. H. Rep. No. 312, supra note 58, at 41.
matter what guidelines it devised, that court's patent jurisdiction should result in "consistent jurisprudence and a uniform body of patent law."\(^{71}\)

The House Report also established a "bright line" test\(^{72}\) for the exclusive patent jurisdiction of the Federal Circuit: "Cases will be within the jurisdiction of the [Federal Circuit] in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction."\(^{73}\) The House Report contrasted this test with the holding of *Coastal States Marketing, Inc. v. New England Petroleum Corp.*,\(^{4}\) in which the United States Court of Appeals for the Second Circuit restricted the appellate jurisdiction of the Temporary Emergency Court of Appeals over cases arising under the Economic Stabilization Act to consideration of issues under that statute.

II. Federal Circuit "Arising Under" Cases

In its short life, the Federal Circuit has expounded upon its jurisdiction in two classes of cases: those involving jurisdictional disputes under section 1338, and those involving attempts by plaintiffs to avoid Federal Circuit review. In the first class, where only patent claims were raised in the complaint, the court has had little trouble finding jurisdiction under section 1338.\(^{75}\) More difficult questions were presented when nonpatent claims such as contract claims were also raised in the complaint.

71. *Id.*
72. *Id.*
73. *Id.*
74. 604 F.2d 179 (2d Cir. 1979). In *Coastal States*, the court noted three possible ways to allocate appeals between the Temporary Emergency Court of Appeals and the regional courts of appeals: traditional federal question jurisdiction, case jurisdiction where Economic Stabilization Act (ESA) issues were raised in the complaint or any other pleading, and issue jurisdiction where ESA issues and non-ESA issues would be bifurcated between the Emergency Court and the regional circuit courts. *Id.* The Second Circuit decided that, based on principles of federalism, the Emergency Court could only hear appeals of ESA issues; therefore, non-ESA issues must be addressed by the regional courts of appeals. *Id.* at 183-84. Congress apparently rejected this split approach. However, because the Second Circuit discussed three alternatives, it is unclear whether Congress approved traditional federal question jurisdiction or case jurisdiction in appeals of patent cases to the Federal Circuit.

75. See, *e.g.*, *Beghin-Say Int'l, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984).
A. Jurisdictional Disputes Under 28 U.S.C. Section 1338

One of the first cases to explore the limits of section 1338 jurisdiction was *C.R. Bard, Inc. v. Schwartz*,\(^76\) in which a patent licensee filed a declaratory judgment action in district court seeking to declare the patent invalid, the license void, and royalties not payable under the license. The district court held that it did not have jurisdiction under 28 U.S.C. section 1338(a) because the license agreement had not been terminated. The district court reasoned that without a termination of the license, a licensee does not have the requisite "reasonable apprehension" of an infringement suit for a declaratory judgment action. Because there was no other independent basis for federal jurisdiction, the district court dismissed for lack of jurisdiction.

On appeal, Judge Kashiwa, writing for a unanimous court, concluded that the Federal Circuit has the inherent authority to determine its own jurisdiction.\(^77\) The court reasoned that, under the express language of 28 U.S.C. section 1295, the Federal Circuit must determine independently whether a district court’s jurisdiction is based "in whole or in part" on section 1338 in order to determine the scope of the Federal Circuit’s jurisdiction. Schwartz’s contention that the appeal of jurisdictional questions under section 1338 should go to the regional courts of appeals, leaving the Federal Circuit to consider only the merits of the case, was rejected. Consequently, after examining the statute and its legislative history, the court held that it had jurisdiction to decide whether the district court had jurisdiction under section 1338.\(^78\) The court then turned to the question of whether a patent licensee can bring a declaratory judgment action alleging invalidity without first terminating the license—an issue on which the regional courts of appeals were split.\(^79\) Because the Declaratory Judgment Act does not provide an independent jurisdictional basis for suit, absent diversity of citizenship, the court held that the case must arise under

---

76. 716 F.2d 874 (Fed. Cir. 1983).
77. Id. at 877.
78. Id. at 878.
79. Id. at 879. The Third and Seventh Circuits have held that there is no reasonable apprehension of an infringement suit while a license agreement is in effect. Thiokol Chem. Corp. v. Burlington Indus., Inc., 448 F.2d 1328 (3d Cir. 1971), cert. denied, 404 U.S. 1019 (1972); Milprint, Inc. v. Curwood, Inc., 562 F.2d 418 (7th Cir. 1977). Conversely, the Second, Ninth, and District of Columbia Circuits have held that repudiation of a license agreement is not a requirement for a suit. Warner-Jenkinson Co. v. Allied Chem. Corp., 567 F.2d 184 (2d Cir. 1977); Geni-Chlor Int’l, Inc. v. Multisonics Dev. Corp., 580 F.2d 981 (9th Cir. 1978); Hanes Corp. v. Millard, 521 F.2d 585 (D.C. Cir. 1976).
the patent laws for the district court to have jurisdiction. In addition, general federal jurisdictional principles provide that a case cannot arise under federal law where the claim in the complaint is merely a defense to a state court action. 80

The court also noted that there must be a justiciable case or controversy, which generally requires "a real and substantial dispute affecting the legal rights and obligations of parties having adverse interests." 81 In patent cases, this requirement means a declaratory plaintiff must have "sufficient interest in the controversy." 82 Furthermore, there must be "a reasonable threat that the patentee or licensor will bring an infringement suit against the alleged infringer." 83

The court rejected the blanket approach that there can never be apprehension of an infringement suit while the license is still in force, reasoning that such preclusion would subject the licensee to the risk of liability for infringement. 84 Moreover, total preclusion discourages suits which is contrary to the public policies of the patent system announced by the Supreme Court in Lear v. Adkins, 85 where the Court noted that a licensee is often the only party with sufficient interest to contest patent validity. The Federal Circuit instead adopted a "totality of the circumstances" approach to determine whether there is a case or controversy arising under the patent laws when a licensee seeks a declaration of patent invalidity prior to termination of the license. Factors to be considered include: involvement in litigation for the recovery of royalties, actual or threatened suits against the declaratory plaintiff's customers, suit against other manufacturers of similar products, and notices of infringement in trade journals. 86 Using this approach, the court held that the licensee had a reasonable apprehension that the patentee might bring an infringement suit against it sufficient to establish jurisdiction under section 1338. 87

80. C.R. Bard, 716 F.2d at 879.
81. Id.
82. Id.
83. Id. (citations omitted).
84. Id. at 880.
85. 395 U.S. 653 (1969). In Lear, the Supreme Court abolished the state law licensee estoppel rule, which prohibited suits by licensees who challenged patent validity during the term of the license. The licensee estoppel rule was based on the state law contract rule that parties to a contract could not repudiate the contract because of later dissatisfaction with the bargain. Id. at 668. The Supreme Court concluded that such a rule must yield to the strong public policies underlying the federal patent system. Id. at 673-74.
86. C.R. Bard, 716 F.2d at 881 & n.6.
87. Id. at 882.
1. Claims Based on Contracts

After finding the inherent authority to make an independent determination of the jurisdiction of the district courts under section 1338, the Federal Circuit began to establish the limits of section 1338 jurisdiction. At the outer limits were cases involving contract actions with patent issues lurking in the background. For example, in Beghin-Say International, Inc. v. Ole-Bendt Rasmussen the court considered a licensing dispute where the patentee entered into a licensing arrangement covering certain patent applications, and where one of the licenses concerning future United States patent applications was recorded in the Patent and Trademark Office. In a contractual dispute over the interpretation of one of the licenses, Beghin-Say, S.A., a French corporation, filed suit in district court, asking the court to remove the cloud on its title to two United States patent applications. Rasmussen moved to dismiss the complaint for lack of subject matter jurisdiction, alleging that the case was a contractual dispute which did not arise under the patent laws. Beghin-Say then amended its complaint and requested that the district court declare the assignment of the two patent applications valid as recorded, and that the assignment vested all rights to the invention in Beghin-Say.

The district court classified the suit as a contract action and consequently held that the case did not arise under the patent laws within the meaning of 28 U.S.C. section 1338(a). Because there was no other basis for federal jurisdiction, the district court dismissed the complaint. After dismissal, the United States subsidiary of Beghin-Say, Beghin-Say International Inc. (BSI)—a Delaware corporation with its principal place of business in New Jersey—was substituted for Beghin-Say. On appeal, in addition to arguing that the case arose under the patent laws within section 1338, BSI asserted that diversity of citizenship now existed under 28 U.S.C. section 1332.

Chief Judge Markey, writing for the majority, noted initially that for section 1338(a) jurisdiction to lie, the “plaintiff must have asserted some right or interest under the patent laws, or at least some right or privilege that would be defeated by one or sustained by an opposite construction of those laws.” BSI failed to assert

88. 733 F.2d 1568 (Fed. Cir. 1984).
90. Beghin-Say, 733 F.2d at 1570.
91. Id.
such a right or interest, and the case was termed a dispute over the interpretation of a contract. Though agreements may concern future patent applications, they do not convert a contractual dispute from an action cognizable in state court to one arising under the patent laws. In short, the court held that under the general rule, "contract disputes involving patents do not 'arise under any Act of Congress relating to patents,' as required by 28 U.S.C. § 1338(a)."  

The court also rejected the argument that recordation of the contracts by the Patent and Trademark Office brought the suit under section 1338 by evidencing their validity as title conveyances. This argument was dismissed because questions of title conveyance are not within the purview of section 1338. BSI's diversity of citizenship argument was dismissed by holding that diversity of citizenship must be determined at the time of the filing of the complaint, or the amended complaint, and cannot be changed by substitution of parties on appeal. In addition, the court dismissed BSI's argument that 28 U.S.C. section 1331, the general federal question statute, and 35 U.S.C. section 261, the patent assignment recordation statute, provide an independent basis for federal jurisdiction. "The short answer is that if those other bases for the district court's jurisdiction exist in this case they are irrelevant in this court" because the appellate jurisdiction of the Federal Circuit is dependent on the jurisdiction of the district court under 28 U.S.C. section 1338(a) or section 1346.

2. Claims Based on Patents and Contracts

The Federal Circuit also has addressed the scope of the district courts' jurisdiction under section 1338 over those cases containing patent as well as contract issues in the complaint. For example, in

92. Id. at 1571 (quoting Combs v. Plough, Inc., 681 F.2d 463 (6th Cir. 1982)).
93. Id.
94. Id. (citing T.B. Harms Co. v. Eliscu, 339 F.2d 823 (2d Cir. 1964); Lang v. Patent Tile Co., 216 F.2d 254 (5th Cir. 1954)).
95. Beghin-Say, 733 F.2d at 1572 (citing Albert v. Kevex Corp., 729 F.2d 757 (Fed. Cir. 1984)).
96. Id. at 1571-72. Although Chief Judge Markey appeared emphatic that 28 U.S.C. § 1331 did not provide a basis for appellate jurisdiction, he made a curious statement in dicta. In responding to BSI's argument that § 1331 refers to "laws" and the action involved matters of federal concern, he observed that "the outcome of the present contract action, however it may be decided in a state court or under state law, is a matter of monumental disinterest to the federal government." 733 F.2d at 1572. This raises the question of whether a suit concerning an important patent issue may arise under federal law within the meaning of § 1331, yet not arise under the patent law within the meaning of § 1338. See T.B. Harms Co. v. Eliscu, 339 F.2d 823, 828 (2d Cir. 1964).
Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.,\textsuperscript{97} Air Products terminated a license agreement with Reichhold on the ground that the grant of a sublicense by Reichhold was contrary to the provisions of the license. Air Products brought suit in district court, alleging that Reichhold was infringing its patent and inducing others to infringe. In addition to the traditional patent infringement remedies, Air Products sought declarations that it owned the patent in question, that Reichhold had infringed and continued to do so, and that Reichhold induced and continued to induce others to infringe. The district court dismissed the case for lack of subject matter jurisdiction because the contractual dispute had to be resolved first in order to resolve the infringement claims.\textsuperscript{98}

On review by the Federal Circuit, Judge Kashiwa, writing for a unanimous panel, stated the general rule that "[w]here the determination of whether there has been an infringement of a patent depends upon the construction of the provisions of a contract, and not upon the construction of an act of Congress relating to patents, the controversy is not one arising under the patent laws."\textsuperscript{99} Assertion of a patent infringement claim is not dispositive of whether a case arises under the patent laws. Rather, in determining subject matter jurisdiction, a court should consider not only the language of the complaint, but the substance of the claim as a whole. Moreover, it may consider jurisdictional facts outside the pleadings.\textsuperscript{100}

The court concluded that, under Wilson and its progeny, a district court seeking to determine whether a claim arises under the patent laws or a licensing agreement, should analyze the complaint, paying special attention to the relief sought by the plaintiff.\textsuperscript{101} Under this "relief sought" rule, the court held that Air Products' suit was primarily a patent infringement suit. The court discounted the fact that Air Products requested a declaration of ownership because the original agreement was a license and not an assignment as in Wilson; thus, ownership of the patent was not in

\textsuperscript{97} 755 F.2d 1559 (Fed. Cir. 1985), cert. denied, 106 S. Ct. 22 (1985).
\textsuperscript{98} Id. at 1560-61.
\textsuperscript{99} Id. at 1561.
\textsuperscript{100} Id.
\textsuperscript{101} Id. at 1562.
dispute. Moreover, because the licensing agreement permitted termination of the license, Air Products was not required to seek a forfeiture of the license as was the patentee in Wilson.

The court criticized the district court's focus on the contractual dispute having to be resolved prior to the patent infringement claim. The court found that the order of resolution of issues at trial is not determinative of subject matter jurisdiction; the proper focus is on the facts and the relief requested by the plaintiff. In conclusion, the court held that "where a nonfrivolous complaint states a claim and seeks relief under the patent laws, exclusive jurisdiction in the federal courts is thereby established."

3. Claims Not Based on Contracts

Although jurisdictional questions under section 1338 have traditionally involved patent licensing disputes, section 1338 is not limited to such cases. Indeed, the Federal Circuit has been faced with the review of at least two district court jurisdictional challenges which did not involve contractual disputes.

In Albert v. Kevex Corp., the Federal Circuit considered an unusual patent interference suit under 35 U.S.C. section 291 in which Kevex argued that the patents must be interfering for the district court to have jurisdiction. Writing for the majority of an expanded panel, Judge Rich agreed that "[a]bsent interference, a court has no power under section 291 to adjudicate the validity of

102. Id. at 1563 n.6.
103. Id. at 1563.
104. Id.
105. Id. at 1563-64.
106. Id. at 1564. See also Yarway Corp. v. Eur-Control USA, Inc., 775 F.2d 268, 273 (Fed. Cir. 1985) (court, sua sponte, concluding suit seeking relief only under patent laws arose under patent laws even though license was involved).
107. 729 F.2d 757 (Fed. Cir. 1984). Albert sued Kevex alleging, among other things, patent interference under 35 U.S.C. § 291. Albert moved for summary judgment, contending Kevex's patent was invalid under 35 U.S.C. § 102(b). Kevex objected that the district court did not have subject matter jurisdiction because Albert had not established that the patents were interfering. Under 35 U.S.C. § 253 and 37 C.F.R. § 1.321, Kevex later filed in the Patent Office a disclaimer of the interfering subject matter and informed the trial judge of this action. Nevertheless, the district court entered summary judgment for Albert, holding the Kevex patent invalid. The district court did not make a finding as to whether the two patents interfered or whether Kevex had disclaimed all interfering subject matter.
108. 35 U.S.C. § 291 (1982) provides: "The owner of an interfering patent may have relief against the owner of another by civil action, and the court may adjudge the question of the validity of any of the interfering patents, in whole or in part."

Interfering patents are those issued on the same invention. Albert, 729 F.2d at 760.
any patent." Although Judge Rich cited no authority for his conclusions, he stated that citing a statute or a recitation in a pleading is not enough to confer jurisdiction. The party must demonstrate that actual interference exists.110

Judges Smith and Davis did not accept Judge Rich's view that actual interference is a jurisdictional prerequisite under section 291. In their view, actual interference is an element of the cause of action under section 291 rather than a prerequisite for the court to hear the case. The judges agreed that "[j]urisdiction of the district court in an interfering patent suit depends on a good faith, non-frivolous and substantial assertion of the existence of interfering patents by the plaintiff." Moreover, Judge Davis took issue with the holding of the majority because it required a preliminary decision on the actual interference before the district court would have jurisdiction to decide the validity of an interfering patent.112 Judge Smith concluded that the district court had jurisdiction under 28 U.S.C. section 1338,113 while Judge Davis found it unnecessary to reach the question of which statute granted jurisdiction to the district court.114

Unlike its holding in Albert, the Federal Circuit recently found jurisdiction in another noncontractual case. In Dubost v. United States Patent & Trademark Office,115 Dubost was denied the benefit of a foreign filing date because the check for the filing fee was unsigned.116 Upon petition,117 the Commissioner held the earliest

109. Id. (emphasis in original).
110. Id. at 761.
111. Id. at 763 (Smith, J., concurring).
112. Id. at 764-65 (Davis, J., dissenting).
113. Id. at 763 (Smith, J., concurring).
114. Id. at 764 n.1 (Davis, J., dissenting).
115. 777 F.2d 1561 (Fed. Cir. 1985).
116. Id. at 1562. Dubost filed a French application on Oct. 16, 1981. Under 35 U.S.C. § 119, Dubost had one year to file a United States application based on the French application to receive the benefit of the earlier French filing date. Because Oct. 16, 1982, was a Saturday, Dubost had until Monday, Oct. 18, 1982, to file a United States application based on the French application. Dubost filed within the time period on Oct. 8, 1982. However, because the check for the fee was unsigned, the patent office awarded Dubost a United States filing date of Oct. 28, 1982, the date it received a signed check for the fee. Because this date was outside the one-year grace period of § 119, Dubost was unable to antedate his United States application. Id.
117. If a matter is "discretionary, procedural, or non-substantive" and does not relate to the rejection of claims in a patent application, the matter must be petitioned to the commissioner, not appealed to the courts. Application of Hengehold, 440 F.2d 1395, 1403 (C.C.P.A. 1971). Because the Federal Circuit adopted the precedent of its predecessor courts, South Corp. v. United States, 690 F.2d 1368 (Fed. Cir. 1982), this distinction is applicable in the Federal Circuit.
filing date would be that of receipt of the signed check, despite an affidavit from Dubost's bank stating that the unsigned check would have been honored if presented. 118

Having exhausted his administrative remedies, Dubost filed suit in district court for review of the Commissioner's decision. The district court held that it only had jurisdiction under the All Writs Act. As such, Dubost had to demonstrate that a duty owed him was either unfulfilled or performed in a capricious or arbitrary manner. 119 Because Dubost failed to make such a showing, the district court granted the government's motion for summary judgment.

On review, the Federal Circuit considered whether the district court was restricted to the mandamus statute or had jurisdiction under 28 U.S.C. section 1338. Judge Nies, writing for the majority, phrased the jurisdictional issue as "whether Dubost asserted before the district court some right or privilege which would be defeated by one or sustained by an opposite construction of the patent laws." 120 However, Judge Nies noted that the Supreme Court had recently described Holmes' test from American Well as "more useful for describing the vast majority of cases that come within the district court's original jurisdiction than . . . for describing which cases are beyond district court jurisdiction." 121 Therefore, the Federal Circuit did not consider it fatal that Dubost's claim was not created by the patent laws in the same sense as the bulk of section 1338 cases.

The court examined the complaint and concluded that it stated a right or interest that would be defeated or sustained by the construction of 35 U.S.C. section 111. Specifically, if an unsigned check satisfied the fee requirement of section 111—that the application be "accompanied by the fee required by law"—Dubost would gain the benefit of his foreign filing date. If the unsigned check did not meet section 111 requirements, Dubost could not claim priority. Therefore, the Federal Circuit held that the district court had subject matter jurisdiction under section 1338 because it

118. Dubost, 777 F.2d at 1563. The Commissioner concluded that the unsigned check was not negotiable and could not have been cashed without further authorization. In addition, the Commissioner held he had no authority to waive the statutorily required filing fee. Id.


120. Dubost, 777 F.2d at 1564.

121. Id. at 1565 (quoting Franchise Tax Bd. v. Construction Laborers Vacation Trust, 463 U.S. 1, 9 (1983)).
must construe section 111 in order to resolve the issues in the case.\textsuperscript{122}

\textbf{B. Attempts to Avoid Federal Circuit Review}

In addition to defining the scope of its dependent jurisdiction under 28 U.S.C. section 1338, the Federal Circuit has considered a second class of cases where attempts were made to avoid Federal Circuit review. The first reported attempt to manipulate the Federal Circuit's jurisdiction was a patent infringement suit with diversity of citizenship under 28 U.S.C. section 1332 as the sole jurisdictional basis. Chief Judge Markey, writing for a unanimous panel, disapproved such a maneuver in \textit{Chemical Engineering Corp. v. Marlo, Inc.},\textsuperscript{123} based on the legislative history of the Act. He noted that the Federal Circuit is under a congressional mandate to increase "doctrinal stability in the field of patent law."\textsuperscript{124} In addition, Congress was concerned that manipulation of the court's jurisdiction would lead to forum-shopping. To meet these congressional directives, the court concluded that substance, not form, would control the evaluation of pleadings to determine the jurisdictional basis for suit.\textsuperscript{125}

The court found implicit authority in the congressional mandate "to recharacterize pleadings which would improperly evade the intent of Congress."\textsuperscript{126} Because the Federal Circuit has the inherent authority to determine its own jurisdiction, the court concluded that it had recharacterization authority in order to avoid the absurd result of letting the determination of jurisdiction depend upon a pleading decision made by the plaintiff.\textsuperscript{127} Thus, an allegation of diversity of citizenship is irrelevant where jurisdiction does not rest exclusively on diversity but involves statutory subject mat-

\begin{itemize}
  \item \textsuperscript{122} \textit{Id.} at 1565. The majority held that because the bank would have honored the check had it been presented, the lack of negotiability of the unsigned check was immaterial. Thus, the unsigned check was just as good as a signed, negotiable check for payment of fees. \textit{Id.} at 11.
  \item \textsuperscript{123} 754 F.2d 331 (Fed. Cir. 1984). \textit{Chemical Engineering} sued Marlo in district court for patent infringement, seeking damages, costs, attorneys fees, and other relief. Jurisdiction was based solely on diversity of citizenship under 28 U.S.C. \textsection{} 1332. The district court entered summary judgment in favor of Marlo and awarded costs and attorneys fees. The clerk, sua sponte, sent the appeal to the Federal Circuit rather than to the regional circuit. Chemical sought to transfer the appeal to the regional circuit under 28 U.S.C. \textsection{} 1631. \textit{Id.} at 332.
  \item \textsuperscript{124} \textit{Id.} at 333.
  \item \textsuperscript{125} \textit{Id.}
  \item \textsuperscript{126} \textit{Id.}
  \item \textsuperscript{127} \textit{Id.}
\end{itemize}
In summary, the court held that where the complaint seeks an injunction against infringement and money damages, attorney fees, costs, and similar relief, the district court’s jurisdiction under section 1338 is grounded in the nature of the action.

Although Chemical Engineering involved the pleadings of the plaintiff, the Federal Circuit also has disapproved attempts to avoid Federal Circuit review through creative appeal schemes. In Bandag, Inc. v. Al Bolser’s Tire Stores, Inc., Bandag brought suit against Bolser in district court for patent and trademark infringement and unfair competition. Other than the filing of various unsuccessful summary judgment motions, there was no attempt to separate or sever the trademark counts from the patent counts.

After a nonjury trial, the district court found Bolser guilty of trademark infringement but innocent of patent infringement. Bolser appealed the trademark portion of the case to the Federal Circuit. Rather than a cross-appeal, Bandag filed a separate appeal of the patent issues in the Federal Circuit and moved that Bolser’s trademark appeal be transferred to the regional circuit.

Writing for a unanimous court, Judge Bennett framed the initial issue as “whether [the Federal Circuit] has jurisdiction over an appeal of the final adjudication of a nonpatent claim in a case from which issues related to a patent claim are being separately appealed.” The court noted that its jurisdiction under 28 U.S.C. section 1295(a)(1) is over an appeal from a final decision of the district court if the district court’s jurisdiction is based “in whole or in part” on section 1338, with an exception for cases which involve a claim arising under any congressional act relating to copy-fi

---

128. Id.
129. Id.
130. 750 F.2d 903 (Fed. Cir. 1984).
131. Id. at 907. The Federal Rules of Civil Procedure provide for the discretionary “severance” and “separation” of claims. Fed. R. Civ. P. 21 provides that “[a]ny claim against a party may be severed and proceeded with separately.” Fed. R. Civ. P. 42(b) provides: “The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim, or third-party claims, or of any separate issue . . . .” Although courts frequently use “severance” and “separation” interchangeably, the effects of Fed. R. Civ. P. 21 and Fed. R. Civ. P. 42(b) are distinguishable. “Separate trials [under Fed. R. Civ. P. 42(b)] will usually result in one judgment, but severed claims [under Fed. R. Civ. P. 21] become entirely independent actions to be tried, and judgment entered thereon, independently.” 9 WRIGHT & MILLER, FEDERAL PRACTICE AND PROCEDURE: CIVIL § 2387 (1971).
132. Bandag, 750 F.2d at 907.
rights or trademarks and no other claims under section 1338(a). The court rejected the argument by Bandag that the exception of section 1338(a) applied because only trademark issues or claims were to be considered in the instant appeal. Although there were two distinct claims in the complaint which could have been separated for trial, there had always been but one "case" before the district court. The exception in section 1338 is triggered when a "case" involves only trademark or copyright claims, not merely when trademark or copyright claims are asserted. In distinguishing a "case" from a "claim," the court concluded that the focus should not be on the relationship of the issues in an individual claim, but on the collective proceedings before the district court "when viewed pragmatically at the time of appeal."

The court found that while the case involved a trademark claim under section 1338(a), it also involved a patent claim under section 1338(a), which had been appealed. Moreover, the trademark and patent counts were tried together in a single case resulting in a single judgment. Therefore, the exception to the Federal Circuit's exclusive jurisdiction under section 1295(a)(1) was not applicable, and the court had jurisdiction over the trademark as well as the patent appeal. The court reserved the question of whether it lacked appellate jurisdiction where no appeal is brought of the patent issues tried before the district court.

This question was answered in Atari, Inc. v. JS & A Group, Inc., which involved an appeal of a copyright issue where there was no appeal of a patent issue. In this case, Atari filed a complaint in district court alleging contributory copyright infringement, unfair competition under 15 U.S.C. section 43(a), and various state law claims. Soon after filing its complaint, Atari obtained a preliminary injunction against JS & A for contributory copyright infringement. Atari then moved under Federal Rules of

133. Id. at 908.
134. Judge Bennett noted that although the patent and trademark claims involved the same parties, "the acts alleged to have given rise to each do not overlap substantially." Id. Therefore, the two claims could have been separated for trial under Fed. R. Civ. P. 42(b).
135. Bandag, 750 F.2d at 908. The claims were permissively joined under Fed. R. Civ. P. 18(a) without objection and the claims were tried in a single case resulting in a single judgment. Id.
136. Id.
137. Id. at 908-09.
138. Id. at 908. Judge Bennett did not find any significance in the fact that the patent issues were raised in a separate appeal, rather than by cross-appeal.
139. 747 F.2d 1422 (Fed. Cir. 1984).
140. Id. at 1424.
Civil Procedure 13(i)\textsuperscript{141} and 42(b)\textsuperscript{142} for an order separating the patent count for trial and judgment.\textsuperscript{143} At oral argument on the motion, counsel for Atari stated that the sole purpose for separation was to prevent JS & A from appealing the preliminary injunction order to the Federal Circuit.\textsuperscript{144} Subsequently, the district court granted Atari leave to separate the patent infringement count and gave JS & A two weeks to file a motion to vacate the order.\textsuperscript{145}

Upon JS & A’s appeal of the copyright issue to the Federal Circuit, Atari moved to transfer the appeal to the United States Court of Appeals for the Seventh Circuit. Chief Judge Markey, writing for the majority, labelled the issue a narrow one.\textsuperscript{146} The issue was stated as:

whether [the Federal Circuit] has jurisdiction over an appeal from an order preliminarily enjoining contributory copyright infringement when: (1) the jurisdiction of the district court . . . was based in part on 28 U.S.C. § 1338; (2) the pleadings allege a non-frivolous, continuing claim for patent infringement; and (3) the district court has ordered separation of the patent claim.\textsuperscript{147}

Despite the urging of several amicus curiae,\textsuperscript{148} the court refrained from addressing other jurisdictional issues.\textsuperscript{149}

\textsuperscript{141} FED. R. CIV. P. 13(i) provides: If the court orders separate trials as provided in Rule 42(b), judgment on a counterclaim or crossclaim may be rendered in accordance with the terms of Rule 54(b) when the court has jurisdiction so to do, even if the claims of the opposing party have been dismissed or otherwise disposed of.

\textsuperscript{142} FED. R. CIV. P. 42(b) provides for the separation of claims for trial. See supra note 131 for a discussion of separation.

\textsuperscript{143} Atari, 747 F.2d at 1424.

\textsuperscript{144} Id. at 1425.

\textsuperscript{145} Id. at 1426.

\textsuperscript{146} Id. at 1427.

\textsuperscript{147} Id.

\textsuperscript{148} The court had requested that interested parties submit briefs on the scope of the Federal Circuit’s “arising under” jurisdiction. Id. Twelve organizations submitted such briefs. Id. at n.2.

\textsuperscript{149} Id. at 1428. The court refused to address jurisdictional questions which arise when a patent claim has been withdrawn with prejudice, because of settlement or otherwise, before a notice of appeal is filed; a patent claim has been dismissed as frivolous and the dismissal is not appealed; a patent infringement counterclaim was pleaded in response to a complaint containing only non-patent claims; patent and non-patent claims arising out of one nucleus of operative facts have been filed by one plaintiff as separate cases that have not been consolidated; a complaint has
In a comprehensive analysis of the Federal Circuit's "arising under" jurisdiction over patent appeals, the court quoted from the legislative history and observed that the scope of its jurisdiction would have to be "in accordance with the objectives of the Act."150 These objectives include the elimination of specialization, the prevention of forum-shopping, and uniformity in patent law.151 However, the court recognized that the need for uniformity in substantive patent law does not require that the Federal Circuit take every appeal in which a patent issue is involved. In other words, "a mere allegation that patent law is involved will not give this court jurisdiction when that of the district court did not rest at least in part on a continuing claim arising under the patent or plant variety protection laws."152

In determining the scope of its jurisdiction, the court utilized Justice Holmes' "arising under" test: "A claim arises under the particular statute which creates the cause of action . . . ."153 The court noted that Congress had not restricted the appellate jurisdiction of the Federal Circuit to judgments entered on patent claims, but had provided jurisdiction over appeals from cases in which the district court's jurisdiction was based in whole or in part on section 1338.154 Thus, under the plain language of 28 U.S.C. section 1295(a)(1), the court held that it had jurisdiction because Atari's case had been continuously based in part on its patent claim under section 1338(a).155

The court also addressed the effect on its jurisdiction of the separation order under Federal Rule of Civil Procedure 42(b). Although the court made clear that the "effect" of the order, not its "propriety," was before the court, the separation order was found deficient. First, the order did not indicate that the patent count was separated for trial and judgment. Second, there was no reference to pre-trial discovery matters or to issues related to defenses raised by the defendants. Third, there was no discussion of the

---

been amended to give the district court jurisdiction in part on § 1338 that it did not have over the original complaint; or similar circumstances.

*Id.*

150. *Id.* at 1428 (quoting S. REP. No. 275, *supra* note 59, at 20).
151. *Id.* at 1440.
152. *Id.* at 1429.
153. *Id.* (citing American Well Works Co. v. Layne & Bowler Co., 241 U.S. 257, 260 (1916)).
154. *Id.* at 1429.
155. *Id.* at 1429-30.
FEDERAL CIRCUIT JURISDICTION

trial of the copyright count or of the other counts. Finally, the district court did not indicate that it was creating two cases.\textsuperscript{156}

The court rejected Atari's argument that the Federal Circuit can only hear those appeals which contain judgments on a patent claim.\textsuperscript{157} In its view, such an argument was contrary to congressional intent as well as to general rules of federal jurisdiction. Normally a single judgment is entered after the trial of all counts. In addition, until all claims are adjudicated, a judgment on a separately tried claim is generally not final and appealable.\textsuperscript{158} Moreover, action on Rule 42(b) is procedural and has no effect on jurisdiction. Finally, Rule 42(b) cannot be used to sever claims.\textsuperscript{159}

Having determined that the effect of the separation order was not to separate or sever the patent claims, the court examined whether—even if the separation order had required a separate trial and judgment on the patent count—the district court could employ such a procedural device "for the sole purpose" of ousting the Federal Circuit from jurisdiction granted by the Act.\textsuperscript{160} Although the discretion of a district judge to manage a trial and to enter judgments was acknowledged, the court found such a procedure unacceptable based on legislative intent. The time for determination, which occurs upon the filing of a notice of appeal,\textsuperscript{161} and the criteria for determination were distinguished. Because the Federal Circuit's appellate jurisdiction under section 1295(a)(1) is dependent on whether the jurisdiction of the district court was based, in whole or in part, on a patent claim under section 1338, the jurisdiction of the district court must be examined.\textsuperscript{162} In particular, "[t]he criteria for jurisdiction of the district court over a case are determined at the complaint stage, and a subsequent event such [as a]
separation order entered solely to direct appeals, that does not alter those criteria, cannot oust the appellate court of its potential jurisdiction over appeals from final decisions in that case."\(^{163}\)

The court carefully pointed out that this discussion revolved around the fact that the separation order was entered for the sole purpose of routing the appeal to the regional circuit.\(^{164}\) This "blatant manipulation of appellate court jurisdiction" was contrary to the statute and to the legislative intent of avoiding forum-shopping.\(^{165}\) Furthermore, the court predicted that this type of manipulation "could result in unnecessary disputes, undue costs, and additional mid-process litigation concerning the proper appellate forum."\(^{166}\) No opinion was expressed regarding a situation where a district court creates "two distinct cases under certain proper circumstances."\(^{167}\)

Although the court found the jurisdictional statutes unambiguous, it could not resist a peek at the legislative history. The court noted the congressional concern over manipulation of the Federal Circuit's jurisdiction through joinder of trivial and frivolous patent claims,\(^{168}\) and that "it would be incongruous to suppose that a Congress concerned with avoiding appellate forum shopping through manipulative joining of trivial and frivolous patent counts would have intended to permit appellate forum shopping by the manipulative separation of a non-frivolous patent count attempted in the present case."\(^{169}\) In conclusion, the court emphasized that its jurisdiction "is not dependent on the mere whim of counsel."\(^{170}\)

Also discussed were four other congressional concerns that the Federal Circuit was bound to implement: avoiding bifurcation of appeals, avoiding forum-shopping in nonpatent issues of law, avoiding specialization of the Federal Circuit, and discouraging appropriation by the court of areas of law not assigned to it.\(^{171}\) To meet these congressional mandates, the court held that it must exercise its statutorily required appellate jurisdiction over the entire

---

163. Id. at 1431-32 (emphasis in original) (citation omitted).
164. Id.
165. Id.
166. Id.
167. Id.
168. Id. at 1434 (quoting S. Rep. No. 275, supra note 59, at 30).
169. Id. (emphasis in original).
170. Id.
171. Id. at 1435-38.
case, not just over the patent claims. However, in areas which are not within the exclusive jurisdiction of the Federal Circuit, the court reaffirmed its decision to follow the law of the regional circuit in which a district court sits to avoid the district courts having to look "Janus-like, in two directions."

Judges Friedman and Davis, in concurrence, asserted that Chief Judge Markey's opinion went too far. Judge Friedman would have denied the motion to transfer for want of jurisdiction, reasoning that because the separation order was ineffective to separate the copyright claim for separate trial and decision, the jurisdiction of the district court was based in part on section 1338. Judge Davis reasoned that the separation order did not sever the patent claim because it was made solely to divert the appeal to the regional circuit and, thus, the motion for transfer should be denied.

Although Chief Judge Markey wrote expansively in *Atari*, the Federal Circuit has not taken all appeals of nonpatent issues. It ordered transfer to the regional circuit in *USM Corp. v. SPS Technologies, Inc.*, which involved an antitrust claim that had been severed for separate trials. The Seventh Circuit had previously adjudicated all patent issues and thus only nonpatent issues remained. When USM appealed a decision on the antitrust claim to the Federal Circuit, SPS Technologies moved to transfer the appeal to the Seventh Circuit.

172. *Id.* at 1439.

173. *Id.* In an earlier decision, the Federal Circuit recognized

[a] need . . . to avoid the wastefulness and uncertainty of bifurcated appeals and, at the same time, to maintain a uniformity of guidance available to individual district courts in such purely procedural matters as disqualification. Dealing daily with such procedural questions in all types of cases, a district court cannot and should not be asked to answer them one way when the appeal on the merits will go to the regional circuit in which the district court is located and in a different way when the appeal will come to this circuit. That potential problem is obviated, however, when this court applies the same guidance previously made available by the circuit . . . having authority over the district court under 28 U.S.C. § 1294.

*In re Int'l Medical Prosthetics Research Assocs.*, 739 F.2d 618, 620 (Fed. Cir. 1984).


174. *Atari*, 747 F.2d at 1441 (Friedman, J., concurring), (Davis, J., concurring).

175. *Id.* (Friedman, J., concurring).

176. *Id.* (Davis, J., concurring).

177. 770 F.2d 1035 (Fed. Cir. 1985).
The Federal Circuit first reviewed the *Atari* decision, where the court held that its subject matter jurisdiction was to be determined at the time the complaint was filed and would not be affected by the separation of nonpatent claims. The court noted, however, that the *Atari* court had reserved the question of Federal Circuit jurisdiction "over an appeal in which the patent claims had been withdrawn with prejudice because of settlement or otherwise, before a notice of appeal was filed." In addition, on several occasions the Federal Circuit had exercised jurisdiction over appeals of antitrust claims joined with patent claims which arose from the same set of facts. However, in these cases, all patent claims had been adjudicated.

The court concluded that because the case already had been before the Seventh Circuit twice, "[p]olicies of judicial efficiency" favored transfer. Furthermore, the court could find no hint of manipulation of the appellate jurisdiction of the Federal Circuit, as in *Atari*, because the severance occurred before the creation of the Federal Circuit. More importantly, the transfer ordered in this case was limited to its facts; the court admonished that the result did not suggest how it would rule in future cases.

III. ANALYSIS OF FEDERAL CIRCUIT “ARISING UNDER” CASES

The Federal Circuit has just begun to define the scope of its unique dependent jurisdiction under 28 U.S.C. section 1295(a)(1). In *C.R. Bard, Inc. v. Schwartz*, the court held that it had the inherent authority to determine its own jurisdiction and would not be bound by the district court’s determination under 28 U.S.C. section 1338. As the court correctly pointed out, any other holding would be "absurd." The congressional mandate against manipulation of the Federal Circuit’s jurisdiction would be thwarted by an unreviewable jurisdictional determination of a district court of its jurisdiction under section 1338. The Federal Circuit would be placed in the untenable position of being at the mercy of the district courts and the regional courts of appeals, while at the same time being under a congressional mandate to strive for uniformity.

178. *Id.* at 1037 (citing *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984)).
179. *USM Corp.*, 770 F.2d at 1037 (emphasis in original) (citing *Atari*, 747 F.2d at 1428).
180. *Id.* (citing American Hoist & Derrick Co. v. Sowa & Sons, 725 F.2d 1350 (Fed. Cir.), *cert. denied*, 105 S. Ct. 95 (1984); *Albert v. Kevex Corp.*, 729 F.2d 757 (Fed. Cir. 1984)).
181. *USM Corp.*, 770 F.2d at 1037.
182. *Id.*
183. 716 F.2d 874 (Fed. Cir. 1983).
in patent law. By establishing its authority to determine its own jurisdiction, the Federal Circuit has provided a mechanism to define the scope of its congressionally mandated appellate jurisdiction without interference from the regional courts of appeals.

The second jurisdictional holding in *C.R. Bard* is less commendable. The court rejected a blanket requirement that a license must be terminated before the licensee may bring a declaratory judgment action seeking to invalidate the licensed patent. Instead, the court imposed a totality of the circumstances test to determine whether there is a controversy arising under the patent laws. Thus, for jurisdictional purposes, the court must decide, based upon the totality of the circumstances, whether there is a reasonable threat that the patentee will bring an infringement suit against the licensee. Because a license is an agreement by the patentee not to sue the licensee for infringement, an infringement suit seems unlikely unless the licensee has terminated the license or is not complying with the terms of the license. Failure to pay royalties does not generally terminate a license, but merely gives rise to a cause of action for a breach of contract, which does not arise under the patent laws.

A pragmatic analysis of this holding shows its weaknesses. Since the Supreme Court abolished the licensee estoppel rule in *Lear, Inc. v. Adkins*, patent licensing has evolved into a war between patentees and licensees. When the licensed invention begins to yield income, a licensee may refuse to pay further royalties on the ground that the patent is invalid. After *C.R. Bard*, the licensee can refuse to pay royalties, but not repudiate the contract, and then bring a declaratory judgment action contesting validity. Contract stability is thus jeopardized in patent licensing. Ultimately, patentees will simply charge higher royalties to overcome the possibility of suit.

Although the Federal Circuit expanded the jurisdiction of the district court under section 1338 in *C.R. Bard*, the court later refused to extend its jurisdiction to encompass a suit to remove a cloud on title to certain patent applications. In *Beghin-Say*, the court stated the general rule that for "arising under" jurisdiction, a "plaintiff must have asserted some right or . . . privilege that would be defeated by one or sustained by an opposite construction of those laws."

---

185. *Beghin-Say*, 733 F.2d at 1570.
patents, such cases generally do not arise under the patent laws. Although the court rejected the plaintiff's argument that recordation of the assignments in the Patent and Trademark Office pursuant to a federal statute was sufficient to vest jurisdiction in the district court, it hinted that there might be jurisdiction where there was "a matter of monumental [interest] to the federal government."\textsuperscript{188} However, the source and scope of this jurisdiction were not revealed.

In \textit{Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.},\textsuperscript{187} the court announced the rule that, in determining subject matter jurisdiction, a district court must assess the substance of the claim in addition to the language in the complaint, and it may consider facts outside the pleadings.\textsuperscript{188} Moreover, a district court must pay special attention to the relief requested by the plaintiff in determining whether the cause of action arises under the patent laws.\textsuperscript{189} Thus, the court appeared to signal an expansive reading of section 1338 through the use of this broad language, especially in the absence of Supreme Court authority to the contrary.

Indeed, in a noncontractual dispute for which there was no direct Supreme Court precedent, the court found jurisdiction under section 1338. In \textit{DuBost v. United States Patent & Trademark Office},\textsuperscript{190} the court held that a district court has jurisdiction under section 1338 to review a decision by the Commissioner of Patents and Trademarks concerning the construction of a statute. The court reasoned that under traditional "arising under" analysis, a right or interest of the plaintiff would be defeated or sustained by the construction given to a patent statute. Therefore, the court expanded the jurisdiction of the district courts to review certain decisions of the Commissioner under section 1338 rather than under the more stringent All Writs Act.

This expansive reading of section 1338 has limits. In addition to adhering to Supreme Court authority concerning contractual disputes, the Federal Circuit refused to extend the jurisdiction of the district courts in a patent interference case under 35 U.S.C. section 291. In \textit{Albert v. Kevex Corp.},\textsuperscript{191} the court held that district courts have no jurisdiction over 35 U.S.C. section 291 interfering patent

\textsuperscript{186} \textit{Id.} at 1572.
\textsuperscript{187} 755 F.2d 1559 (Fed. Cir. 1985).
\textsuperscript{188} \textit{Id.} at 1561.
\textsuperscript{189} \textit{Id.} at 1562.
\textsuperscript{190} 777 F.2d 1561 (Fed. Cir. 1985).
\textsuperscript{191} 729 F.2d 757 (Fed. Cir. 1984).
cases unless the patents are actually interfering. As Judge Smith correctly pointed out in his concurrence, the majority confused elements of the statutory cause of action with the power of the court to hear the case. If there is a "good faith, nonfrivolous, and substantial assertion" of interference, the jurisdiction of the district court to hear the case is established under section 1338.

Although the result in Albert is probably correct because the patents were not actually interfering due to the disclaimer by Kevex, the proper procedural device would have been summary judgment, not dismissal for want of jurisdiction. The majority’s reliance on jurisdiction unnecessarily confused the power of the court to hear the case with the statutory elements of the cause of action. The court needlessly introduced patent law principles into a basic jurisdiction question, and thus failed to follow the congressional mandate to avoid specialization.

In addition to exploring the scope of its dependent jurisdiction under section 1338, the court has examined attempts by plaintiffs to avoid Federal Circuit review. In Chemical Engineering Corp. v. Marlo, Inc., the court held that where a plaintiff brought a patent infringement suit but pleaded jurisdiction based solely on diversity of citizenship, the district court had jurisdiction under section 1338. The court found implicit in its jurisdictional grant from Congress the authority to recharacterize pleadings. This conclusion is certainly necessary for the court to meet the congressional mandate against manipulation of its jurisdiction. The court sent a message that, in addition to reviewing the jurisdictional determination by the district courts, it would independently examine the jurisdictional basis for suits to determine whether the case actually arose under the patent laws. Thus, the court appeared to say that in the Federal Circuit a plaintiff’s pleadings will be closely scrutinized.

The Federal Circuit also has used the legislative intent to avoid manipulation of its jurisdiction in the appeals of cases involving substantive nonpatent issues. In Bandag, Inc. v. Al Bolser’s Tire Stores, Inc., the court held that where a patent and a trademark claim were raised originally by a plaintiff in the complaint and separate appeals were taken on both claims, the Federal Circuit had

192. Id. at 763 (Smith, J., concurring).
193. Id. at 763-64 (Smith, J., concurring).
194. 754 F.2d 331 (Fed. Cir. 1984).
195. Id. at 333.
196. 750 F.2d 903 (Fed. Cir. 1984).
jurisdiction over both the trademark and patent appeals. In *Atari*, 197 the court held that it has jurisdiction over an appeal of an order granting a preliminary injunction on a nonpatent claim where (1) the district court’s jurisdiction was based in part on 28 U.S.C. section 1338, (2) a nonfrivolous claim for patent infringement was alleged, and (3) the district court had ordered separation of the patent claim solely for the purpose of avoiding Federal Circuit appellate review. As a compromise and to avoid uncertainty in the district courts, the Federal Circuit announced the choice of law rule that on appeals of issues not within the exclusive subject matter jurisdiction of the Federal Circuit, the court will apply the law of the regional circuit in which the district court sits.

These holdings concerning nonpatent claim appeals are correct under general federal question jurisdiction principles. Because the jurisdiction of the district court under section 1338 was in each case based on a nonfrivolous, continuing claim in the complaint alone, the court followed the well-pleaded complaint rule. Also, the patent claims were not separated for a separate trial and judgment to create a new “case.” Thus, although not presented on appeal, the patent claims remained in the case to be presented in a later appeal.

IV. ROUNDING OUT THE FEDERAL CIRCUIT’S “ARISING UNDER” JURISDICTION

The court has yet to face two classes of cases which will provide the true meaning of “arising under” jurisdiction in the Federal Circuit. The first of these is where the patent issues do not arise in the complaint but arise in the responsive pleadings of the defendant. Under the traditional well-pleaded complaint rule, such a case does not arise under the patent laws. 198 Thus, using traditional “arising under” analysis, the district courts do not have jurisdiction over such actions under section 1338.

In the second class, the nonpatent claims pleaded by the plaintiff are removed “under certain proper circumstances” from the case before appeal. 199 Although the court did not define “proper circumstances” in *Atari*, such circumstances would probably in-

---

197. The patent claims were not reviewed by the Federal Circuit in *Atari* because the court was reviewing an interlocutory appeal under § 1292(a). The patent claims had not yet been addressed by the district court.
198. See supra notes 33-42 and accompanying text.
199. *Atari*, 747 F.2d at 1432.
clude the furtherance of convenience, the avoidance of prejudice, or the promotion of expedition and economy. Because *Atari* only considered the situation where the sole purpose of the separation order was to avoid Federal Circuit appellate review, the Federal Circuit has opened the gates for many appeals involving the definition of "proper circumstances."

The Federal Circuit has been careful to exercise its appellate jurisdiction in harmony with the Supreme Court's "arising under" precedent and the legislative history of the Federal Courts Improvement Act of 1982. However, in view of the central congressional purpose of bringing uniformity and stability to patent law, the Federal Circuit should exercise jurisdiction in both classes of cases. The Federal Circuit should not be bound by the well-pleaded complaint rule. In short, the court should return to the "original ingredient" test of *Osborn* as applied in *Smith v. Kansas City Title & Trust Co.*, to determine the jurisdiction of the district courts under section 1338. The well-pleaded complaint rule evolved long before the advent of this new approach to appellate jurisdiction. Moreover, this rule is inconsistent with the congressional mandates to avoid bifurcation of appeals, to avoid specialization, and to avoid forum-shopping.

The legislative history of the Federal Courts Improvement Act does not require total adherence to traditional "arising under" analysis. Although the House Report stated that cases would be within the jurisdiction of the Federal Circuit "in the same sense that cases are said to 'arise under' federal law for questions of federal question jurisdiction," the Report noted that this approach was in contrast to the jurisdiction of the Temporary Emergency Court of Appeals. This statement is ambiguous because the Second Circuit has noted that there were three choices for the jurisdiction of the Emergency Court: traditional "arising under" jurisdiction, "case" jurisdiction over all claims, and "issue" jurisdiction over Economic Stabilization Act claims. By contrasting this case, Congress only eliminated "issue" jurisdiction; Congress did not specify its choice between the other two alternatives. Thus, "case" jurisdiction remains a viable choice for the Federal Circuit.

200. *See Fed. R. Civ. P. 42(b).*
201. 255 U.S. 180 (1921).
202. *Id.*
203. *See Coastal States Mktg., Inc. v. New England Petroleum Corp., 604 F.2d 179 (2d Cir. 1979).*
“Case” jurisdiction meets the premier mandate of Congress for uniformity in patent law to prevent forum-shopping. Because the Federal Circuit has found the inherent power to determine its jurisdiction under section 1338 independently and to recharacterize pleadings, it also should have the inherent power to exercise jurisdiction over the entire case to meet the congressional directives. By exercising jurisdiction over appeals of cases containing substantial patent issues which form an “original ingredient” of the original claim, whether raised initially by the plaintiff in the complaint or later by the defendant, the Federal Circuit can implement the policies of the Act. The exercise of such jurisdiction over all substantial patent issues will result in uniformity which eliminates the need to shop for a hospitable forum. Moreover, because the Federal Circuit has created a choice of law rule which requires the application of regional circuit law to nonpatent issues, the congressional mandate to discourage appropriation by the Federal Circuit of areas not assigned to it is satisfied. In short, the baggage of previous patent “arising under” cases is not applicable under this new legislative scheme.

Although the number of patent issues that might escape resolution by the Federal Circuit under traditional “arising under” analysis may be small, quality, not quantity, should be the court’s objective. The Federal Circuit has suggested that under the doctrine of stare decisis, its precedent might be used by other courts to resolve these issues. However, because most patent appeals now go to the Federal Circuit, the regional circuits are beginning to lose the expertise needed to adjudicate these complex issues. The quest for uniformity in patent law should not be impeded by uncertainty over whether the regional circuits will apply Federal Circuit precedent, or whether these courts will apply it correctly. Such a scheme would result in the forum-shopping problems of the years prior to creation of the Federal Circuit.

Once the Federal Circuit has established that the district courts have jurisdiction over all cases containing substantial patent issues, the court will have addressed the problem of the manipulation of its appellate jurisdiction. Because patent issues are substantial and must be addressed to conform with the congressional mandate, there can be no legitimate reason to sever or separate nonpatent claims. Thus, the Federal Circuit will foreclose the potential for manipulation of its jurisdiction.

204. *Atari*, 747 F.2d at 1440.
V. Conclusion

The federal appellate crisis planted the seed for the creation of the Federal Circuit. The evils of forum-shopping induced by a lack of uniformity in patent law germinated the seed. The result is a unique federal appellate court with limited subject matter jurisdiction and nationwide geographic jurisdiction. This novel approach to federal appellate jurisdiction requires that traditional rules be re-examined.

The court seems determined to follow congressional mandates to the letter and take all cases necessary to meet the legislative intent of the Federal Courts Improvement Act. Congress appears to have condoned these actions for it has not restricted the jurisdiction of the Federal Circuit, but has broadened its jurisdiction by giving the court jurisdiction over "certified-up" questions from patent cases under 28 U.S.C. section 1292(b).\(^2\) In addition, the Supreme Court has not granted certiorari in any case over which the Federal Circuit has exercised jurisdiction; indeed, the Supreme Court reversed the Federal Circuit in a Merit Systems Protection Board decision in which the court held that it did not have jurisdiction.\(^2\)\(^6\)

The Federal Circuit has an opportunity to redefine federal question jurisdiction over patent cases in light of the congressional mandates. Because it is now giving life to a fresh approach to appellate jurisdiction, the court should not be burdened with the baggage of federal jurisdiction principles such as the well-pleaded complaint rule. The Federal Circuit can bring uniformity to patent law by exercising jurisdiction over all appeals from cases that contain substantial patent issues. Ultimately, this uniformity will foster invention and innovation—the basic purpose of the United States patent system.

\(^2\)95. 28 U.S.C. § 1292(b) (Supp. 1985).