

Gaps, Conflicts and Ambiguities in the Federal Courts' Post-AIA Patent Jurisdiction

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In the year and a half since Congress passed the Leahy-Smith America Invents Act (AIA),¹ much has been said and written about the AIA's substantive impacts on patent law and on practice before the Patent and Trademark Office. Little, however, has been said about the AIA's impact on federal courts' jurisdiction over patent cases. As we wait for the first post-AIA jurisdictional disputes to percolate up to the Federal Circuit, attention needs to be paid to several gaps, conflicts and ambiguities that may prove troublesome. This article identifies several of these issues and provides a brief overview of the federal district courts' patent jurisdiction, the Federal Circuit's patent jurisdiction, and the relationship between the Federal Circuit and the district courts it reviews.

Pre-AIA Patent Jurisdiction

Federal courts' jurisdiction over patent cases stems from 28 U.S.C. §§ 1338(a) and 1295. Before the AIA was signed into law, Section 1338 provided the federal district courts with jurisdiction over "any civil action arising under any Act of Congress relating to patents" Section 1295, in turn, provided the Federal Circuit with jurisdiction over "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" The language of these

provisions was reasonably simple, but how that language substantively impacted the courts' jurisdictions was less than clear, resulting in dozens of precedential decisions at the Federal Circuit over a span of 30+ years and three decisions from the Supreme Court: *Christianson v. Colt Industries Operating Corp.*,² *Holmes Group, Inc. v. Vornado Air Circulation Systems*,³ and, most recently, *Gunn v. Minton*.⁴

In *Colt Industries*, the High Court was presented with an appeal in which neither the Federal Circuit nor the Seventh Circuit believed it had jurisdiction, such that the parties were forced into a game of "jurisdictional ping-pong." Addressing Section 1338 for the first time, the Court compared that provision to Section 1331—which contained identical language in the context of the district courts' general federal-question jurisdiction—and explained: "Linguistic consistency, to which we have historically adhered, demands that § 1338(a) jurisdiction likewise extend only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims."⁵

The Court continued:

Under the well-pleaded complaint rule, as appropriately adapted to § 1338(a), whether a claim “arises under” patent law must be determined from what necessarily appears in the plaintiff’s statement of his own claim in the bill or declaration, unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose. Thus, a case raising a federal patent-law defense does not, for that reason alone, “arise under” patent law, even if the defense is anticipated in the plaintiff’s complaint, and even if both parties admit that the defense is the only question truly at issue in the case.

Nor is it necessarily sufficient that a well-pleaded claim alleges a single theory under which resolution of a patent-law question is essential. If on the face of a well-pleaded complaint there are . . . reasons completely unrelated to the provisions and purposes of [the patent laws] why the [plaintiff] may or may not be entitled to the relief it seeks, then the claim does not “arise under” those laws. Thus, a claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories.⁶

Over a decade later, the Court addressed Sections 1338 and 1295 for a second time. In *Vornado*, the Court considered whether “the well-pleaded complaint rule, properly understood, allows a [patent law] counterclaim to serve as the basis for a district court’s ‘arising under’ jurisdiction.”⁷

The Court held that it did not:

[W]hether a case arises under federal patent law cannot depend upon the answer. . . . It follows that a counterclaim—which appears as part of the defendant’s answer, not as part of the plaintiff’s complaint—cannot serve as the basis for “arising under” jurisdiction.

Allowing a counterclaim to establish “arising under” jurisdiction would also contravene the longstanding policies underlying our precedents. First, since the plaintiff is “the master of the complaint,” the well-pleaded-complaint rule enables him, by eschewing claims based on federal law, . . . to have the cause heard in state court. The rule proposed by respondent, in contrast, would leave acceptance or rejection of a state forum to the master of the counterclaim. It would allow a defendant to remove a case brought in state court under state law, thereby defeating a plaintiff’s choice of forum, simply by raising a federal counterclaim. Second, conferring this power upon the defendant would radically expand the class of removable cases, contrary to the [d]ue regard for the rightful independence of state governments that our cases addressing removal require. And finally, allowing responsive pleadings by the defendant to establish “arising under” jurisdiction would undermine the clarity and ease of administration

of the well-pleaded-complaint doctrine, which serves as a quick rule of thumb for resolving jurisdictional conflicts.⁸

In concurrence, Justice Stevens suggested (as he had in *Colt Industries*) that, for purposes of the Federal Circuit’s Section 1295 jurisdiction, the complaint should be assessed as of the time the case is ripe for appeal—*i.e.*, amendments to the complaint, including voluntary dismissals, in Justice Stevens’ view, ought to be considered for purposes of jurisdiction.⁹

And in a separate concurrence, Justice Ginsburg suggested that compulsory counterclaims should give rise to “arising under” jurisdiction, at least for purposes of the Federal Circuit’s appellate jurisdiction.¹⁰

Most recently, in *Minton*, the Court returned to Section 1338 for a third time and addressed “whether a state law claim alleging legal malpractice in the handling of a patent case must be brought in federal court,” an issue that had brooked substantial disagreement within the Federal Circuit. Writing for a unanimous Court, Chief Justice Roberts explained: “[W]e do not paint on a blank canvas. Unfortunately, the canvas looks like one that Jackson Pollock got to first.”¹¹ Relying extensively on *Grable & Sons Metal Products, Inc. v. Darue Engineering & Mfg.*¹²—a non-patent decision addressing federal question jurisdiction more broadly—the Chief Justice provided a slightly clearer picture. “[W]e are comfortable concluding that state legal malpractice claims based on underlying patent matters will rarely, if ever, arise under federal patent law for purposes of § 1338(a). Although such cases may necessarily raise disputed questions of patent law, those cases are by their nature unlikely to have the sort of significance for

the federal system necessary to establish jurisdiction.”¹³

But even as the courts continue to sort out pre-AIA federal patent jurisdiction, Sections 1338 and 1295 have been amended. (Strangely, the Supreme Court in *Minton* twice quotes the post-AIA version of Section 1338,¹⁴ despite the fact that Minton brought his malpractice claims years before the effective date of the AIA.)

District Court Patent Jurisdiction Post-AIA

As amended by the AIA, Section 1338(a) now reads:

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. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term “State” includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.¹⁵

Importantly, this amendment deletes the previous second sentence—“Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases”—and replaces it with a more explicit denial of jurisdiction to state courts. Congress did not, however, expressly grant the federal district courts jurisdiction over all such actions. Unlike the affirmative grant given to the Federal Circuit in the new Section 1295 (discussed below), the new Section 1338

leaves a glaring jurisdictional gap. Taken at face value, Section 1338 now provides that (absent another basis for jurisdiction) no court has jurisdiction over a civil action raising a state law claim and a patent law counterclaim. (Clearly, this was not Congress' intent.)

Further, the existing body of law addressing "arising under" jurisdiction is, as noted in *Vornado*, focused solely on the well-pleaded complaint—the answer and other subsequent pleadings were not to be considered. Now, however, the courts' focus must be on whether "any claim . . . aris[es] under" the patent laws. The inquiry must thus extend beyond the complaint to the answer and, perhaps, to subsequent responsive and amended pleadings. But absent a cut-off, it is unclear whether, and at what point in proceedings, jurisdiction will ever be settled. Nor is there an established test for determining whether a "claim" arises under the patent laws.

For guidance, one might look to Section 1454, a new removal provision added to Title 28 by the AIA to address the elimination of state court jurisdiction over patent law counterclaims. Specifically, Section 1454 provides for removal to federal district court of any civil action in which any party asserts a patent law claim. And the section further provides that removal may be sought by any party according to the timing guidelines of Section 1446(b) (relating solely to the ability of a defendant to remove an action in the wake of receiving a summons), but that the time limitations "may be extended at any time for cause shown."

Accordingly, far from offering clarity, Section 1454 only highlights the procedural confusion that the amended Section 1338(a) may create.

Federal Circuit Patent Jurisdiction Post-AIA

Meanwhile, Section 1295 now reads, in 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, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection.¹⁶

Most obviously, the Federal Circuit's jurisdiction has been decoupled from the district courts' jurisdictional grant. The language "if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title" was deleted, and the operative language of the old section 1338(a) was incorporated verbatim into section 1295: "any civil action arising under . . . any Act of Congress relating to patents." This set of changes would thus appear to have no substantive impact on the Federal Circuit's jurisdiction. Indeed, Justice Scalia addressed precisely these changes on a hypothetical basis in *Vornado*.¹⁷

More importantly, however, the AIA further granted the Federal Circuit jurisdiction "in any civil action in which a party has asserted a compulsory counterclaim arising under . . . any Act of Congress relating to patents." This enlargement of jurisdiction, however, comes at a price: all circuit courts must now

conduct a threshold inquiry into whether a “compulsory counterclaim” was “asserted.”

As with the amended Section 1338, this inquiry involves a question of timing. Is jurisdiction based on any counterclaims, as originally filed? As amended? Or, as Justice Stevens repeatedly urged, as extant at the time appeal is taken?

And, finally, the Federal Circuit faces a tough choice-of-law problem in determining whether to apply its—or a regional circuit’s—law to the question of whether a counterclaim is “compulsory.” Indeed, slight variations in the treatment of counterclaims across jurisdictions could now create a forum availability issue, which could lead to further forum shopping concerns.

Conclusion

In sum, the AIA appears to have expanded the patent jurisdiction of the federal district courts and the Federal Circuit. But it has also introduced a set of gaps, conflicts and ambiguities that will require resolution (and, perhaps, legislative amendment) over a period of years. Until these jurisdictional issues are settled, practitioners and their clients would be well-advised to pay very close attention.

¹ Pub. L. No. 112-29, 125 Stat. 284 (2011).

² 486 U.S. 800 (1988),

³ 535 U.S. 826 (2003).

⁴ No. 11-1118, 568 U.S. ____ (2013).

⁵ *Colt Industries*, 486 U.S. at 808-09.

⁶ *Id.* at 809 (internal quotation marks and citations omitted; alterations in original).

⁷ *Vornado*, 535 U.S. at 830.

⁸ *Id.* at 831.

⁹ *Id.* at 834-39 (Stevens, J., concurring).

¹⁰ *Id.* at 839-40 (Ginsburg, J., concurring).

¹¹ *Minton*, *slip op.* at 6.

¹² 545 U.S. 308, 314 (2005).

¹³ *Minton*, *supra*, *slip op.* at 6-7.

¹⁴ *Id.*, *slip op.* at 3, 5.

¹⁵ 28 U.S.C. § 1338(a).

¹⁶ 28 U.S.C. § 1295(a)(1).

¹⁷ *Vornado*, 535 U.S. at 833.