CASTING A LONG IP SHADOW OVER ANTITRUST JURISPRUDENCE: THE FEDERAL CIRCUIT’S EXPANDING JURISDICTIONAL REACH

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Few appellate decisions have engendered as much debate in antitrust circles in recent years as the decision of the Court of Appeals for the Federal Circuit in In re Independent Service Organizations Antitrust Litigation (Xerox). Not surprisingly, various commentators have weighed in on the implications of the Federal Circuit’s holding in that case, including some elsewhere in this issue. But some might ask why that case was before the Federal Circuit at all. And even if properly before the Federal Circuit, what antitrust precedents should have governed that court’s decision?

Often overlooked in the debate over whether an intellectual property (IP) owner has the unfettered right to refuse to license its IP rights to others is a development that is perhaps more mundane, but certainly of equal or even greater practical significance—the Federal Circuit’s recent decisions dramatically increasing the scope of its exclusive jurisdiction to decide appeals of antitrust and other non-patent claims that implicate issues of patent law. In interpreting the Supreme Court’s decision in Christianson v. Colt Industries Operating Corp., a case in which the Supreme Court agreed with the Federal Circuit’s narrow view of its own exclusive appellate jurisdiction, the Federal Circuit has recently taken a much more expansive view of the circumstances under which a plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law, thereby defining the appellate path as leading to the Federal Circuit.

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This trend, taken together with recent decisions expanding the circumstances under which the Federal Circuit will apply its own, rather than regional circuit, precedent in resolving non-patent issues has potentially far-reaching consequences for how the apparent tensions between antitrust law and the protection of IP rights will be resolved in the courts. Indeed, these developments have led critics to argue that we are now witnessing the realization of the fears expressed by Congress before the Federal Circuit even heard its first case—a Federal Circuit that would serve as an alternative forum to influence the interpretation of traditional antitrust jurisprudence. Intellectual property owners, on the other hand, likely applaud the Federal Circuit’s double-barreled expansion of its dominion over the application of the antitrust laws in this arena as a logical fulfillment of that court’s statutory mandate to bring uniformity to the interpretation and application of the patent laws.

An examination of the Federal Circuit’s cases in this area reveals a court that is genuinely seeking to develop a coherent approach to jurisdiction in the face of an arguably flawed enabling statute rather than one merely intent on a naked accretion of power. Given that statute, the Federal Circuit must inevitably issue decisions on non-patent issues, including questions of antitrust law. But the Federal Circuit’s recent decisions have opened the door to that court potentially hearing appeals in cases well beyond anyone’s expectations while, at the same time, still leaving many decisions on substantial and controlling questions of federal patent law in the hands of the regional circuits.

Part I of this article looks at the statutes that created the Federal Circuit and that define its jurisdiction. Part II examines the key decisions interpreting the scope of exclusive appellate jurisdiction for the court, and Part III reviews the development of the court’s application of choice of law principles to its decisions on non-patent issues. Finally, Part IV considers the implications of these developments, with a particular focus on cases that assert only antitrust claims but which the Federal Circuit (and perhaps other courts) might nonetheless consider to be exclusively within its jurisdiction and subject to its own precedents.

I. IN THE BEGINNING

The Federal Courts Improvement Act of 1982\(^4\) created the Court of Appeals for the Federal Circuit to centralize the appellate review of specific areas of the law that Congress determined were in need of uniformity.\(^5\) The legislative history reflects a concern that “there are areas of the law in which the appellate courts reach inconsistent decisions on the same issue, or in which—although the rule of law may be fairly clear—courts apply the law unevenly when faced with the facts of individual cases.”\(^6\) The primary “area” in need of greater consistency was in the administration and application of the patent laws,\(^7\) and the vehicle for achieving that consistency was the grant to the newly created Federal Circuit of exclusive appellate jurisdiction over those cases containing claims “arising under” the patent laws.\(^8\)

In considering its creation, some legislators expressed fear that the Federal Circuit’s jurisdictional grant was too broad and would give the court far too much power to influence areas of the law outside of the patent laws that have traditionally been within the exclusive province of the regional circuits. These early critics warned of the possibility that “specious patent claims w[ould] be tied, for example, to substantial antitrust claims in order to create jurisdiction in the . . . Federal Circuit.”\(^9\) And they expressed concern that this exclusive jurisdiction could be manipulated so that “for example, mere joiner of a patent claim whose gravamen is antitrust [w]ould be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals.”\(^10\) Notwithstanding these concerns, the Senate Report reflects a confidence that the Federal Circuit, like the Court of Claims and the Court of Customs and Patent Appeals that it replaced, would use its discretion in assuring that claims were properly before it and that it would apply the correct law.\(^11\)

Unlike its sister regional circuit courts, the Federal Circuit’s exclusive jurisdiction is defined by the subject matter raised on appeal, which is

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\(^3\) Id. at 3.
\(^4\) Id. at 4, 22.
\(^6\) Senate Report, supra note 5, at 20.
\(^7\) Id. at 21.
\(^8\) Id. at 21–22.
laid out in Section 1295(a) of Title 28 of the U.S. Code,\textsuperscript{12} rather than
the geographic origin of the lawsuit.\textsuperscript{13} Section 1295(a) (1) grants exclusive
jurisdiction to the Federal Circuit to hear “an appeal from a final decision
of a district court . . . if the jurisdiction of the court was based, in whole
or in part, on section 1338 of this title.”\textsuperscript{14} Section 1338 provides district
courts with “original jurisdiction of any civil action arising under any Act
of Congress relating to patents . . . .”\textsuperscript{15} Thus, if any count of a complaint
“arises under” the patent laws sufficient to trigger jurisdiction in a district
court under Section 1338, the Federal Circuit has exclusive appellate
jurisdiction over any final decision in that case under Section 1295.\textsuperscript{16} A
significant effect of this expansive grant of subject matter jurisdiction is
that it necessarily requires the Federal Circuit to decide issues outside
the scope of the substantive patent laws because the court’s exclusive
jurisdiction is based on claims and not issues.\textsuperscript{17}

\textbf{II. EXCLUSIVE JURISDICTION: THE WELL-PLEADED

COMPLAINT RULE}

This broad appellate jurisdiction over any case that “in whole or in
part” was based on any claim “arising under” the patent laws initially

\textsuperscript{12} 28 U.S.C. § 1295(a). In addition, Section 1292(c) provides the Federal Circuit with
exclusive jurisdiction over any interlocutory decision that may arise in an action over which
the court would have appellate jurisdiction under Section 1295(a). 28 U.S.C. § 1292(c)
(1994). Section 1292(c) states in pertinent part:

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

(1) of an appeal from an interlocutory order or decree described in subsection
(a) or (b) of this section in any case over which the court would have jurisdiction
of an appeal under section 1295 of this title; and

(2) of an appeal from a judgment in a civil action for patent infringement
which would otherwise be appealable to the United States Court of Appeals for
the Federal Circuit and is final except for an accounting.

\textsuperscript{13} A regional circuit court has jurisdiction over an appeal from a district court within


\textsuperscript{15} 28 U.S.C. § 1338 (Supp. 1999) (emphasis added). Section 1338 of Title 28 also confers
original jurisdiction with district courts over any civil action arising under Acts of Congress
relating to plant variety, copyrights, and trademarks. The Federal Circuit’s exclusive jurisdic-
tion under Section 1295, however, is explicitly limited to only those claims that arise
under the patent laws. 28 U.S.C. § 1295(a)(1) (explaining that Federal Circuit has exclusive
jurisdiction over all claims arising under Section 1338 “except that a case involving a claim
arising under any Act of Congress relating to copyrights, exclusive rights in mask works,
or trademarks and no other claims under section 1338(a) shall be governed by sections
1291, 1292, and 1294 of this title.”).

the relationship between the Federal Circuit’s Section 1295(a) appellate jurisdiction
and a district court’s Section 1338 jurisdiction).

\textsuperscript{17} Id. at 811; Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd., 895
F.2d 736, 744 (Fed. Cir. 1990).
caused confusion for both the regional circuit courts and the Federal Circuit. The primary challenge for the appellate courts was to determine what claims “arise under” the patent laws sufficient to confer exclusive jurisdiction on the Federal Circuit. This confusion predictably led to jurisdictional conflicts between the Federal Circuit and the regional circuits.18

A. The Supreme Court Leads in Christianson

In 1988, six years after the creation of the Federal Circuit, the Supreme Court attempted to provide some guidance in Christianson v. Colt Industries Operating Corp.19 In Christianson, the plaintiff, a former employee of the defendant Colt Industries and the company he set up to compete against Colt, asserted antitrust and tort claims against Colt for seeking to enforce its trade secrets in bad faith. The principal allegation was that Colt was enforcing its trade secrets even though it knew they were invalid because Colt failed to disclose those secrets in its related patents as required by 35 U.S.C. § 112. The district court granted the plaintiff’s motion for summary judgment on both the antitrust and business tort claims based solely on the plaintiff’s Section 112 theory.20

What followed was undoubtedly a nightmare for both litigants that the Supreme Court aptly described as “jurisdictional ping-pong.”21 The defendant appealed to the Federal Circuit, which concluded that it lacked jurisdiction and promptly transferred the case to the Seventh Circuit.22 The Seventh Circuit, however, decided that the Federal Circuit was “clearly wrong” and transferred the case back to the Federal Circuit.23 Not to be outdone, the Federal Circuit accused the Seventh Circuit of exhibiting a “monumental misunderstanding” of the Federal Circuit’s jurisdiction, but begrudgingly addressed the merits of the case in the “interest of justice” and reversed the district court.24 When the ball stopped bouncing, the Supreme Court agreed with the Federal Circuit’s jurisdictional assessment, but was unimpressed with its sympathy for

20 Id. at 806.
21 Id. at 818.
22 Id. at 806.
23 Id.
24 Id. at 807.
the litigants—the Court vacated the Federal Circuit’s judgment with instructions to transfer the appeal back to the Seventh Circuit.25

As an initial matter, the Supreme Court confirmed that Federal Circuit jurisdiction under Section 1295(a)(1) is wholly derivative of Section 1338(a): “the jurisdictional issue before us turns on whether this is a case ‘arising under’ a federal patent statute, for if it is then the jurisdiction of the District Court was based at least ‘in part’ on § 1338.”26 Relying on its prior decisions construing “arising under” for purposes of determining federal question jurisdiction, the Court invoked the “well-pleaded complaint” rule. Thus, jurisdiction under Section 1338(a) extends “only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.”27 The Court then concluded, without much difficulty, that no claim arose under the patent laws on the face of the well-pleaded complaint primarily because the patent law question, “while arguably necessary to at least one theory under each claim, is not necessary to the overall success of either claim.”28 Because the well-pleaded complaint rule “focuses on claims, not theories,”29 “the appearance on the complaint’s face of an alternative, non-patent theory compels the conclusion” that the claims of the complaint did not “arise under” the patent laws.30

Colt made several arguments in seeking to avoid the effect of the well-pleaded complaint rule on the jurisdictional outcome, each of which the Supreme Court rejected. Principal among these was the argument that the rationale for creating the Federal Circuit would be furthered if “the Federal Circuit’s jurisdiction were to be fixed ‘by reference to the case actually litigated,’ rather than by an ex ante hypothetical assessment of the elements of the complaint that might have been dispositive.”31 Justice Stevens, joined by Justice Blackmun in a concurring opinion, seemed sympathetic to that view, and suggested that “Congress could not have intended precisely the same analysis” be applied in determining whether a case “arises under” the patent laws for purposes of original

25 Id.
26 Id.
27 Id. at 809.
28 Id. at 810.
29 Id. at 811.
30 Id. at 812.
31 Id. at 813 (citation omitted).
federal jurisdiction and for the Federal Circuit’s appellate jurisdiction. Rather, he suggested that a more rational view would be one that looks at the case as litigated—i.e., at the time the appeal is filed—when determining if there remains any litigated claim that “arises under” the patent laws. Thus, in a hypothetical case in which both a patent claim and an antitrust claim are asserted in the complaint but the patent claim is dropped prior to trial and only the antitrust claim is subject to appeal, Justice Stevens would conclude that “the case that would actually be litigated would certainly not arise under the patent laws for purposes of appellate jurisdiction.” But the Court did not accept Justice Stevens’s distinction in interpreting “arising under” for purposes of determining appellate jurisdiction, and a more rigid adherence to the traditional well-pleaded complaint rule has led to exactly the type of exercise of jurisdiction over non-patent claims that Justice Stevens suggested the Federal Circuit should avoid.

Just as the well-pleaded complaint rule inexorably leads to the Federal Circuit accepting jurisdiction over purely non-patent claims and non-

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32 Id. at 823.
33 Id.
34 Id.
35 Although the well-pleaded complaint rule has been strictly applied, three limited exceptions to the rule have been recognized. First, even if a claim arising under the patent laws is part of a plaintiff’s complaint, the Federal Circuit will not exercise jurisdiction over the plaintiff’s non-patent claims if the plaintiff voluntarily moves to dismiss the patent claim early in the litigation. Gronholz v. Sears, Roebuck & Co., 836 F.2d 515, 518–19 (Fed. Cir. 1987); accord Breed v. Hughes Aircraft Co., 253 F.3d 1173, 1179 (9th Cir. 2001); Denbicare U.S.A., Inc. v. Toys “R” Us, Inc., 84 F.3d 1143, 1147–48 (9th Cir. 1996). “The theory underlying this exception is that by moving to dismiss the [claims arising under the patent laws], the plaintiff affirmatively amends his complaint in such a way that the well pleaded complaint does not invoke the district court’s jurisdiction under 28 U.S.C. § 1338.” Breed, 253 F.3d at 1179. Second, if a plaintiff’s patent claims are involuntarily dismissed without prejudice, the Federal Circuit will not exercise jurisdiction over any remaining non-patent claims. Nilssen v. Motorola, Inc., 203 F.3d 782, 784–85 (Fed. Cir. 2000); accord Logan v. Burgers Ozark Country Cured Hams Inc., 263 F.3d 447, 452 (5th Cir. 2001). Importantly, however, the Federal Circuit would retain jurisdiction over a plaintiff’s non-patent claims if that plaintiff’s patent claims were dismissed with prejudice because such a “dismissal . . . operate[s] as an adjudication . . . on the merits.” Nilssen, 203 F.3d at 785. Third, the Federal Circuit has held that when a count that is the basis of the Federal Circuit’s jurisdiction is severed from other non-patent counts in a complaint, only the count arising under the patent laws is appealable to the Federal Circuit. USM Corp. v. SPS Tech., Inc., 770 F.2d 1035, 1037 (Fed. Cir. 1985). The vitality of this third exception, however, is unclear. In USM, the Federal Circuit refused to accept appellate jurisdiction over an antitrust claim that had been severed from a patent claim in the same case a year earlier. There had been a final judgment on the patent claim that was appealed to the Seventh Circuit before creation of the Federal Circuit. Id.
36 See, e.g., United States Valves, Inc. v. Dray, 212 F.3d 1368 (Fed. Cir. 2000) (extending jurisdiction over breach of contract action); Helfgott & Karas, P.C. v. Dickenson, 209 F.3d 1328 (Fed. Cir. 2000) (extending jurisdiction over Administrative Procedure Act claim);
patent counterclaims asserted in a case with a claim arising under the patent laws, it also must inexorably lead to the regional circuits deciding substantial questions of federal patent law. This result follows from the rule’s disregard of any issue that may be raised by way of defense. “Thus, a case raising a federal patent-law defense does not, for that reason alone, ‘arise under’ patent law, ‘even if the defense is anticipated in the plaintiff’s complaint, and even if both parties admit that the defense is the only question truly at issue in the case.’” If Congress in fact intended that all significant appellate decisions applying and interpreting the patent laws be made at the Federal Circuit and that, to the greatest extent possible, purely non-patent appellate decisions be left with the regional circuits, the Supreme Court’s decision in Christianson arguably exposed the failure of Congress to achieve that result through Section 1295(a).

B. The Federal Circuit Follows in Hunter Douglas

The Federal Circuit anticipated the Supreme Court’s decision in Christianson by several years in Atari, Inc. v. JS&A Group, Inc., an en banc decision in which the court concluded that its appellate jurisdiction must be determined by reference to whether a claim in the underlying case “arises under” the patent statute. At that early point in its existence, the Federal Circuit recognized that basing jurisdiction on claims rather than issues would result in a less than perfect sorting of patent issues and non-patent issues between the Federal Circuit and the regional circuits.

37 See, e.g., United States Philips Corp. v. Windmere Corp., 861 F.2d 695, 702 (Fed. Cir. 1989) (exercising jurisdiction over an antitrust counterclaim filed in a patent infringement action even though only the antitrust claim was on appeal); The appeal of most antitrust counterclaims will lie with the Federal Circuit because most jurisdictions consider antitrust claims premised on a patent owner’s enforcement of its patent as compulsory counterclaims in patent infringement actions and not merely permissive counterclaims. See, e.g., Libbey-Owens-Ford Glass Co. v. Sylvania Indus. Corp., 154 F.2d 814, 819 (7th Cir. 1946); Burlington Indus., Inc. v. Milliken & Schneider (Europe) AG, 983 F. Supp. 245, 257–58 (D. Mass. 1997); Lewis Mfg. Co. v. Chisholm-Ryder Co., 82 F.R.D. 745, 749 (W.D. Pa. 1979); but see, e.g., Hydranautics v. Filmtec Corp., 70 F.3d 533, 536 (9th Cir. 1995); Tank Insulation Int’l, Inc. v. Insultherm, Inc., 104 F.3d 83, 86 (5th Cir. 1997).

38 See, e.g., Christianson v. Colt Indus. Operating Corp., 870 F.2d 1292, 1299–1304 (7th Cir. 1989) (Seventh Circuit addressed issues of enablement and best mode under Section 112 of the patent statute in its decision following remand from the Supreme Court).

39 Christianson, 486 U.S. at 809 (quoting Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 14 (1983)).

Indeed, the court observed that “increased uniformity in the substantive law of patents does not require that this Court get its hands on every appeal involving an allegation that a patent law issue is somehow involved.” But in exercising jurisdiction over an appeal from entry of a preliminary injunction on a copyright claim, the court also observed that its enabling statute’s focus on cases rather than issues meant that it inevitably would exercise jurisdiction over non-patent claims.

Since Christianson, the Federal Circuit has continued to rely upon the well-pleaded complaint rule, although arguably it has construed “arising under” more liberally in recent years, resulting in an expanded jurisdictional scope for the court. Specifically, the Federal Circuit has focused on the prong of the well-pleaded complaint rule that allows the court to exercise jurisdiction over a claim that “necessarily depends on” the resolution of a “substantial” question of patent law. By liberally interpreting the meaning of “substantial” and “necessarily depends on,” the court has been able to expand its jurisdictional reach within the confines of the traditional well-pleaded complaint rule. No case illustrates this better than Hunter Douglas, Inc. v. Harmonic Design, Inc.

In Hunter Douglas, the court considered a federal district court’s original subject matter jurisdiction over a state tort claim seeking relief based on the defendant’s alleged misrepresentation to the plaintiff’s customers that the defendant held exclusive patent rights covering the plaintiff’s products even though it knew those patents were invalid. Although the initial complaint contained one federal count that accompanied the six state law counts, the federal count was dismissed under Rule 12(b)(1) for lack of jurisdiction because it was “entirely insubstantial.” The question, then, was whether the federal court had original jurisdiction over any of the remaining state law counts. If not, the district court could not

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41 Id. at 1429.
42 Id.
43 The Federal Circuit today still cites Christianson as the defining case on its exclusive jurisdiction. See, e.g., Uroplasty, Inc. v. Advanced Uroscience, Inc., 239 F.3d 1277, 1279 (Fed. Cir. 2001); United States Valves, 212 F.3d at 1372; Helfgott & Karas, 209 F.3d at 1334.
44 See Christianson, 486 U.S. at 808–09 (stating that “1338(a) jurisdiction likewise extend[s] only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law....”) (emphasis added).
45 153 F.3d 1318 (Fed. Cir. 1998).
46 Id. at 1321–22. The Court also considered the circumstances under which federal patent law might preempt such state law claims. Although its holding that regional circuit law governed the preemption analysis was subsequently overruled in Midwest Industries, Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999), overruled in part, Traffix Devices, Inc. v. Mktg. Displays, Inc., 121 S. Ct. 1255 (2001), its holding on jurisdiction remains intact.
47 Hunter Douglas, 153 F.3d at 1328.
exercise supplemental jurisdiction and all of the claims would have been dismissed for lack of federal subject matter jurisdiction.

The Federal Circuit, following Christianson, analyzed the state law causes of action through the lens of the well-pleaded complaint rule.\textsuperscript{48} The cause of action on which the court focused its attention was one alleging “that the Defendants committed an injurious falsehood.”\textsuperscript{49} Because federal patent law did not create this cause of action, thus foreclosing the first path to “arising under” jurisdiction, the court proceeded to examine whether the second path was available. The court had to answer two questions once it determined that a patent question was implicated: (1) Was resolution of the patent issue essential to providing relief to the plaintiff?; and (2) Was the essential patent issue “substantial”\textsuperscript{50}? With respect to the first question, the court found that the only alleged false statement causing the plaintiff injury was “the Defendants’ assertion that they ‘hold exclusive rights to make or sell window shades covered by one or more of the [Harmonic patents].’”\textsuperscript{50} Because the plaintiff’s right to relief for injurious falsehood required the court to decide whether claims of the defendants’ patents were invalid or unenforceable and because no other theory would support the plaintiff’s cause of action, the Federal Circuit concluded that the injurious falsehood cause of action met the first test. With respect to the second, the court concluded that issues of invalidity and enforceability, like infringement, are “substantial enough” questions of federal patent law to convey jurisdiction because, along with infringement, validity and enforceability “are essential to the federally created property right: one determines whether there is a property right, another whether that right is enforceable, and the third what is the scope of that right.”\textsuperscript{51} Thus, the Federal Circuit held that a federal district court had original (and exclusive) subject matter jurisdiction over this cause of action, leading to the Federal Circuit’s exclusive appellate jurisdiction.

On one level HunterDouglas seems to be a fairly straightforward application of the well-pleaded complaint rule as articulated by Christianson and in perfect harmony with the rationale underlying the court’s creation. After all, it would make little sense to have state courts deciding issues of patent validity and enforceability, particularly where there was no appellate review by the Federal Circuit. The case is nonetheless a dramatic expansion of the Federal Circuit’s appellate jurisdiction, if only deriva-

\textsuperscript{48} Id. at 1325.
\textsuperscript{49} Id. at 1329.
\textsuperscript{50} Id. (citation omitted).
\textsuperscript{51} Id. at 1330.
tively, because of its recognition of the federal district court’s original subject matter jurisdiction over a claim that is created entirely by state tort law.52

Because the Federal Circuit is most often the court that determines whether a question of federal patent law is substantial enough to convey federal jurisdiction,53 it is this vehicle that has allowed the court to expand...
its jurisdictional reach significantly. Indeed, the court recently exercised appellate jurisdiction over a case involving a state breach of contract claim
\(^{54}\) and another raising a challenge under the Administrative Procedure Act.\(^{55}\) Moreover, following the Federal Circuit’s lead, several district courts have also justified their Section 1338 jurisdiction over state law claims using a broad view of what patent issues are “substantial.”\(^{56}\)

C. Extending the Well-Pleaded Complaint Rule to Counterclaims

The Federal Circuit has also looked beyond the face of a complaint when deciding the scope of its jurisdiction. In *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,\(^{57}\) a case on appeal from an interlocutory order, the Federal Circuit, en banc, addressed one issue:

\(^{54}\) *United States Valves*, 212 F.3d at 1372. In that case, the holder of an exclusive license to patented valves brought a breach of contract action against the licensor for selling the patented valves and valve equivalents. *Id.* at 1370–71. One issue facing the Federal Circuit on appeal was whether patent law was a necessary element of the plaintiff’s breach of contract action such that it would confer exclusive jurisdiction on the court. Finding that the court must interpret the patents at issue in order to determine if the defendant sold infringing valves, the court held that this claim contained a substantial issue of patent law and, therefore, was within its exclusive jurisdiction. *Id.* at 1372.

\(^{55}\) *Helfgott & Karas*, 209 F.3d at 1334. In that case, the appellant appealed a district court’s grant of summary judgment in favor of the Patent and Trademark Office where the appellant sought judicial review of the PTO’s denial of its petition for expedited action for its international preliminary examination. *Id.* at 1332–33. One issue facing the Federal Circuit on appeal was whether the appellant’s “APA [Administrative Procedure Act] claims—that the PTO acted arbitrarily and capriciously in denying its petitions. . . can be said to raise a substantial question under the patent laws.” *Id.* at 1334. The Federal Circuit, relying on its reasoning in *Hunter Douglas*, answered this question in the affirmative. *Id.*

\(^{56}\) See, e.g., *Koonan v. Barr Labs.*, Inc., No. C-01-0779MHP, at 8 (N.D. Cal. June 25, 2001) (exercising jurisdiction over California Cartwright Act claim); *Heineken Technical Servs.*, B.V. v. Darby, 103 F. Supp. 2d 476, 477–79 (D. Mass. 2000) (holding that it had proper jurisdiction under Section 1338 because plaintiff’s declaratory judgment action for a declaration that it was the rightful inventor of certain technology “arises under” the patent laws); *Regents of Univ. of Minn.*, 44 F. Supp. 2d at 1002 (finding Section 1338 jurisdiction because although “Plaintiff’s cause of action, which seeks a declaration of rights under a License Agreement” was not created by federal patent, “Plaintiff’s right to relief necessarily depends on resolution of whether Defendant’s products infringe” any of the Plaintiff’s patents and, therefore, “raise[s] a substantial question of federal patent law”); see also, e.g., *Stark v. Advanced Magnetics*, Inc., 736 N.E.2d 434, 439–41 (Mass. Ap. Ct. 2000) (state superior court applying the *Hunter Douglas* “substantial” test to determine whether numerous state law claims involving patent law issues were within its proper jurisdiction).

\(^{57}\) 895 F.2d 736 (Fed. Cir. 1990). In *Aerojet*, the plaintiff, Aerojet, filed numerous state law claims against Machine Tool Works, including unfair competition, interference with prospective advantage, and false representation. *Id.* at 738. Machine Tool Works counterclaimed for patent infringement. The trial court issued an interlocutory order staying all proceedings in the case and ordering arbitration of all the claims, including Machine Tool Work’s counterclaim. Aerojet appealed the order to the Federal Circuit pursuant to 28 U.S.C. § 1295 and the Federal Circuit, sua sponte, raised the issue of its exclusive jurisdiction over the appeal. *Id.*
Does the Federal Circuit have “appellate jurisdiction when a nonfrivolous well-pleaded compulsory patent law counterclaim is present in a case and properly filed in the district court[?]” Finding that “the phrase ‘well pleaded complaint [rule]’ [was] merely the name of the rule [and] not a statement of a principle of law,” the court held that it did have jurisdiction.59

The Federal Circuit concluded that it was irrational to distinguish between complaints and counterclaims when considering the appropriate appellate path for patent claims:

It would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled “complaint” but not when the identical well-pleaded claim is the basis of a pleading labeled “counterclaim.” The distinction between complaints and counterclaims can be important in other contexts, but can have no meaningful role in governing the direction of the appeal under the unique statute that created this court when the counterclaim arises under the patent laws.60

The court asserted that this conclusion was consistent with both the Supreme Court’s articulation of the well-pleaded complaint rule in Christianson and the legislative history underlying the creation of the Federal Circuit. It distinguished Christianson by noting that, unlike in Christianson, the dispute in Aerojet was purely over the choice of federal appellate court and not over whether there was any federal jurisdiction at all.61 And justifying its finding in light of its Congressional mandate, the court explained that “Congress clearly wanted this court to get its hands on well-pleaded, nonfrivolous claims arising under the patent laws and thus to maximize the court’s chances of achieving the congressional objectives that informed the FICA [Federal Courts Improvement Act of 1982].”62

The Supreme Court will have the opportunity to review the propriety of the Federal Circuit’s reasoning in Aerojet, having recently granted certiorari in Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.63

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58 Id. at 741.
59 Id. at 743.
60 Id. at 742.
61 Id. at 741.
62 Id. at 744; accord DSC Communications Corp. v. Pulse Communications, Inc., 170 F.3d 1354, 1359 (Fed. Cir. 1999) (“[A]ny counterclaim raising a nonfrivolous claim of patent infringement is sufficient to support this Court’s appellate jurisdiction.”), cert. denied, 528 U.S. 923 (1999).
63 122 S. Ct. 510 (2001). In Holmes, the plaintiff Holmes filed a declaratory judgment claim of non-liability for trade dress infringement and numerous state law unfair competition claims against Vornado. Vornado counterclaimed for patent and trade dress infringement. Applying principles of collateral estoppel, the trial court granted summary judgment
question presented in *Holmes*, among others, is if “28 U.S.C. § 1295(a)(1) divests regional Circuits of jurisdiction to decide appeals of final decisions of district courts in cases wherein the well-pleaded complaint of the prevailing plaintiff does not allege any claim arising under federal patent law?” Specifically, the Court will consider whether the Federal Circuit should exercise jurisdiction over the plaintiff’s non-patent claims solely because the defendant asserted a patent counterclaim. Holmes, the petitioner, argues that the Federal Circuit’s decision in *Aerojet* is an “aberrant interpretation of the ‘well pleaded complaint rule’” because exercising jurisdiction based solely on a defendant’s counterclaim destroys the well-established principle that the plaintiff is the master of the complaint. Vorando, the respondent, obviously disagrees, arguing that *Aerojet* is in complete harmony with the purpose of the rule as expressed in *Christianson* because it would be illogical for the appellate path of an otherwise pure patent claim to be determined solely by whether it is asserted by the plaintiff or defendant.

Interestingly, however, neither the petitioner nor the respondent in *Holmes* has addressed the significance of whether the patent counterclaim at issue was compulsory or permissive—a fact that the Supreme Court could and should analyze in determining whether the Federal Circuit’s extension of the well-pleaded complaint rule to counterclaims in *Aerojet* was proper. As in *Hunter Douglas*, the Federal Circuit’s reasoning in *Aerojet* is fairly compelling in the context of a compulsory patent law counterclaim as a logical extension of *Christianson* and the fulfillment of the mandate to bring uniformity to patent law decisions. Indeed, concluding otherwise could allow a clever infringer to avoid Federal Circuit review of a claim of infringement merely by filing a preemptive non-patent claim arising from the same transaction as the infringement action in a jurisdiction requiring the patent claim to be asserted as a compulsory counterclaim.

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64 Petition for Writ of Certiorari, Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., No. 01-408, at ii (U.S. Sept. 4, 2001) (emphasis added).
65 Id. at 11.
Moreover, although the *Aerojet* court explicitly reserved decision on whether a permissive patent law counterclaim could confer jurisdiction on the Federal Circuit, it is easy to envision such counterclaims being treated similarly. Just as a nonfrivolous compulsory patent infringement counterclaim, if “filed as a complaint, would fully comply with the well pleaded complaint rule,” so too would a permissive nonfrivolous patent infringement claim. Furthermore, the Federal Circuit’s justifications in support of its decision in *Aerojet*—uniformity in the application of the patent laws and achieving that uniformity through the exercise of jurisdiction over “claims” under the patent laws—are not any less meaningful as applied to permissive patent counterclaims. But with respect to permissive counterclaims—those that could have been pursued through an entirely separate complaint—there is something inherently suspect about permitting a defendant to redirect the appellate path of a non-patent claim simply through its exercise of a right, rather than an obligation, under the Federal Rules of Civil Procedure. Thus, there is a substantial argument that the courts should not reward the opportunistic behavior of a litigant in brazenly forum shopping, but instead should adopt a rule that creates a disincentive to the attachment of permissive patent counterclaims to non-patent claims.

III. CHOICE OF LAW: THE OTHER SHOE DROPS

The Federal Circuit’s exercise of jurisdiction over appeals in arguably its two most controversial antitrust decisions—*Xerox* and *Intergraph Corp. v. Intel Corp.*—can hardly be characterized as controversial under existing precedent. In the *Xerox* case, Xerox asserted patent infringement counterclaims that were sufficiently meritorious to raise genuine issues of material fact. And it was the plaintiff, CSU, that chose the Federal Circuit as its appellate forum (although the Supreme Court’s disposition of *Holmes* could lead to much second guessing of that decision). Similarly, Intergraph’s antitrust claims against Intel were, if anything, subordinate to the patent infringement claim that Intergraph continues to pursue against Intel. Moreover, Intergraph itself made the decision to pursue all of its claims in a single case. Thus, neither case presents an example of the forum shopping that those concerned with the jurisdictional

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67 *Aerojet*, 895 F.2d at 739.
68 *Id.* at 742.
69 *Id.* at 744.
70 293 F.3d 1322.
71 195 F.3d 1346 (Fed. Cir. 1999).
reach of the Federal Circuit feared. Rather, these cases generated their controversy in part from the Federal Circuit’s application of its own antitrust jurisprudence to the issues before it.

In its first years of existence, the Federal Circuit was cautious in its treatment of choice of law issues. As a general matter, the court avoided choice of law issues and merely deferred to the regional circuits, often without offering any justification or rationale for its action. That view quickly changed. Late in 1984, the Federal Circuit decided three significant cases within a six-week period, Panduit Corp. v. All States Plastic Manufacturing Co., Bandag, Inc. v. Al Bolser’s Tire Stores, Inc., and Atari, Inc. v. JS&A Group, Inc., that would establish its cautious choice of law approach for both the procedural and substantive issues brought before the court.

In Panduit, the court considered an appeal from an order disqualifying a firm representing the defendant, an issue that was purely procedural. As always, the court began its analysis by considering the underlying objective of its enabling statute and legislative history, namely to bring uniformity to the application of the patent laws. It observed that practitioners and judges should not be required to deal with two different sets of requirements for issues totally unrelated to patent issues—one from a regional circuit and another from the Federal Circuit. Taking both of these policies into consideration, the court held that it would review procedural matters that are not “unique” to patent issues according to the law of the particular regional circuit from which the case originated.

Following Panduit, the Federal Circuit continued to apply its own law only to those procedural issues it categorized as “unique” to the patent

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73 See supra text accompanying notes 9–10.
74 See, e.g., Litton Sys., Inc. v. Whirlpool Corp., 728 F.2d 1423, 1445 (Fed. Cir. 1984) (avoiding choice of law analysis regarding applicable law for issue of confusion in trademark infringement claim by merely deferring to the law of regional circuit without explanation); American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1366 (Fed. Cir. 1984) (avoiding choice of law analysis regarding applicable law for issue of need to prove a relevant market to make out a Sherman Act claim by deferring to law of regional circuit).
76 750 F.2d 903 (Fed. Cir. 1984).
78 Id. at 1574.
79 Id.
80 Id. at 1574–75.
laws. The Federal Circuit has found numerous procedural issues “unique” to the patent laws. See, e.g., Payless Shoesource, Inc. v. Reebok Int’l, Ltd., 998 F.2d 985, 987 (Fed. Cir. 1993) (standard of review for issuing preliminary injunctions based on patent infringement); Broyhill Furniture Indus., Inc. v. Craftmaster Furniture Corp., 12 F.3d 1089, 1083 (Fed. Cir. 1993) (use of Federal Rule of Civil Procedure 60(b) to set aside a consent judgment enjoining infringement of a patent following a determination of inequitable conduct); In re Innogenics Diagnostics, 800 F.2d 1077, 1080 (Fed. Cir. 1986) (standards for separating trial patent validity and infringement from patent-based antitrust claims); Triuswal Sys. Corp. v. Hydro-Air Eng’g, Inc., 813 F.2d 1297, 1212 (Fed. Cir. 1987) (relevance of patent-related evidence discovered under Federal Rule of Civil Procedure 26).


82 Take, for example, two cases decided by the Federal Circuit where the court applied the Panduit approach to the same procedural issue but came to different results because of the context in which the issue was raised. First, in Ashland Oil, Inc. v. Delta Oil Products Corp., 806 F.2d 1031, the Federal Circuit reviewed an appeal for relief from a judgment in a patent infringement case under Federal Rule of Civil Procedure 60(b) on grounds that the legal standard on which the judgment was based had changed. The Federal Circuit defined the procedural issue on appeal as whether “a change in the law after entry of judgment does not alone justify relief under Fed. R. Civ. P. 60(b)(6).” Id. at 1033. Finding that this issue was not “unique” to the patent laws, the Federal Circuit applied regional circuit precedent. Id. Compare this result with the outcome of the Federal Circuit’s use of the Panduit approach in Broyhill Furniture Industries, Inc. v. Craftmaster Furniture Corp.,
Less than two months after the *Panduit* decision, the Federal Circuit articulated its choice of law approach for non-patent substantive issues in two cases that were decided the same day, *Bandag, Inc. v. Bolser’s Tire Stores, Inc.*83 and *Atari, Inc. v. JS&A Group, Inc.*84 In those cases, the Federal Circuit decided that it would apply its own law only to patent issues and would apply the law of the regional circuit from which the case originated to the remaining substantive issues.85 For years, the Federal Circuit consistently applied this choice of law approach from *Bandag* and *Atari* to all non-patent substantive issues before it.86 Until recently, this choice of law principle was applied with particular vigor to federal antitrust issues. Indeed, for a span of over twelve years, the Federal Circuit consistently analyzed antitrust issues by applying the law of the regional circuit of the district court from which the claim originated.87

12 F.3d 1080 (Fed. Cir. 1993), in which the court again addressed a Rule 60(b)(6) issue. In that case, the plaintiff appealed a decision by the district court granting the alleged infringer’s motion for relief from consent judgment on grounds that the consent judgment was procured through fraud on the court and the defendant. *Id.* at 1082. The Federal Circuit defined the procedural issue on appeal as “whether a consent judgment enjoining infringement of a patent should be set aside pursuant to certain subsections of Rule 60(b) following a judicial determination that the patent was procured through inequitable conduct in the PTO.” *Id.* at 1083. The court found that, although in other cases it had determined that regional circuit law would be applied to determine the proper standard for Rule 60(b) relief, in this context, “[i]t perceive[s] a clear need for uniformity and certainty in the way the district courts treat this issue and therefore, it would resolve the issue as a matter of Federal Circuit law. *Id.*

83 750 F.2d 903. In *Bandag*, the defendant appealed the district court’s finding of trademark infringement. Before addressing the merits of the trademark infringement decision, the Federal Circuit recognized that a significant choice of law issue had arisen because although it had proper jurisdiction over the trademark claim, Congress had not given it a “mandate to unify intercircuit conflicts regarding these matters.” *Id.* at 909. Because the substantive issue, determining infringement of the trademark, was not within its exclusive jurisdiction, the Federal Circuit found it appropriate that the law of the regional circuit from which each count originated be applied to the non-patent issues. *Id.* The court explained that “[a] district court judge should not be expected to look over his shoulder to the law in this circuit, save as to those claims over which our subject matter jurisdiction is exclusive.” *Id.*

84 747 F.2d 1422 (Fed. Cir. 1984), overruled in part, Nobelpharma AB v. Implant Innovations, 141 F.3d 1059 (Fed. Cir. 1998). In *Atari*, the defendant appealed a copyright infringement injunction to the Federal Circuit and the plaintiff countered by moving to transfer the appeal to the Seventh Circuit on grounds that the Federal Circuit lacked jurisdiction. Applying its choice of law analysis to the plaintiff’s copyright infringement claim, the court explained that “[i]t is . . . difficult to envisage how the district court might have disregarded the established guidance of its circuit in favor of a guess respecting what this court’s view might be respecting the appealed injunctive order.” *Id.* at 1439. Thus, the court held that it would apply the Seventh Circuit’s precedent to the copyright infringement actions. *Id.*

85 *Bandag*, 750 F.2d at 909; *Atari*, 747 F.2d at 1439–40.

86 See, e.g., Cable Elec. Prods., Inc. v. Genmark, Inc., 770 F.2d 1015, 1033 (Fed. Cir. 1985) (deferring to regional circuit precedent on whether state law claim was pre-empted by federal patent law), overruled, Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356, 1358 (Fed. Cir. 1999), overruled in part, Traffix Devices, Inc. v. Mkgs. Displays, Inc.,
The Federal Circuit’s early deference to regional circuit precedent has eroded, gradually in the case of procedural issues but suddenly and dramatically with respect to non-patent substantive issues—particularly antitrust issues. Not long after its Panduit decision, the court began to apply its own law to procedural issues, regardless of the context in which they were raised, if they implicated matters within the court’s exclusive jurisdiction. For example, the court has applied its own law in determining personal jurisdiction over a defendant in a patent suit, a right to preliminary injunctive relief in a patent case, a right to bring a declaratory relief action, whether the issue of inequitable conduct is a jury issue, the standard of review for lack of subject matter jurisdiction, and the scope of the attorney-client privilege in the context of patent prosecution. In doing so, the court has explained that “[w]here there is an essential relationship between our exclusive statutory mandate or our functions as an appellate court and the relevant procedural issue, we apply our own law.”

121 S. Ct. 1255 (2001); Loctite Corp. v. Ultraseal, Ltd. 781 F.2d 861 (Fed. Cir. 1985) (applying regional circuit law to patent owner’s immunity from antitrust liability in antitrust claims), overruled in part, Nobelpharma AB v. Implant Innovations, 141 F.3d 1059 (Fed. Cir. 1998).

See, e.g., Virginia Panel Corp. v. MAC Panel Co., 133 F.3d 860 (Fed. Cir. 1997) (applying regional circuit law to antitrust claim based on threats to customers); Cygnus Therapeutics Sys. v. ALZA Corp., 92 F.3d 1153 (Fed. Cir. 1996) (applying regional circuit law to Walker Process claim), overruled in part, Nobelpharma AB v. Implant Innovations, 141 F.3d 1059 (Fed. Cir. 1998); Atari Games Corp. v. Nintendo of Am., Inc., 897 F.2d 1572, 1581–83 (Fed. Cir. 1990) (applying regional circuit law to analyze grant of preliminary injunction involving antitrust claims based on threats to customers); United States Philips Corp. v. Windmere Corp., 861 F.2d 695 (Fed. Cir. 1988) (applying regional circuit law to analyze directed verdict on antitrust claims); Argus Chem. Corp. v. Fibre Glass-Overcoat Co., 812 F.2d 1381 (Fed. Cir. 1987) (applying regional circuit law to Walker Process claim based on inequitable conduct); Loctite Corp., 781 F.2d 861 (applying regional circuit law to issue of whether infringement action was objectively baseless), overruled in part, Nobelpharma AB v. Implant Innovations, 141 F.3d 1059 (Fed. Cir. 1998).

The Federal Circuit described this new approach best in its decision in Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 858 (Fed. Cir. 1991), where the court held that it would apply its own law to a procedural issue if it “bears an essential relationship to matters committed to [its] exclusive control by statute.”


Hybritech Inc. v. Abbott Labs., 849 F.2d 1446, 1451 n.12 (Fed. Cir. 1988).


See, e.g., In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 803 (Fed. Cir. 2000) (“[O]ur own law applies to the issue whether the attorney-client privilege applies to an invention record prepared and submitted to house counsel relating to a litigated patent.”).
that relationship provides an additional reason why resolution of the procedural issue may be committed to our jurisprudence."95 The court’s justification for developing this new choice of law approach was the promotion of “uniformity in the review of patent trials . . . ”96

Its abandonment of the application of regional circuit law to non-patent substantive issues has been much more recent and sudden, beginning generally with Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.97 and continuing with respect to antitrust issues, most notably, with Nobelpharma AB v. Implant Innovations, Inc.98 In Nobelpharma, the court held that it would apply its own law to determine “whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws” for all antitrust claims premised on the bringing of a patent infringement suit.99

The court took the next step in announcing a more general abrogation of its prior modus operandi in Midwest Industries, Inc. v. Karavan Trailers, Inc.100 In that case, the court held that the law of the Federal Circuit, not the circuit of origin, should apply to the question of whether claiming features in a patent prevents those features from being protected as trademarks, necessarily requiring it to interpret the scope of trademark protections.101 But, more generally, the court explained “that the rigid division between substantive patent law issues and all other substantive and procedural issues . . . no longer represents this court’s approach to choice-of-law questions in patent cases.”102 Instead, the court will simply apply its own law to procedural or substantive issues where it aids the court in “fulfill[ing] [its] obligation of promoting uniformity in the field of patent law.”103 The court justified the need for this tremendous expansion of its role by explaining that:

[W]e think that as the sole appellate exponent of patent law principles this court should play a leading role in fashioning the rules specifying

95 Biodex, 946 F.2d at 858.
96 Id. at 859.
97 75 F.3d 1568, 1574 (Fed. Cir. 1996) (“While unfair competition is not unique to our jurisdiction, a question concerning whether alleged inequitable conduct in the prosecution of a patent application constitutes unfair competition clearly does impact our exclusive jurisdiction. We therefore do not defer to regional circuit law on this issue.”).
98 141 F.3d 1059 (Fed. Cir. 1998).
99 Id. at 1068.
101 Id. at 1360–61.
102 Id. at 1360.
103 Id.
what patent law does and does not foreclose by way of other legal remedies. If we simply follow regional circuit law in deciding questions involving the interaction between patent law principles and other legal remedies, other courts will not have the benefit of our analysis of the substance and scope of patent law in such cases. Such abdication, we think, would in the end disserve the interest in attaining coherence and consistency in the law relating to patents.104

There is no question that the Federal Circuit’s serve in *Nobelpharma* and volley in *Xerox* caught the attention of the antitrust bar. But anyone who believes that the Federal Circuit’s new choice of law approach to certain antitrust issues permitted it to stake out an extreme position on a patent owner’s refusal to deal should reread the *Xerox* decision. The Federal Circuit in that case also purported to apply Tenth Circuit law to the identical claim to the extent that the alleged refusal to deal applied to copyrighted materials—and the court came out in exactly the same place. Moreover, despite its language renouncing the approach articulated by the Ninth Circuit in *Kodak*,105 the effort devoted to distinguishing that case suggests that the Federal Circuit might have found a way to avoid the implications of *Kodak* even while purporting to follow regional circuit precedent.

Given that its enabling statute defines the Federal Circuit’s jurisdiction but does not mandate that court’s approach to stare decisis, it is perhaps inevitable that the court would ultimately come to rely more frequently and more heavily on its own precedents even in those areas outside of the substantive patent law.106 It is ironic, however, that the court has sought to justify this development as a way to avoid forum shopping, for it will likely have the opposite effect. In fact, some litigants may be particularly motivated to fashion their claims with an eye toward avoiding (through careful pleading) or seeking (through attachment of counter-claims) Federal Circuit jurisdiction precisely because of the court’s application of its own distinct precedents.

**IV. JURISDICTION OVER ANTITRUST CLAIMS WITHOUT PATENT CLAIMS: HOW FAR WILL THEY GO?**

Perhaps the best place to start in considering the potential reach of the Federal Circuit’s jurisdiction over antitrust cases in which there is

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104 *Id.* at 1361.

105 Image Tech. Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195 (9th Cir. 1996). In *Kodak*, the Ninth Circuit “adopted a rebuttable presumption that the exercise of the statutory right to exclude provides a valid business justification for consumer harm. . . . “ *Xerox*, 203 F.3d at 1326. The Federal Circuit rejected this approach. *Id.*

106 Indeed, one need look no further than the Federal Circuit’s 1998 decision in *Nobelpharma* for an example of the court’s increasing willingness to rely on its own precedent.
no express patent claim is with the case that has generated the most controversy—Xerox. As noted earlier, the court’s exercise of jurisdiction over CSU’s appeal in that case was not controversial because Xerox had asserted a non-frivolous patent infringement counterclaim and CSU, the disappointed party, noticed its appeal in that court. But suppose that Xerox had asserted a patent infringement counterclaim and further suppose that CSU’s claim for relief under the antitrust laws was limited to Xerox’s refusal to sell only patented parts. Under these circumstances, in which direction does the appropriate appellate path lead?

Based on the Federal Circuit’s recent decisions, Xerox would have at least a colorable argument in support of Federal Circuit jurisdiction even over what is arguably a pure antitrust case with no underlying patent claim. One of the curiosities of this jurisdictional quagmire, however, is that the ultimate result could depend on who loses in the district court and, therefore, notices the appeal. If CSU lost in the hypothetical world, as it did in the real world, it likely (with the benefit of foresight) would elect to appeal to the Tenth Circuit. Xerox, possessing equal prescience about the Federal Circuit’s view on the merits, might then move for transfer pursuant to 28 U.S.C. § 1631, arguing that the Federal Circuit had exclusive jurisdiction over the appeal. 107 It would have to rely on the Tenth Circuit, rather than the Federal Circuit, however, to assess its jurisdictional argument, which could add yet another wrinkle to the outcome.

What arguments might Xerox make in support of Federal Circuit jurisdiction over the appeal? First, Xerox would point to the well-pleaded complaint, in which CSU’s right to relief was based solely on the lawfulness of Xerox’s refusal to sell patented parts. Xerox would then argue that one element of CSU’s affirmative case is to demonstrate Xerox’s lack of any legal protection for its refusal to deal. Finally, relying on Nobelpharma, Xerox would argue that whether its conduct “is sufficient to strip [Xerox] of its immunity from the antitrust laws” for exercising its statutory right to exclude is a substantial question of federal patent

decide substantive non-patent law issues. 141 F.3d at 1068 (determining for the first time that it would apply Federal Circuit precedent in deciding whether a patentee’s conduct in enforcing its patent was immunized by the Noerr-Pennington doctrine).

107 An often overlooked aspect of the jurisdictional tussle between the circuits is the importance of the parties’ initial decision on an appellate forum. One should not assume that a regional circuit will always devote close attention to the question of its own jurisdiction. Compare Medtronic, Inc. v. Advanced Cardiovascular Sys., Inc., 221 F.3d 1343 (8th Cir. 2000) (deciding merits of appeal on issue of arbitrability of claim in a patent case without consideration of appellate jurisdiction), with Medtronic AVE, Inc. v. Advanced Cardiovascular Sys., Inc., 247 F.3d 44 (3d Cir. 2001) (addressing its jurisdiction to hear the identical issue appealed to the Eighth Circuit a year before, the Third Circuit held that it had proper jurisdiction to hear the appeal).
Thus, in this sense the Federal Circuit’s recent choice of law decisions could “jump the rails” to the parallel jurisdictional track and serve to reinforce that court’s further expansion of its exclusive jurisdiction.

Perhaps even more surprising might be the possibility of Federal Circuit jurisdiction over appeals from cases that resulted initially from Department of Justice or Federal Trade Commission enforcement actions. Recent years have seen an increasing number of investigations and enforcement actions at both agencies in which patent issues such as claim scope, validity, and enforceability are dispositive of the antitrust analysis. The significance of patents is reflected in those agencies’ Antitrust Guidelines for the Licensing of Intellectual Property. Section 3.3 of the Guidelines notes that “the Agencies ordinarily will treat a relationship between a licensor and its licensees, or between licensees, as horizontal when they would have been actual or likely potential competitors in a relevant market in the absence of the license.” What this means in practice is that issues of patent infringement, validity, and enforceability—substantial questions of federal patent law each—often determine whether companies are horizontal competitors. At the FTC, recent examples include the FTC’s challenge to the PRK laser technology patent pool formed by Summit Technology and VISX, and the recent challenges to patent settlements in the pharmaceutical industry. Although appeals from FTC orders likely could not go to the Federal Circuit, each of the FTC cases has a counterpart private action pending in federal district court that could be subject to a Federal Circuit appeal.

108 Nobelpharma, 141 F.3d at 1068.
110 Id. § 3.3.
114 Although the Federal Trade Commission Act does not appear to preclude appeal to the Federal Circuit on its face, see 15 U.S.C. § 45(c) (1994) (permitting review of FTC Orders in the Court of Appeals of the United States, “within any circuit where the method of competition or the act or practice in question was used or where such person, partnership, or corporation resides or carries on business . . .”), FTC actions are not among the
Koonan v. Barr Laboratories, Inc. demonstrates this point with respect to the patent settlement cases. Koonan is a class action filed in state court in California on behalf of a class of California consumers who purchased tamoxifen, a drug used to treat breast cancer. The complaint alleged that the defendants, Barr and Zeneca, entered into a settlement of Zeneca’s patent infringement suit against Barr in a manner that restrained competition between Zeneca’s patented and branded tamoxifen and Barr’s generic version of the drug, and also precluded other generic manufacturers from entering the market. Central to the claims, which were asserted as violations of California’s antitrust statute, the Cartwright Act, and its Unfair Trade Practices Act, was the allegation that the settlement agreement allowed the parties to “prop up a patent that Barr established was invalid and unenforceable . . .”

The defendants removed the action to federal court and resisted the plaintiffs’ attempt to remand by arguing that the federal court had original subject matter jurisdiction over the state law claims because those claims, “as pleaded, require the resolution of substantial questions of federal patent law . . .” The district court agreed, relying upon Christison and Hunter Douglas, because the “plaintiffs here cannot prove defendants’ settlement agreement ‘proped up’ an illegal patent without demonstrating that defendants ran afoul of their rights as patent holders.” Because the district court’s original subject matter jurisdiction over these state claims was premised on those claims “arising under” the patent laws, appeals from any orders in that case should go to the Federal Circuit.

limited types of agency actions that the Federal Circuit has expressly been given jurisdiction over pursuant to Sections 1295 and 1296, 28 U.S.C. §§ 1295 and 1296.


Id. at 3 (quoting plaintiffs’ complaint).

Id. at 6.

Id. at 8.

Private parties have similarly asserted state statutory antitrust claims and common law business tort claims challenging patent settlements between Abbott and Geneva, Hoechst and Andrx, and Bayer and Barr Laboratories. See In re Ciprofloxacin Hydrochloride
The Federal Circuit also could have been the appellate jurisdiction for the class actions that followed the FTC’s challenge to the laser eye surgery patent pool (which have recently settled). In the FTC complaint against Summit and VISX, which was settled by consent, the FTC charged that a patent pool created by the parties was tantamount to a horizontal price-fixing agreement. The complaint alleged that “in the absence of the PPP Agreement, VISX and Summit could have and would have competed with one another in the sale or the lease of PRK equipment by using their respective patents, licensing them, or both. In addition, VISX and Summit would have engaged in competition with each other in connection with the licensing of technology related to PRK.”

In addition, the complaint described the relevant market as including the licensing of patents.

The private follow-on class actions contained allegations that even more clearly raise substantial questions of federal patent law. The Consolidated Amended Class Action Complaint in In re Pillar Point Partners Antitrust Litig., 166 F. Supp. 2d 740, 747–48 (E.D.N.Y. 2001) (Bayer and Barr Laboratories); Altman v. Bayer Corp., 125 F. Supp. 2d 666 (S.D.N.Y. Aug. 28, 2000) (Bayer and Barr Laboratories); In re Terazosin Hydrochloride Antitrust Litig., No. 99-MDL-1317 (S.D. Fla. 2000) (Abbott and Geneva); In re Cardizem CD Antitrust Litig., 90 F. Supp. 2d 819 (E.D. Mich. 1999) (Hoechst and Andrx). In those cases, however, the defendants’ attempted removal of state cases to federal court were defeated. The respective district courts found either that the state law claims asserted in those cases did not involve a substantial question of patent law, see Altman, 125 F. Supp. 2d at 674–75; In re Terazosin, No. 99-MDL-1317; In re Cardizem CD Antitrust Litig., 90 F. Supp. 2d at 839, or that the patent law issue involved was not essential to the claim, see In re Ciprolaxin, 166 F. Supp. 2d at 747–48, and, therefore, did not arise under the patent laws sufficient to confer section 1338 jurisdiction. As noted above, see supra note 55, the decisions of these district courts to remand these cases back to state court cannot be reviewed by the Federal Circuit.

The Federal Circuit does, however, have jurisdiction to determine the propriety of the Koonan court’s denial of remand should that case be appealed to the Federal Circuit. Duncan v. Stuetzle, 16 F.3d 420, 1993 WL 514462, at *2 (Fed. Cir. Dec. 13, 1993); Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc., 986 F.2d 476, 477–78 (Fed. Cir. 1993). Thus, if given the opportunity to do so, the Federal Circuit could reach a different conclusion than the three district courts in Altman, In re Terazosin, and In re Cardizem CD Antitrust Litigation on whether a state law claim premised on a patent settlement raises a substantial issue of patent law. Such a divergent finding may well be based on the fact that the well pleaded complaint in the Koonan action is sufficiently different than those in the other three actions or, simply, that the Federal Circuit addresses questions of subject matter jurisdiction differently than those courts. Indeed, although some district courts may rely heavily on Federal Circuit precedent in determining whether a question of federal patent law is substantial enough to convey federal subject matter jurisdiction, see, e.g., Regents of Univ. of Minn. v. Glaxo Wellcome, Inc., 44 F. Supp. 2d 998, 1002–07 (D. Minn. 1999), aff’d, 58 F. Supp. 2d 1036 (D. Minn. 1999), others may be less influenced.


VISX Complaint ¶ 8.

Id. ¶¶ 22, 23.
Antitrust and Patent Litigation,\textsuperscript{124} made the following allegations that would have been essential to awarding relief to the plaintiffs under Section 1 of the Sherman Act:

Prior to defendants’ pooling of their patents under the Pillar Point Agreements, each defendant’s patents for PRK and LASIK technology were sufficient in and of themselves to permit it to manufacture, sell and lease PRK and LASIK laser surgery equipment, which purchasers and lessees would consider as interchangeable substitute products for the performance of PRK or LASIK surgical procedures.

Prior to defendants’ pooling of their patents under the Pillar Point Agreements, Summit and VISX each were in a position to compete with the other in the manufacture, sale and leasing of PRK and LASIK laser surgery equipment.

Prior to defendants’ pooling of their patents under the Pillar Point Agreements, Summit and VISX each was in a position to compete with the other in the licensing of patents for PRK and LASIK technology to third-party PRK laser surgery equipment manufacturers, purchasers, and lessees.\textsuperscript{125}

Thus, for the plaintiffs to prevail, they would have had to demonstrate that the defendants’ respective patent positions would have allowed competition between them in the absence of the patent pool—a showing that requires proof that implementation of neither party’s technology would have infringed any valid and enforceable patents of the other. Thus, an appeal from a lower court judgment in those cases—or perhaps other Sherman Act challenges to patent pools with comparable allegations—could fall within the extended reach of the Federal Circuit.

In future challenges to patent pools, plaintiffs may elect to plead simply that the defendants are competitors and may omit the types of allegations that so clearly point to Federal Circuit jurisdiction. Even so, the jurisdictional determination could turn on whether the reviewing court analyzes the patent in order to assess the allegation that the parties to the patent pool are competitors. Demonstrating the defendants’ status as competitors would be essential to a plaintiff’s right to relief and that status could only be determined by resolving one or more of the same “substantial” questions of patent law. In this case there would seem to be a more compelling argument than in the Xerox hypothetical that the patent question was part of a well-pleaded complaint and not simply an anticipated defense.

Extending the logic of the Federal Circuit’s decisions even further, it is possible to envision an argument that even a DOJ or FTC merger

\textsuperscript{124} MDL No. 1202 (D. Ariz. Nov. 4, 1998).

\textsuperscript{125} Id. ¶¶ 33–35.
challenge in federal district court might be subject to Federal Circuit appellate jurisdiction. Take the DOJ complaint challenging Miller Industries’ acquisitions of Vulcan Equipment and Chevron, Inc.\textsuperscript{126} The government’s complaint charged that Miller’s acquisition of two competitors harmed competition because, among other things, they “increased [Miller’s] ownership of patents critical to the manufacture and marketing of competitive light-duty tow trucks and light-duty car carriers and reduced the number of firms able to produce and offer customers towing and recovery vehicles with valuable patented technology.”\textsuperscript{127} The complaint also noted that new entry was unlikely because access to the relevant patented technology was necessary.\textsuperscript{128}

Putting aside for a moment the alternative theories of competitive harm in the complaint, it is clear that a determination of whether the merging parties would have competed in licensing their respective patents in the absence of a merger would require resolving “substantial questions of federal patent law” by requiring, at a minimum, a determination of the scope of claims in the respective patents. It is also conceivable that patent scope determinations would be necessary in assessing the existence and extent of entry barriers. In the appropriate case, then, even a government challenge to a merger under Section 7 of the Clayton Act could meet the Federal Circuit’s test for triggering that court’s exclusive appellate jurisdiction.

IV. FINAL THOUGHTS

Notwithstanding some anomalous results that have flowed, and will continue to flow, from the Federal Circuit’s jurisdiction and choice of law decisions, the court has been largely faithful to its statutory mandate.

\textsuperscript{127} Id. ¶ 5.
\textsuperscript{128} The Department of Justice raised similar arguments in its recent challenge to 3D Systems Corporation’s proposed purchase of DTM Corporation. United States v. 3D Sys. Corp., No. 1:01CV01257 (Complaint D.D.C. June 6, 2001), available at http://www.usdoj.gov/atr/cases/88800/8896.htm. The challenged acquisition would combine two of the only three producers of rapid prototyping (RP) systems (systems which embody the use of computers and computer automated equipment to rapidly produce three-dimensional prototypes, models, and even low-volume production quantities of physical objects). DOJ objected to this acquisition because, among other reasons, “3D and DTM each hold an extensive array of patents to the prevailing technology used in industrial RP systems...” and those patent positions “prevent other industrial RP systems producers from competing in the United States.” Competitive Impact Statement, United States v. 3D Sys. Corp., et al., No. 1:01CV01237 (GK) (D.D.C. Sept. 4, 2001), available at http://www.usdoj.gov/atr/cases/90000/9019.htm. The case was ultimately settled and the defendants agreed to, among other things, extend royalty-free licenses for their patents and copyrights relating to RP technology to a third-party competitor. United States v. 3D Sys.
and the Supreme Court’s interpretation of the enabling statute in Christianson. The result, however, is not necessarily sensible as a matter of policy. The Federal Circuit has exercised, and will continue to exercise, jurisdiction over purely non-patent claims in cases in which the patent claims have long since washed out prior to appeal and even in cases in which no underlying patent claim was ever asserted. And there is still considerable scope for regional circuits to decide substantial questions of federal patent law that are central to the cases coming before them if those issues were not part of the well-pleaded complaint in the case below. In this sense, then, Justice Stevens’s approach as articulated in his concurring opinion in Christianson, which focuses on the claims as they were actually litigated and are presented on appeal, rather than as they were originally pled, would do more to further the Federal Circuit’s cherished goal of bringing greater uniformity and consistency to interpretation and application of the patent laws while limiting that court’s role in influencing non-patent areas of the law, such as antitrust.

Because attempts to constrain the Federal Circuit’s application of stare decisis principles would be unmanageable and doomed to failure—witness the irrelevance of choice of law on the court’s analysis of the refusal to sell copyright protected materials in Xerox—any effort to limit the Federal Circuit’s influence on antitrust jurisprudence would have to focus on the scope of that court’s jurisdiction. One would have to regard Congressional intervention in this area as unlikely. It may be, however, that Xerox is a high water mark of sorts for the Federal Circuit’s ability to influence antitrust issues that implicate patents. Indeed, in the wake of Xerox, one should expect that practitioners will be far more attuned to the metes and bounds of Federal Circuit appellate jurisdiction. Those who want their appeals in antitrust cases heard by regional circuits will likely become more aggressive on two fronts. First, antitrust plaintiffs will take care to craft a well-pleaded complaint to assure that at least some colorable non-patent based theory supports every claim for relief. Second, where possible, antitrust plaintiffs will bring their claims in separate cases not linked to any patent infringement claim that may be related to their dispute. And if that is not possible, they will ask district court judges to sever their antitrust claims from patent claims and enter judgment on those claims separately—in effect, creating entirely separate cases. But even with these steps, one should expect that the Federal Circuit may, in the future, issue decisions in antitrust cases in which no party asserted patent infringement claims.