IN DEFENSE OF *HOLMES v. VORNADO*: ADDRESSING THE UNWARRANTED CRITICISM

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The jurisdiction of the Court of Appeals for the Federal Circuit is governed by the well-pleaded complaint rule. In Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., *the Supreme Court held that counterclaims—permissive or compulsory—cannot operate to create jurisdiction under the rule. The* Holmes *decision has been the target of numerous commentators because of its effect on patent law. The crux of the criticism is that the policies supporting the decision only make sense with respect to the well-pleaded complaint rule as applied to federal question jurisdiction. Further, the decision is alleged to promote forum shopping in patent law and threaten the very goals behind the creation of the Federal Circuit. In this Note, Ravi Sitwala rejects the criticism of the* Holmes *decision. He begins by examining the decision and the policies supposedly contravened by it and then shows that the harm to these policies is overstated greatly.* Holmes *increases only slightly the ability of litigants to engage in forum shopping, and would allow only a minimal number of patent cases to reach regional circuit courts or state courts. Sitwala goes on to demonstrate the importance of the policies behind the decision, as it protects plaintiffs' mastery over their cases. Although concluding that the decision should not be overruled—legislatively or otherwise—he recognizes that some issues of patent law may come before regional circuit or state courts. Accordingly, he proposes a model for these courts to adjudicate patent law issues. This model analogizes the problem to the one faced by federal courts when deciding state law issues, and recommends that courts follow Federal Circuit law. Thus, when available, precedent should be followed, and when unavailable, courts should either predict the law or certify the questions to the Federal Circuit, much like in the* Erie *context.*

INTRODUCTION

In the recent decision of *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,[1] the United States Supreme Court held that counterclaims could not trigger subject matter jurisdiction under the

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[1] 535 U.S. 826 (2002). The facts and procedural posture of the case are not of critical importance to this Note, and are explained only cursorily. *See infra* notes 23–29 and accompanying text. For a synopsis of the unusual facts of the case, see Molly Mosley-Goren, *Jurisdictional Gerrymandering? Responding to* Holmes Group v. Vornado Air Circulation Systems, 36 J. MARSHALL L. REV. 1, 3–5 (2002); Christian A. Fox, Note, *On Your Mark, Get Set, Go! A New Race to the Courthouse Sponsored by* Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 2003 B.Y.U. L. REV. 331, 336–38.

well-pleaded complaint rule.[2] This Note addresses the effects of the *Holmes* decision on the jurisdiction of the Court of Appeals for the Federal Circuit (Federal Circuit) over patent appeals. Finding no cause for alarm, this Note rejects the many calls for legislative overruling of the decision[3] and proposes a model for the adjudication of patent counterclaims.

The well-pleaded complaint rule is a simple test used to determine, at the inception of a case, whether an action "arises under" federal law, thereby falling into the original jurisdiction of the federal district courts.[4] According to the rule, federal jurisdiction exists when an essential element of a cause of action alleged in a complaint is a federal question.[5] Thus, federal question jurisdiction does not lie where the only federal questions in a case are implicated by defenses to the causes of action.[6]

In *Holmes*, the Supreme Court clarified the well-pleaded complaint rule by preventing counterclaims from creating jurisdiction. The case involved the jurisdiction of the Federal Circuit. Unlike the appellate jurisdiction of the regional circuit courts, which is defined by location, the Federal Circuit's appellate jurisdiction is defined by subject matter. One of the many jurisdictional grants to the Federal Circuit gives the court jurisdiction over appeals of cases in which the district court's jurisdiction was "based, in whole or in part, on [28 U.S.C.] section 1338."[7] Among other things, § 1338 confers original (and exclusive) jurisdiction upon federal district courts in matters "arising under any Act of Congress relating to patents."[8] The Federal Circuit's appellate jurisdiction with respect to these patent cases is exclusive, precluding regional circuits from hearing appeals from such cases.[9] Hence, when a district court hears a case in which its subject matter jurisdiction is derived, at least partly, through the presence of

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[2] *Holmes*, 535 U.S. at 830–31.

[3] *See, e.g.*, Mosley-Goren, *supra* note 1, at 28–31; Timothy E. Grimsrud, Comment, Holmes *and the Erosion of Exclusive Federal Jurisdiction over Patent Claims*, 87 MINN. L. REV. 2133, 2167–70 (2003); Ashley B. Summer, Note, Aerojet *Takes a Dive After over Twelve Years of Flight*, 54 S.C. L. REV. 1131, 1149–50 (2003).

[4] *See* 28 U.S.C. § 1331 (2000); Phillips Petroleum Co. v. Texaco Inc., 415 U.S. 125, 127–28 (1974).

[5] *Phillips*, 415 U.S. at 127–28.

[6] *See* Louisville & Nashville R.R. Co. v. Mottley, 211 U.S. 149, 152 (1908).

[7] 28 U.S.C. § 1295(a)(1) (2000). Although copyright, trademarks, and mask works cases are included in § 1338, jurisdiction over copyright appeals is specifically excepted from the § 1295 grant. *See* § 1295(a)(1).

[8] 28 U.S.C. § 1338(a) (2000).

[9] *See supra* note 7.

an issue arising under patent law,[10] an appeal of that case must be heard by the Federal Circuit.

Citing the "linguistic consistency" between the "arising under" language defining patent jurisdiction for purposes of federal district courts' original jurisdiction and that defining federal question jurisdiction, the Supreme Court has declared that both must be governed by the well-pleaded complaint rule.[11] Thus, although *Holmes* involved patent jurisdiction, the decision to treat counterclaims similarly to defenses under the well-pleaded complaint rule implicates both patent and federal question jurisdiction. One of the practical effects of the decision is that patent counterclaims will not, by their own right, form a basis for appellate review by the Federal Circuit when filed in district court[12] and will not form an independent basis for removal of a case when filed in state court.[13]

A few hypothetical cases may be helpful in understanding the structure just described. If a plaintiff (*P*) files a patent infringement suit against a defendant (*D*), the claim arises under the patent laws, and jurisdiction of the district court is created by § 1338. Thus, since the district court's jurisdiction is based "in whole" on § 1338, the case must be appealed to the Federal Circuit. In the same case, suppose that *P* files both a patent claim and a claim created by a different federal law. The district court's jurisdiction is still based "in part" on § 1338 (and partly on § 1331) and must be appealed to the Federal Circuit.

Now consider the case in which *P* files a breach-of-contract action under state law against *D* for failing to pay the usage fee for a patent required by a license existing between the two parties. This suit is not predicated on the patent laws, as it is a standard contract case alleging that a party has violated an obligation under a license agreement. However, *D* may assert as a defense that the patent under license is invalid and therefore the contract is invalid due to a lack of consideration. Under *Christianson*, this defense does not alter the jurisdictional foundation of the case, and therefore does not create original jurisdiction in federal district court. Even if diversity of citizenship and a sufficient amount in controversy existed, meriting

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[10] The field of patent law is an exclusively federal field of law. *See* § 1338(a) (making jurisdiction over patent cases "exclusive of the courts of the states").

[11] *See* Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 808–09 (1988).

[12] Instead, appeals will go to the regional circuit court of appeals containing the district court.

[13] The claim potentially would be adjudicated in the state court system. The jurisdiction of and removability to district courts with regard to federal question counterclaims is similarly affected, but discussion of that effect is beyond the scope of this Note.

removal of the case to federal court, the basis of jurisdiction would be entirely unrelated to § 1338 and therefore the appellate jurisdiction of the Federal Circuit would not be invoked.

Finally, suppose that in the previous case, in addition to asserting an invalidity defense, *D* files a counterclaim alleging that *P* is infringing one of its patents. Now, after *Holmes*, this action would not alter the result, as there would still be no original jurisdiction in federal district court and no appellate jurisdiction in the Federal Circuit.

Many commentators have criticized the *Holmes* decision.[14] The key criticisms of *Holmes,* that the Supreme Court's interpretation of § 1295 directly contradicts Congress's intent in establishing the Federal Circuit[15] and will lead to rampant forum shopping in cases involving patent claims,[16] highlight the divergent policies behind federal question and patent jurisdiction. This Note argues that those concerns are grossly overstated, and overlook the valuable policy goals accomplished by *Holmes*.[17]

This Note first discusses the facts and reasoning behind the *Holmes* decision and its concurring opinions.[18] The next Part considers the competing policies behind the *Holmes* decision, concluding that the decision is proper and should not be legislatively overruled. This conclusion, however, does not obviate the need to address adjudication concerns in the wake of *Holmes*, as some cases involving patent claims may still reach courts other than the Federal Circuit on appeal.[19] The final Part of the Note sets forth a model for the adjudication of patent counterclaims.[20] It begins by proposing that, in certain cases, state trial courts may dismiss patent counterclaims, allowing state court systems to avoid these claims.[21] It goes on to propose a model for the adjudication of patent counterclaims by

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[14] *See, e.g.,* Mosley-Goren, *supra* note 1, at 29–31 (advocating legislative repeal of *Holmes* for "policy and practical considerations"); C.J. Alice Chen, Comment, Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 18 BERKELEY TECH. L.J. 141, 157 (2003) (arguing that regional circuit courts will experience "confusion and burden as a result of having to decide patent claims again"); Fox, *supra* note 1, at 343 ("[T]he Court should have deferred to the congressional intent behind creating the Federal Circuit, which was to establish uniformity in patent law."); Grimsrud, *supra* note 3, at 2154–55 (characterizing *Holmes* as contrary to precedent, legislative intent, and public policy); Summer, *supra* note 3, at 1143–49 (criticizing *Holmes* as undermining of congressional intent and uniformity of patent law).

[15] *See* Mosley-Goren, *supra* note 1, at 32–33; Fox, *supra* note 1, at 346–49.

[16] *See* Mosley-Goren, *supra* note 1, at 40–42; Fox, *supra* note 1, at 350–51.

[17] The soundness of the decision with respect to federal question jurisdiction is beyond the scope of this Note.

[18] *See infra* Part I.

[19] *See infra* Part II.A.2.

[20] *See infra* Part III.

[21] *See infra* Part III.A.

appellate courts when such claims do reach them, advocating a certification procedure similar to that used in the federal-state context.[22]

I

DECONSTRUCTING *HOLMES*

Before debating the merits of *Holmes* and suggesting how the implications of the decision should be handled, it is important to understand the background and reasoning of the decision. This inquiry requires consideration of both the arguments supporting the decision and the arguments in the concurring opinions.

First, giving a succinct account of the facts behind the case is appropriate. After Vornado Air Circulation Systems, Inc. (Vornado) unsuccessfully sued Duracraft, a competitor, for trade dress infringement with respect to a fan design by Vornado, it filed a complaint with the U.S. International Trade Commission[23] against The Holmes Group, Inc. (Holmes) seeking redress for infringement of the same trade dress previously held unprotectable.[24] Soon afterward, Holmes filed a declaratory judgment action in federal district court, requesting a judgment of noninfringement.[25] Vornado filed a compulsory counterclaim of patent infringement to the district court action, which was never actually adjudicated.[26] The district court granted the declaratory judgment on collateral estoppel grounds, and Vornado appealed the case to the Federal Circuit, with jurisdiction predicated on the patent issues arising in the compulsory counterclaim.[27] Over Holmes's jurisdictional objection, the Federal Circuit vacated the declaratory judgment, remanding the case for consideration in light of a change in collateral estoppel law.[28] At this point, Holmes successfully petitioned for certiorari, paving the way for the Supreme Court's *Holmes* decision.[29]

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[22] *See infra* Part III.B.

[23] The U.S. International Trade Commission (USITC) is a federal agency, which investigates allegations of intellectual property infringement and makes recommendations to the federal government regarding importation of products. *See* GENERAL INFORMATION ABOUT THE USITC AND ITS COMMISSIONERS, *at* http://www.usitc.gov/geninfo.htm (last modified Mar. 4, 2003). The USITC is not a court and cannot bind the federal courts. *Id.*

[24] Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 827–28 (2002).

[25] *Id.* at 828.

[26] *Id.*

[27] *Id.* at 828–29.

[28] *Id.* at 829.

[29] *Id.*

A. *The Reasoning Behind the Majority Opinion in* Holmes

Justice Scalia drafted the majority opinion in *Holmes*, which five other Justices joined. The thrust of the opinion is that Congress gave the Federal Circuit jurisdiction over cases from lower courts having jurisdiction predicated on 28 U.S.C. § 1338,[30] and that the language of that statute confers "arising under" jurisdiction upon district courts, giving them original jurisdiction in claims arising under the patent laws.[31] Recognizing the "linguistic consistency" of the § 1338 grant and the § 1331 grant,[32] the opinion finds that the well-pleaded complaint rule should apply under both statutes.[33] The impact of the well-pleaded complaint rule on the jurisdiction of the Federal Circuit is that the court may not hear appeals of cases that do not have claims "arising under" the patent laws[34] on the face of a "well-pleaded complaint . . . in that patent law is a necessary element of one of the well-pleaded claims."[35] According to *Holmes*, and contrary to prior Federal Circuit jurisprudence,[36] this means that issues that would trigger the jurisdiction of the Federal Circuit when pled in a complaint cannot do so when arising in a counterclaim, whether or not the counterclaim is compulsory under Rule 13 of the Federal Rules of Civil

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30 28 U.S.C. § 1295 (2000). Section 1295 states, inter alia, that "[t]he United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a final decision of a district court . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title . . . ." Section 1295 also confers exclusive appellate jurisdiction to the United States Court of Appeals for the Federal Circuit (Federal Circuit) on a variety of other issues. This Note, however, focuses on the § 1338 grant. Section 1338 reads:

> (a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases. (b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws. (c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

Section 1338. This Note focuses on the patent jurisdiction referred to in § 1338, but is equally applicable to the other grants insofar as they conform to the patent grant.

31 *Holmes*, 535 U.S. at 829.

32 *Id.* at 830 (quoting Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 808 (1988)).

33 For an account of criticism of this reasoning, see *infra* Part II.A.1.

34 Actually, the Federal Circuit's jurisdiction encompasses far more than patent law. *See supra* note 30 and accompanying text.

35 *Christianson*, 486 U.S. at 809.

36 *See* Aerojet-Gen. Corp. v. Mach. Tool Works, Oerlikon-Buehrle Ltd., 895 F.2d 736, 745 (Fed. Cir. 1990) (holding that Federal Circuit has jurisdiction over compulsory counterclaims for patent infringement).

Procedure.[37] However, as the opinion concedes, no prior cases have held that the well-pleaded complaint rule precludes counterclaim-based jurisdiction.[38] Instead, all of the prior cases dealt with federal or patent defenses.[39]

In explaining why counterclaims should not be treated like federal defenses, the opinion cites three policies. First, a different rule would frustrate the power of the plaintiff to be the "master of the complaint," preventing the plaintiff from "'eschewing claims based on federal law . . . to have the cause heard in state court.'"[40] Second, such a rule would "radically expand the class of removable cases" frustrating "'the rightful independence of state governments.'"[41] Finally, such a rule would "undermine the clarity and ease of administration of the well-pleaded complaint doctrine."[42]

The opinion deals with the apparent conflict between Congress's goal of uniformity in patent law and the rule announced in the case by declaring the Court powerless to resolve the conflict because of the plain meaning of the statute passed by Congress.[43] In the words of the opinion, "It would be an unprecedented feat of interpretive necromancy to say that § 1338(a)'s 'arising under' language means one thing (the well-pleaded-complaint rule) in its own right, but something

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[37] *Holmes*, 535 U.S. at 831. Justice Ginsburg, in her concurrence, argues that the Federal Circuit should have jurisdiction over cases where the § 1338 matter arises in a compulsory counterclaim. *See id.* at 839 (Ginsburg, J., concurring). The majority, however, rejects this proposition because it does not conform to the well-pleaded complaint rule. *See id.* at 832 n.3. This raises the immensely important question, which has yet to be answered definitively, of what constitutes a Rule 13 counterclaim in the context of patent and antitrust claims. *See* Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 671 (1944) (finding counterclaim for damages based on antitrust action to be separate statutory cause of action not barred by Rule 13 in patent infringement suit). *Compare* Tank Insulation Int'l, Inc. v. Insultherm, Inc., 104 F.3d 83, 87 (5th Cir. 1997) (interpreting *Mercoid* as creating exception to Rule 13 in patent/antitrust cases), *and* Hydranautics v. FilmTec Corp., 70 F.3d 533, 536–37 (9th Cir. 1995) (same), *with* Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc., 233 F.3d 697, 702 (2d Cir. 2000) (holding that *Mercoid* exception to Rule 13 should be limited to facts of that case), *and* Burlington Indus., Inc. v. Milliken & Co., 690 F.2d 380, 389 (4th Cir. 1982) (questioning whether *Mercoid* exception remains good law and interpreting exception narrowly). If patent and antitrust claims arising from the same activity are found to be compulsory counterclaims to each other, there will be a race to file, giving the filing party choice of the appellate forum. *See infra* notes 82–85 and accompanying text.

[38] *Holmes*, 535 U.S. at 831.

[39] *See id.*; *see, e.g.*, *Christianson*, 486 U.S. 800.

[40] *Holmes*, 535 U.S. at 831–32 (quoting Caterpillar Inc. v. Williams, 482 U.S. 386, 398–99 (1987)).

[41] *Id.* (quoting Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 109 (1941)).

[42] *Id.*

[43] *Id.* at 833–34.

quite different (respondent's complaint-or-counterclaim rule) when referred to by § 1295(a)(1)."[44]

B. The Arguments in the Concurring Opinions

The *Holmes* decision contains two concurring opinions, one by Justice Stevens and one by Justice Ginsburg, joined by Justice O'Connor. Justice Stevens's first point addresses amendments to a complaint made before a notice of appeal is filed. In such a case, he notes that an amendment could create a sufficient basis of jurisdiction for the district court to invoke the exclusive jurisdiction of the Federal Circuit, because § 1295 reads "in whole or in part."[45] Justice Stevens's discontent with the majority opinion rests not in the decision itself, but rather in the strong language refuting an interpretation of the well-pleaded complaint rule as inclusive of counterclaims.[46] In support of the possible harmonizing of the well-pleaded complaint rule with the complaint-or-counterclaim rule, Stevens cites *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*,[47] where the Federal Circuit assumed jurisdiction arising from a compulsory counterclaim.[48] He also cites cases regarding the Temporary Emergency Court of Appeals that interpreted "arising under" as inclusive of defense pleadings.[49] Stevens concludes, however, that the policies set forth by the majority rightly justify the decision.[50] He goes on to suggest that the possibility of the adjudication of patent claims in other circuits creating conflicts in the law may be beneficial in identifying questions that require Supreme Court intervention.[51]

Justice Ginsburg departs from the all-encompassing rule laid down by the Court in the case.[52] Specifically, she objects to stripping the Federal Circuit of jurisdiction over cases involving § 1338 issues arising in a compulsory counterclaim.[53] In support of this view,

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[44] *Id.* Justice Stevens's concurrence highlights the fallacy of this seemingly irrefutable argument. *See infra* notes 46–49 and accompanying text; *see also infra* Part II.A.1. For an argument supporting a decision antithetical to *Holmes*, see *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (en banc).

[45] *Holmes*, 535 U.S. at 835–36 (Stevens, J., concurring); *see also* 28 U.S.C. § 1295(a)(1) (2000).

[46] *Holmes*, 535 U.S. at 835–36 (Stevens, J., concurring).

[47] 895 F.2d 736 (Fed. Cir. 1990) (en banc).

[48] *See Holmes*, 535 U.S. at 835–36 (Stevens, J., concurring).

[49] *Id.* at 836 n.1 (Stevens, J., concurring).

[50] *Id.* at 836–37.

[51] *Id.* at 839; *see infra* Part III.B.2.

[52] *See Holmes*, 535 U.S. at 839–40 (Ginsburg, J., concurring). Although Justice Ginsburg concurs with the judgment in this case, her sole reason for doing so is that no patent issue actually was adjudicated in the case at bar. *See id.*

[53] *See id.*

Ginsburg cites *Aerojet-General* and emphasizes that any other decision would thwart the congressional intent in creating the Federal Circuit.[54]

II
THE LEGITIMACY OF AND COMPETING POLICIES BEHIND *HOLMES*

As noted earlier, the *Holmes* decision has been criticized for subverting congressional intent and promoting a lack of uniformity in patent law, and encouraging forum shopping.[55] None of the criticisms have properly or thoroughly addressed the policies supporting the decision, partly because the critiques have originated in a sector that is very patent-minded.[56] Thus, the criticism fails to account for the policy implications external to patent law that justify the decision.

The first Section of this Part briefly summarizes the arguments condemning the *Holmes* decision as flawed and considers the strength of claims about the alleged negative effects of the decision. The next Section discusses the policies promoted by the decision. The final Section argues that the valuable policies advanced by *Holmes* justify—if not compel—the result.

A. The Alleged Illegitimacy of and the Policies Contravened by the Holmes *Decision*

1. The Contention That Holmes *Frustrates Congressional Intent and Was Wrongly Decided*

Before addressing the various policies implicated by the *Holmes* decision, it is worthwhile to address arguments that the decision was not simply a bad decision from a policy perspective but was in fact wrongly decided. These arguments focus on congressional intent during the creation of the Federal Circuit.

The primary reason for the existence of the Federal Circuit, as set forth in the House Report discussing its creation, was "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist in the administration of patent law."[57] The corresponding Senate Report declares that the creation of the Federal Circuit "provides a new forum for the definitive adjudication of selected

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[54] *Id.*

[55] *See supra* notes 14–16 and accompanying text.

[56] For example, Molly Mosley-Goren, the author of *Jurisdictional Gerrymandering? Responses to* Holmes Group v. Vornado Air Circulation Systems, *supra* note 1, is of counsel at Fish & Richardson, P.C., a renowned patent law firm.

[57] H.R. REP. NO. 97-312, at 23 (1981).

categories of cases."[58] The Senate Report goes on to credit the court's establishment with "improv[ing] the administration of the system by *reducing the number of decision-making entities* within the federal appellate system."[59] The House Report, and, to a lesser extent, the Senate Report,[60] emphasize the problem of the federal caseload as another compelling motivation for establishing the court.[61] Additionally, the Federal Courts Improvement Act of 1982,[62] passed by Congress to create the Federal Circuit, amended 28 U.S.C. § 715 to allow the Federal Circuit to hire specialized legal counsel and technical assistants in order to aid the court in adjudicating technical and complex issues.[63] This was intended to promote expert adjudication while tempering the specialized nature of the court.[64]

Critics of *Holmes* therefore are correct in asserting that Congress intended to promote a higher degree of uniformity in patent law by creating the Federal Circuit. Justice Scalia admits as much in *Holmes*. However, he asserts that the Court is powerless to consider this intent because "[the Court's] task here is not to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean."[65] The "linguistic consistency" of the language in § 1338 with that in § 1331, according to the Court, forces it to consider the policies behind both when interpreting the language.[66] Thus, any argument declaring *Holmes* wrongly decided must show that the same language can have different meanings in different contexts, and that it should in this case.[67]

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[58] S. REP. No. 97-275, at 3 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 13.

[59] *Id.* (emphasis added). Note that the report does not suggest that the number of decisionmaking entities will be reduced to one.

[60] *Id.*

[61] H.R. REP. No. 97-312, at 17.

[62] Pub. L. No. 97-164, 96 Stat. 25 (1982).

[63] *See* 28 U.S.C. § 715 (2000).

[64] Congress also wanted to avoid creating a "specialized court" in order to prevent judges from using technical jargon to hide behind arbitrary or political decisions. H.R. REP. No. 97-312, at 19; *see also* Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 3 (1989).

[65] *Holmes*, 535 U.S. at 833.

[66] *Id.* at 829–30 (citing Christianson v. Colt Indus. Operating Corp., 486 U.S. 800, 808 (1988)).

[67] An argument offered by one commentator to support a different interpretation is that the language "in whole or in part" in § 1295 suggests that "the district court's jurisdiction does not have to be based solely, even primarily, on § 1338 in order for the Federal Circuit to have exclusive jurisdiction over an appeal." Fox, *supra* note 1, at 344. This argument suggests that the language in § 1295 should somehow modify or destroy the significance of the consistency of the § 1338 language and the § 1331 language, allowing different interpretations. Insofar as this may be true, the pertinent question then would be whether a counterclaim could ever be *part* of the basis of a district court's jurisdiction.

The argument that the language can be interpreted differently in the two statutes is supported by the differing interpretations of the "arising under" language in § 1331 and that same language in Article III of the Constitution.[68] It is well understood that the interpretation of the § 1331 power is narrower than the power conferred by the Constitution, despite its use of similar language.[69] However, the connection between the § 1338 and § 1331 language is more direct, strongly supporting the need for consistent interpretations.

It therefore seems that it would not take "interpretive necromancy" to interpret the two statutes differently, although the "linguistic consistency" holding from *Christianson* would have to be overturned. However, this certainly does not mean that *Holmes* was necessarily wrongly decided, but rather that it could have been decided differently. For the purposes of this Note, the pertinent question is whether it should be overruled, not whether there are other possible interpretations.

2. *The Policies Supposedly Contravened by* Holmes

In arguing that *Holmes* should be legislatively overruled, Molly Mosley-Goren cites several policies that the rule frustrates. These policies are as follows: the creation of uniformity in patent law;[70] the reduction of appellate forum shopping in patent law;[71] the avoidance

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However, this is precisely the question faced by the Court in *Holmes*. Therefore, any disagreement on this basis is in fact simply a disagreement on whether the well-pleaded complaint rule—applied in the patent context—should include counterclaims in the pleadings.

This commentator's second argument is that when the Federal Circuit was created, the issue of whether a counterclaim would create "arising under" jurisdiction was unresolved, so Congress may not have intended the *Holmes* result. *Id.* at 345–46. The second argument does not address the consistency problem, but instead reiterates the importance of congressional intent. These arguments suggest that Congress erred in using the "arising under" language in § 1338. However, such an argument has no relevance to whether *Holmes* was decided correctly, given that Congress did choose to use that language.

[68] *See* John Donofrio & Edward C. Donovan, Christianson v. Colt Industries Operating Corp.: *The Application of Federal Question Precedent to Federal Circuit Jurisdiction Decisions*, 45 AM. U. L. REV. 1835, 1858–59 (1996) (using § 1331 and Article III as evidence that "['arising under'] is susceptible to different interpretations depending on the context in which it is used"). *Compare* 28 U.S.C. § 1331 (2000) ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."), *with* U.S. CONST. art. III, § 2, cl. 1 ("The judicial Power shall extend to all Cases . . . arising under this Constitution.").

[69] *See* LINDA J. SILBERMAN & ALLEN R. STEIN, CIVIL PROCEDURE: THEORY AND PRACTICE 408–09 (2001) (pointing out that *Mottley* renders § 1331 grant of "arising under" jurisdiction "considerably short" of Article III grant); *see also* Donofrio & Donovan, *supra* note 68, at 1841–42 ("It is well settled that '. . . Art. III "arising under" jurisdiction is broader than federal-question jurisdiction under § 1331.'" (quoting Verlinden B.V. v. Central Bank of Nigeria, 461 U.S. 480, 494–95 (1983)).

[70] *See* Mosley-Goren, *supra* note 1, at 31–39.

[71] *Id.* at 40–42.

of "choice-of-law" problems in appellate courts (where appellate courts may not feel bound by Federal Circuit patent law) and district courts (where district courts may have conflicting patent precedent coming from the Federal Circuit and the regional circuit in which they sit);[72] and the lightening of the Supreme Court's docket.[73] Two other policies allegedly thwarted by the decision are expert adjudication of patent law issues[74] and reduction of the caseload of the regional circuits.[75]

In order to accurately balance these policies with countervailing ones, the prospective effects of *Holmes* on the policies must be ascertained. In her article, Mosley-Goren briefly sets forth and attempts to address some arguments that downplay the negative effects.[76]

The strongest and most significant argument mitigating the potentially negative consequences of the *Holmes* decision is that the amount of forum shopping spurred by the decision will be minimal and concentrated in a particular genre of cases.[77] Forum shopping through the *Holmes* rule is not likely—or even possible in most cases. As an initial matter, in order for forum shopping to be possible, both parties to a potential suit must have colorable claims against one another. Assuming that the previous condition has been met, consider the three general possibilities: (1) neither party has a plausible patent claim; (2) one party has a plausible patent claim; and (3) both parties have plausible patent claims. In the first situation, the Federal Circuit would dismiss any patent claims filed (as they are, by definition, implausible) and transfer the case to the regional circuit (if the

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[72] *Id.* at 42–43, 54. The district court problem would also apply to state courts.

[73] *Id.* at 45–46.

[74] *See* Dreyfuss, *supra* note 64, at 1–2. *But see supra* note 64 and accompanying text.

[75] *See supra* notes 60–61 and accompanying text.

[76] *See* Mosley-Goren, *supra* note 1, at 46–55.

[77] *See id.* at 53–55. Although Mosley-Goren acknowledges that this general argument may be made, she does not elaborate on this specific point, choosing instead to discuss whether nonpatent-issue forum shopping is worse than patent-issue forum shopping. *Id.* For a definition and discussion of nonpatent-issue forum shopping, see id., and infra notes 106–11 and accompanying text. The contention here is that the decision simply changes the focus of forum shopping from the pre-*Holmes* nonpatent-issue forum shopping to patent-issue forum shopping. Mosley-Goren, *supra* note 1, at 53–55. However, this plaintiff nonpatent-issue forum shopping is not affected by *Holmes*, nor is the patent-issue forum shopping problematic, as the discussion in text immediately following this footnote establishes.

It is important to note that while there will be only a small amount of forum shopping as a result of *Holmes*, the fact that it will be concentrated in a single area, see infra notes 91–97 and accompanying text, suggests that a nontrivial number of cases may end up in regional circuit courts in that area. This "problem" is discussed infra notes 120–34 and accompanying text.

alleged patent claims somehow make it to the appellate stage of the case).[78] That leaves the two more interesting situations.

If only one party has a plausible patent claim, then there can be two procedural situations: The party with the patent claim files a complaint (the patent-plaintiff) or the other party files suit (the nonpatent-plaintiff). The patent-plaintiff can either include the patent claim in her complaint or omit it (provided, of course, that she has other claims), giving her the unavoidable[79]—and perhaps desirable[80]—choice of forum options discussed later.[81] The nonpatent-plaintiff cannot choose whether the defendant raises her counterclaim or not, leaving the nonpatent-plaintiff's only meaningful forum choice as whether to file in state or federal court. This choice, as discussed later, is a choice that properly should be left to the plaintiff.[82] In this situation, the defendant may have the option of not filing her patent claim as a counterclaim, or she may be forced to file it due to the risk of being precluded from filing it in the future, depending on whether it is compulsory.[83] It may be contended that the defendant's choice of whether to file the patent counterclaim is a form of forum shopping, but this clearly is not the concern that most people have with *Holmes*; rather, the general concern is that litigants will try to force patent claims into certain regional circuits that have been historically unfriendly to patents.[84] Thus, the defendant's decision to bring her claim in a potentially unfriendly forum seems unproblematic. Although a cursory glance at the above reasoning may leave one with the sense that there is no problem here, there is clearly a potential for a race to the courthouse in this situation.[85] The patent-plaintiff, if she files first and is willing to forego her patent claim, can choose either

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78 Congress, when creating the Federal Circuit, was very concerned about its jurisdiction being abused. *See infra* notes 121–24 and accompanying text. The solution to this problem, according to the Senate Report, is found in the requirement that the Federal Circuit may only hear cases over which the district court had jurisdiction based on § 1338 (which includes patent law as a basis for jurisdiction). S. REP. NO. 97-275, at 4, 19 (1981), *reprinted in* 1982 U.S.C.C.A.N. at 14, 29. Hence, "[i]mmaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore there will be no jurisdiction over these questions in the appellate court." *Id.* at 19.

79 Unavoidable at least with regards to either of the possible outcomes of *Holmes*.

80 *See infra* notes 113–18 and accompanying text.

81 *See infra* notes 106–11 and accompanying text.

82 *See infra* notes 112–15 and accompanying text.

83 *See supra* note 37.

84 *Compare* Graham v. Cockshutt Farm Equip., Inc., 256 F.2d 358 (5th Cir. 1958) (holding patent valid), *and* Jeoffroy Mfg., Inc. v. Graham, 219 F.2d 511 (5th Cir. 1955) (same), *with* John Deere Co. v. Graham, 333 F.2d 529 (8th Cir. 1964) (holding same patent invalid). *See also* Dreyfuss, *supra* note 64, at 6–7 (discussing inconsistencies in approach to patent cases used in regional circuits before creation of Federal Circuit).

85 *See* Fox, *supra* note 1, at 348–49 (describing hypothetical race scenario).

the appellate forum (Federal Circuit or regional circuit) or choose a state forum. The nonpatent-plaintiff, by filing first, can preclude the defendant from having her patent claim heard in the Federal Circuit at the appellate level if the claim is sufficiently related to the nonpatent-plaintiff's claims to make them compulsory under Rule 13 or the corresponding state rule, if one exists.

The final situation, in which both parties have patent claims against each other, is similar to the previous one. Either party may file suit with their patent claim and force any potential appeal into the Federal Circuit. If one of the parties has nonpatent claims, that party could file first and choose a forum, in the same way as in the previous scenarios, by deciding whether or not to forego the patent claim.

The obvious question, then, is whether, under *Holmes*, situations can arise with a frequency that would make forum shopping a tangible problem, rather than a theoretical one. As described above, the nature of a problematic case is one where each party has a colorable claim against the other, and these claims are sufficiently interrelated to trigger claim or issue preclusion if both are not filed in the same action.[86] One commentator, in arguing that *Holmes* was wrongly decided, cites an example of a potential race to the courthouse resulting from a situation where a patentee can sue for infringement or the alleged infringer can sue for a declaratory judgment of noninfringement.[87] The contention is that the alleged infringer could file for a declaratory judgment of noninfringement in federal district court without alleging any patent law claims, forcing the patentee to file a patent infringement counterclaim. This judgment would not be appealable to the Federal Circuit, but rather to a regional circuit of the alleged infringer's choosing.[88] This example is flawed fatally in that the well-pleaded complaint rule as understood in federal question cases—as applied to declaratory judgments—states that the cause of action arises under federal law if "the cause of action that the declaratory defendant threatens to assert arises (or would arise) under

[86] The cases where the would-be plaintiff can choose to file or not to file a patent claim in order to choose between two forums is not considered problematic for the purposes of this Note because, as noted, this situation existed before *Holmes* and may even be desirable. *See supra* notes 112–15 and accompanying text. Likewise, the case where a would-be defendant has an unrelated counterclaim is not problematic. *See supra* note 84 and accompanying text.

[87] *See* Fox, *supra* note 1, at 348–49 ("The classic example would be that of the alleged patent infringer who tries to win the race by bringing a declaratory-judgment action in a circuit that does not have a pro-patentee philosophy." (citation omitted)).

[88] *Id.*

federal law."[89] Therefore, *Christianson* and *Holmes*—in applying the well-pleaded complaint rule as it is understood in the federal question context to the Federal Circuit's jurisdiction—mandate that the alleged infringer's case be appealed to the Federal Circuit. The suggestion that the alleged infringer could omit all patent language from its declaratory complaint in order to prevent patent jurisdiction from attaching is inapt.[90] Were the alleged infringer to do so successfully, the patent counterclaim would no longer be compulsory, alleviating the "problem." Therefore, the declaratory judgment action as an anticipation of a patent claim will not avail a declaratory plaintiff of a new forum for appeal.

There are a limited number of cases involving patent or federal question counterclaims that have been appealed to regional circuits or remained in state courts as a result of *Holmes*.[91] The most interesting case so far, *Telcomm Technical Services, Inc. v. Siemens Rolm Communications, Inc.*,[92] involved Sherman Antitrust Act claims and patent infringement counterclaims.[93] The Federal Circuit, citing *Holmes*, transferred the case to the Eleventh Circuit because the complaint did not allege any patent claims.[94] Thus, this case presents the paradigmatic problem of *Holmes*-induced races to the courthouse. The problematic nature of the case depends on whether the patent counterclaim is compulsory to the antitrust claim, whether issues adjudicated in the antitrust case would bind the parties in a subsequent patent case, and whether a patent defense could be sustained in the antitrust case without precluding a future patent suit. The meaning and continuing legitimacy of *Mercoid Corp. v. Mid-Continent Investment Co.*[95] is of critical importance here. Despite criticism, some courts have held that *Mercoid* creates an exception to Rule 13 in the

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[89] Golan v. Pingel Enter., Inc., 310 F.3d 1360, 1367 (Fed. Cir. 2002) (citing Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 18 (1983)); *see also* Cardtoons, L.C. v. Major League Baseball Players Ass'n, 838 F. Supp. 1501, 1508 (N.D. Okla. 1993); SILBERMAN & STEIN, *supra* note 69, at 406–08.

[90] *See* Fox, *supra* note 1, at 348–49 (discussing hypothetical infringer who "[omits] all patent law claims from its complaint" in order to avoid Federal Circuit jurisdiction).

[91] A case in Indiana state court for breach of contract with a copyright counterclaim was deemed by the Indiana Supreme Court to be not removable. However, the case involved a permissive counterclaim, and thus it is not of great interest to this Note because the court specifically noted that the counterclaim was not compulsory and that the defendant could file a separate case for that claim. Green v. Hendrickson Publishers, 770 N.E.2d 784, 791 (Ind. 2002); *see* Mosley-Goren, *supra* note 1, at 27–28.

[92] 295 F.3d 1249 (Fed. Cir. 2002).

[93] *Telcomm Technical Servs.*, 295 F.3d at 1251.

[94] *Id.* at 1251–52.

[95] 320 U.S. 661 (1944) (holding that prior patent case does not create bar to antitrust case resulting from same conduct); *see supra* note 37.

case of antitrust and patent claims.[96] This means that cases such as *Telcomm Technical Services* are not problematic, as the antitrust plaintiff cannot force the patent claim into a regional circuit and the potential success on the counterclaim action likely will not be hindered by issue preclusion. If, however, *Mercoid* does not stand for such a broad proposition, cases like *Telcomm Technical Services* represent a class of cases that are susceptible to races to the courthouse.

There are no other categories of problematic cases resulting from *Holmes* cited by commentators, nor are there any other categories that are obvious candidates. The number of problematic patent/antitrust cases may not be infinitesimal, but various arguments discussed later reduce the likelihood of harms resulting from forum shopping and actually suggest that forum shopping in these situations is desirable.[97]

A corollary to the argument that the *Holmes* rule will not send a significant number of patent claims to regional circuits or state courts is the contention that even if some cases do get decided by courts outside the Federal Circuit, there is little danger of the erosion of uniformity in patent law. Mosley-Goren suggests that the "accretion of non-Federal Circuit precedent over time[ ] will . . . return . . . the state of patent law to its pre-Federal Circuit morass."[98] However, given the Supreme Court's oversight and the high likelihood that patent counterclaims forced into regional circuits will be concentrated in a narrow body of law,[99] such an accrual of varying precedents is improbable.

Choice-of-law problems in both appellate and district or state courts may prove to be a serious consequence of the *Holmes* decision.[100] Although it is true that contradictory holdings on patent issues by regional circuits and the Federal Circuit would force district courts into choosing between the precedents, this problem is overstated for the same reasons that the uniformity problem is overstated: Choice-of-law quandaries will be a problem only if there are substantial conflicts between regional circuit patent law and Federal Circuit patent law. Given the small number of cases that will reach a regional circuit, and given proper Supreme Court oversight, no substantial conflicts should arise. Moreover, district courts face the same problem when deciding whether to apply Federal Circuit precedent or regional circuit precedent to nonpatent issues decided differently by the two

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96 *See supra* note 37.

97 *See infra* notes 121–35 and accompanying text.

98 Mosley-Goren, *supra* note 1, at 49.

99 *See supra* text accompanying note 97.

100 The potential problems related to appellate choice of law are discussed in detail later in this Note. *See infra* Part III.B.

courts. In this nonpatent situation, district courts are obligated to apply the regional circuit law.[101] At least one district court has held that Federal Circuit law applies to patent issues regardless of the court that would hear the appeal, suggesting that conflicting regional circuit precedent would not apply.[102] In the words of the court: "[T]he law of the Federal Circuit follows patent cases to all corners of the nation."[103]

The fact that few such cases will reach regional courts of appeals reduces the likelihood that the uniformity of the patent laws will be eroded. It also reduces concerns over a loss of expert adjudication,[104] an increase in regional appellate court dockets, or an increase in the Supreme Court's docket. Any concern over the Supreme Court's docket should be alleviated by Justice Stevens's willingness to have the Court resolve "occasional conflict[s]" in patent law between the Federal Circuit and the regional circuits.[105]

B. The Policies Espoused by the Holmes *Decision*

Although the preceding discussion may relieve fears about any deleterious effects of the *Holmes* decision, one might argue that the potential for even minor problems may warrant remedial action because the decision provides nothing beneficial. But this argument ignores the positive aspects of *Holmes*: It prevents nonpatent-issue forum shopping by defendants; preserves plaintiffs' mastery of their cases; inhibits usurpation of state court jurisdiction; sustains the ease of application of the well-pleaded complaint rule; and tempers the Federal Circuit's continuing expansion of its jurisdiction over—and development of its own law with respect to—antitrust claims. Each of these policies will be addressed below in turn.

Currently, plaintiffs may choose whether to include patent claims in their complaints in order to have their nonpatent issues decided by the Federal Circuit or regional circuit.[106] In other words, plaintiffs—when they have a choice—may allege patent claims if they desire the Federal Circuit's interpretation of nonpatent law and omit the claims when they seek to take advantage of the regional circuit's

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101 8 DONALD S. CHISUM, CHISUM ON PATENTS § 21.02(5)(b)(iv)(B) (2003).

102 K & F Mfg. Co. v. W. Litho Plate & Supply Co., 831 F. Supp. 661, 663–64 (N.D. Ind. 1993).

103 *Id.*

104 Moreover, as the technical expertise of the Federal Circuit should come from technical advisors, *see supra* notes 62–63 and accompanying text, Congress could amend 28 U.S.C. § 715 (2000) to allow any circuit court to employ technical assistants when adjudicating patent claims.

105 *Holmes*, 535 U.S. at 839 (Stevens, J., concurring).

106 *See supra* note 77.

interpretation. This is not a problem if the Federal Circuit applies regional circuit interpretations of federal law to nonpatent issues, which it supposedly does.[107] However, there are cases where the Federal Circuit's "interpretation" of regional circuit law appears to be entirely inconsistent with the regional circuit's actual interpretation.[108] Moreover, as is addressed in more detail later,[109] the Federal Circuit has recently begun to apply its own law to issues that were previously thought outside of the court's jurisdiction.[110] Thus, regardless of the *Holmes* decision, plaintiffs may shop between regional circuits for nonpatent issue law.[111] Prior to *Holmes*, it was unclear whether counterclaims would trigger the appellate jurisdiction of the Federal Circuit; thus, nothing necessarily foreclosed defendants from engaging in a similar sort of forum shopping. If counterclaims did trigger jurisdiction, then defendants could file legitimate patent counterclaims—related or unrelated to the plaintiffs' claims—in order to avail themselves of the Federal Circuit's nonpatent law interpretations. *Holmes* prevents defendants from doing so, reducing the forum shopping opportunities available to litigants.

A related concern, cited by Justice Scalia in *Holmes*, is that allowing counterclaims to trigger jurisdiction under the well-pleaded complaint rule would undermine the fundamental principle that the

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[107] *See, e.g.*, Payless Shoesource, Inc. v. Reebok Int'l Ltd., 998 F.2d 985, 987–88 (Fed. Cir. 1993) (applying Tenth Circuit law to trademark and trade dress issues); U.S. Philips Corp. v. Windmere Corp., 861 F.2d 695, 702 (Fed. Cir. 1988) (applying Eleventh Circuit law to antitrust issues); Cable Elec. Prods., Inc. v. Genmark, Inc., 770 F.2d 1015, 1033 (Fed. Cir. 1985) (applying Ninth Circuit preemption law); *see also* GEORGE G. GORDON ET AL., AMERICAN BAR ASSOCIATION, REPORT ON THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT 49–50 (2002), http://www.ftc.gov/opp/intellect/0207salabarpt.pdf (referring to Federal Circuit's pre-1998 claim that regional circuit law controls its interpretation of antitrust law).

[108] *See, e.g.*, Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861 (Fed. Cir. 1985) (tempering effects of antitrust law on patent rights, contrary to regional circuit law, while purportedly applying that law); *see also* GORDON, *supra* note 107, at 52–57 (discussing several Federal Circuit cases involving antitrust issues).

[109] *See infra* notes 121–35 and accompanying text.

[110] *See, e.g.*, *In re* Indep. Serv. Orgs. Antitrust Litig., 203 F.3d 1322 (Fed. Cir. 2000) (explicitly refusing to follow Ninth Circuit antitrust law); Intergraph Corp. v. Intel Corp., 195 F.3d 1346 (Fed. Cir. 1999) (same); Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999) (overruling *Cable Elec. Prods.*, 770 F.2d 1015, by holding that Federal Circuit law controls patent law preemption of state causes of action); Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998) (holding that, contrary to prior precedent, Federal Circuit law governs antitrust claims predicated on bad actions by patentee); *see also* GORDON, *supra* note 107, at 71–85 (summarizing Federal Circuit approach subsequent to *Nobelpharma* decision).

[111] This problem is inherent to the jurisdictional structure of the Federal Circuit and is beyond the scope of this Note.

plaintiff is the master of her complaint.[112] Insofar as a plaintiff chooses a federal forum, the frustration of the defendant's choice of appellate forum is not very problematic, because our system does not value the choice of forum within the federal system—essentially, forum shopping[113]—as much as it values the choice between federal and state fora.[114] Hence, this concern may seem to be more applicable to the federal question context, as the plaintiff's choice of a state forum for nonfederal claims should not be frustrated by a federal counterclaim. However, removal based on a patent counterclaim also would frustrate the choice of state forum, making the concern no less significant. This point is conceded by commentators criticizing *Holmes*.[115] Not only does a plaintiff have a legitimate interest in having her state law claims heard in state court, the state also has an interest in hearing the claims and interpreting its own law.[116] Scalia's related concern about greatly expanding the number of removable cases from state court[117] is, as noted by Justice Stevens, not terribly worrisome with respect to patent law counterclaims.[118]

Scalia's final point, that adding counterclaims to the well-pleaded complaint rule would "undermine [its] clarity and ease of administration,"[119] would be problematic only in situations involving removal from state court. In the cases filed in federal court, the rule would be just as easy to apply, and the determinations of the appellate forums do not need to occur early in the proceedings.[120] However, to the extent that the appellate forum may affect the law applied by a district court, an early decision would be helpful.

As alluded to earlier, throughout the past several years the Federal Circuit has been developing its own body of antitrust law. This jurisdictional "imperialism" has been the subject of great concern and

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112 *See* Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 831–32 (2002); *supra* note 40 and accompanying text.

113 *See* Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank, 527 U.S. 627, 652 n.3 (1999) (discussing "forum shopping" among federal regional circuits prior to creation of Federal Circuit).

114 *See supra* note 40 and accompanying text.

115 *See* Mosley-Goren, *supra* note 1, at 29–31 (characterizing plaintiff's inability to have all claims heard in chosen state forum as "unfortunate consequence" of overruling *Holmes*); Fox, *supra* note 1, at 349–50 (arguing that loss of plaintiff choice of forum is less important when plaintiff is only choosing between appellate forums and not original forums).

116 Donofrio & Donovan, *supra* note 68, at 1863.

117 *See Holmes*, 535 U.S. at 831–32; *supra* note 41 and accompanying text.

118 *See Holmes*, 535 U.S. at 837 (Stevens, J., concurring).

119 *Id.* at 832; *see supra* note 42 and accompanying text.

120 *See* Fox, *supra* note 1, at 351.

discussion.[121] In fact, the potential for unchecked encroachment by the Federal Circuit upon nonpatent areas,[122] particularly antitrust law,[123] was the subject of much debate in Congress before the court was created. The Commission on Revision of the Appellate System, commissioned by Congress in 1972 to study the federal appellate system, studied many areas of the law, including antitrust law, and found that forum shopping and lack of uniformity problems were not on the same level in these areas as in patent law.[124]

All of the antitrust law that the Federal Circuit has developed to date is in areas where the antitrust claims are closely related to a patent grant.[125] The two most controversial decisions are *Intergraph Corp. v. Intel Corp.*[126] and *In re Independent Service Organizations Antitrust Litigation*.[127] In these cases, the Federal Circuit essentially declared that refusals to license intellectual property can never be found to be unlawful antitrust violations,[128] departing from the Ninth Circuit's earlier case finding an antitrust violation on an indistinguishable set of facts.[129] Decisions like these can have monumental effects on the ability of start-up companies to compete in the high-technology industry.[130] As Katz and Safer note:

> Antitrust law historically has developed in the tradition of the common law based on the evolving political and economic views of

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121 *See, e.g.*, GORDON, *supra* note 107 (defending Federal Circuit's creation of antitrust law); Peter M. Boyle et al., *Antitrust Law at the Federal Circuit: Red Light or Green Light at the IP-Antitrust Intersection?*, 69 ANTITRUST L.J. 739, 799 (2001) (describing Federal Circuit antitrust law as "true to mainstream antitrust doctrine"); Robert J. Hoerner, *The Decline (and Fall?) of the Patent Misuse Doctrine in the Federal Circuit*, 69 ANTITRUST L.J. 669 (2001) (criticizing Federal Circuit's treatment of patent misuse); Ronald S. Katz & Adam J. Safer, *Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 ANTITRUST L.J. 687 (2001) (criticizing Federal Circuit's development of antitrust law); Scott A. Stempel & John F. Terzaken III, *Casting a Long IP Shadow over Antitrust Jurisprudence: The Federal Circuit's Expanding Jurisdictional Reach*, 69 ANTITRUST L.J. 711, 737–38 (2001) (describing Federal Circuit's assertions of jurisdiction as "faithful to its statutory mandate" but "not necessarily sensible as a matter of policy"); Mark D. Janis, *The Federal Circuit's Benevolent Imperialism in Patent/Antitrust* (n.d.) (unpublished manuscript, on file with *New York University Law Review*) (discussing beneficial effects of Federal Circuit's foray into antitrust law).

122 S. REP. NO. 97-275, at 4, 19 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 14, 29.

123 *Id.*

124 *See* COMM'N ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM, STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE, 67 F.R.D. 195, 220 (1975).

125 *See supra* note 110.

126 195 F.3d 1346 (Fed. Cir. 1999).

127 203 F.3d 1322 (Fed. Cir. 2000).

128 *See Indep. Serv. Orgs.*, 203 F.3d 1322; *Intergraph*, 195 F.3d 1346.

129 *See* Image Technical Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195 (9th Cir. 1997).

130 *See* Katz & Safer, *supra* note 121, at 687.

> the time, and thus benefits from the differing viewpoints of the regional circuit courts of appeals. However, if a significant percentage of cases involving antitrust claims and intellectual property are heard by the Federal Circuit applying its own law, this marketplace of ideas that historically informed the development of antitrust law in this area will be lost.[131]

Congress, of course, created the Federal Circuit in order to encourage uniformity in patent law, and some argue that the area in which patent converges with antitrust law is properly within that scope.[132] However, it is likely that antitrust law is precisely the area with which Congress was concerned when it expressed worry that the jurisdiction of the Federal Circuit might be overbroad. Therefore, Congress's interest in patent law uniformity is in direct conflict with its interest in regional discourse on antitrust law. Statements in the congressional hearings such as "[t]here is never a presumption in favor of jurisdiction"[133] suggest that the latter interest should trump in this situation.

As these cases all involve closely intertwined patent and antitrust issues, they are part—if not all—of the small class of cases that will be subject to forum shopping as a result of *Holmes*.[134] Given the congressional concerns and the sharp academic criticism of the Federal Circuit's decision to appropriate this body of law and the law it has created, it seems ideal for some of the appeals of such cases to go to the Federal Circuit, while others go to regional circuits. This allows discourse in a limited area without disturbing the rest of patent law. To the extent that forum shopping results, this is precisely the situation that *Holmes* creates, allowing the courts to differ on both jurisdiction and the law, while limiting the number of conflicts necessitating Supreme Court consideration.[135] Once the Supreme Court definitively addresses the conflicting viewpoints in this area, any incentive to forum shop will be diminished, as all of the appellate courts will be bound by the Court's pronouncements.

C. Balancing the Policies

Now that the opposing policies have been enumerated and evaluated, they can be balanced to determine what should be done in the aftermath of the *Holmes* decision. The first and most obvious inquiry

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131 *Id.* at 689.

132 *See, e.g.*, Janis, *supra* note 121.

133 H.R. REP. NO. 97-312, at 40 (1981); *see also* S. REP. NO. 97-275, at 18 (1981), *reprinted in* 1982 U.S.C.C.A.N. at 28.

134 *See supra* notes 92–94 and accompanying text.

135 *See supra* note 105 and accompanying text.

is whether *Holmes* should be legislatively undone. Even the commentator who proposes legislative overruling of *Holmes* concedes that the issues of federalism and plaintiff choice of forum that concern the removability of state law actions with patent counterclaims clearly outweigh any of the criticisms on the other side, such as the erosion of patent law uniformity and the encouragement of forum shopping.[136] Therefore, policy concerns do not support a wholesale overruling of *Holmes*.

However, that commentator suggests that the *Holmes* decision should be overruled in the limited context of cases filed in federal district courts.[137] This solution eliminates the pro-*Holmes* concerns related to state sovereignty and legitimate plaintiff choice of forum. The remaining policies against such an overruling are as follows: precluding nonpatent-issue forum shopping by defendants; preserving the ease of application of the well-pleaded complaint rule; and restraining the Federal Circuit's continuing expansion of its jurisdiction and law. The caseload considerations, both in the appellate courts and the Supreme Court, and the loss of expert adjudication are, as discussed earlier,[138] negligible. Thus, the concerns of patent law uniformity, forum shopping, and choice-of-law problems must be weighed against the aforementioned policies in favor of the *Holmes* rule. All of these issues are problematic only to the extent that numerous decisions find their way to regional courts of appeals or state courts. As that number depends on the number of cases with patent law claims that are very closely related to opposing nonpatent law claims,[139] it should necessarily be less than the number of cases involving nonpatent law claims and related or unrelated patent law claims, which is the amount of potential defendant nonpatent-issue forum shopping in the absence of the *Holmes* rule. Therefore, on balance, there is a greater policy imperative to have the *Holmes* rule than there is to overrule it in the context of federal cases. However, as discussed in the next Part, this conclusion does not obviate the need for an adjudicatory model in the wake of *Holmes*.

136 *See* Mosley-Goren, *supra* note 1, at 29–31.

137 *Id.* at 29.

138 *See supra* notes 104–05 and accompanying text.

139 *See supra* note 86 and accompanying text.

III
A MODEL FOR THE ADJUDICATION OF PATENT COUNTERCLAIMS AFTER *HOLMES*

Although the number of patent counterclaims that will reach regional circuit courts and state courts will be small, a process for their proper adjudication must be developed in order to achieve the proper results in those cases. Before addressing the task of appellate courts in this position, it is necessary to consider the claim in the first instance—at the district or state trial court level. The first Section of this Part considers the options available to lower courts when faced with a patent counterclaim to a complaint that contains no patent claims.

The next Section considers the problem of adjudication at the appellate level. When a circuit court or state court adjudicates a counterclaim that, if pled in a complaint, would involve issues exclusively in the appellate jurisdiction of the Federal Circuit, the court has two obvious options: follow the Federal Circuit's jurisprudence (or do its best to ascertain how the Federal Circuit would rule in cases of first instance) or create its own jurisprudence. It may seem that an appropriate action for the court would be to sever the counterclaim under Rule 42(b) of the Federal Rules of Civil Procedure[140] (or the corresponding state rule if one exists) and transfer it to the Federal Circuit. However, such an action is prohibited by Rule 82, which prevents any of the Rules from creating jurisdiction where it does not lie,[141] and by *Holmes*, which explicitly denies the Federal Circuit jurisdiction over the claim.[142] A similar possibility, which is explored at some length below, is to certify hard questions to the Federal Circuit.[143]

A caveat is necessary before proceeding: Many of the "solutions" presented are suggestions to courts as to how properly to deal with patent counterclaims and the issues implicated by them. They are by no means commanded by any existing law, but, if followed, would preserve the policies adopted by Congress in creating the Federal Circuit while respecting the longstanding policies behind the adversarial structure of the American judicial system.

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[140] *See* Fed. R. Civ. P. 42(b) ("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 . . . counterclaim . . . .").

[141] FED. R. CIV. P. 82 ("These rules shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein.").

[142] *See* Atari, Inc. v. JS & A Group, Inc., 747 F.2d 1422 (Fed. Cir. 1984) (holding that Rule 42 severances do not affect jurisdiction).

[143] *See infra* Part III.B.3.

A. Adjudication of Claims at the Lowest Level

This Section discusses the issues facing federal district courts and state trial courts when confronting patent counterclaims to nonpatent suits. It begins by suggesting a way in which lower courts may avoid the claims entirely. After that, it discusses choice-of-law problems facing the courts.

1. Dismissal of Patent Counterclaims by Federal District Courts and by State Trial Courts

One way to avoid having regional courts of appeals and state courts hearing patent counterclaims is to dismiss the counterclaims at the lowest level and force the defendant to refile the claim as a new action, which would be exclusively federal and appealable to the Federal Circuit. This idea is explored first in the context of federal district courts and then with respect to state trial courts.

As appealing as it may sound for federal district courts to dismiss a patent counterclaim, it would be inappropriate for a district court to do so. Such an act would constitute judicial abstention,[144] a doctrine for a court to employ only in exceptional circumstances. If such circumstances are not present, the Supreme Court has held that courts should take jurisdiction.[145] In addition, it would be inefficient and inconvenient for the district court to conduct two separate trials with the same parties, especially if there are common issues.

For state trial courts, in contrast, dismissal may be a more attractive solution. Before *Holmes*, state trial courts routinely dismissed counterclaims alleging patent issues, finding that the federal courts had exclusive jurisdiction over the claims.[146] This solution, from the perspective of the court, is superior to the same action by a district court, because the refiled counterclaim will not come to the state court. In one post-*Holmes* case, the Indiana Supreme Court found that it had jurisdiction over a copyright counterclaim (which, had it been the basis for a separate suit, would have fallen within the federal courts' exclusive jurisdiction), noting, however, that the claim was not

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[144] There are different forms of abstention currently employed in the courts of the United States. One form of abstention involves district courts dismissing claims when substantially similar claims are being heard in another district or state court, which is not the case here. *See* Col. River Water Conservation Dist. v. United States, 424 U.S. 800, 817–20 (1976); Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co., 342 U.S. 180 (1952). The other major class of abstention applications involves federalism concerns, which are also not implicated here. *See* Younger v. Harris, 401 U.S. 37 (1971).

[145] *See* Cohens v. Virginia, 19 U.S. (6 Wheat.) 264, 404 (1821).

[146] *See, e.g.*, W. Elec. Co. v. Components, Inc., Civ. Act. No. 2820, 1970 Del. Ch. LEXIS 114 (Dec. 7, 1970); Pleatmaster, Inc. v. Consol. Trimming Corp., 156 N.Y.S.2d 662 (Sup. Ct. 1956); Superior Clay Corp. v. Clay Sewer Pipe Ass'n, 215 N.E.2d 437 (Ohio C.P. 1963).

compulsory and did not have to be filed.[147] Although this case shows that state courts do not have to dismiss patent counterclaims, it is not determinative of whether state courts *can* dismiss them. Provided that a state's law is not as strict about abstention as federal law, it seems that there is no imperative for a state court to hear the claims. Of course, if the state has a rule similar to Rule 13 of the Federal Rules of Civil Procedure, which makes counterclaims compulsory if they are sufficiently related to claims in a complaint,[148] then a state trial court should not dismiss such counterclaims or else the claim will be forfeited under the rule.[149] Because of potential issue preclusion and judicial efficiency—the concerns behind Rule 13 and similar state rules—trial courts in states without such a rule should not dismiss those claims either.[150]

2. *Choice of Law at the Federal District or State Trial Court Level*

If lower courts must hear the counterclaims, they may have to choose among conflicting precedent between the Federal Circuit and the regional circuit in which they sit. If this occurs, the courts should follow the Federal Circuit on patent issues and the regional circuit on nonpatent issues, as at least one district court has done.[151] The other option when faced with a conflict would be to follow the law of the circuit in which any appeal would be heard. This would yield the same result for nonpatent issues, as the Federal Circuit follows regional circuit law on those issues.[152] However, given the policies behind the creation of the Federal Circuit, especially that of promoting uniformity in patent law, lower courts should favor Federal Circuit patent law if there is a conflict.

In determining whether an issue is properly a patent issue, the court should follow the process described in the next Section.[153] This

147 Green v. Hendrickson Publishers, 770 N.E.2d 784, 791 n.3 (Ind. 2002).

148 Rule 13 defines compulsory counterclaims as claims that "arise[ ] out of the transaction or occurrence that is the subject matter of the opposing party's claim." FED. R. CIV. P. 13(a).

149 The Supreme Court has interpreted Rule 13 as mandating the filing of compulsory counterclaims, with the failure to file resulting in loss of the claims. *See* 6 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 1417, at 129 (2d ed. 1990).

150 It seems likely that a state that consciously chooses not to adopt a compulsory counterclaim rule does so in order to avoid the forfeiture of claims by litigants who neglected to file them. In this case, however, the litigant chose to file the claim, so that concern is alleviated.

151 *See* K & F Mfg. Co. v. W. Litho Plate & Supply Co., 831 F. Supp. 661, 664 (N.D. Ind. 1993) (stating that alleged infringer could not file in one regional circuit to avoid another circuit's law in patent case).

152 *See supra* notes 107–08 and accompanying text.

153 *See infra* Part III.B.2.

should not pose a large problem for the district courts, as they have been in this situation—deciding whether to follow Federal Circuit or regional circuit law—since the inception of the Federal Circuit.

B. Solutions at the Appellate Level

1. Following the Federal Circuit

The most obvious law for the regional appellate courts and state courts to apply to patent issues is that of the Federal Circuit. However, federal appellate courts are not bound by Federal Circuit law[154] and do not have sovereignty-based reasons for following it, as they do with state law.[155] Therefore, the basis for their deference to Federal Circuit law should come from three places. First, it generally is more efficient for regional circuits to follow the Federal Circuit so the appellate courts do not need to develop new law. Second, the courts should respect the congressional purpose of creating a uniform body of patent law. Finally and most tenuously, the regional circuits should honor Federal Circuit law to promote comity among the circuit courts, which the Federal Circuit has, at least in principle, supported.[156] Perhaps such respect for the Federal Circuit law will generate a reciprocal respect in the Federal Circuit for regional circuit law, transforming its purported adherence to regional circuit law on nonpatent issues into actual adherence.

For state appellate courts, the Supremacy Clause of the Constitution calls for adherence to federal patent law, as it is an exclusively federal body of law.[157] However, like a state trial court, a state appellate court may face a conflict of precedent on patent issues between the regional circuit in which it sits and the Federal Circuit. In such a situation, the court should defer to the Federal Circuit on patent issues, and the regional circuit on all other federal issues, for the same reasons just discussed with regards to regional circuit courts.

The decision to follow the Federal Circuit, however, is not as easy to execute as it may seem. The court must first distill the issues that are properly patent issues from those that are not. For a simple

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[154] There does not seem to be anything that would prevent Congress from binding the regional circuit courts to the Federal Circuit's precedents in the area of patent law. However, such action is unlikely.

[155] *See* Erie R.R. Co. v. Tompkins, 304 U.S. 64, 78–80 (1938) (declaring that unauthorized interference with state legislative or judicial action is unconstitutional invasion of state authority).

[156] *See supra* notes 107–08 and accompanying text.

[157] State courts are not bound by the rulings of lower federal courts (including the Federal Circuit), but in the absence of any state patent law, federal case law is the most reasonable place for state courts to look for guidance.

example, a question in a counterclaim regarding patent infringement clearly falls within the subject matter defined in § 1338. For a more complicated example, a counterclaim alleging that a patentee was wrongfully enforcing its rights in such a way as to constitute an antitrust violation may implicate the previously discussed laws developed by the Federal Circuit specifically tailored to the patent-antitrust dynamic.[158] However, as noted, there is disagreement over whether such issues are properly within the § 1338 grant of jurisdiction.[159] In such a situation, the court must decide whether to follow the Federal Circuit law, even though it is not well established that the issues are part of the Federal Circuit's § 1338 jurisdiction. The decision of whether to follow the Federal Circuit in an ambiguous case should be within the discretion of the appellate court. If the appellate court believes that the Federal Circuit does not have exclusive jurisdiction over the issues, then it should apply its own law. This situation is precisely the one where conflicting decisions could be very valuable to the development of the patent/antitrust body of law, provided there is sufficient Supreme Court oversight.[160] Also, conflicts between the Federal Circuit and regional circuits over the proper scope of the Federal Circuit's appellate jurisdiction can be instructive to the Supreme Court, allowing the Court to determine when it should intervene and where it should place the boundaries of the respective courts' appellate jurisdiction.[161]

The appellate court's work is not done after choosing the issues where it will follow the Federal Circuit; the court must still ascertain the Federal Circuit law that it is following. The court's position is closely analogous to the position of a federal court, sitting in a diversity case, that must decide a question of state law.[162] The ease of this task obviously depends on the claims and issues presented. In most cases, the Federal Circuit law will be clear and the court will "simply" have to apply the doctrine to the facts of the case. Although this may be a difficult endeavor in itself, a flawed application of the correct doctrine should not upset the actual state of the law. For guidance on how to handle the difficult cases, in which there is no well-developed Federal Circuit law directly pertinent to the facts, it is instructive to

158 *See supra* note 110 and accompanying text.

159 *See supra* note 121 and accompanying text.

160 *See supra* note 135 and accompanying text.

161 This sort of conflict, although not what Justice Stevens had in mind, is a constructive conflict. *See supra* note 51 and accompanying text.

162 *See* Salve Regina Coll. v. Russell, 499 U.S. 225, 241 (1991) (Rehnquist, C.J., dissenting) ("In such cases, the courts' task is to try to *predict* how the highest court of that State would decide the question.").

consider how courts in the analogous diversity situation have acted. Courts facing this problem have undertaken three approaches: predicting state law;[163] certifying questions to the high courts of the states;[164] and, in particular circumstances, abstaining from deciding the issues.[165] As already noted, abstention is not a viable option in this situation. Of the two remaining options, the court should, in its discretion, choose the more appropriate one considering the case. If prediction is reasonably simple, the court should not burden the Federal Circuit with certified questions. If, however, prediction proves difficult, the court should certify the questions it has, provided certification is permitted.[166]

2. *Creating New Patent Jurisprudence*

The other obvious possibility for appellate courts to undertake would be to create their own jurisprudence on patent issues. Here, the court is not deciding whether the Federal Circuit should have jurisdiction over an issue, but is instead refusing to follow the Federal Circuit on issues it believes to be properly in the Federal Circuit's jurisdiction. It must be reiterated that these situations should arise very infrequently. Creating new jurisprudence does not necessarily mean that the law will be different from that of the Federal Circuit: It simply means that courts would not defer to the Federal Circuit, but would instead consider the questions on their own.[167] As noted earlier, Justice Stevens, in his concurrence in *Holmes*, suggests that occasional conflicting decisions between the Federal Circuit and other courts can help cure any institutional bias of the Federal Circuit and help raise unresolved issues for the Supreme Court to address.[168] However, on uncontested patent issues, the frequently filed dissents, coupled with the use of en banc panels in particularly contentious

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[163] *See, e.g., id.* at 241 (Rehnquist, C.J., dissenting); Propper v. Clark, 337 U.S. 472, 486–87 (1949) (upholding Second Circuit interpretation of New York state law as reasonable construction from court "skilled in the law" of New York).

[164] *See generally* 17A CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 4248 (2d ed. 1988) (describing certification to state courts).

[165] *See, e.g.*, Younger v. Harris, 401 U.S. 37 (1971) (refusing to enjoin proceeding because action was pending in state court); R.R. Comm'n v. Pullman Co., 312 U.S. 496 (1941) (withholding decision pending state court interpretation of statute). *But see* Meredith v. Winter Haven, 320 U.S. 228 (1943) (stating that difficulty of ascertaining what state court may decide should not prevent federal court from exercising jurisdiction).

[166] *See infra* notes 171–82 and accompanying text.

[167] This is not to say that the courts will not look to the Federal Circuit law for persuasive authority. One slight upside to this is that the courts would never have to consider the scope of the law over which the Federal Circuit has exclusive jurisdiction.

[168] Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826, 839 (2002) (Stevens, J., concurring).

cases in the Federal Circuit, provide sufficient notice for the Supreme Court of issues that may be useful to consider. In addition, the creation of new jurisprudence creates the choice-of-law problems at the district level discussed earlier.[169] Once again, these concerns are mitigated by the probable infrequency of such cases.

3. *Certifying Questions to the Federal Circuit*

A dangerous threat to the uniformity and proper development of patent law could occur in the unlikely event that an appeals court or state court is faced with a hard or open question of patent law due to a patent counterclaim or patent defense. In such a circumstance, it would be ideal for the Federal Circuit to decide the question pursuant to a certification procedure. An analogy to the certification of a patent issue to the Federal Circuit can be found in the *Erie* context.[170] Currently a federal court, either sitting in diversity or in a federal question case also involving state law issues, may be asked to decide a novel issue of state law. Certification of such questions to the highest court of the relevant state has become increasingly popular.[171] In both situations, certification can be used to allow an appropriate court to decide a question of importance while preserving the litigants' choice of forum.

The procedure of certification of hard questions to a court better suited to answer them presently is used in two circumstances: the certification of questions from federal appeals courts to the Supreme Court,[172] and the certification of questions of state law from federal courts to the high courts of the states.[173] Federal appeals courts can certify questions to the Supreme Court under 28 U.S.C. § 1254(2).[174] In response to a properly certified question, the Supreme Court under

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169 *See supra* notes 100–03 and accompanying text.

170 *See* Erie R.R. Co. v. Tompkins, 304 U.S. 64 (1938).

171 *See* UNIF. CERTIFICATION OF QUESTIONS OF LAW (ACT) RULE (1995), 12 U.L.A. 67 (1996) (discussing certification as increasingly popular way for federal courts to ascertain uncertain state law); Guido Calabresi, *Federal and State Courts: Restoring a Workable Balance*, 78 N.Y.U. L. REV. 1293, 1299 & n.24 (2003) (endorsing system whereby state could certify complicated federal law questions to federal court of appeals).

172 *See* 28 U.S.C. § 1254(2) (2000). This procedure is not well known because of its infrequent use. Since 1946, the Supreme Court has only accepted five certificates. *See* RICHARD H. FALLON, JR. ET AL., HART AND WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 1583 (5th ed. 2003) (discussing decline of filings and responses).

173 *See* Calabresi, *supra* note 171, at 1301 (2003) ("[W]henever there is a question of state law that is even possibly in doubt, the federal courts should send the question to the highest court of the state, and let the highest court of the state decide the issue as it wishes.").

174 This section provides that cases may be reviewed by the Supreme Court by "certification at any time by a court of appeals of any question of law in any civil or criminal case as to which instructions are desired . . . .". 28 U.S.C. § 1254(2).

this provision "may give binding instructions or require the entire record to be sent up for decision of the entire matter in controversy."[175] In order for the question to be properly certified, it must not be hypothetical or abstract, but rather present "the controversy in its setting."[176]

The state certification procedure is generally similar to the Supreme Court procedure.[177] However, it differs in that the state court may neither bind the federal court nor can it take the case from the federal court. As such, the court essentially is issuing an advisory opinion.[178]

Most likely, Congress would need to authorize the certification procedure in the same way that the Supreme Court certification procedure is authorized. The legitimacy of a regional circuit using such a procedure sua sponte is questionable at best. However, the questionable nature of a sua sponte motion has not stopped appellate courts from making such motions in the past.[179]

The certification procedure for the Federal Circuit can be modeled around these procedures. The constitutional requirement that federal courts only adjudicate actual cases and controversies[180] mandates that certified questions must be stated in sufficient detail to constitute an actual case, as opposed to a theoretical question not presented by the case. It is not clear whether the answers to certified questions could actually bind the certifying court. Of course, binding answers would better promote the Federal Circuit's control over patent law, but they may create a judicial legitimacy problem, which is discussed below. The Federal Circuit, like the Supreme Court, should have discretion not to answer the questions certified to it, leaving the decision in the hands of the certifying court.[181] Unlike the Supreme Court procedure, however, the Federal Circuit procedure cannot provide for forceful transfer of the whole case to the Federal Circuit, because, under *Holmes*, it does not have jurisdiction to hear the case. Another detail that needs to be worked out is what level of state court would be able to certify a question to the Federal Circuit. Although the number of cases in trial court will be low, it seems as though the

175 *Id.*

176 *See, e.g.*, Lowden v. N.W. Nat'l Bank & Trust Co., 298 U.S. 160, 163 (1936) (refusing to answer general and abstract question).

177 SILBERMAN & STEIN, *supra* note 69, at 557.

178 *See id.*

179 *See, e.g.*, Coach Leatherware Co. v. AnnTaylor, Inc., 933 F.2d 162, 167 (2d Cir. 1991) (approving in theory lower court's sua sponte grant of summary judgment).

180 U.S. CONST. art. III, § 2, cl. 1.

181 *See, e.g.*, News Syndicate Co. v. N.Y. Cent. R.R. Co., 275 U.S. 179, 188 (1927) (refusing to answer one of four properly certified questions).

state appellate level would be a better choice, as the facts will be better developed and the issues clearer.

There remains a question of whether the Federal Circuit has the authority to hear the certified questions. In the case of Supreme Court certification, the Court has jurisdiction to hear the question upon appeal, so hearing the question, as a certified one, does not confer power to the Court to decide questions beyond the scope of its jurisdiction. In this case, the Federal Circuit's response to the certified questions could be seen as adjudication of those issues, if the certifying court is bound by the answer. Under that view, it would seem that the Federal Circuit would be overstepping its jurisdictional bounds. The issuance of nonbinding answers to certified questions would circumvent this problem. However, this may run afoul of the "case or controversy" requirement (which holds that federal courts may not pass upon questions not arising in the context of a controversy between two parties), because such answers would resemble advisory opinions. This contention is refuted by the existence and affirmed validity of state high court certification procedures in state constitutions containing clauses identical or substantially similar to Article III, Section 2, Clause 1 of the Federal Constitution.[182] To avoid confusion, therefore, Congress should pass legislation allowing federal courts of appeals and state appellate courts to certify unresolved questions to the Federal Circuit.

CONCLUSION

Although many academics and practitioners decry the Supreme Court's decision in *Holmes v. Vornado*,[183] the concerns being voiced must be evaluated practically before action is taken to remedy the alleged problems. The monumental problems of disuniformity and forum shopping in patent law have been overstated greatly, to the point that some have suggested that the *Holmes* decision will result in reversion to the pre-Federal Circuit state of affairs in patent law. When the potential for forum shopping is seriously considered, it becomes clear that there will be few opportunities to do so (even through creative pleading) and that there is no real threat or crisis on the horizon. In fact, the policies promoted by *Holmes* easily outweigh the small practical negative implications of the decision.

To say that the rule created by the *Holmes* decision should not be altered is not to say that no cases involving patent counterclaims will

[182] *See* 17A WRIGHT ET AL., *supra* note 164, § 4248; *see also* Calabresi, *supra* note 171, at 1299 n.24.

[183] *See supra* notes 3, 14–16 and accompanying text.

reach federal regional circuit courts or state courts. Thus, a procedure for dealing with these claims is necessary. State courts—if not prohibited by state law—may dismiss unrelated patent counterclaims, obviating the need to address patent issues in the state forum. Appeals courts should follow the Federal Circuit's jurisprudence on issues that clearly fall within its exclusive appellate grant. However, federal appellate courts should patrol the expansion of the Federal Circuit's jurisdiction and law, particularly in the area of antitrust jurisprudence. In order to facilitate the uniform and proper development of patent law, Congress should authorize regional courts of appeals and state appellate courts to certify novel questions of patent law to the Federal Circuit. Furthermore, the Supreme Court must be especially dedicated in the area of patent law to its responsibility of resolving conflicts within the law.

Adherence to these principles will ensure the promotion of uniform patent laws, while preserving the longstanding right of plaintiffs to be masters of their complaints and quelling concerns about threats to federalism.