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Critique and Consequences of the Supreme Court’s Decision in Holmes v. Vornado

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I. Introduction

In June 2002, the United States Supreme Court delivered its decision in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. _____, 122 S.Ct. 1889. The case was little-noticed as it progressed through the judicial system, being largely eclipsed by the widely-followed *Festo* litigation.¹ *Holmes* may, however, turn out to be equally, if not more, significant. The issue in *Holmes* was whether the Court of Appeals for the Federal Circuit or the appropriate regional court of appeals has jurisdiction over a case that involves a patent counterclaim. The law had been “settled” since 1990 by the Federal Circuit decision in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, which held that such appeals go to it and not to the regional courts of appeals. That practice appears never to have been seriously questioned until the plaintiff’s counsel in *Holmes* decided to raise the issue. Indeed, the issue was regarded as so well-settled that it was not even addressed by the Federal Circuit when it decided the appeal that resulted in the Supreme Court’s decision to grant review.

The change in law wrought by the Supreme Court rests on a tenuous base. Justice Scalia’s majority opinion adopts his oft-invoked “literalist” methodology and rests on a linguistic analysis. The opinion thus eschews any reliance on the policy impact of the decision. The linguistic analysis employed is, however, faulty at its core. The opinion fails to quote and consider the most relevant language of the pertinent statute, focuses on the wrong words in the statute and ultimately fails to consider the lynchpin of a proper linguistic analysis.² Regardless of these apparent errors, the decision will remain as controlling law. And it will provide litigation counsel with a potent new weapon that allows them effectively to channel patent cases to their favorite regional circuit and avoid review by the Federal Circuit.

¹ *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. _____, 122 S. Ct. 1831 (May 28, 2002). *Festo* involved the doctrine of equivalents. As was the case with the Holmes appeal, the case was presented as one where the Court of Appeals for the Federal Circuit had failed to follow Supreme Court precedents. In both cases the Supreme Court disagreed with the Federal Circuit's analysis. Somewhat surprisingly, the Supreme Court’s *Festo* decision was unanimous and the Holmes decision resulted in three separate decisions. In the Federal Circuit the decisions followed precisely the opposite pattern: *Festo* was decided by a deeply divided en banc court while Holmes was decided in a brief per curiam decision that did not address the issue the Supreme Court decided.

² The deficiencies noted here cannot, in fairness, be attributed solely to Justice Scalia or the other Justices since the analysis in this article was not presented to the Court in the briefs or during the oral argument. See Brief for the Petitioner in No. 01-408, 2002 WL 24105, Brief for the Respondent, 2002 WL 225890, Reply Brief, 2002 WL 417307, Transcript of Oral Argument, 2002 WL 485037.
II. Background

On its face the decision in *Holmes* seems reasonable and correct. A proper evaluation of the opinion, however, requires consideration of the history of the specific case as well as the prior Supreme Court and Federal Circuit decisions.

**A. The Parties and Prior Litigation**

The Supreme Court decision is the latest round in a 10-year battle between Vornado and its competitors. Vornado’s corporate history began in the 1940’s with the manufacture of fans in Wichita, Kansas. Over the years it developed a range of household fans and heater products. In 1990 Vornado obtained a patent for a fan front grill design with a series of spiral vanes. Vornado marketed fans that incorporated its “Patented AirTensity® Grill.” The fan industry is highly competitive and characterized by multiple sources of household fans. In November 1992, Vornado filed an action against one of its competitors, Duracraft Corp., in the United States District Court for the District of Kansas, Vornado’s “home court.” The complaint alleged that a Duracraft fan infringed Vornado’s trade dress in the configuration of its spiral grill design but did not assert a claim for patent infringement. In 1987 the trial court found that Duracraft’s fan infringed Vornado’s trade dress. In 1995 the Tenth Circuit reversed, holding that because the claimed trade dress was “a significant inventive component” of a utility patent, it could not also be protected under the Lanham Act. *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498, 1500, *cert. denied* 516 U.S. 1067 (1996).

In November 1999 Vornado filed a complaint with the International Trade Commission against The Holmes Group, Inc., claiming that Holmes was importing fans that infringed Vornado’s patent as well as the trade dress that had been litigated in the *Duracraft* case. Holmes parried with a complaint in the United States District Court in Kansas seeking a declaratory judgment that its fan did not infringe Vornado’s trade dress and asserting a variety of claims based on Vornado’s assertion in advertising as well as

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3 An abbreviated history of the company can be found on its website at [http://www.vornado.com/about.html](http://www.vornado.com/about.html).


5 Civ. Action No. 92-1453-WEB (D. Kan.)

6 99-CV-1499 (D.Kan.) That case was also assigned to Judge Brown who had tried *Duracraft*.
the ITC proceedings of infringement. Holmes argued that Vornado was estopped by virtue of the prior Tenth Circuit decision from alleging protectible trade dress. Holmes assiduously avoided any claim for a declaratory judgment that its product did not infringe Vornado’s patent. Vornado’s riposte was a compulsory counterclaim in the Kansas court alleging patent infringement. The stage was thus set for the eventual Supreme Court decision.

**B. The Trial Court decision**

Holmes moved for summary judgment in the District Court on a theory of collateral estoppel, arguing that the Tenth Circuit’s 1995 *Duracraft* decision precluded any assertion of trade dress protection by Vornado. The District Court agreed and entered summary judgment in favor of Holmes on that issue. *Holmes Group, Inc. v. Vornado Air Circulation Sys.*, 93 F.Supp.2d 1140 (D. Kan. 2000). Although that decision was not a final order subject to appeal, the trial court thereafter granted the parties’ joint motion to enter an appealable partial final judgment under Rule 54(b) of the Federal Rules of Civil Procedure. The parties then agreed to a conditional dismissal of Vornado’s counterclaim that allowed Vornado to appeal the adverse trade dress decision and, if successful on its appeal, to reinstate its patent counterclaim. Vornado timely filed a notice of appeal to the Court of Appeals for the Federal Circuit.

**C. The Statutes and the Precedents**

The Federal Circuit’s appellate jurisdiction over appeals in patent cases is found in 28 U.S.C. § 1295(a) which provides for exclusive jurisdiction over appeals “from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on [28 U.S.C.] section 1338.” Section 1338(a), in turn, provides that “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.”

The interaction of these two provisions was first addressed by the Supreme Court in 1988, six years after creation of the Federal Circuit, in *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800. That case, like this one, decided whether appellate jurisdiction over a particular case lay with the Federal Circuit or the regional circuit. That case, like this one, was the latest in a series of litigations involving a particular patent.

Colt Industries manufactures firearms, including the M16 rifle. Colt had obtained a license under sixteen patents that allegedly covered certain essential parts of the M16. Those patents “conceal[ed] many of the manufacturing specifications that might otherwise [have been] revealed by [the] engineering drawings” that might have been disclosed in the patent drawings or specifications. *Id.* at 804. Colt had maintained the secrecy of those specifications through contractual nondisclosure agreements. Charles Christianson was a former Colt employee who gained knowledge of those specifications by virtue of his signing a nondisclosure agreement. He left Colt in 1975 and established
a company that “began selling M16 parts to various customers domestically and abroad.” Id. In 1983 Colt sued Christianson seeking an injunction against further disclosure of the secret specifications, claiming Christianson was violating his nondisclosure agreement.

The district court denied Colt’s motion for an injunction and Colt then voluntarily dismissed its claims. Colt continued to notify Christianson’s customers that he was allegedly misappropriating Colt’s trade secrets.7 Christianson responded by suing Colt in federal court under the Sherman Act, claiming that Colt had illegally monopolized the market through reliance on the patents. Christianson claimed the patents were invalid under § 112 of the Patent Act because the specifications failed to disclose the essential manufacturing specifications. Christianson’s antitrust complaint included a paragraph that specifically raised that issue of patent invalidity.

Christianson moved for summary judgment. His motion rested entirely on the “best mode-enablement” issue under § 112. The district court granted Christianson’s motion. 613 F.Supp. 330 (C.D. Ill. 1985). Colt then appealed to the Federal Circuit. After full briefing and argument, that court decided that it did not have jurisdiction and ordered the case transferred to the Court of Appeals for the Seventh Circuit. The Seventh Circuit responded by deciding, sua sponte, that the Federal Circuit decision was “clearly wrong” and it ordered the appeal transferred back. 798 F.2d 1051, 1056-57, 1062. The Federal Circuit, stating that the Seventh Circuit decision was “clearly wrong [and reflected] a monumental misunderstanding of the patent jurisdiction” of the Federal Circuit, nonetheless proceeded to decide the merits “in the interests of justice” and reversed the district court. 822 F.2d 1544, 1547, 1551, n. 7, 1559-60. Christianson sought and obtained review by the Supreme Court.

Justice Brennan’s majority opinion sided with the Federal Circuit. The Supreme Court held that appellate jurisdiction was determined solely by reference to the district court’s jurisdiction, and resolution of that issue in turn rested on a proper construction of § 1338(a). The central question was how to interpret the phrase “arising under” in § 1338. The Court pointed to the long history of cases interpreting the identical language in 28 U.S.C. § 1331, the general federal question statute. Jurisdiction under that statute exists only when “a well-pleaded complaint establishes either that a federal law creates the cause of action of that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal law.” Christianson v. Colt Indus. Oper. Corp., 486 U.S. at 808 (quoting Franchise Tax Board v. Construction Laborers Vacation Trust, 463 U.S. 1, 27-28 (1983)). The Court held that the words had the same meaning in both statutes and that jurisdiction under § 1338 existed only if “patent law is a necessary element of one of the well-pleaded claims” of the complaint. Id. at 809.

7 The relevant patents had expired in 1980. Id. at 805.
While a patent issue had been raised in Christianson’s complaint, and despite the fact that the disposition in the district court rested entirely on resolution of that issue, the Court held that success under the Sherman Act claim was not entirely dependent on resolution of the patent issue. Jurisdiction did not “arise under” the patent laws “unless patent law is essential to each of [the] theories” on which the complaint was founded. *Id.* at 810. Since there were theories of recovery in Christianson’s complaint that would not require resolution of any patent issue, his complaint did not arise under § 1338, and thus the Federal Circuit did not have jurisdiction over the appeal. The Supreme Court therefore vacated the judgment of the Federal Circuit and remanded with instructions to transfer the case, once again, to the Seventh Circuit. *Id.* at 819.

Justice Stephens concurred in the Court’s disposition, but disagreed with the implication in the majority opinion that appellate jurisdiction was to be determined solely by reference to the claims asserted in the original complaint. He would instead have looked to the claims actually tried, thus finding appellate jurisdiction in the Federal Circuit if the original complaint did not assert a patent claim, but a subsequent express or implicit amendment result in an adjudication of a patent claim. Similarly, he concluded that jurisdiction lay with the regional circuit if the original complaint asserted a patent claim that was ultimately abandoned by the plaintiff in favor of other non-patent federal claims. Justice Stephens agreed that in Christianson’s case a patent issue had been determined, but that the only “claim” litigated was an antitrust claim.

Two years later the Federal Circuit faced the same issue, but in a substantially different context, in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990). The complaint in that case did not assert any patent claims, but the answer asserted a compulsory patent counterclaim. The Federal Circuit, sitting *en banc*, held that appellate jurisdiction in such cases lay with it because the compulsory counterclaim had its own separate jurisdictional basis and thus the district court’s jurisdiction rested – at least “in part” – on § 1338. *Id.* The Supreme Court did not review the *Aerojet* decision and it stood as the controlling precedent, at least for the Federal Circuit, until the Supreme Court’s *Holmes* decision.

**III. Appellate Proceedings**

Vornado’s brief in the Federal Circuit asserted appellate jurisdiction on the basis of the *Aerojet-General* decision. Holmes did not move to dismiss the appeal for lack of jurisdiction, but did assert in its brief that the appeal should be dismissed or transferred to the Tenth Circuit for lack of jurisdiction. The appeal was argued on December 5, 2000. On December 8, 2000, the Federal Circuit stayed further proceedings pending the decision of the Supreme Court in *Traffix Devices, Inc. v. Marketing Displays, Inc.* which was expected to resolve a conflict between the Federal Circuit’s interpretation of protectable trade dress and the Tenth Circuit’s view as expressed in the 1996 *Vornado I* decision.
On March 20, 2001, the Supreme Court issued its decision in *Traffix*, 532 U.S. 23, and soon thereafter the Federal Circuit issued a brief order remanding the case to the Kansas District Court with a direction “to consider whether the ‘change in the law’ exception to collateral estoppel applies in view of the Traffix decision.” 2001 U.S. App. LEXIS 14503 (2001). The Federal Circuit did not address the jurisdictional issue that had been raised by Holmes, presumably because it understood the issue was controlled by its prior *en banc* decision in *Aerojet-General*. On November 8, 2001 the Supreme Court granted Holmes a writ of certiorari to review the Federal Circuit’s decision on the jurisdictional issue. 122 S.Ct. 510. Briefs were duly filed and oral argument was heard on March 19, 2002.

On June 3, 2002, the Supreme Court reversed the Federal Circuit and held that appellate jurisdiction under § 1295 was to be determined solely by reference to the face of the complaint and not by reference to the counterclaim. Justice Scalia’s majority opinion thus rejected the *Aerojet-General* rule that had prevailed for more than ten years. Justice Stephens concurred separately in the judgment, concluding – as he had in *Christianson* – that the focus should be on the jurisdiction of the district court at the time of the appeal, and not limited to the face of the complaint. Unlike the implication in Justice Scalia’s opinion, he would however look to the plaintiff’s claims as actually adjudicated, not solely to the original unamended complaint. Justice Ginsburg, joined by Justice O’Connor, concluded the *Aerojet-General* decision was sound and that when a patent claim was asserted as a compulsory counterclaim, then the jurisdiction of the district court did rest—at least “in part” – on a claim under the patent laws. However, since “no patent claim was actually adjudicated”⁸ by the Kansas District Court, she concurred in the majority’s judgment that the Federal Circuit did not have appellate jurisdiction.

IV. Critique and Consequences of the Supreme Court Decision

The Supreme Court’s decision changes more than a decade of patent litigation practice. It provides litigators with an opportunity to engage in appellate forum shopping. And it is flawed at its foundation because the Court, as well as counsel, failed to focus on the relevant language of the statutory provisions. The *Holmes* case did not actually present the question the Supreme Court decided. The appeal should have been dismissed because certiorari was improvidently granted. But “should have beens” do not alter what has been and the decision will remain as the governing law, unless Congress is persuaded to restore the *Aerojet-General* rule.

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⁸ 535 U.S. at ____, 122 S.Ct. at 1898.
A. Critique

Justice Scalia’s majority opinion adopts a “strict literalist construction” of the words of the statute, read in light of the judicial gloss placed on the same words in another statute. The logic of the opinion is straightforward: the appellate jurisdiction statute, § 1295(a)(1), refers to the provisions of the district court’s jurisdictional statute, § 1338(a), and that second statute provides for jurisdiction when the case “arises under” specific laws, including the patent laws. Since the phrase “arises under” in a companion statute, 28 U.S.C. §1331, has a long-standing judicial gloss, the same words should have the same meaning in § 1338. Thus courts look to the face of the complaint, and only that source, to see whether in a specific case the district court’s jurisdiction was founded on § 1338 in order to decide which appellate court has jurisdiction.

For the moment, let’s assume that construction is the right one. Applying it to the facts of the Holmes case, Justice Scalia concluded that Holmes’s “complaint did not include any claim based on patent law” and the rule therefore required the Court to “vacate the judgment of the Federal Circuit and remand the case with instructions to transfer the case to the Court of Appeals for the Tenth Circuit.” *Holmes, supra*, 535 U.S. at ____, 122 S.Ct. at 1895. The conclusion that the complaint did not assert a patent law claim was clearly correct. However, the ultimate conclusion was flawed because the Court failed to quote and consider the complete language of § 1338.

When Justice Scalia quoted § 1338, he stated that “district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . . . .” *Id.* 535 U.S. at ____, 122 S.Ct. at 1893. That edited version of the statute was the same one quoted by the parties in their briefs. But the complete language of the provision refers to “any Act of Congress relating to patents, plant variety protection, copyrights and trademarks.” 28 U.S.C. § 1338(a) (emphasis added). While Holmes’s complaint did not assert a patent claim, it did assert a trade dress claim, and trade dress claims “arise under” the Lanham Act, 15 U.S.C. § 1125 (a), a provision of the Trademark Act. Thus the Court was simply wrong in concluding that the District Court’s jurisdiction – determined solely by reference to the original complaint – did not rest “in whole or in part” on § 1338(a).

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10 It is well settled that trade dress cases arise under the Lanham Act. *See, e.g., Wal-Mart v. Samara Brothers, Inc*, 529 U.S. 205, (2000) (In addition to protecting registered trademarks, the Lanham Act . . . gives a producer a cause of action for the use by any person of . . . his or her . . . "trade dress").
The Court’s error was admittedly induced by counsel. Holmes’s complaint alleged jurisdiction only under “15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1332(a), and the principles of supplemental jurisdiction codified in 28 U.S.C. § 1367.”11 Whether the omission of a reference to § 1338(a) was intentional or not, none of the parties ever pointed out to the Federal Circuit or the Supreme Court that jurisdiction in the District Court was based, at least in part, on an “Act of Congress relating to . . . trademarks.” This oversight may be understandable, as the focus of attention was on the patent counterclaim, but the Supreme Court’s failure to notice this fairly fundamental error in its analysis is troublesome.

Had Justice Scalia quoted all of § 1338(a), he surely would have realized that the trade dress claim arose under the trademark law.12 Had the Court been aware of this point, it would have concluded that the Federal Circuit had properly exercised appellate jurisdiction, without regard for the validity of the Aerojet-General rule. Indeed, we do not know why the Federal Circuit concluded it had jurisdiction since the per curiam order remanding the case to the Kansas District Court never addressed Holmes’s jurisdiction argument. 2001 U.S. App. LEXIS 14503 (2001). It is possible that the Federal Circuit, given its expertise in patent and trademark law, fully well knew that jurisdiction over trade dress claims was based on § 1338(a) and thus regarded Holmes’s jurisdiction argument as frivolous. If so, it is unfortunate that the Federal Circuit did not address the issue in its order. If this point had been the basis for the Federal Circuit’s assertion of appellate jurisdiction, the Supreme Court would almost certainly not have granted a writ of certiorari.

Moreover, had the Supreme Court seen the issue, it may well have decided that the case was not a “proper vehicle” for deciding to reverse the Aerojet-General rule and dismissed the petition as improvidently granted. The Court could also have noticed this point and affirmed the Federal Circuit’s without having to reverse Aerojet-General. In either event the parties would have been spared the further litigation in the Tenth Circuit,


12 Justice Scalia had authored the opinion in Wal-Mart v. Samara, supra, two years earlier that held that proof of trade dress infringement in product configuration cases required evidence of secondary meaning. Interestingly, Justice Stephens noted in his concurring opinion that “other areas of intellectual property law are not infrequently bound up with patent counterclaims.” 535 U.S. at ____, 122 S.Ct. at 1897. He observed that the Holmes case involved those other intellectual property claims. He also referred to the complete language of § 1338 and noted the inclusion of trademark cases in that section. He did not, however, extend those observations to the ultimate conclusion that the district court’s jurisdiction over Holmes’s original complaint was based in part on § 1338 because of the trade dress claim.
a court which in fact lacks jurisdiction under the Supreme Court’s own analysis, properly applied to the facts of the case.

This failure to read the entire relevant statutory language of § 1338 was not the majority’s only failure to pay close attention to the precise language of the relevant statutory provisions. In the course of applying the established rule that when the same words are used in different statutes they should generally be given the same meaning, Justice Scalia mistakenly said that “§ 1295(a)(1) does not itself use the term ‘arising under’ that is used in § 1338,” 535 U.S. at ___, 122 S.Ct. at 1895 (emphasis in original). He was mistaken. Section 1295(a)(1) provides, in its relevant part:

The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of [title 28], except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be [appealed to the regional circuit]. (emphasis added)

Thus the critical jurisdictional provision does in fact use the “arising under” terminology, but significantly uses it to create an exception to the Federal Circuit’s jurisdiction. The scope of that court’s jurisdiction extends to any case where jurisdiction in the district court was based “in whole or in part” on § 1338. As Justice Stephens expressly noted, and as Justice Ginsburg implicitly recognized, no linguistic legerdemain is required to conclude that when a counterclaim arises under § 1338, then at least “a part” of the district court’s jurisdiction is based on § 1338.13 It is not insignificant that Congress used the “arising under” language to limit the otherwise expansive scope of the grant of jurisdiction so that appeals in non-patent cases arising under § 1338 would continue to go to the regional circuits.14 Given this explicit reference to the established

13 The point was noted in footnote 1 of Justice Stephens’ opinion. 535 U.S. at ___, 122 S.Ct at 1896, n. 1.

14 It is also significant that Congress used the “arising under” phrase only once in the exclusion. The exclusion refers to cases with non-patent claims “arising under” § 1338, but excluded from the exclusion any case that has “other claims under section 1338.” Each of those terms come into play in the Holmes case. If the customary meaning of “arising under” in § 1331 jurisprudence is applied to § 1295, then the plaintiff’s complaint did “arise under”§ 1338 because of the trade dress claim based on the Lanham Act, as explained above. The proviso would then be invoked because that claim was one “arising under an[] Act of Congress relating to . . . trademarks.” But the exclusion to the
terminology, it is surprising that Justice Scalia would overlook the language and mistakenly say that the words were not there. Had he taken cognizance of the precise language, he might have reached a different ultimate conclusion. He would at a minimum have to have provided a different explanation of his literalist construction.

B. Consequences

It is highly unlikely that the Supreme Court will re-visit its construction of § 1295. Unless Congress intervenes, the patent litigation bar and the courts of appeal will follow the Court’s decision. Thus cases that do not present a patent claim in the complaint, but are nonetheless patent litigations in substance, will be appealed to the regional circuits and not to the Federal Circuit. That result is likely to lead to the non-uniform treatment of patent issues that Congress wanted to avoid when it created the Federal Circuit in 1982. This policy consideration was consciously avoided by the Supreme Court majority.

A fresh look at the legislative history surrounding the creation of the Federal Circuit shows that the goals behind formation of that court will be frustrated by the Court’s decision in *Holmes*. Congress created the U.S. Court of Appeals for the Federal Circuit by merging two existing Article III courts – the Court of Claims and Court of Customs and Patent Appeals. Federal Courts Improvement Act of 1982, P.L. 97-164, 96 Stat. 25 (April 2, 1982).

The three purposes of the 1982 Federal Courts Improvement Act were:

1. to fill a void in the judicial system by creating an appellate forum capable of exercising nationwide jurisdiction over appeals in areas of the law where Congress determines there is a special need for nationwide uniformity;

2. to improve the administration of the patent law by centralizing appeals in patent cases; and

3. to provide an upgraded and better organized trial forum for government claims cases.


 provision would then be invoked because the “case”, which must necessarily refer to the entire case and not just the initial complaint, did involve “other claims under 1338(a)” once Vornado interposed its patent law counterclaim.
The legislative history of the Act recounts that a driving force behind the Act was to ease the burden on the Supreme Court in areas where there is conflict among the circuits, by providing a single court that can provide reasonably quick and definitive answers to legal questions of nationwide significance. Senate Report at 3. In patent cases in particular, the circuit courts were reaching inconsistent decisions on the same issue, or applying the law unequally when faced with the facts of individual cases. However, the Supreme Court at the time was operating at – or close to – full capacity. Senate Rep. at 3.

Congress determined that in the case of patent law there was a special need for national uniformity. Based on the evidence compiled by the Hruska Commission, in patent law cases, the application of the law to the facts of a case often produced different outcomes in different courtrooms in substantially similar cases. Senate Rep. at 5 (citing Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change. 15, 144-57, reprinted at 67 F.R.D. 195, 214, 361-76 (1975)). Some circuit courts were regarded as “pro-patent” and others as “anti-patent,” which led to widespread forum-shopping. The Commission found that “[p]erceived disparities between the circuits have led to ‘mad and undignified races’ between alleged infringers and patent holders to be the first to institute proceedings in the forum they consider most favorable.” House Rep. No. 97-312, 97th Cong., 1st Sess. at 20-23 (1981). The Commission further noted that,

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

House Rep. at 20-23. The legislative history of the Act noted that the “basic objective [of the Act was to provide] for uniformity of doctrinal development in the patent area.” Senate Rep. at 5. Further, the legislative history surmised that as the new court brought uniformity to the patent law, the number of appeals resulting from attempts to obtain different rulings on disputed legal points would be expected to decrease. Senate Rep. at 5. A goal of uniformity was to “strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.” House Rep. at 7.

With respect to the issue of the Federal Circuit’s jurisdiction, there was a concern at the time of formation of the court that the court would appropriate for itself elements of Federal law under its §1295(a)(1) grant of jurisdiction. For example, there was a fear that specious patent claims would be tied, for example, to substantial antitrust claims in order to create jurisdiction in the Federal Circuit. With regard to this concern, the legislative history notes,
The statutory language [of §1295] requires that the district court have jurisdiction under 28 U.S.C. §1338. This is a substantial requirement. Immaterial, 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. As stated above, it is a canon of construction that courts strictly construe their jurisdiction. Therefore, the committee is confident that the present language will not pose undue difficulties.

The Committee is concerned that the exclusive jurisdiction over patent claims of the new Federal Circuit not be manipulated. This measure is intended to alleviate the serious problems of forum shopping among the regional courts of appeals on patent claims by investing exclusive jurisdiction in one court of appeals. It is not intended to create forum shopping opportunities between the Federal Circuit and the regional courts of appeals on other claims.

Thus, for example, mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals. Federal District judges are encouraged to use their authority under the Federal Rules of Civil Procedure, see Rules 13(i), 16, 20(b), 42(b), 54(b), to ensure the integrity of the jurisdiction of the federal court of appeals by separating final decisions on claims involving substantial antitrust issues from trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction.

The Committee intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns. If, for example, a patent claim is manipulatively joined to an antitrust action but severed or dismissed before final decision of the antitrust claim, jurisdiction over appeal of the antitrust claim should not be changed by this Act but should rest with the regional court of appeals.

Senate Rep. at 19-20.

It appears from this last paragraph that Congress intended the question of Federal Circuit jurisdiction to be decided at the time of the appeal, and not at the time of filing of the Complaint in district court. Interestingly, if the well-pleaded complaint rule applied by the Court in Holmes were applied to the scenario described above, jurisdiction would rest with the Federal Circuit, and not with the regional court of appeals as was clearly intended, since the complaint as filed included a patent claim.
The goals of the Act will be frustrated by the Court’s decision in *Holmes*. The goal of creating an appellate forum capable of exercising nationwide jurisdiction over appeals in the area of patent law to create uniformity will be frustrated because the result of *Holmes* is that the regional circuits will now decide issues of patent law and hear and decide patent cases in which the patent issue is raised as a counterclaim by the defendant. The regional circuits will not be bound by Federal Circuit precedent and will be free to decide issues such as claim construction, literal infringement, doctrine of equivalents and invalidity without being bound by prior Federal Circuit case law on these issues. Further, even if the regional circuits were to follow the Federal Circuit precedent, each regional circuit will interpret that precedent differently. Some regional courts will limit the prior cases to their specific facts, and other regional courts will interpret the cases to create broad, sweeping rules of law. This will inevitably lead to conflicts among the circuits, for which the Supreme Court will be called upon to resolve with increasing frequency. One of the problems noted in the legislative history prior to the formation of the Federal Circuit was that “the infrequency of Supreme Court review of patent cases leaves the present judicial system without any effective means of assuring even-handedness nationwide in the administration of the patent laws.” House Rep. at 11. Unless the Supreme Court plans to hear patent cases with some frequency in order to resolve conflicts among the circuits post-*Holmes*, the same uncertainty in the application of patent laws will result.

These circuit conflicts will also re-create the problem of forum-shopping that was so prevalent prior to the formation of the Federal Circuit. After *Holmes*, if a plaintiff files a lawsuit expecting for a patent counterclaim to be filed, it will choose a district court in which the regional court of appeals is anti-patent. Also, in many legitimate patent disputes in which a patentee has notified an alleged infringer of a possible claim against it, the alleged infringer will be more inclined to file an action based on non-frivolous claims of tortious interference, product disparagement or other claims that counsel knows will precipitate a patent infringement counterclaim. The infringer’s lawyers will thus not only be able to choose the district court in which patent litigation will begin, they will be able to choose the appellate tribunal as well. It is not clear how significant this potential will be.\(^{16}\)

This forum shopping will weaken the patent system because uncertainty as to the value and enforceability of patents will make business planning more difficult and may lead to stifling the innovative process. If there is a risk that a patent infringement claim

\(^{15}\) Use of the declaratory judgment vehicle allows alleged infringers to determine the venue of an infringement action in many cases.

\(^{16}\) The Federal Circuit has already applied *Holmes* to dismiss one appeal in *Telecomm Technical Services, Inc., v. Siemens Rolm Communications, Inc.*, Nos. 00-1579, -1580 (July 2, 2002).
will be decided by a regional circuit that is anti-patent, corporations will start to question the value of obtaining patents.

The consequence of *Holmes* is not to improve the administration of patent laws by centralizing appeals, but rather to create a disparate and unorganized approach to the application and interpretation of the patent laws. The patent law jurisprudence will devolve into a similar quagmire as what existed before the creation of the Federal Circuit.

### V. Conclusion

The Supreme Court majority recognized this reality, but rejected its implications, stating that the Court’s “task here is not to determine what would further Congress’s [sic] goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean.” *Holmes*, 535 U.S. at ___, 122 S.Ct. at 1895. A majority of current Justices have quite often invoked this “strict literalism” approach to statutory construction. It is an approach that is excessively rigid in its expectations of precision in the use of the English language and ignores the all-too-frequent lack-of-care in congressional language. The Court’s methodology is problematic enough when it is correctly applied. When, as here, it is applied with inadequate intellectual rigor, it can easily lead to unfortunate consequences.

The authors believe the patent system is not well served when judicial decisions create different rules for the Federal Circuit and the regional circuits. The congressional vision of national uniformity is not well-served by increasing the possibility of such conflicts. The Supreme Court’s *Holmes* decision gives litigators an opportunity to frame complaints in order to avoid review by the Federal Circuit and instead choose a potentially more favorable regional court of appeals. If the *Holmes* decision is manipulated by litigators to engage in forum shopping and if inevitable conflicts among the regional circuits evolve, hopefully Congress will intervene to change the language of § 1295 and restore the *Aerojet-General* rule that served us well for a decade.