

Two Unsettled Aspects of the Federal Circuit's Patent Jurisdiction

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ABSTRACT

The Federal Circuit's views on its appellate jurisdiction in patent cases have become questionable in two areas, which the article elucidates. One is in cases that involve only transient patent claims, i.e., claims that were at one time in the case but were dropped before judgment, leaving only non-patent claims remaining. As seen in decisions following *Zenith Electronic Corp. v. Exzec, Inc.*, 182 F.3d 1340 (Fed. Cir. 1999), the court apparently is of the view that it retains exclusive appellate jurisdiction in such situations. That view is logically flawed and does not comport with the purposes for which the Federal Circuit was created in 1982. The second problematic area is situations in which patent and non-patent cases were consolidated in the district court for all purposes. The Federal Circuit views the effect of such consolidations as merging the component cases into a large one, with the exclusive route of appeal from any judgment therein being through the Federal Circuit. Supreme Court authority and the better reasoned approach indicate that consolidation does not affect jurisdiction; the cases retain their separate identities after consolidation and should follow the respective appeal routes they would have had absent the consolidation. Rulings in this area are apt to have a substantial impact in patent-antitrust litigation.

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I. INTRODUCTION

¶1 This article explores two unsettled aspects of the appellate patent jurisdiction of the United States Court of Appeals for the Federal Circuit: first, the question of when to view the underlying district court’s jurisdiction, as it often changes with time during the pendency of the case; and second, how to determine appellate jurisdiction in situations where a set of cases have been consolidated for all purposes in the district court. Do the various cases retain their original identities as patent-based or non-patent-based, or do they merge into one large case, the jurisdiction over which can be said to be based in part on the patent laws?

¶2 For most of the twentieth century, observers of the United States patent system were concerned about the disparate results of patent enforcement proceedings, particularly the wide variation in results depending upon the circuits in which the cases were tried and appealed. This variation caused conflicting efforts and expenditures by the parties in a patent infringement dispute to maneuver the case into what each perceived as the more favorable circuit and to stay out of one deemed less receptive to its positions. To alleviate these uncertainties and expenses, Congress in 1982 created the United States Court of Appeals for the Federal Circuit, vesting it with exclusive jurisdiction over appeals in what were colloquially called patent cases.¹ In this way, it hoped to achieve

1. For discussions of the Federal Circuit generally, see, e.g., Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1 (1989); Paul M. Janicke, *To Be Or Not To Be: The Long Gestation of the United States Court of Appeals for the Federal Circuit*, 69 J. ANTITRUST L. 645 (2002); Daniel J. Meador, *Origin of the Federal Circuit – A Personal Account*, 41 AM. U. L. REV. 581 (1992). For discussions focusing on the extent of and limitations on the court’s patent jurisdiction, see, e.g., DONALD S. CHISUM, CHISUM ON PATENTS, § 21.02[5][a]; Christopher Cotropia, “*Arising Under*” Jurisdiction and Uniformity in Patent Law, 9 MICH. TELECOMM. & TECH. L. REV. 253 (2003); Joseph Etra, *Holmes v. Vornado: A Radical Change in Appellate Jurisdiction*, 5 COLUM. SCI. & TECH. L. REV. 5 (2003); Elizabeth I. Rogers, *The Phoenix Precedents: The Unexpected Rebirth of*

more uniformity in patent jurisprudence.

¶3 The mechanism chosen to define what was a patent case for purposes of the new court's jurisdiction was rather unique. Many possibilities presented themselves but were rejected, including (i) any case that involved a patent, (ii) any case involving an issue of patent law, and (iii) any case where an issue of patent law was determinative.² What was finally enacted was similar to (iii) but different in important respects, leaving some determinative patent law issues in the hands of regional courts of appeals or state courts. New section 1295 of the Judicial Code provided in pertinent 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 this title, except that a case involving a claim arising under any Act of Congress relating to copyrights or trademarks and no other claims under section 1338(a) shall be governed by [other provisions].³

The new court's patent jurisdiction was therefore couched in terms of the preexisting statutory provision, section 1338, that conferred district court jurisdiction over claims in "civil actions arising under any Act of Congress relating to patents."⁴ Therefore, to know what kinds of patent law situations go to the Federal Circuit, we would have to know how to determine when civil actions "arise under" the patent laws.

¶4 The broad outlines for analysis of that subject were in place long before the 1982 creation of the new court.⁵ Settled case law denominated at least two commonly encountered classes of cases arising under the patent laws for purposes of district court jurisdiction: (a) claims for patent infringement⁶ and (b) claims for declaratory judgment of patent invalidity or noninfringement in the context of a threatened patent infringement

Regional Circuit Jurisdiction Over Patent Appeals and the Need for a Considered Congressional Response, 16 HARV. J.L. & TECH. 411 (2003).

2. See *Atari, Inc. v. JS&A Group, Inc.*, 747 F.2d 1422, 1429, 1433 (Fed. Cir. 1984) (detailing consideration of alternative formulations for patent jurisdiction of the Federal Circuit).

3. 28 U.S.C. § 1295(a) (2000).

4. 28 U.S.C. § 1338(a) (2000). This "arising under" type of patent jurisdiction is expressly exclusive of the state courts. *Id.* Section 1338(a) also confers district court jurisdiction in plant variety, copyright, and trademark cases not germane to the topic here. Pure copyright and pure trademark cases are appealed to the regional courts of appeals as before. See 28 U.S.C. § 1291 (2000).

5. For discussions of "arising under" jurisdiction, see *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897) (distinguishing between cases arising under federal patent law and issues involving federal patent law, state courts being competent to decide the latter); *Starin v. New York*, 115 U.S. 248, 258 (1885) (providing the requirements for a case to arise under federal law); Mary P. Twitchell, *Characterizing Federal Claims: Preemption, Removal, and the Arising Under Jurisdiction of the Federal Courts*, 54 GEO. WASH. L. REV. 812 (1986).

6. See, e.g., *Geneva Furniture Mfg. Co. v. S. Kappen & Bros.*, 238 U.S. 254, 257-58 (1915) (finding that the patent infringement claim arises under the patent law). For modern applications of the same rule, see *Pixton v. B&B Plastics, Inc.*, 291 F.3d 1324, 1327 (Fed. Cir. 2002); *Kidde, Inc. v. E.F. Bavis & Assoc., Inc.* 735 F.2d 1085, 1086 (8th Cir. 1984) (transferring patent infringement case to the Federal Circuit because it arose under the patent law).

suit by the patent owner.⁷ Actions sounding in contract were normally not viewed as arising under the patent laws, even though the courts handling them might have to decide issues of patent law along the way.⁸ The classic case is a dispute between a patent owner and a licensee under the patent, on the question of whether royalties are due for the sale of a particular licensee product. Licenses typically define licensed products as those falling within the language of a subsisting claim of the patent.⁹ As time goes on, new models of licensee products often emerge, and questions arise about whether these fall within the patent claim language and, hence, within the royalty payment obligation. If the licensee does not pay, the patent owner has the option of suing for breach of contract to recover the unpaid royalties. That type of action arises under state law and not patent law.¹⁰ The action can be brought either in state court¹¹ or, if diversity is present, in federal court, in which case the court's jurisdiction would not be under section 1338, but under section 1332, governing diversity jurisdiction.¹² If the suit is brought in state court, the appeal route is through the state appellate courts even though the key issue may involve interpreting the scope of the patent claim language under federal patent law;¹³ and if the diversity route is chosen, the appeal route is through the regional courts of appeal.¹⁴ Another option is for the patent owner to terminate the license and sue for patent infringement caused by the former licensee's manufactures or sales after the termination date.¹⁵ That claim arises under patent law. The district court's jurisdiction is under section 1338, and the appeal route is through the Federal Circuit.¹⁶ The situation is therefore one that has been referred to as "pleader's choice,"¹⁷ wherein the patentee can, in a sense, control the jurisdictional path by deciding whether or not to terminate the patent license, and drafting her complaint in either contract terms or patent infringement

7. See *Nat'l Coupling Co. v. Press-Seal Gasket Corp.*, 323 F.2d 629, 632-33 (7th Cir. 1963) (finding that an action to declare a patent invalid or not infringed arises under patent law if there was an underlying charge of patent infringement by the patent owner); *Cummings v. Moore*, 202 F.2d 145, 147 (10th Cir. 1953). For the same proposition in the modern context, see *Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1366-67 (Fed. Cir. 2002); *Speedco, Inc. v. Estes*, 853 F.2d 909, 911-13 (Fed. Cir. 1988).

8. See *Lockett v. Delpark, Inc.*, 270 U.S. 496, 502 (1926) (deciding that a suit over ownership of a patent does not arise under the patent laws); *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478-80 (1912) (holding that state court has jurisdiction over a suit for specific performance of a contract to assign a patent); *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997) (finding that contract-based claims involving patent ownership arise under state law).

9. For example, the license involved in *PSC Inc. v. Symbol Tech. Inc.*, 26 F. Supp. 2d 505 (W.D.N.Y. 1998), defined "Royalty Bearing PSC Products" as "any product of PSC or its successor . . . which is covered by a valid and subsisting claim . . . of the Licensed Symbol Patent Rights . . ." *Id.* at 507.

10. See, e.g., *Pratt*, 168 U.S. at 259 (finding state courts competent to decide federal patent law issues); *Consol. Kinetics Corp. v. Marshall, Neil & Pauley, Inc.* 521 P.2d 1209, 1212 (Wash. Ct. App. 1974) (agreeing that a U.S. patent was properly held invalid by the state court in a contract action).

11. *Pratt*, 168 U.S. at 259.

12. See, e.g., *Boyd v. Schildkraut Giftware Corp.*, 936 F.2d 76 (2d Cir. 1991) (involving an appeal of a patent licensing dispute where district court's jurisdiction was based on diversity).

13. *Consol. Kinetics*, 521 P.2d at 1212.

14. See *Boyd*, 936 F.2d at 77.

15. See, e.g., *Pixton v. B&B Plastics, Inc.*, 291 F.3d 1324, 1326 (Fed. Cir. 2002) (involving a patent infringement suit by a licensor who terminated the license upon the licensee's failure to make royalty payments).

16. *Id.*

17. See, e.g., CHISUM, *supra* note 1, § 21.02[1][a][v] and cases therein collected.

terms.

¶ 5 Despite the seemingly straightforward framework of the congressional plan for the Federal Circuit's patent jurisdiction, the issues have been more diverse and difficult to handle than might have been anticipated. The Supreme Court has twice dealt with the subject. In its 1988 decision in *Christianson v. Colt Industries*,¹⁸ the Court determined that the Federal Circuit's patent jurisdiction did not extend to *all* cases in which a serious patent issue was involved but only to those cases where a claim under the patent laws appeared in the well-pleaded complaint. In so holding, the Court was in effect interpreting the term "based" as it appears in section 1295:¹⁹ district court jurisdiction is based not on issues but upon claims appearing in the complaint. Fourteen years later, in *Holmes v. Vornado Group*,²⁰ the Court refined the analysis of the term "based," holding that a district court's jurisdiction is patent-based only when a claim arising under the patent laws appears in the complaint document itself.²¹ Assertion of such a claim as a counterclaim in the answer, however, even a compulsory one, does not render the district court's jurisdiction based, even in part, on claims arising under the patent laws.²²

¶ 6 Numerous commentators have written about *Christianson*, *Holmes*, and other aspects of the Federal Circuit's jurisdiction.²³ However, relatively little attention has been given to the use of tense in the Judicial Code's language on this subject, i.e. the Federal Circuit has jurisdiction if the district court's jurisdiction "was based" on section 1338.. As of when? A district court's jurisdictional bases often change as the lawsuit progresses. The Federal Circuit recognized this early on in the context of patent claims being added to a case after initial filing, holding that the addition had the effect of switching appellate jurisdiction from the regional court of appeals to the Federal Circuit.²⁴ The solution was not so clear to the court in the reverse situation, when the patent claims are dropped by amendment of the pleadings, or when they are settled and the parties have moved for their dismissal, leaving only non-patent claims to be adjudicated. The Federal Circuit held that when the patent claims are dismissed without prejudice, the appellate path is determined as though the patent claims were never in the case; but where the dismissal

18. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988).

19. Recall that section 1295 gives the Federal Circuit appellate jurisdiction "if the jurisdiction of [the lower] court *was based*, in whole or in part" on section 1338. 28 U.S.C. § 1295(a) (2000) (emphasis added).

20. *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002).

21. *Id.* at 830.

22. *Id.* at 831.

23. See sources cited *supra* note 1; see also Mark J. Abate and Edmund J. Fish, *Supreme Court Review of the United States Court of Appeals for the Federal Circuit 1982-1992*, 2 FED. CIR. B.J. 307 (1992); Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769 (2004); John Donofrio and 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 (1996); William C. Rooklidge and Matthew H. Weil, *Judicial Hyperactivity: The Federal Circuit's Discomfort With Its Appellate Role*, 15 BERKELEY TECH. L.J. 725 (2000); Larry D. Thompson, Jr., *Adrift On a Sea of Uncertainty: Preserving Uniformity in Patent Law Post-Vornado Through Deference to the Federal Circuit*, 92 GEO. L.J. 523 (2004); Bradley C. Wright, *Supplemental Claim Jurisdiction in the United States Court of Appeals for the Federal Circuit*, 22 AIPLA Q.J. 235 (1994). The cited articles represent only a small sprinkling of the literature generated in this area.

24. See *Eaton Corp. v. Appliance Valves Corp.*, 790 F.2d 874, 876 (Fed. Cir. 1986).

was with prejudice, the path is to the Federal Circuit as before.²⁵ This view fails to take account of the possibility that the patent claims dismissed with prejudice may have been settled. Dismissals with or without prejudice are not unusual components of a settlement agreement. Courts have only limited power to deal with settled claims, in light of the case or controversy requirement for federal court jurisdiction. It would seem anomalous for a departed patent claim to continue to steer appellate jurisdiction. A significant body of case law has now grown up around this question and will be dealt with in Part II.

¶7 The second unsettled area of Federal Circuit jurisdiction to be treated here involves situations where cases that were destined for appellate review in the regional courts of appeals have been consolidated for all purposes with a patent-based case destined for the Federal Circuit. Upon such a consolidation, do these cases retain their separate identities, including their respective appellate paths, or do they somehow merge and become a single case, such that all appeals in the merged proceeding must go to the Federal Circuit? The Federal Circuit initially took the view, without any meaningful discussion of alternatives, that consolidation merged the cases into a single large case, with all judgments therein appealable exclusively to the Federal Circuit.²⁶ The difficulties with that position are that it conflicts with Supreme Court authority and with the language of Rule 82 of the Federal Rules of Civil Procedure, which specifies that its fellow Rules must not be interpreted in such a way as to “extend or limit the jurisdiction of the district courts or the venue of actions therein.”²⁷ The better view is, therefore, that consolidation was intended only as a case-management tool for creating efficiencies in controlling multiple lawsuits having some commonality of parties or issues, rather than altering jurisdictional bases. This subject will be developed in Part III.

¶8 In Part IV we shall explore the ramifications of the analyses given in Parts II and III by reviewing the jurisdictional results of earlier cases in which antitrust and patent claims were asserted by opposing parties and by testing those results against the principles advocated here.

II. JURISDICTION WHERE PATENT CLAIMS HAVE DISAPPEARED FROM THE CASE

¶9 We now address in more detail the jurisdictional problems posed by the uncertain time element injected by the statutory phrase “was based” in section 1295, referring to the district court’s jurisdiction. As mentioned earlier, a district court’s jurisdiction is often not static. Claims may be added and dropped throughout the pendency of the case, and even at trial there is provision in the Rules of Civil Procedure for the pleadings to be deemed amended to conform to the evidence received.²⁸ When, in such a fluid system, is the appellate jurisdiction determined?

25. See discussion *infra* Part II.

26. See *Interpart Corp. v. Imos Italia Vitaloni*, 777 F.2d 678, 680 (Fed. Cir. 1985), which is discussed in Part III.

27. FED. R. CIV. P. 82.

28. FED. R. CIV. P. 15(b) provides: “When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings.”

¶ 10 Where the complaint involves one or more patent claims and no other types of claims, appeals inherently go to the Federal Circuit because the district court's jurisdiction was at all times based wholly on the patent portion of 28 U.S.C. § 1338. It is also straightforward when the complaint originally contains a patent claim that remains in the case through the time of the adjudication appealed from, along with claims that do not arise under section 1338. The exclusive appeal route is through the Federal Circuit, whether or not the appeal addresses the patent claim. This proposition was decided by the court *en banc* early in its existence, in the 1984 decision in *Atari, Inc. v. JS & A Group, Inc.*²⁹ *Atari* became the seminal case for dealing with appellate jurisdiction in all, of what we shall call, mixed-claim cases—meaning litigations that involve one or more substantial, nonfrivolous claims³⁰ arising under the patent provision of 28 U.S.C. § 1338 and at least one claim of some other type. Although *Atari* did not involve transient patent claims, the topic currently under discussion,³¹ it set out the main principles by which the Federal Circuit was to judge its own jurisdiction over the next twenty-plus years, except where intruded upon by the Supreme Court. Discussion of *Atari* is thus necessary to set the stage for a full understanding of the problems posed by transient patent claims and a meaningful weighing of possible solutions.

A. The *Atari* decision

¶ 11 *Atari's* complaint against JS & A contained claims for contributory copyright infringement, patent infringement, and unfair competition. All had to do with JS & A's marketing of its Prom Blaster product, a device capable of duplicating Atari video games onto blank cartridges provided by JS & A along with Prom Blaster.³² Only the patent infringement claim provided the district court with jurisdiction based upon the patent part of section 1338. The other claims, had they been asserted in some other lawsuit, even in the same district, would have had an appellate path exclusively to the Seventh Circuit. Atari sought and obtained a preliminary injunction, solely under its copyright claim, barring JS & A from assisting others in infringing Atari's copyrights in video game software. Preliminary injunctions being appealable as of right,³³ the issue became which appellate court would have jurisdiction. JS & A appealed to the Federal Circuit, contending that court had jurisdiction because the district court's jurisdiction was based in part on a patent claim. Atari moved to transfer the appeal to the Seventh Circuit, arguing that the judgment appealed from was purely on a copyright claim. The Federal Circuit heard the transfer motion *en banc* and took the occasion to lay out the basic parameters of what it saw as the reach of its jurisdiction in mixed-claim cases. It denied

29. 747 F.2d 1422, 1437 (Fed. Cir. 1984), *overruled in part on other grounds by* Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 876 (1998).

30. The congressional history makes clear that a plainly groundless patent claim should not count at all in determining the appellate path. The House Judiciary Committee Report on the legislation creating the court opined: "Immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore will not create jurisdiction in the appellate court." H.R. REP. NO. 97-312, at 41 (1981). The report did not elaborate on just how such allegations would be dealt with at either court level.

31. The patent claim in *Atari* persisted through the time of entry of the district court's judgment.

32. *Atari, Inc. v. JS & A Group, Inc.*, 597 F. Supp. 5, 7 (N.D. Ill. 1983).

33. See 28 U.S.C. § 1292(a)(1).

the transfer motion and heard the case.

¶ 12 In a lengthy opinion focused on section 1295's conferral of appellate patent jurisdiction, Chief Judge Markey discussed the congressional purposes behind the creation of the Federal Circuit in 1982.³⁴ He noted:

Congress recognized that non-patent claims might accompany a patent claim in a single complaint. It could have provided appellate jurisdiction in this court only over judgments entered on the patent claim. It did not. It designed and enacted a statute that provided jurisdiction in this court over appeals from decisions in "cases" in which the district court's jurisdiction "was based, in whole *or in part*, on section 1338."³⁵

The origin of the quoted word "cases" is somewhat unclear, as it does not appear in either section 1295 or section 1338. More importantly, the court seems to have leapt to the conclusion that one claim in a paper filed below controls the entire appeal without having considered possible alternative meanings of "based." One such alternative is that the jurisdictional base, for appellate purposes, is whatever statutory provisions allowed the district court to enter the particular judgment from which appeal is taken, in this case solely the copyright language of section 1338. Upon that reading the appeal would lie to the Seventh Circuit, as it would in a normal copyright case.

¶ 13 The court avoided the issue of transient patent claims, noting that the district court's jurisdiction "was and still is" based in part on the patent claim³⁶ and that "we do not here deal with a situation in which a patent claim has been entirely expunged or irrevocably discontinued."³⁷ The question in *Atari* was what to do when the patent claims were present all along but the judgment appealed from involved only the non-patent claims.

¶ 14 The court found Congress's intent for these situations to be clear, namely,

to assign to this court appellate jurisdiction over all final, i.e., appealable, decisions of district courts in cases like the present, where the district court's jurisdiction was and is based in part on a continuing non-frivolous patent claim under § 1338, whether the appealed decision relates to an existing patent claim or to a non-patent claim.³⁸

34. *Atari*, 747 F.2d at 1433-34.

35. *Id.* at 1429.

36. *Id.* at 1430. The court repeated this observation later in the opinion. *See id.* at 1432. It was careful to avoid any decision at this early date on what the jurisdictional situation would be if a patent claim were in the case early on but was eliminated later.

37. *Id.* at 1432.

38. *Id.* at 1433. In support of its conclusion that the statute can have only the meaning ascribed by the court, it cited testimony given to the Senate Judiciary Committee by Professor Meador, one of the main drafters of the legislation creating the court: "The options are to have the entire case go to the new court, or to have the whole case go to the regional circuits where it would go now, or to split the case and let one part go to the court of appeals for the Federal Circuit and the other part of it go to the regional circuit. It seemed to us it was sounder to bring the whole case before a single court." *Id.* Professor Meador's testimony may well have been addressing situations where several claims have been adjudicated by the

Where a judgment involves a combination of substantial patent and substantial non-patent claims, the drafters of the Federal Courts Improvement Act intended that the appeal path should not be bifurcated; all of it should go to the Federal Circuit. However, the congressional history is not so clear about what should be done in cases like *Atari*, where the judgment at hand is entirely non-patent. The Senate Judiciary Committee report contains a passage suggesting that a sort of “center of gravity” test might be applied in determining appellate path:

[M]ere 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.³⁹

The “avail” and “in avoidance” language implies that the perceived evil was appellate forum-shopping and that at least some in the Senate thought the courts would apply a “gravamen” test to determine appellate paths in mixed-claim cases, rather than the unappealed-patent-claim-is-the-driver approach adopted in *Atari*.

¶ 15 By looking to the totality of congressional purposes for creating the court, Chief Judge Markey’s opinion for the *en banc* majority in *Atari* found additional support for the view that a pleaded patent claim should determine appellate jurisdiction even if uninvolved in the judgment being appealed. In addition to the overall purpose of achieving national uniformity in doctrinal patent law,⁴⁰ he identified four subsidiary intentions, i.e., results that should be obtained while carrying out the main purpose: (i) avoidance of bifurcated appeals;⁴¹ (ii) avoidance of undue specialization of the new court;⁴² (iii) avoidance of forum shopping in non-patent areas of law;⁴³ and (iv) discouraging appropriation by the Federal Circuit of areas of law not assigned to it.⁴⁴

¶ 16 None of these objectives points to the *Atari* result quite as strongly as the court suggests. First, avoidance of bifurcated appeals has already been discussed above. That avoidance is most needed where a single judgment adjudicates both patent and non-patent claims. Going off in multiple directions at the same time, with possibly conflicting results, does not recommend itself as an efficient appellate arrangement. However, the judgment in *Atari* was on copyright claims only. If the Federal Circuit had taken the approach of looking to the basis for the judgment, the appellate path would have been exclusively to the Seventh Circuit, the court that would have heard the appeal had the copyright count been brought as a separate lawsuit. No bifurcation of appeals would have been involved vis-a-vis this judgment. The fact that later appeals might go elsewhere does not seem to be a serious problem.

district court and the choice is how to set the appeal path. There is no indication that he considered a situation where the judgment was entirely on non-patent claims.

39. S. REP. NO. 97-275, at 20 (1981).

40. *Atari*, 747 F.2d at 1429.

41. *Id.* at 1435-36.

42. *Id.* at 1436-67.

43. *Id.* at 1437-38.

44. *Id.* at 1438.

¶ 17 Second, avoidance of undue specialization of the judges of the Federal Circuit seems to have been similarly overstated in *Atari*. It is true that in the long congressional history leading up to the creation of the court, concerns were often raised about possible judicial myopia setting in if the court's judges heard only one or two kinds of cases for a long period of time.⁴⁵ Therefore, broader jurisdiction was seen as desirable. It is, however, questionable whether the *Atari* rule was needed to serve that end. The court was given appellate jurisdiction in cases involving claims against the government, similar to what had formerly been exercised by the Court of Claims, appeals in customs cases that previously went to the Court of Customs and Patent Appeals,⁴⁶ and appeals from decisions of the International Trade Commission.⁴⁷ Later, appeals from the Merit Systems Protection Board were added to the court's workload.⁴⁸ Moreover, section 1295 gives the Federal Circuit jurisdiction over *all* types of claims when the judgment of the district court includes an adjudication of a patent claim as well. This has led the court to adjudicate contract,⁴⁹ antitrust,⁵⁰ and unfair competition claims,⁵¹ among many other types. It is doubtful that the further jurisdiction acquired by the decision in *Atari*—where the judgment involved only a copyright claim and no patent claim—added much to the breadth of the court's judicial experience.

¶ 18 The third goal, avoiding appellate forum shopping for non-patent claims, could work either way under the result in *Atari*. Atari apparently perceived the Seventh Circuit as favorable to its copyright position and sought to steer the appeal there.⁵² However, a plaintiff with a non-patent claim perceived to be weak under the law of the pertinent regional circuit might well be tempted to add to her complaint a patent count, even one that would likely remain relatively quiescent in the case, in order to steer all appeals to the Federal Circuit instead. A judgment-based rule for determining appellate jurisdiction would avoid that result. For example, the copyright preliminary injunction ruling at issue in *Atari* would have gone to the Seventh Circuit despite the presence of other kinds of claims before the district court.

¶ 19 Finally, the fourth goal, discouraging the Federal Circuit from inappropriate

45. The most famous of these warnings is found in Simon Rifkind, *A Specialized Court for Patent Litigation? The Danger of a Specialized Judiciary*, 37 A.B.A. J. 425, 426 (1951).

46. See 28 U.S.C. § 1295(a)(5) (2000). The customs cases originated in the United States Customs Court in New York which, in 1980, was renamed the Court of International Trade. See Customs Courts Act of 1980, Pub. L. No. 96-417, § 201.

47. See 28 U.S.C. § 1295(a)(6) (2000).

48. See 28 U.S.C. § 1295(a)(9) (2000).

49. See, e.g., *Junker v. Eddings*, 396 F.3d 1359, 1367 (Fed. Cir. 2005), *cert. denied*, 125 S.Ct. 2937 (2005) (involving a contract claim adjudicated in a design patent infringement case); *Celeritas Techs. Ltd. v. Rockwell Int'l Corp.*, 150 F.3d 1354, 1358 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1106 (1999) (deciding contract claim on appeal).

50. See, e.g., *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1062-63 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 876 (1998) (involving an antitrust counterclaim in a patent infringement suit).

51. See, e.g., *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1346-55 (Fed. Cir. 1999) (involving unfair competition claims under federal and state law).

52. See *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1437 (Fed. Cir. 1984) (stating that Atari's motivation was to obtain the benefit of what it saw as strong protection of copyrights by the Seventh Circuit).

jurisdiction-grabbing in non-patent areas, would have been better served by allowing *Atari* to be decided by the Seventh Circuit, the normal tribunal for copyright appeals in that part of the country. Such a move would have harmonized with the Federal Circuit's other efforts to avoid giving an impression of jurisdiction-grabbing.⁵³

¶ 20 Whatever the uncertainties of its underpinnings, the unappealed-patent-claim-drives-all approach of *Atari* has become well established in Federal Circuit jurisprudence over the ensuing twenty years.⁵⁴

B. The Supreme Court's Rulings in *Christianson v. Colt* and *Holmes v. Vornado*

¶ 21 The Supreme Court has twice ruled on aspects of the Federal Circuit's patent jurisdiction. Neither ruling specifically addressed the issues under discussion here. In *Christianson v. Colt Industries Operating Corp.*,⁵⁵ the Court addressed how to determine if a district court's jurisdiction was based on section 1338, and thus to derive the Federal Circuit's appellate jurisdiction in the case. *Christianson*, a former Colt employee, had been involved as a defendant in a patent infringement case brought by Colt relating to the design of parts for the M-16 rifle, but was later dismissed from that case. *Christianson* had become aware that Colt was threatening his customers with patent infringement if they continued buying M-16 parts from him. He brought an antitrust action, and Colt counterclaimed for misappropriation of Colt's trade secrets relating to the parts. By way of affirmative defense to the counterclaim, *Christianson* replied that Colt's purported trade secrets were unenforceable because Colt should have disclosed them in various patent applications.⁵⁶ The legal requirements for a valid patent application were accordingly being indirectly raised by way of affirmative defense to a claim appearing only as a counterclaim in Colt's answer.

¶ 22 The district court dismissed Colt's counterclaim on this basis and granted *Christianson* summary judgment on his antitrust claims.⁵⁷ Colt appealed first to the Federal Circuit, which ruled that it lacked jurisdiction because, while patent law issues might be involved, no claim arising under the patent laws was present in the case. It

53. The main method of avoiding this problem has been for the court to adopt the precedents of the regional circuits in non-patent areas of law. The success of that method is debatable. *See, e.g.*, Ronald S. Katz and Adam J. Safer, *The Federal Circuit and Antitrust: Should One Patent Court Be Making Antitrust Law for the Whole Country?*, 69 ANTITRUST L.J. 687 (2002) (expressing the view that the Federal Circuit has become less deferential to regional circuit law).

54. The Supreme Court has not been called upon to address the issue or to consider the possible conflicting interpretations of the jurisdictional phrase "was based" in this context. However, some of the Justices have expressed the opinion that the bases of district court jurisdiction are those applicable to the claims actually adjudicated by the district court in the judgment at hand. *See infra* note 67.

55. 486 U.S. 800 (1988).

56. No known authority provides support for *Christianson's* proposition that an otherwise protectable trade secret loses its status as such if the information comprising the secret is needed to support patent claims and is withheld by the patent applicant or trade secret owner. Whether the Colt patents were valid is a different issue, the answer to which depends on Colt's compliance with the disclosure requirements of the patent statute, 35 U.S.C. § 112 (2000).

57. *See Christianson v. Colt Indus. Operating Corp.*, 613 F. Supp. 330, 331 (C.D. Ill. 1985).

transferred the appeal to the Seventh Circuit, but that court ruled that the case involved patent law and should therefore be transferred back to the Federal Circuit.⁵⁸ The Federal Circuit again held that no claim under the patent laws had been raised by either party, but to stop the appellate ping-pong game, undertook to decide the merits “in the interest of justice,” reversing the dismissal of Colt’s trade secret counterclaims.⁵⁹ From this decision certiorari was granted.

¶ 23 The Supreme Court held that the Federal Circuit lacked jurisdiction, as the Federal Circuit had itself opined, due to the lack of any claim in the district court arising under the patent laws.⁶⁰ While the case may have involved issues of patent law, they had been raised by way of affirmative defense and not by a claim. A claim under the patent laws had to appear in the well-pleaded complaint, not as an affirmative defense in a reply to a counterclaim. Moreover, the claim in the complaint must set out a request for relief created by the patent laws, or at least some right that would be sustained under one construction of the patent laws and defeated by another construction.⁶¹ The Supreme Court remanded the case to the Federal Circuit with instructions to transfer it to the Seventh Circuit for disposition.⁶²

¶ 24 In *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*,⁶³ the Court extended the *Christianson* analysis for determining arising-under jurisdiction in the patent context. It held that, in order to arise under the patent laws and thereby provide the district court with the appellate jurisdiction path to the Federal Circuit, a pleaded claim under the patent laws had to appear in the complaint document itself, not in a counterclaim. Patent claims raised only by way of counterclaim—even a compulsory one—leave the case on an appellate track to the regional court of appeals, which would in turn decide all the claims in issue, patent and non-patent.⁶⁴ The decision came as a surprise to some observers, in view of the general understanding that Congress intended to route all patent appeals to the Federal Circuit in order to achieve national uniformity in that area of law.⁶⁵ However, as mentioned earlier, both before and after *Holmes*, the regional circuits—and sometimes state courts—decided issues of patent law when those issues arose in the context of a claim pleaded under some other law, such as contracts.⁶⁶ Accordingly, *Holmes* did not break any major new ground in adding patent counterclaims

58. See *Christianson v. Colt Indus. Operating Corp.*, 798 F.2d 1051, 1052 (7th Cir. 1986).

59. See *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544, 1559-60 (Fed. Cir. 1987).

60. *Christianson*, 486 U.S. at 813-14.

61. *Id.* at 807-09.

62. *Id.* at 819. Following the remand and transfer, the Seventh Circuit held for Colt. See *Christianson v. Colt Indus. Operating Corp.*, 870 F.2d 1292 (7th Cir. 1989). The court’s reasoning was that even if noncompliance with the patent disclosure provisions would somehow render Colt’s trade secrets unenforceable, Colt had in fact complied with those disclosure provisions. *Id.* at 1302-03. It remanded to the district court for trial of Christianson’s claims and Colt’s counterclaims. After a partial grant of summary judgment to Colt, *Christianson v. Colt Indus. Operating Corp.*, 766 F. Supp. 670 (C.D. Ill. 1991), the case was apparently settled. See Civil Docket at 8, *Christianson*, 766 F. Supp. 670 (No. 4:84-cv-04056-JBM-JBM) (consent judgment of dismissal with prejudice entered on Oct. 5, 1994).

63. 535 U.S. 826 (2002).

64. *Id.* at 832-34.

65. See, e.g., Molly Mosley-Goren, *Jurisdictional Gerrymandering? Responding to Holmes Group v. Vornado Air Circulation Systems*, 36 J. MARSHALL L. REV. 1 (2002); Thompson, *supra*, note 23.

66. See *supra* text accompanying notes 10-14.

to the mix of cases to be heard in the regional courts of appeal.

¶ 25 *Holmes* highlighted the need for careful analysis of the complaint to determine jurisdiction, but the majority opinion did not discuss the problems posed by the changeable nature of that pleading as claims are added or dropped during the litigation.⁶⁷ It is those problems we now address.

C. Patent Claims Deleted by Agreement

¶ 26 *Atari* mentioned the goal of having parties and district judges know the appellate path early on in the life of a civil action⁶⁸ and saw that feature as part of the scheme Congress intended in fashioning the Federal Circuit's jurisdiction. There was some support for that view in the congressional history underlying the court's creation.⁶⁹ However, a complaint is not static, and the desire to know the appellate path early in the proceeding was not always achievable. Courts and litigants would have to deal with shifting appellate paths when patent claims were added to an otherwise non-patent case by amending the complaint or when patent claims dropped out of the case in any of three ways: (i) amendment of the complaint to delete the patent claims; (ii) uncontested judicial disposition denying any relief under the patent claims; or (iii) settlement of the patent claims.

¶ 27 In its first few years of operation, the Federal Circuit saw early on that the goal of locking the appellate path might not be practical. In its 1986 ruling in *Eaton Corp. v. Appliance Valves Corp.*,⁷⁰ the court found it had jurisdiction over an appeal in a case that was initially filed as a diversity case involving only state-created causes of action for breach of contract and trade secret misappropriation. The appellate path at the beginning thus appeared to be to the Seventh Circuit. Eaton sought a preliminary injunction, which the district court denied.⁷¹ Eaton appealed to the Seventh Circuit, which affirmed the denial.⁷² Eaton then obtained permission to amend its complaint to add a claim for patent infringement.⁷³ A judgment was ultimately entered against Eaton on all counts, and Eaton appealed to the Federal Circuit. The court held in a footnote that it had jurisdiction

67. Justice Scalia's majority opinion merely mentioned in a footnote that "[t]his case does not call upon us to decide whether the Federal Circuit's jurisdiction is fixed with reference to the complaint as initially filed or whether an actual or constructive amendment to the complaint raising a patent-law claim can provide the foundation for the Federal Circuit's jurisdiction." *Holmes*, 535 U.S. at 829 n.1. Justice Stevens' concurring opinion did address the issues. His view was that the addition of a patent claim to a previously non-patent case would trigger Federal Circuit jurisdiction and that its removal from the case would eliminate that jurisdiction. *Id.* at 835 (Stevens, J., concurring). Justices Ginsburg and O'Connor, concurring in the result in *Holmes*, expressed the view that Federal Circuit jurisdiction in multi-claim cases should depend upon which claims are actually adjudicated below. *Id.* at 840 (Ginsburg, J., concurring). Interestingly, this is the view the Federal Circuit bypassed when deciding *Atari*.

68. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1432 (Fed. Cir. 1984) (referring to pleadings as being lodged "at the early stage" of a litigation).

69. See S. REP. NO. 97-275, at 37 (letter of William James Weller, referring to "the pleading stage").

70. 790 F.2d 874, 875 (Fed. Cir. 1986).

71. *Eaton Corp. v. Appliance Valves Corp.*, 526 F. Supp. 1172, 1182 (N.D. Ind. 1981).

72. *Eaton Corp. v. Appliance Valves Corp.*, 688 F.2d 842 (7th Cir. 1982).

73. *Eaton*, 790 F.2d at 875, 876.

to hear the entire appeal.⁷⁴ This result was correct under section 1295, since the district court's jurisdiction had become based in part on a patent claim. This would have been true even under the narrower construction of "was based" discussed earlier, where the phrase could mean power to enter the judgment from which the appeal was taken; the judgment in *Eaton* did include a decision on the patent claim. The court's discussion of jurisdiction in the footnote analogized the situation to that which would have obtained if separate patent and non-patent actions had been consolidated. However, as will be developed in the next section, consolidation of cases should have no effect on jurisdiction. The cases retain their separate identities even where the consolidation is for all purposes. The court at this stage seems to have assumed consolidation merges several cases into one.

¶ 28 Having thus found appellate jurisdiction where an amendment to the complaint below had added a patent claim to an otherwise non-patent case, the court a year later addressed the reverse issue under discussion here: deletion of a patent claim from the case below and its effect on appellate jurisdiction. *Gronholz v. Sears, Roebuck & Co.*⁷⁵ was the first vehicle for the court's exploration of that area. Gronholz's initial complaint against Sears contained a claim for patent infringement and a related unfair competition claim based on trade secrets. Sears sought summary judgment on both counts but received it only on the unfair competition claim.⁷⁶ Gronholz then sought to dismiss both claims without prejudice. Sears did not contest dismissal of the patent count without prejudice, but it successfully resisted that type of dismissal for the unfair competition count as to which it had been awarded summary judgment. Gronholz then appealed the non-patent summary judgment to the Federal Circuit.⁷⁷

¶ 29 Sears moved to transfer the appeal to the Eighth Circuit on the ground the jurisdiction of the district court was no longer based even in part on section 1338, the patent jurisdiction section of the Judicial Code, and hence the derivative jurisdiction of the Federal Circuit was lacking as well. The Federal Circuit held that it lacked jurisdiction over the appeal and granted the transfer motion, stating:

Gronholz's dismissal of the patent claim constituted an amendment of his complaint. That amendment left a complaint which consisted of a single, non-patent claim for unfair competition. Applying the well-pleaded complaint rule to the complaint then remaining, we determine that the present suit does not "arise under" the patent laws for jurisdictional purposes.⁷⁸

This reasoning appears sound and does not focus on the dismissal having been without prejudice. The court found support for its holding primarily in two prior decisions. In the first, *Schwarzkopf Dev. Corp. v. Ti-Coating Inc.*,⁷⁹ the Federal Circuit had held a year

74. *Id.* at 876 n.3.

75. 836 F.2d 515 (Fed. Cir. 1987).

76. *Id.* at 516.

77. *Id.*

78. *Id.* at 518.

79. 800 F.2d 240, 245 (Fed. Cir. 1986). The dismissal of the patent counterclaim in *Schwarzkopf* was apparently without prejudice, since it was effectuated voluntarily before a reply was filed. *Id.* at 240.

earlier that the “transient appearance” of a patent counterclaim, later dismissed, in a case would not confer Federal Circuit appellate jurisdiction.⁸⁰ The court now rightly concluded that a patent claim dismissed under circumstances where it no longer was realistically part of the case would similarly deprive the district court of any section 1338 jurisdiction. The second case relied upon in *Gronholz* was a decision by the Sixth Circuit in which that court held that a voluntary dismissal of the only federal law claim in the case deprived the federal district court of any erstwhile pendent jurisdiction over state law claims, in that there was no longer anything to which such claims could be appended.⁸¹

¶ 30 *Gronholz* became the seminal case on Federal Circuit jurisdiction (or lack thereof) in transient patent claim cases. Nevertheless, it was destined to be misapplied by later panels of the Federal Circuit who focused on the dismissals having been without prejudice rather than the de facto disappearance of the patent claim from the current litigation. If the dismissal in *Gronholz* had been with prejudice, but still under circumstances showing that the claim was no longer being pursued and that any appeal right based on the dismissal was being waived, the result should have been the same. The court appears to have missed this important factor in some of its later cases.

¶ 31 The court’s mistaken view about *Gronholz* first appeared in its 1999 ruling in *Zenith Electronic Corp. v. Exzec, Inc.*⁸² Zenith had sued Exzec for patent infringement, and Exzec counterclaimed for unfair competition due to statements Zenith’s related party had made to Exzec customers. By later stipulation of the parties, the patent infringement claims were ordered dismissed with prejudice. Following the dismissal, the district court went on to rule on the issue of whether the unfair competition counterclaims should be dismissed for failure to state claims upon which relief could be granted. The district court refused that dismissal, but certified the question for interlocutory appeal.

¶ 32 The Federal Circuit ruled that the agreed dismissal of the patent claims did not deprive it of appellate jurisdiction, and it went on to address the counterclaim issues. The panel held:

Our exclusive jurisdiction over matters arising in whole or in part under the patent laws is not defeated by the fact that the patent claims have been dismissed with prejudice. “The path of appeal is determined by the basis of jurisdiction in the district court, and is not controlled by the district court’s decision or the substance of issues that are appealed.”⁸³

The quoted language from *Abbott* is inapposite in *Zenith*, where the patent claims had been permanently terminated by the parties. *Abbott* involved a patent claim that persisted all the way through a contested judgment.⁸⁴ Although the district court’s decision on the

80. *Id.* at 245.

81. *Mgmt. Investors v. United Mine Workers*, 610 F.2d 384, 395 (6th Cir. 1979). The dismissal was without prejudice. *Id.* at 388.

82. 182 F.3d 1340 (Fed. Cir. 1999).

83. *Id.* at 1346 (citing *Abbott Labs. v. Brennan*, 952 F.2d 1346, 1349-50 (Fed. Cir. 1991)).

84. *See Abbott Labs.*, 952 F.2d at 1349-50 (entering judgment on the patent claim against Abbott and finding appellate jurisdiction).

patent claim in *Abbott* was not appealed, it could have been, and it was clear that the jurisdiction of the district court to enter the judgment was based in part on section 1338. The court in *Abbott* had thus rightly found appellate jurisdiction. In *Zenith*, by contrast, the parties asked for and obtained permanent deletion of the patent claims by a dismissal order.

¶ 33 The *Zenith* court sought to distinguish *Gronholz* on the ground that the dismissal there was without prejudice, whereas here in *Zenith* it was with prejudice, thereby constituting “an adjudication of the claim on the merits, not an amendment of the complaint.”⁸⁵ The problem with that view is that the patent claims in *Zenith* were not realistically adjudicated at all; they were totally eliminated from judicial consideration by the parties’ stipulation.⁸⁶ The “with prejudice” wording of the agreed order assured they could not come back to life. Under these circumstances, the “prejudice” feature, far from creating a valid distinction over *Gronholz*, actually made *Zenith* an *a fortiori* case for absence of jurisdiction. *Zenith* was wrongly decided.

¶ 34 The court’s error in *Zenith* was to impact several later cases where similarly dead patent claims were held to steer appellate jurisdiction to the Federal Circuit. In *Chamberlain Group v. Skylink Technologies, Inc.*,⁸⁷ the initial and amended complaints contained three claims for patent infringement, one for copyright infringement, and various other claims.⁸⁸ One of the patent claims, count II, was dismissed under conditions which the appellate court found to be equivalent to dismissal with prejudice.⁸⁹ Upon stipulation of the parties, all the other claims except the copyright claim were dismissed without prejudice.⁹⁰ The copyright claim, involving the Digital Millennium Copyright Act, was fully adjudicated by summary judgment against the plaintiff, from which the plaintiff appealed to the Federal Circuit.

¶ 35 Relying in part upon the authority of *Zenith*, the court found it had jurisdiction:

Where, as here, all of the patent claims in the amended complaint were dismissed prior to the non-patent ruling on appeal, the dispositive question is whether the dismissal was with or without prejudice.⁹¹

85. *Zenith*, 182 F.3d at 1346.

86. Compare this scenario with that of *Imagineering, Inc. v. Van Klasses, Inc.*, 53 F.3d 1260, 1263 (Fed. Cir. 1995), in which a patent claim was dismissed voluntarily before trial but an issue of an award of attorney’s fees to the defendant for defending against the patent claim remained in the case. The Federal Circuit found appellate jurisdiction. *Id.*

87. 381 F.3d 1178 (Fed. Cir. 2004), *cert. denied*, 125 S. Ct. 1669 (2005). This case is known primarily for its discussion of the Digital Millennium Copyright Act.

88. *Id.* at 1188.

89. The dismissal contained a provision for reinstatement if certain events occurred in a related case. The events did not occur and the time in which they might have occurred had passed. *Id.* at 1188-89.

90. *Id.* at 1189.

91. *Id.* The court also cited as support *Nilssen v. Motorola, Inc.*, 203 F.3d 782 (Fed. Cir. 2000). There, the district court had dismissed patent claims without prejudice over an objection of sorts by Nilssen, thus leaving only non-patent claims for adjudication. When Nilssen lost on those claims he appealed the judgment to the Federal Circuit. *Id.* at 783. The court found that it lacked jurisdiction because the patent claims had been dismissed without prejudice. *Id.* at 784-85. The court cited *Zenith* for

Having concluded that the count II patent claim had been dismissed with the equivalent of prejudice, the court concluded from that event alone that it had jurisdiction, stating broadly that under *Zenith* a dismissal with prejudice was an adjudication on the merits, vesting the Federal Circuit with appellate jurisdiction.⁹² It is certainly true that dismissal of an entire action is merits-dispositive in the sense that it triggers claim preclusion for any subsequent attempt to present that claim in some other case,⁹³ but nothing appealable has occurred if the dismissal was by consent. The court's opinion is silent on that point, but inspection of the district court record reveals that the dismissal of count II was in fact opposed.⁹⁴ The Federal Circuit's jurisdiction decision was therefore right, not for the overly-broad reason given by the court, but rather because a contested, appealable patent ruling was still in the case when the judgment appealed from was entered. Had the disposition of count II been by agreement, the opposite jurisdictional result should have obtained.

¶ 36 Finally, in *Independent Ink, Inc. v. Illinois Tool Works, Inc.*,⁹⁵ the court's mistaken view of its jurisdiction in transient patent claim cases led it to find that it had jurisdiction of an antitrust appeal where the patent claims below had been permanently and cleanly dropped from the case prior to judgment. The totality of the court's discussion of jurisdiction was as follows:

The parties settled all their remaining claims, which were accordingly dismissed with prejudice, and final judgment was entered. This appeal followed. Because the complaint originally contained a claim for declaratory judgment of invalidity and non-infringement of the '226 patent, we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).⁹⁶

Making "prejudice" the sole touchstone of jurisdiction in transient patent claim cases leads to an anomalous result. Had the parties' settlement agreement been more tentative in ending the patent controversy, they might have provided for a dismissal without prejudice, leaving open any consequences resulting from a future breach of the settlement terms. In that scenario, the Federal Circuit would have found under *Gronholz* that it lacked jurisdiction to hear an appeal from a judgment on the remaining claims because the dismissal had been without prejudice. The settlement here, an *agreed* dismissal of the patent claims *with* prejudice, was even more definite in ending the patent dispute once and for all, yet the Federal Circuit found the district court's jurisdiction was still based in

the proposition "that the dismissal of Nilssen's patent claims was without prejudice is ultimately what matters." *Id.* at 785.

92. *Chamberlain*, 381 F.3d at 1189-90.

93. *See, e.g., Semtek Int'l Inc. v. Lockheed Martin Corp.*, 531 U.S. 497, 505-506 (2001) (characterizing a dismissal with prejudice as an adjudication upon the merits, which, unlike a dismissal with prejudice, bars the refiling of the same claim in the same court); 8 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 41.40[9][f] ("dismissal with prejudice is a complete adjudication and a bar to a further action between the parties").

94. *See Chamberlain's Opposition to Defendant Skylink Technologies, Inc.'s Motion to Dismiss Count II of Complaint, Chamberlain*, 381 F.3d 1178 (No. 02 C 6376). The motion, filed October 29, 2002, was based on issue preclusion, and the opposition brief contended the motion was premature.

95. 396 F.3d 1342 (Fed. Cir. 2005), *vacated and remanded on other grounds*, 126 S. Ct. 1281 (2006).

96. *Id.* at 1345-46.

part on the patent provision of section 1338.

¶ 37 In its review of *Independent Ink*, the Supreme Court did not address the question of the Federal Circuit's jurisdiction. However, the Federal Circuit's finding of jurisdiction in *Independent Ink* is contrary to the views of three Supreme Court justices as expressed in their concurrences in *Holmes*. Justice Stevens saw it as clear that where the patent claims in a mixed-claim case are eliminated from the litigation by voluntary dismissal prior to final judgment, an appeal from the final judgment on the non-patent claims should be to the regional court of appeals.⁹⁷ Justices Ginsburg and O'Connor indicated in *Holmes* that they would reject Federal Circuit jurisdiction where the judgment appealed from did not adjudicate any patent claim.⁹⁸

¶ 38 It is time for the court to reassess its jurisdictional approach in transient patent claim situations by moving away from reliance on "with prejudice" verbiage and recognizing the possibility of a total absence of any patent controversy upon which the district court's jurisdiction could be based at the time of judgment. The court has already acknowledged that "was based" needs to be interpreted in a dynamic manner to reflect the realities of what occurs in litigation, claims often being added and dropped. It should now temper the focus it has given to whether claims are dismissed with or without prejudice, recognizing that settlement of the patent claims in a case changes the jurisdictional equation.

III. JURISDICTION WHERE PATENT AND NON-PATENT CASES WERE CONSOLIDATED "FOR ALL PURPOSES" IN THE DISTRICT COURT

¶ 39 We now address the question of how a district court's consolidation of patent and non-patent cases affects appellate jurisdiction. Do all appeals in this set of cases go to the Federal Circuit? That would be the result if the effect of consolidation is to merge the several cases into one. It would not be the result if the cases retain their separate identities. In that event the judgment in each case would be appealed to wherever it would have gone absent the consolidation. In order to highlight the question of merger vs. separate identities, we shall look only at situations where the consolidation is said to be for all purposes, rather than for a more limited purpose, such as discovery only.

¶ 40 Early in its history the Federal Circuit handed down opinions in which it assumed, without discussion, that full consolidation of patent and non-patent cases effected a merger of all the cases into one. Not until 1996 did it address even the possibility that such consolidation might result in the cases retaining their individual identities and appeal routes. The first significant Federal Circuit case on the subject is the court's 1985

97. "[I]f the only patent count in a multi-count complaint was voluntarily dismissed in advance of trial, it would seem equally clear that the appeal should be taken to the appropriate regional court of appeals rather than to the Federal Circuit." *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 835 (2002) (Stevens, J., concurring).

98. *Id.* at 839-40 (Ginsburg, J., concurring). Justice Ginsburg stated that the "sole reason" she was joining the reversal judgment was that "no patent claim was actually adjudicated." *Id.* at 840. Justice O'Connor joined the Ginsburg concurring opinion.

decision in *Interpart Corp. v. Imos Italia Vitaloni*.⁹⁹ Interpart filed a declaratory judgment action in California involving unfair competition claims under federal and state law, but it contained no patent claims. Upon issuance of a design patent to Vitaloni the following year, he filed suit in Illinois against Interpart for patent infringement. The Illinois action was transferred to California, and the judge there ordered the two cases consolidated. Interpart prevailed on all counts, the Vitaloni patent was held invalid, and attorneys' fees were awarded to Interpart for having to defend the patent action. Vitaloni appealed the fee award to the Federal Circuit and the non-patent portion of the judgment to the Ninth Circuit.¹⁰⁰ The Ninth Circuit transferred the appeal to the Federal Circuit for reasons not entirely clear, stating "the Federal Circuit has exclusive jurisdiction in these circumstances."¹⁰¹ The Federal Circuit viewed the consolidated group of cases as a single case, one over which the district court's jurisdiction was based in part on the patent provision of section 1338:

The appeal from the consolidated case involves at least a portion of the patent claim, i.e., the award of attorney fees under 35 USC § 285, which is part of the patent statute, and jurisdiction of the case is exclusively ours. The Ninth Circuit agreed.¹⁰²

No discussion was given to the possibility that consolidation did not merge the two cases into one.

¶41 The following year, the court decided what was to become the leading case on the subject, *In re Innotron Diagnostics*.¹⁰³ Innotron sued Abbott Laboratories for antitrust tying violations (we shall refer to this as "antitrust claim 1"). No claim under the patent laws was involved. Two weeks later Abbott brought a separate suit in the same court for patent infringement, and the district judge consolidated the two actions. When Innotron answered the patent infringement complaint, it included a counterclaim for patent-related antitrust violations (hereafter "antitrust claim 2") and amended its original complaint to add the allegations of antitrust claim 2 to it.

¶42 Upon Abbott's motion, the district court set the patent claims for early trial and further ordered that antitrust claims 1 and 2 would be tried together thereafter. Innotron petitioned the Ninth Circuit for a writ of mandamus directing the district judge to rejoin the patent and antitrust issues for a common trial. The Ninth Circuit transferred the mandamus petition to the Federal Circuit, with leave to renew if the Federal Circuit determined it lacked jurisdiction.¹⁰⁴

¶43 The Federal Circuit found it had jurisdiction to hear the mandamus petition because it had exclusive appellate jurisdiction over the entire proceeding. The court first stated, correctly, that the district court's consolidation order "was entirely procedural."¹⁰⁵ It used

99. 777 F.2d 678 (Fed. Cir. 1985).

100. *Id.* at 680.

101. *Id.* The Ninth Circuit's order is not reported and has not been found in a search using PACER.

102. *Id.* at 681.

103. 800 F.2d 1077, 1078 (Fed. Cir. 1986).

104. *Id.* at 1079.

105. *Id.* at 1080.

that premise to conclude that the consolidation “in no way ousted the district court of jurisdiction over [the patent] complaint,”¹⁰⁶ also a noncontroversial point. It then jumped to a conclusion that assumed the effect of consolidation must be to merge the two cases into one: “At the time the district court issued the separation order, therefore, jurisdiction of the *entire consolidated case* was based ‘in part’ on 28 U.S.C. § 1338(a).”¹⁰⁷ From there it was an easy move to conclude that the Federal Circuit had exclusive appellate jurisdiction.¹⁰⁸ We now investigate whether the court’s assumption about the effect of consolidation was correct.

A. Federal Rule 42 and Older Supreme Court Authority

¶ 44 The authority for consolidating civil actions lies in Rule 42(a) of the Federal Rules of Civil Procedure, which provides:

When actions involving a common question of law or fact are pending before the court . . . it may order all the actions consolidated; and it may make such orders concerning the proceedings therein as may tend to avoid unnecessary costs or delay.¹⁰⁹

This provision has not changed since adoption of the Federal Rules in 1938. The original Advisory Committee note says, rather unhelpfully, that it is based on former section 734 of the Judicial Code, “but insofar as the statute differs from this rule, it [i.e., the statute] is modified.” Section 734, much like current Rule 42(a), provided for consolidation without stating its effects.¹¹⁰ The Supreme Court had, however, decided in *Johnson v. Manhattan Railway Co.*¹¹¹ that, under pre-Rules practice, consolidation did not bring about a merger. *Johnson* involved two railroad receivership cases that had been ordered consolidated. The plaintiffs in one of the cases sought to overturn on appeal the orders of the judge in the other case, and the question became whether this was a direct or a collateral attack on the orders. If the cases were viewed as merged, the attack was direct, but not if the cases retained their separate identities. A more severe standard on appeal would apply if the attack were collateral.¹¹² The Court found that the attack was collateral, because consolidation did not merge the two suits into one but left them with their separate identities. The Court stated:

Under the statute, 28 U. S. C., § 734, consolidation is permitted as a matter of convenience and economy in administration, but does not merge the

106. *Id.*

107. *Id.* (emphasis added).

108. *See id.*

109. FED. R. CIV. P. 42(a).

110. See Gaylord A. Virden, *Consolidation Under Rule 42 of the Federal Rules of Civil Procedure: The U.S. Courts of Appeals Disagree on Whether Consolidation Merges the Separate Cases and Whether the Cases Remain Separately Final for Purposes of Appeal*, 141 F.R.D. 169, 189 (1991).

111. 289 U.S. 479, 496-97 (1933).

112. As stated by the Court, a collateral “attack can be successful only where and to the extent that it discloses a want of power as distinguished from error in the exertion of power that was possessed.” *Id.* at 496.

suits into a single cause, or change the rights of the parties, or make those who are parties in one suit parties in another.¹¹³

The Court buttressed its ruling by citing an earlier case, *Hillmon*, in which it had held that inasmuch as consolidated cases remained separate cases, each case required a separate verdict and judgment.¹¹⁴ Under the logic of *Johnson* and *Hillmon* it would seem clear that each district court's jurisdiction must be viewed as separately based, and that the jurisdictional situation remains that way after consolidation. The only real question is whether the promulgation of the Federal Rules of Civil Procedure, and specifically of Rule 42, changed the consolidation landscape. After adoption of the Rules, the Court has held in a *per curiam* ruling that its own appellate jurisdiction in consolidated cases must be determined separately for each case, stating:

This case was consolidated in the District Court with several other cases, at least some of which did bring into question the constitutionality of a state statute. Each case before this Court, however, must be considered separately to determine whether or not this Court has jurisdiction to consider its merits.¹¹⁵

The same must be true of the Federal Circuit's appellate jurisdiction. In addition to this array of consistent Supreme Court authority, there is an express limitation in the rules enabling legislation that any adopted rules "shall neither abridge, enlarge, nor modify the substantive rights of any litigant."¹¹⁶ Changing the right of appeal to a different court solely because of consolidation would arguably be modifying a substantive right, which the enabling legislation prohibits. Moreover, as mentioned earlier, Rule 82 forbids any construction of the Federal Rules in a manner that would alter the jurisdiction of a district court. The bases for a district court's jurisdiction therefore cannot be changed merely by virtue of consolidation.

¶45 Similar issues have come up in other jurisdictional contexts, and courts have tended to follow the Supreme Court's holding in *Johnson*. For example, the Fifth Circuit addressed a pair of cases consolidated by a district court, one having a basis for federal jurisdiction and the other not. The court refused jurisdiction of an appeal from a judgment in the latter case.¹¹⁷

¶46 Professor Moore's treatise on federal practice summarizes the overall situation: "The Supreme Court has held that consolidation does not merge the consolidated suits into one lawsuit, change the rights of the parties, or make those who were parties in one suit parties in another."¹¹⁸ In the context of district court determinations of subject matter jurisdiction it states, "nor are the courts permitted to treat the actions as merged when

113. *Id.* at 496-97.

114. *Mutual Life Ins. Co. v. Hillmon*, 145 U.S. 285, 293 (1892).

115. *Butler v. Dexter*, 425 U.S. 262, 267 n.12 (1976).

116. Rules Enabling Act, Pub. L. No. 73-415, 48 Stat. 1064. The ongoing version of that enabling standard resides in 28 U.S.C. § 2072, which provides that rules of practice and procedure may be prescribed by the Supreme Court, but "[s]uch rules shall not abridge, enlarge or modify any substantive right." 28 U.S.C. § 2072(b).

117. *McKenzie v. United States*, 678 F.2d 571, 574 (5th Cir. 1982).

118. MOORE ET AL., *supra* note 93, § 42.13[2].

analyzing jurisdictional issues.”¹¹⁹

¶47 All of the above authorities suggest the inadequacy of the Federal Circuit’s view that consolidation causes the cases to merge into a single one with a single appellate path.

B. The Regional Courts of Appeals’ Recent View: Consolidation May Cause Merger Where It Is the Lesser of Two Harms

¶48 The federal courts of appeals’ views on consolidation have undergone a gradual transformation. Some of the courts now hold that consolidation effects a merger of the underlying cases, at least in circumstances where it appears less harsh and more practical to do so. The subject arises most often in the context of finality of judgments for appeal purposes. If upon consolidation the cases retain their individual identities, following the principles of *Johnson* would require each party’s appeal time to run from when a judgment final as to that party is entered, regardless of any certification under Rule 54(b).¹²⁰ One could inadvertently let the time for noticing an appeal slip by and thereby irrevocably forfeit any right of appeal. That rationale is probably what has led some courts of appeals to rule that the underlying cases in fact merge into one upon consolidation, so that no notice of appeal is due until either (a) a final judgment deciding all claims for and against all parties is entered or (b) a partial judgment is entered with the certification flag specified by Rule 54(b). A party who feels unduly delayed by waiting for full finality can seek the Rule 54(b) certification and, if successful, appeal immediately. No one is apt to be misled into waiving a right of appeal by oversight. It appears that the Third,¹²¹ Fifth,¹²² Seventh,¹²³ and Ninth¹²⁴ Circuits have concluded in this context that consolidation does effect a merger and that absent a Rule 54(b) certification, no one has a right of appeal until all of the claims are decided. The Federal Circuit has ruled to the same effect.¹²⁵ These benign holdings have the effect of preserving a right of appeal that might otherwise be easily lost.¹²⁶ They have no bearing on deciding the question of jurisdiction *vel non*.

119. MOORE ET AL., *supra* note 93, § 42.13[4][a].

120. Rule 54(b) provides for an appeal of right where fewer than all claims against all parties in a case are adjudicated, provided that the judge (i) certifies that there is no just reason to delay finality and (ii) directs immediate entry of the judgment. FED. R. CIV. P.54(b).

121. See *Bergman v. City of Atlantic City*, 860 F.2d 560, 561 (3d Cir. 1988).

122. See *Harcon Barge Co. v. D & G Boat Rentals*, 746 F.2d 278, 287-88 (5th Cir. 1984), *rehearing en banc*, 784 F.2d 665 (1986), *cert. denied*, 479 U.S. 930 (1986); *Ringwald v. Harris*, 675 F.2d 768, 769 (5th Cir. 1982).

123. See *Ivanov-McPhee v. Washington Nat’l Ins.*, 719 F.2d 927, 930 (7th Cir. 1983).

124. See *Huene v. United States*, 743 F.2d 703 (9th Cir. 1984).

125. See *Spraytex, Inc. v. DJS&T*, 96 F.3d 1377 (Fed. Cir. 1996).

126. The volume of consolidated-case appeals dismissed as premature suggests that this is a frequent problem at the Federal Circuit. See, e.g., *Thomson Licensing SA v. Beery*, No. 05-1459, 154 F. Appx. 206, 207; 2005 U.S. App. LEXIS 24094 (Fed. Cir. 2005); *Kemin Foods, L.C. v. Pigmentos Vegetales del Centro S.A. De C.V.*, No. 05-1295, 132 F. Appx. 368, 369; 2005 U.S. App. LEXIS 10064 (Fed. Cir. 2005); *Hornback v. United States*, No. 04-5023, 98 F. Appx. 850, 853-54; 2004 U.S. App. LEXIS 6549 (Fed. Cir. 2004).

C. Current View of the Federal Circuit on Effects of Consolidation

¶ 49 The Federal Circuit's view that consolidation of cases for all purposes effects a merger for appellate path purposes and that all appeals in the family of cases, patent and non-patent alike, must come to it appears unchanged from the early years, although the court has now recognized that the issue is not as straightforward as its early opinions suggested. In *Spraytex Inc. v. DJS&T*,¹²⁷ the court was faced with a finality issue and decided it by reference to its early rulings on consolidation of patent and non-patent cases. It held:

It is thus clear that our court has treated a consolidated case as one merged unit for certain jurisdictional purposes. We now extend this approach to join the Ninth and Tenth Circuits in adopting the rule that, absent Rule 54(b) certification, there may be no appeal of a judgment disposing of fewer than all aspects of a consolidated case.¹²⁸

The extension aspect may be correct, because the court in *Spraytex* was dealing with a time-for-appeal problem. As noted above, other courts have used a similar rationale to save an appeal right that would otherwise be irrevocably lost. No case has been found, however, wherein the Federal Circuit has seriously questioned its generalized "merger" theory of consolidation, or recognized the limitations imposed by *Johnson*, other Supreme Court cases, and Rule 82.

¶ 50 The Federal Circuit's view on the subject has several disadvantages. It encourages consolidation for purposes well beyond those the consolidation tool was intended to accomplish and what district judges may envision when ordering consolidation. It deprives a party of her right of appeal to the regional court of appeals for no justifiable reason, based only on an unfounded assumption by the court about consolidation. And it gives the impression of a jurisdiction-acquisitive attitude that in all likelihood the judges of the Federal Circuit do not actually share. Reversing the rule would not cause any serious difficulties. Individual judgments would be rendered in the separate cases, and these judgments would be appealed to the tribunals that would have heard them absent the consolidation. It is difficult to see how anyone would be harmed, or even significantly inconvenienced, by that approach.

IV. CONCLUSION: APPLYING JURISDICTIONAL ANALYSES TO PATENT-ANTITRUST CASES

¶ 51 The analyses given in this article would, if implemented, have significant ramifications at the intersection of patent litigation and antitrust litigation. After the Supreme Court's decision in *Holmes v. Vornado* that a patent counterclaim will not trigger Federal Circuit appellate jurisdiction, a party sued for antitrust violations and those having patent infringement claims against the antitrust plaintiff would have to

127. 96 F.3d 1377 (Fed. Cir. 1996).

128. *Id.* at 1382.

consider the appellate paths resulting from the procedural choices available.

¶ 52 A preliminary question is whether, in response to an antitrust complaint, a claim for patent infringement is a compulsory counterclaim. The usual scenario is: antitrust plaintiff alleges monopolization, maintenance, or attempt by the patent owner. There may also be a charge that the patent is a main instrument of the monopolization scheme and was procured by fraud. The patent owner wants not only to deny fraudulent procurement and invalidity but also to assert a claim against the plaintiff company for patent infringement. Must she do so by way of counterclaim in the antitrust case? Or does she have the option to sue in a separate action for patent infringement? In the reverse situation, the Supreme Court ruled in *Mercoïd v. MidContinent*¹²⁹ that where the original complaint is for patent infringement, an antitrust claim was not a compulsory counterclaim, and hence could either be raised by counterclaim or in a separate action for infringement.¹³⁰ If the two claims are not sufficiently related¹³¹ to label the opposing claim as compulsory in that setting, they should not be compulsory in the reverse setting where antitrust is pleaded in the first complaint and patent infringement asserted in some manner as a responsive claim. However, widely different settings of actual cases have caused some courts to caution that there can be no general rule.¹³²

¶ 53 If, following *Mercoïd*, the patent claim is not a compulsory counterclaim and the patentee elects to counterclaim for patent infringement, the entire case will go for appellate review to the regional court of appeals per *Holmes*. If she chooses instead to file a separate action for patent infringement, the current case law dictates that the appellate path depends on whether the two cases are consolidated for all purposes. If the cases remain as two separate actions, the judgment in the antitrust case will go to the regional court of appeals and the judgment in the patent case will go to the Federal Circuit. If they are consolidated, under current Federal Circuit case law both appeals will go to the Federal Circuit. Under the analysis offered here, however, they should go on their respective routes as they would have done in the absence of consolidation. This alternative proposal is unlikely to cause serious problems. Courts customarily split out the patent claims for early disposition by summary judgment or trial¹³³ and enter an

129. *Mercoïd Corp. v. MidContinent Inv. Co.*, 320 U.S. 661, 671 (1944).

130. *Id.* The decision has been criticized as inconsistent with Rule 13(a) in most factual settings, but it has never been overruled. See Teague I. Donahy, *Antitrust Counterclaims in Patent Infringement Litigation: Clarifying the Supreme Court's Enigmatic Mercoïd Decision*, 81 J. PAT. & TRADEMARK OFF. SOC'Y 493 (1999).

131. FED. R. CIV. P. 13(a) defines a compulsory counterclaim as one that "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim" and meets certain other procedural conditions.

132. See, e.g., *Xerox Corp. v. SCM Corp.*, 576 F.2d 1057, 1060 (3d Cir. 1978) (finding no general rule on whether patent infringement claims are compulsory counterclaims in case where complaint was for antitrust violations).

133. Summary judgment is by far the predominant vehicle for disposing of patent cases today, outstripping trials by more than 3:1. See Paul M. Janicke and LiLan Ren, *Who Wins Patent Infringement Cases?*, 34 AIPLA Q.J. (forthcoming winter 2006). This statistical study indicates that while there are only about 100 patent trials per year in the United States, nearly 500 patent cases per year are appealed to the Federal Circuit. *Id.* The difference is predominantly due to summary judgment plus the disposal of a few cases on procedural grounds, such as dismissal for lack of personal jurisdiction over the defendant or for improper venue.

appealable judgment under Rule 54(b).¹³⁴ The proposals given here will accentuate the desirability of utilizing that Rule. For the relatively unusual case where all issues are decided at the same time, separate judgments would still need to be entered in the cases, and the courts of appeals might need to coordinate their respective appellate reviews in order to resolve issues in a reasonable order. Usually the patent appeal would be decided first, since it will have a heavy impact on resolution of the antitrust issues.

¶ 54 Despite the often-heard decrying of forum-shopping in the legal system generally, the fact remains that lawyers are obliged to represent their clients vigorously, and as long as there are several possible procedural or forum options, counsel are duty-bound to investigate and recommend some over others. The Federal Circuit path for the patent part of the case may seem tactically more desirable if counsel for the patentee views that court as more favorably disposed toward patents than the regional circuit would be, a question that has drawn considerable debate in recent years.¹³⁵

¶ 55 Let us now consider the reverse sequence, where the patent infringement suit is filed first and the accused infringer must consider her response options. Under both existing law and the recommendations here, this case arises under the patent laws. A counterclaim filed in the case will not change the appellate path unless the patent claims drop out of the case, leaving only antitrust claims adjudicated. As discussed above, this is what happened in *Independent Ink*. The Federal Circuit's current view is that if the dropping out occurs by amendment of the complaint or by dismissal without prejudice, the Federal Circuit loses appellate jurisdiction because the district court's jurisdiction is no longer based even in part on the patent provision of section 1338. The positions outlined in this article would have the same effect in either of those situations. However, if the patent claim were dropped out by a settlement that included a dismissal of those claims with prejudice, then under *Independent Ink* the Federal Circuit would still have jurisdiction, but under the analysis given here it would not. The appeal would go to the

134. See, e.g., *Purdue Pharma L.P. v. Endo Pharms., Inc.*, 410 F.3d 690, 694-95 (Fed. Cir. 2005) (entering an appeal from a Rule 54(b) judgment on the patent claim only in a case involving a patent claim and an antitrust counterclaim); *Neomagic Corp. v. Trident Microsystems, Inc.*, No. 04-1046, 110 F. Appx. 103, 105; 2004 U.S. App. LEXIS 16178 (Fed. Cir. 2004); *Rheox, Inc. v. Entact, Inc.*, 276 F.3d 1319, 1323-24 (Fed. Cir. 2002) (appealing from Rule 54(b) judgment on patent claims, leaving antitrust counterclaims for later disposition).

135. This writer believes the Federal Circuit has found noninfringement so often in recent years that it cannot be considered a "pro-patent court" in any meaningful sense. While it is true that the Federal Circuit finds patents valid about 45% of the time the issue is raised, a figure quite a bit higher than the percent of patents the regional circuits found valid prior to the Federal Circuit's creation in 1982, it is far from clear that the regional circuits would generate results on validity today that are any different from the rulings issued by the Federal Circuit. See John R. Allison and Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185 (1998). Moreover, to win a patent case the patentee needs also to prevail on the question of infringement, which is the most often encountered issue in patent decisions today. See University of Houston Law Center, Institute for Intellectual Property & Patent Law, *Patent Statistics*, <http://www.patstats.org>, showing that for cases that database in the five-year period 2000-2004, literal infringement was decided by the Federal Circuit 256 times in favor of the accused infringer and 118 times in favor of the patentee, and infringement under the doctrine of equivalents 179 times for the accused infringer and fifty-three times for the patentee. By contrast, the most common validity issue, obviousness, was decided fifty-four times by the court for the patent owner, versus fifty-two times for the accused infringer. *Id.*

regional circuit like any other antitrust appeal.

¶ 56 If in this same situation (patent suit first, with antitrust response of some sort), the defendant wishes to file her antitrust claim in a separate action, we must first consider whether such a claim is a compulsory counterclaim. It has been mentioned above that the Supreme Court held in *Mercoid v. MidContinent* that where the complaint is for patent infringement, claims for antitrust violation based on misuse of a patent are often regarded as not being compulsory counterclaims,¹³⁶ although the issue is not settled.¹³⁷ If the antitrust claim is not a compulsory counterclaim and is filed as a separate action, a later consolidation of the two cases will, under existing law, mean that everything goes to the Federal Circuit, but under the present analysis the cases would follow their respective appellate paths regardless of consolidation.

¶ 57 Many situations involving opposing claims under patent law and under antitrust law are uncontroversial as far as jurisdiction is concerned. For example, if an antitrust plaintiff files first and includes additional counts for declaratory judgment of patent invalidity or noninfringement, that case is pointed to the Federal Circuit under any analysis, so long as all claims remain in the case. The district court's jurisdiction is "based . . . in part" on section 1338(a). A second example would be when a patentee sues for patent infringement plus other claims, e.g., one for breach of contract based upon diversity and a pendent claim for related unfair competition. This case is likewise destined for the Federal Circuit, because the district court's jurisdiction is based in part on the patent portion of section 1338. Appellate jurisdiction will be unaffected by a possible antitrust counterclaim, with or without additional counterclaims for declaratory judgment of patent invalidity, noninfringement, or unenforceability, even though these additional counts arise under the patent law. Any appeal of any judgment in the case, provided it has sufficient finality to be appealable at all, will go to the Federal Circuit. A third example would be when the plaintiff's initial suit contains antitrust claims only. A counterclaim is filed for patent infringement, with or without other, non-patent claims. *Holmes v. Vornado* made clear that all appeals from all appealable judgments in this case—even one disposing only of the patent counterclaims—will go to the regional court of appeals.¹³⁸

¶ 58 It seems clear that the congressional objective of having a rich diversity of issues come before the Federal Circuit is currently being well served and would continue if the

136. *Mercoid Corp. v. MidContinent Inv. Co.*, 320 U.S. 661, 662 (1944). See also, e.g., *Tank Insulation Int'l v. Insultherm, Inc.*, 104 F.3d 83, 87 (5th Cir. 1997) (stating that *Mercoid* is binding precedent and controls the counterclaim issue before the court); *Hydranautics v. Filmtec Corp.*, 70 F.3d 533, 536 (9th Cir. 1995) (holding that an antitrust claim is not a compulsory counterclaim in a patent infringement action).

137. See, e.g., *Critical-Vac Filtration Corp. v. Minuteman Int'l Inc.*, 233 F.3d 697, 702-03 (2d Cir. 2000) (stating that no general rule can be extracted from *Mercoid* on whether an antitrust claim is a compulsory counterclaim in a suit for patent infringement); *Burlington Indus. Inc. v. Milliken & Co.*, 690 F.2d 380, 389 (4th Cir. 1982) (holding that *Mercoid's* "continuing validity is open to serious question").

138. A further example was alluded to earlier: The patent owner sues for patent infringement, and a counterclaim is filed, inter alia, for antitrust violations. If the claims remain this way, the case is pointed to the Federal Circuit for appellate review because the complaint contains a patent claim over which the district court has jurisdiction under section 1338(a).

court were to improve its jurisdictional views on dropped claims and on the effects of consolidation. Litigants would have more predictable choices if these improvements were to be implemented, and more rationality would be imparted to the jurisprudence in these areas.