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## Rising Confusion About "Arising Under" Jurisdiction in Patent Cases

Paul R. Gugliuzza

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# **RISING CONFUSION ABOUT “ARISING UNDER” JURISDICTION IN PATENT CASES**

*Paul R. Gugliuzza\**

## **ABSTRACT**

*By statute, all cases “arising under” patent law must be heard exclusively by the federal courts (not state courts) and, on appeal, by the Federal Circuit (not the twelve regional circuits). But not all cases involving patents “arise under” patent law. As recently as 2013, the Supreme Court ruled that the mere need to apply patent law in, for example, a malpractice case involving a patent lawyer, is insufficient to trigger exclusive jurisdiction. Rather, the Court held, for a case that does not involve claims of patent infringement to arise under patent law, the patent issue must be “important ... to the federal system as a whole.”*

*Despite the Supreme Court’s holding that “fact-bound and situation-specific” patent issues do not warrant exclusive jurisdiction outside of infringement cases, the lower courts’ precedent in this area remains unsettled. The Federal Circuit has, at times, tried to resurrect its older case law extending exclusive jurisdiction to practically any patent-related tort, contract, or antitrust case. But, in other decisions, the Federal Circuit has constricted jurisdiction so dramatically that the Fifth Circuit recently refused to accept a case transferred to it by the Federal Circuit, deriding the Federal Circuit’s jurisdictional ruling as not just wrong but “implausible.” All of this uncertainty incentivizes costly and wasteful procedural maneuvering in a field where litigation is already expensive.*

*This Article is the first to chronicle the rising confusion about the scope of the federal district courts’ and the Federal Circuit’s exclusive jurisdiction over cases arising under patent law. The Article critiques the case law emerging in the lower federal courts and proposes a jurisdictional rule that is both clear and consistent with Supreme Court precedent: For a case that does not involve claims of patent infringement to nevertheless arise under patent law, it must*

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*present a dispute about the content of federal patent law or a question about the interpretation or validity of the federal patent statute; questions about the validity or scope of a particular patent are not sufficient.*

*In arguing for this new approach, the Article also engages broader questions about the jurisdictional structure of patent litigation. Among other things, it suggests that the courts or Congress should rethink longstanding doctrine that makes the test for Federal Circuit appellate jurisdiction identical to the test for exclusive original jurisdiction in the district courts. Exclusive district court jurisdiction entirely precludes state courts from shaping their own state's law, so federal courts should be hesitant to exercise jurisdiction over a tort or contract claim simply because there is a patent lurking in the background. But when a patent-related case is properly in federal district court, the Federal Circuit's expertise in patent law and ability to provide uniformity counsel in favor of giving the court a broad scope of appellate jurisdiction.*

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## INTRODUCTION

The federal district courts have exclusive subject matter jurisdiction over cases “arising under” patent law.<sup>1</sup> The U.S. Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction over those same cases.<sup>2</sup> At first blush, this regime seems simple: State courts may not hear patent cases, only federal courts can. And when there is an appeal in a patent case, it goes to the Federal Circuit, not one of the twelve regional circuits. Yet subject matter jurisdiction in patent cases is, surprisingly, one of the thorniest issues in all of civil procedure.

In a 2013 opinion holding that legal malpractice claims against patent attorneys do not fall within the federal courts’ exclusive jurisdiction, Chief Justice Roberts noted that, in deciding the jurisdictional issue, “we do not paint on a blank canvas.”<sup>3</sup> “Unfortunately,” he continued, “the canvas looks like one that Jackson Pollock got to first.”<sup>4</sup> In an earlier Supreme Court case on the scope of the Federal Circuit’s appellate jurisdiction, the Court had to step in to stop what it called a “game of jurisdictional ping-pong” in which the dispute had been transferred from the Federal Circuit to the Seventh Circuit and back again to the Federal Circuit,<sup>5</sup> with each court “adamantly disavow[ing] jurisdiction” and each court “insist[ing] that the other’s jurisdictional decision [was] ‘clearly wrong.’”<sup>6</sup>

Despite frequent Supreme Court decisions on patent jurisdiction and recent congressional amendments to the relevant statutes,<sup>7</sup> confusion persists. Indeed, as the title of this Article suggests,<sup>8</sup> it seems to be getting worse. In February 2019, in a decision that attracted widespread attention from both patent lawyers

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<sup>1</sup> 28 U.S.C. § 1338(a) (2012) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents.... No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents ....”).

<sup>2</sup> *Id.* § 1295(a)(1) (“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 ... 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 ....”).

<sup>3</sup> *Gunn v. Minton*, 568 U.S. 251, 258 (2013).

<sup>4</sup> *Id.*

<sup>5</sup> *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 818 (1988).

<sup>6</sup> *Id.* at 803 (citation omitted).

<sup>7</sup> In addition to the *Gunn* and *Christianson* cases cited in the preceding footnotes, the Supreme Court tackled a patent-related issue of subject matter jurisdiction in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826, 830 (2002), holding that the Federal Circuit did not have jurisdiction over a case in which patent infringement was asserted only as a counterclaim—a decision Congress overruled in the America Invents Act, Pub. L. No. 112-29, § 19(b)(1), 125 Stat. 284, 331–32 (2011).

<sup>8</sup> For inspiring that title, credit is due to Mark A. Lemley, *The Ongoing Confusion Over Ongoing Royalties*, 76 Mo. L. REV. 695 (2011).

and scholars, the Fifth Circuit refused to decide an appeal that had been transferred to it by the Federal Circuit, deriding the Federal Circuit's ruling declining jurisdiction as not just wrong but "implausible" and transferring the case *back* to the Federal Circuit.<sup>9</sup> A month later, the Federal Circuit, despite numerous "flaws" it identified in the Fifth Circuit's transfer opinion, reluctantly accepted jurisdiction, seemingly ending this particular match of jurisdictional table tennis.<sup>10</sup> But the harsh words the Fifth Circuit and Federal Circuit traded about each other's understanding of the relevant jurisdictional doctrine—as well as clear and persistent conflicts in the Federal Circuit's own jurisdictional precedent<sup>11</sup>—suggests that the Supreme Court, or perhaps the Federal Circuit en banc, will eventually have to step in to alleviate the rising confusion over arising under jurisdiction in patent cases.<sup>12</sup>

To be sure, in many patent disputes, subject matter jurisdiction is not seriously contested. A case in which a plaintiff asserts a claim of patent infringement, for example, plainly arises under patent law.<sup>13</sup> The same goes for claims seeking declaratory judgments that a patent is invalid or not infringed.<sup>14</sup> Infringement and declaratory judgment claims are actually created by federal

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<sup>9</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 431 (5th Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019); *see also Christianson*, 486 U.S. at 819 (holding that a transferee court should accept jurisdiction over a patent appeal so long as the transfer decision is "plausible" and not "clearly erroneous"). For a sample of commentary on the *Xitronix* case, see Dennis Crouch, *Walker-Process Antitrust Case Is Back Before the Federal Circuit*, PATENTLYO (Feb. 24, 2019), <https://patentlyo.com/patent/2019/02/process-antitrust-federal.html>; Bryan Koenig, *Xitronix Patent Antitrust Row Not Welcome at 5th Circ. Either*, LAW360 (Feb. 19, 2019, 7:56 PM), <https://www.law360.com/articles/1130148>; Mark Lemley (@marklemley), TWITTER (Feb. 20, 2019, 8:30 PM), <https://twitter.com/marklemley/status/1098394441436413952> ("Anyone want a patent-antitrust case? The Federal Circuit sent this case to the Fifth Circuit, saying they didn't have jurisdiction. The Fifth Circuit just sent it back, saying [the Federal Circuit] w[as] the only court that DID have jurisdiction.").

<sup>10</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 757 F. App'x 1008, 1010 (Fed. Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019). The Federal Circuit's decision likewise grabbed headlines in the world of patent law. *See, e.g.*, Tiffany Hu, *Fed. Circ. Ends Ping-Pong with 5th Circ. on IP Antitrust Suit*, LAW360 (Mar. 14, 2019, 3:29 PM), <https://www.law360.com/articles/1138869>.

<sup>11</sup> *See infra* Part II.B.

<sup>12</sup> *See* Bryan Koenig, *Justices' Cert Denial Won't Quell Circuit 'Pingpong' Matches*, LAW360 (Oct. 18, 2019, 8:05 PM), <https://www.law360.com/articles/1211080/justices-cert-denial-won-t-quell-circuit-pingpong-matches> (noting that the Supreme Court's denial of cert. in *Xitronix* "left intact binding precedent" in each circuit—the Federal Circuit and the Fifth Circuit—"that the case belonged in the other court"); Bryan Lammon, *Cert Petition: Patent Appeals & Jurisdictional Hot Potato*, FINAL DECISIONS (July 31, 2019), <https://finaldecisions.org/cert-petition-patent-appeals-jurisdictional-hot-potato> ("[T]he state of the law must be maddening for practitioners. What are parties in future *Walker Process* suits to do? File in the regional circuit (which the Federal Circuit thinks is proper) but risk the regional circuit sending the case to the Federal Circuit (like the Fifth Circuit did)? Or should they file first in the Federal Circuit (which the Fifth Circuit thought was proper) and wait for the Federal Circuit to transfer the case to the regional circuit?").

<sup>13</sup> 13D CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3582 (3d ed. 2008).

<sup>14</sup> *Id.*

patent law,<sup>15</sup> so there is no question that cases containing those claims fall within the federal courts' and the Federal Circuit's exclusive jurisdiction.<sup>16</sup> But confusion occurs because many cases that do not include claims for patent infringement nevertheless implicate patent law and therefore potentially "arise under" patent law for jurisdictional purposes.<sup>17</sup> For example, plaintiffs often base antitrust claims on patent-related conduct.<sup>18</sup> Though patent-related antitrust claims are usually (but not always) asserted under federal statutes such as the Sherman Act, claims created by state law can raise patent issues, too.<sup>19</sup> Common examples include suits for breach of a patent licensing contract,<sup>20</sup> tort claims based on false allegations of patent infringement,<sup>21</sup> and malpractice claims against lawyers who litigated a prior infringement dispute or who prosecuted a patent.<sup>22</sup>

Under current law, it is often unclear whether these patent-related cases "arise under" patent law for the purpose of triggering the federal district courts' and the Federal Circuit's exclusive jurisdiction. For several decades, the Federal Circuit held that cases involving claims created by state law or by a federal law besides the Patent Act nevertheless arose under patent law any time the case required the court to *apply* patent law.<sup>23</sup> Almost all claims for breach of a patent license agreement met that lenient standard because those cases usually focus on questions about patent scope (which determines the extent of the defendant's obligation to pay royalties) and validity (because a ruling of invalidity can nullify the defendant's obligation to pay any royalties at all). The same goes for most tort claims involving patent enforcement conduct because they usually

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<sup>15</sup> See 35 U.S.C. § 281 (2012).

<sup>16</sup> See *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (Holmes, J.) ("A suit arises under the law that creates the cause of action.").

<sup>17</sup> See *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 827 (2d Cir. 1964) (Friendly, J.) ("It has come to be realized that Mr. Justice Holmes' formula," see *supra* note 16, "is more useful for inclusion than for the exclusion for which it was intended."). See generally 13D WRIGHT ET AL., *supra* note 13, § 3582 (surveying the types of non-patent cases that arise under patent law).

<sup>18</sup> See, e.g., *Ark. Carpenters Health & Welfare Fund v. Bayer AG*, 604 F.3d 98, 104 (2d Cir. 2010) (antitrust challenge to a "reverse payment" settlement of patent litigation); *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323, 1331 (Fed. Cir. 2008) (different appeal in the same litigation).

<sup>19</sup> See, e.g., *Eon Labs., Inc. v. SmithKline Beecham Corp.*, 298 F. Supp. 2d 175, 177 (D. Mass. 2003) (state antitrust claims based on the defendant's conduct in enforcing a patent).

<sup>20</sup> See generally Amelia Smith Rinehart, *The Federal Question in Patent-License Cases*, 90 IND. L.J. 659, 662–68 (2015) (citing numerous case examples).

<sup>21</sup> See generally Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 VA. L. REV. 1579, 1588–90 (2015) (citing case examples).

<sup>22</sup> In addition to the *Gunn* case cited above, see generally Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1809–15 (2013) (citing additional malpractice cases).

<sup>23</sup> See, e.g., *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1329 (Fed. Cir. 1998); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478–79 (Fed. Cir. 1993).

hinge on whether a patentee's allegations of infringement were accurate. Similarly, patent-related malpractice claims ask what would have happened in patent infringement litigation or patent prosecution but for the attorney's alleged negligence—a question that plainly requires the court to apply federal patent law.

In a prior article,<sup>24</sup> I argued that this Federal Circuit case law was in tension with Supreme Court precedent holding that the “mere need to apply federal law” will not cause a case to arise under that law.<sup>25</sup> And, in 2013, the Supreme Court overturned the Federal Circuit's precedent. In *Gunn v. Minton*, the Court held that malpractice claims against patent attorneys “will rarely, if ever, arise under federal patent law” because they implicate only backward-looking, case-specific issues that are not important “to the federal system as a whole.”<sup>26</sup>

The Supreme Court's opinion in *Gunn* seemed to offer a relatively clear rule: The mere need to apply patent law is not sufficient to cause a case to arise under patent law; rather, resolution of the patent issue must have significant consequences for more than just the parties to the case.<sup>27</sup> But the Federal Circuit has a reputation for resisting the Supreme Court's efforts to modify patent doctrine.<sup>28</sup> As I show in this Article, the Federal Circuit has at times lived up to that reputation in the realm of subject matter jurisdiction.<sup>29</sup>

Initially, the Federal Circuit tried to blunt the effects of *Gunn* by limiting the Supreme Court's holding to its specific facts—interpreting the decision to preclude jurisdiction only when, as in the *Gunn* case itself, the relevant patent

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<sup>24</sup> See Gugliuzza, *supra* note 22, at 1815.

<sup>25</sup> *Grable & Sons Metal Prod., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 313 (2005).

<sup>26</sup> 568 U.S. 251, 258, 260 (2013).

<sup>27</sup> See *id.* at 263–64 (ruling that federal jurisdiction did not exist because the effects of the case “would be limited to the parties and patents that [were] before the . . . court” and would not create “binding precedent for any future patent claim”).

<sup>28</sup> See, e.g., Robin Feldman, *Coming of Age for the Federal Circuit*, 18 GREEN BAG 2D 27, 38 (2014) (“[T]hese opinions raise the possibility of the appearance that Federal Circuit judges are trying to resist Supreme Court precedent . . .”); Roger Allan Ford, *The Uneasy Case for Patent Federalism*, 2017 WIS. L. REV. 551, 592 (2017) (“The Federal Circuit is notorious for resisting Supreme Court guidance.”); Laura G. Pedraza-Fariña, *Understanding the Federal Circuit: An Expert Community Approach*, 30 BERKELEY TECH. L.J. 89, 124 (2015) (“An analysis of Federal Circuit case law reveals a pattern of resistance to implementing Supreme Court decisions overruling Federal Circuit precedent . . .”).

<sup>29</sup> Some commentators have suggested that the Federal Circuit has become more deferential to the Supreme Court over the past decade or so. See, e.g., Timothy R. Holbrook, *The Federal Circuit's Acquiescence(?)*, 66 AM. U. L. REV. 1061, 1064 (2017) (“The Supreme Court has reengaged with patent law, and, after an initial period of resistance, the Federal Circuit increasingly is following the Court's precedent with little pushback.”). The analysis in this Article at least partly challenges that notion of Federal Circuit acquiescence.

had already been invalidated or was no longer in force.<sup>30</sup> More recent Federal Circuit decisions—by different panels of judges—have attempted to walk back that cramped interpretation of *Gunn*.<sup>31</sup> The results in those cases are more faithful to the Supreme Court’s precedent, but they raise their own problems. For one, although those Federal Circuit opinions probably reach the correct result under binding Supreme Court doctrine, the Federal Circuit’s reasoning has been highly suspect—so much so that the Fifth Circuit, as mentioned, recently sent a case *back* to the Federal Circuit because the Fifth Circuit found the Federal Circuit’s jurisdictional analysis to be deeply flawed.<sup>32</sup> Moreover, the Federal Circuit’s decisions adopting a narrow conception of arising under jurisdiction create clear intracircuit splits that leave state courts, federal district courts, and the regional circuits—all of whom often must decide questions of patent jurisdiction in the first instance—with no helpful guidance from a court whose primary reason for existence is to provide uniformity in patent law.<sup>33</sup>

This uncertainty encourages parties to engage in wasteful litigation about matters entirely collateral to the merits of the case—not something the law should incentivize in a field in which litigation is already expensive.<sup>34</sup> And, to be clear, the consequences of a mistake about whether a case arises under patent law are severe. It is black-letter law that defects in subject matter jurisdiction may not be waived by the parties and can be raised at any time—including after trial or on appeal.<sup>35</sup> Thus, a flaw in subject matter jurisdiction can wipe out years of litigation and result in millions of dollars wasted.

The new jurisdictional regime proposed by this Article will help mitigate those effects by providing a clear rule that should be easy to apply in most cases.

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<sup>30</sup> See, e.g., *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1337 (Fed. Cir. 2014); *Forrester Envtl. Servs., Inc. v. Wheelabrator Techs., Inc.*, 715 F.3d 1329, 1334 (Fed. Cir. 2013); see also *Gunn*, 568 U.S. at 261 (noting that, regardless of the outcome of the malpractice case, “Minton’s patent will remain invalid”).

<sup>31</sup> See, e.g., *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1366–67 (Fed. Cir. 2019); *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1078 (Fed. Cir. 2018); *Alps South, LLC v. Shumaker, Loop & Kendrick, LLP*, No. 2018-1717, 2018 WL 4522168, at \*3 (Fed. Cir. June 14, 2018).

<sup>32</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 431 (5th Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019).

<sup>33</sup> For an opinion highlighting the inconsistencies in the Federal Circuit’s recent jurisdictional decisions, see *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194, 1200 (Fed. Cir. 2018) (Newman, J., dissenting from the denial of the petition for rehearing en banc).

<sup>34</sup> See generally Mark A. Lemley, *The Surprising Resilience of the Patent System*, 95 TEX. L. REV. 1, 56 (2016) (arguing that, because recent changes to patent law seem to have had little effect on patent acquisition and enforcement, reformers should instead “look out for opportunities to simplify patent litigation, making it quicker and cheaper” (emphasis added)).

<sup>35</sup> 13D WRIGHT ET AL., *supra* note 13, § 3522. In *Gunn*, for instance, the plaintiff—who chose to file the case in state court—was the party who objected to the state court’s subject matter jurisdiction, and he did so only on appeal after he had lost on the merits in the trial court. See *Gunn v. Minton*, 568 U.S. 251, 255 (2013).



Specifically, the Article argues that, as the Supreme Court suggested in *Gunn*, cases that do not contain claims for patent infringement or for declaratory judgments of invalidity or noninfringement should be viewed to arise under patent law only in rare circumstances.<sup>36</sup> For such a case to trigger the federal courts' and the Federal Circuit's exclusive jurisdiction, I argue, it should present a dispute about the content of federal patent law or a question about the interpretation or validity of the federal patent statute.<sup>37</sup> This rule, which also clarifies some lingering ambiguities in the *Gunn* opinion itself,<sup>38</sup> will probably not eliminate litigation over subject matter jurisdiction in patent cases. But it will make the law look less like a Jackson Pollock painting and more like a Mark Rothko.<sup>39</sup>

Though this Article focuses primarily on a confusing issue at the intersection of patent law and civil procedure, its analysis has relevance beyond patent litigation. The question it examines—when does a case consisting entirely of non-patent claims nevertheless arise under federal patent law?—is a species of a particularly “vexing” question in civil procedure more broadly.<sup>40</sup> Under the general federal question statute, 28 U.S.C. § 1331, the district courts have jurisdiction over all cases “arising under” federal law,<sup>41</sup> so they sometimes must decide whether, in the absence of diversity jurisdiction, they can hear a case that involves only claims created by state law but that implicates issues of federal law.<sup>42</sup> This Article is highly pertinent to that question, too: Not only do both the patent-specific and general federal question statutes use the same “arising under” terminology, the courts often treat patent and non-patent jurisdictional case law as interchangeable.<sup>43</sup>

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<sup>36</sup> See *Gunn*, 568 U.S. at 258 (characterizing the “category” of state law claims that nevertheless arise under federal law as “special and small” and “slim”).

<sup>37</sup> See *infra* Part III.A.1.

<sup>38</sup> See *infra* notes 282–95 and accompanying text.

<sup>39</sup> Rothko's most famous works are his so-called multiforms—blocks of various colors devoid of any landscape or human features. See *Mark Rothko—Artist Gallery of Career Highlights Including His Most Famous Paintings*, MARK ROTHKO, <http://www.markrothko.org> (last visited Nov. 10, 2019). The borders of Rothko's blocks are blurry or slightly irregular, just as there will still be disputes at the boundaries of the jurisdictional rule I propose. But a Rothko painting portrays a sense of order that is largely absent from Pollock's iconic drip paintings that Chief Justice Roberts referenced in *Gunn*. See, e.g., Jackson Pollock, *One: Number 31, 1950* (1950), MOMA.ORG, <https://www.moma.org/collection/works/78386> (last visited Aug. 29, 2019).

<sup>40</sup> 13D WRIGHT ET AL., *supra* note 13, § 3562.

<sup>41</sup> 28 U.S.C. § 1331 (2012) (“The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.”).

<sup>42</sup> E.g., *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 311, 314–15 (2005) (upholding federal question jurisdiction over a state law quiet title case that turned on whether the IRS, when it seized the plaintiff's land, had provided the plaintiff with the notice required by the federal tax statute).

<sup>43</sup> *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830 (2002) (“[L]inguistic consistency” requires us to apply the same test to determine whether a case arises under § 1338(a) as under

Still, subject matter jurisdiction in patent cases merits its own study because, for at least three reasons, the stakes are potentially higher in disputes over patent jurisdiction than they are in federal question cases more generally. First, federal jurisdiction over cases that arise under patent law is exclusive of the state courts (unlike under the general federal question statute, where federal courts and state courts share concurrent jurisdiction), so disputes over patent jurisdiction have major federalism implications. If exclusive jurisdiction does indeed exist over a patent-related state law claim, then that state's courts will be entirely prohibited from shaping their own state's law in that area.<sup>44</sup> Second, unlike under the general federal question statute, which is relevant only to the division of authority between the state and federal courts, the question of whether a case arises under patent law also implicates questions of appellate jurisdiction because it allocates cases between the Federal Circuit (which is thought to have special expertise in patent matters) and the regional circuits (which rarely hear patent cases). Finally, federal patent jurisdiction is animated by a unique policy aim: uniformity. Though uniformity is thought to be beneficial in all areas of law,<sup>45</sup> judges and commentators frequently stress the singular importance of uniformity in patent cases, both in terms of the treatment of a given patent<sup>46</sup> and in terms of legal doctrine more generally.<sup>47</sup> These distinctive characteristics of patent litigation suggest a need for independent analysis about whether and in

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§ 1331.”); *see also* *Madstad Eng'g, Inc. v. USPTO*, 756 F.3d 1366, 1371 (Fed. Cir. 2014) (“Through 28 U.S.C. § 1338(a), Congress placed the resolution of actions arising under an Act of Congress relating to patents exclusively within the federal courts. Through 28 U.S.C. § 1295(a)(1), Congress placed appeals from such matters exclusively within the province of the Federal Circuit.”).

<sup>44</sup> *See generally* *Gunn v. Minton*, 568 U.S. 251, 264–65 (2013) (refusing to find exclusive federal jurisdiction over a patent-related malpractice case because “[t]he States ... have ‘a special responsibility for maintaining standards among members of the licensed professions’” (quoting *Ohralik v. Ohio State Bar Ass'n*, 436 U.S. 447, 460 (1978))).

<sup>45</sup> For a challenge to that conventional view, *see* Amanda Frost, *Overvaluing Uniformity*, 94 VA. L. REV. 1567, 1570–71 (2008).

<sup>46</sup> *See, e.g.,* *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 851 (2015) (Thomas, J., dissenting) (“Uniformity is a critical feature of our patent system because ‘[t]he limits of a patent must be known ....’” (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996))); *Markman*, 517 U.S. at 390 (“[W]e see the importance of uniformity in the treatment of a given patent as an independent reason to allocate all issues of [claim] construction to the court [rather than to a jury].”).

<sup>47</sup> *See, e.g.,* *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 649 (1999) (Stevens, J., dissenting) (identifying “national uniformity” as “the principle that undergirds all aspects of our patent system”); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162–63 (1989) (“Given the inherently ephemeral nature of property in ideas, and the great power such property has to cause harm to the competitive policies which underlay the federal patent laws, the demarcation of broad zones of public and private right is the ‘type of regulation that demands a uniform national rule.’” (quoting *Ray v. Atl. Richfield Co.*, 435 U.S. 151, 179 (1978))); *see also* Paul R. Gugliuzza, *Patent Law Federalism*, 2014 WIS. L. REV. 11, 21 (distinguishing between legal uniformity, that is, uniformity in the substantive rules of patent law, and adjudicative uniformity, that is, the notion that “a particular patent should be construed similarly from one case to another and that courts should not reach inconsistent validity findings regarding the same patent”).

what circumstances patent cases should be centralized in the federal district courts and the Federal Circuit as opposed to being distributed more widely among state courts or the regional circuits.<sup>48</sup>

This Article's analysis of subject matter jurisdiction in patent cases also raises deeper questions about the institutional design of and judicial behavior in the patent system. In terms of institutional design, the Article argues that it makes little sense to have identical tests for Federal Circuit appellate jurisdiction and exclusive district court jurisdiction, as is the case under current law. For the district courts, there are good reasons, grounded in concerns about federalism and comity, to be cautious about asserting exclusive jurisdiction over state law claims just because there is a patent in the case.<sup>49</sup> But once a patent-related case is properly in federal court (because, for instance, diversity jurisdiction indisputably exists), there are no similarly good reasons for the Federal Circuit—which was created to provide uniformity and expertise on patent matters<sup>50</sup>—to defer to the other federal courts of appeals. Accordingly, the relevant jurisdictional statutes should be amended by Congress or reinterpreted by the courts to make the test for Federal Circuit appellate jurisdiction broader than the test for exclusive district court jurisdiction.<sup>51</sup>

In terms of judicial behavior, the Article demonstrates that the divergent views about jurisdiction espoused in the Federal Circuit's case law are highly judge-specific.<sup>52</sup> Certain judges consistently interpret the scope of arising under jurisdiction broadly, while other judges consistently take a narrower view. Though the set of post-*Gunn* jurisdictional decisions is small, this Article's analysis contributes to a robust literature documenting panel-dependency on the Federal Circuit in numerous areas of patent law.<sup>53</sup> The deep-seated and divergent

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<sup>48</sup> See generally Gugliuzza, *supra* note 47, at 69–71 (questioning whether exclusive federal jurisdiction is necessary to ensure legal and adjudicative uniformity in patent matters); Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle*, 101 NW. U. L. REV. 1619, 1623 (2007) (challenging the view that the need for uniformity warrants appellate centralization of patent cases).

<sup>49</sup> See generally 13D WRIGHT ET AL., *supra* note 13, § 3562 (noting that “the overzealous exercise of federal question jurisdiction [can] threaten the legitimate interest of the states in having their courts interpret state law”).

<sup>50</sup> See Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1456 (2012).

<sup>51</sup> See *infra* Part III.B.

<sup>52</sup> See *infra* Part III.C.

<sup>53</sup> See, e.g., Paul R. Gugliuzza & Mark A. Lemley, *Can a Court Change the Law by Saying Nothing?*, 71 VAND. L. REV. 765, 801 (2018) (finding links between particular judges' substantive views on patentable subject matter doctrine and those judges' tendency to decide cases involving that issue in precedential versus nonprecedential decisions); R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1163 (2004) (finding evidence of panel dependency on the question of patent claim construction).

views held by the court's judges underscore the need for new, clearer jurisdictional rules—such as those proposed in this Article—that would be harder to manipulate in service of a preferred policy outcome. The intracircuit inconsistencies in Federal Circuit jurisdictional law also highlight a potential shortcoming of the Federal Circuit as an institution<sup>54</sup>: The narrowness of the court's jurisdiction encourages its judges to develop definite and detailed normative preferences about issues of patent law and policy, and it provides them with ample opportunities to express and implement those preferences. These dynamics create confusion for litigants and judges, that confusion increases litigation costs, and those litigation costs can chill innovation—defeating the very purpose of having a patent system in the first place.<sup>55</sup>

The remainder of this Article proceeds in three parts. Part I provides necessary background on the law governing federal subject matter jurisdiction, both in patent cases and otherwise. Part II documents the persistent and continuing confusion about the federal courts' and the Federal Circuit's jurisdiction over patent cases, and it provides a thorough critique of post-*Gunn* developments in both the Federal Circuit and the regional circuits. Finally, Part III sketches a novel jurisdictional rule that is faithful to Supreme Court precedent, would reduce litigation over forum selection, and would balance the need for uniformity in patent law with the autonomy of state courts to shape their own states' laws, including in patent-related cases. Part III also tackles two fundamental questions about the institutional structure of patent litigation, proposing a new test for Federal Circuit appellate jurisdiction that is broader than the test for exclusive district court jurisdiction and examining what the panel dependency of the Federal Circuit's jurisdictional case law indicates about judicial behavior on specialized courts.

## I. THE FEDERAL COURTS' SUBJECT MATTER JURISDICTION: OVER PATENT CASES AND OTHERWISE

To start, a primer on the federal courts' subject matter jurisdiction over cases involving federal law, and patent cases specifically, will prove helpful. This Part first summarizes the statutory bases for that jurisdiction and describes the types

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<sup>54</sup> For a foundational analysis of the Federal Circuit as an institution, see Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U.L. REV. 1 (1989). For an extensive bibliography of the relevant literature, see Ryan Vacca, *The Federal Circuit as an Institution*, in 2 RESEARCH HANDBOOK ON THE ECONOMICS OF INTELLECTUAL PROPERTY LAW 104, 155-57 (Peter S. Menell, David L. Schwartz & Ben Depoorter eds. 2019).

<sup>55</sup> On the connection between litigation dynamics and innovation incentives, see generally Paul R. Gugliuzza, *The Procedure of Patent Eligibility*, 97 TEX. L. REV. 571, 643 (2019).

of disputes that qualify for adjudication by the federal courts. It then surveys the Federal Circuit's historically expansive understanding of the scope of its and the lower federal courts' exclusive jurisdiction over patent disputes—an understanding the Supreme Court rejected in 2013 in *Gunn v. Minton*.<sup>56</sup>

A. “*Arising Under*” Jurisdiction: The Basics

Under the general federal question statute, 28 U.S.C. § 1331, the federal courts have subject matter jurisdiction over cases “arising under” federal law.<sup>57</sup> This jurisdiction is concurrent with the state courts—if a plaintiff files a federal question case in state court and the defendant does not (or cannot) remove it, then the federal case will proceed in state court.<sup>58</sup> The statute granting the federal courts subject matter jurisdiction over patent cases, § 1338(a), uses language similar to the general federal question statute, giving the district courts original jurisdiction over any case “arising under any Act of Congress relating to patents.”<sup>59</sup> Section 1338(a), however, makes the federal courts' jurisdiction over patent cases exclusive, providing that “[n]o State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents.”<sup>60</sup> The Federal Circuit's jurisdictional statute, § 1295(a)(1), also employs this “arising under” language, granting the court exclusive jurisdiction over appeals from district courts in any case “arising under” patent law.<sup>61</sup>

The courts have interpreted the “arising under” language in all of these statutes identically.<sup>62</sup> In other words, the analysis of whether a case arises under federal law generally or under patent law specifically will, with one minor exception involving patent-based counterclaims,<sup>63</sup> look the same—the only difference will be the consequence of that ruling. If a case arises under federal

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<sup>56</sup> 568 U.S. 251, 264–65 (2013).

<sup>57</sup> 28 U.S.C. § 1331 (2012).

<sup>58</sup> See *Mims v. Arrow Fin. Servs., LLC*, 565 U.S. 368, 378 (2012) (“In cases ‘arising under’ federal law ... ‘there is a deeply rooted presumption in favor of concurrent state court jurisdiction’....” (quoting *Tafflin v. Levitt*, 493 U.S. 455, 459 (1990))).

<sup>59</sup> 28 U.S.C. § 1338(a).

<sup>60</sup> *Id.*; see also *id.* § 1454(a) (permitting removal from state to federal court in any “civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents”).

<sup>61</sup> *Id.* § 1295(a)(1).

<sup>62</sup> See, e.g., *Gunn v. Minton*, 568 U.S. 251, 257 (2013) (“Adhering to the demands of ‘[l]inguistic consistency,’ we have interpreted the phrase ‘arising under’ in both sections identically, applying our § 1331 and § 1338(a) precedents interchangeably.” (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808 (1988))); *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1079 (Fed. Cir. 2018) (“While the parties argue *Gunn* is inapplicable because it concerns district court jurisdiction over state claims, the indistinguishable statutory language of §§ 1295 and 1338 requires our careful consideration of *Gunn* in interpreting our jurisdictional statute.”).

<sup>63</sup> See *infra* note 64.

law generally, the state and federal courts will have concurrent jurisdiction, and appellate jurisdiction will lie in the regional circuit encompassing the district court. But if a case arises under patent law specifically, federal jurisdiction is exclusive, and any appeal will be heard by the Federal Circuit.<sup>64</sup>

Supreme Court precedent makes clear that a case can “arise under” federal law (either federal law generally or patent law specifically) in two ways. First, a case arises under federal law if federal law actually creates the plaintiff’s legal claim.<sup>65</sup> As the Supreme Court has noted, this first category “accounts for the vast bulk of suits that arise under federal law.”<sup>66</sup> An example of a case in this category is one involving a claim for patent infringement. A federal statute, 35 U.S.C. § 281, actually gives a patentee the right to file suit in federal court if its patent has been infringed.<sup>67</sup> Therefore, cases involving claims for patent infringement fall within the federal courts’ federal question jurisdiction. Indeed, because of § 1338(a), those cases fall within the federal courts’ *exclusive* subject matter jurisdiction and, because of § 1295(a)(1), any appeal will go to the Federal Circuit.

Second, and more controversially, a case can arise under federal law even if the plaintiff’s claim is created by state law if that state law claim raises a “substantial” issue of federal law.<sup>68</sup> The modern origin of this wing of federal question jurisdiction is *Smith v. Kansas City Title & Trust Co.*, in which the Supreme Court upheld federal question jurisdiction over a state law claim seeking to stop a bank from investing in bonds issued under a federal statute (the

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<sup>64</sup> As noted, there is one minor way in which the jurisdictional analysis under the federal question statute, § 1331, and the patent-specific statute, § 1338(a), differs. That difference involves the so-called well-pleaded complaint rule. Under the Supreme Court’s decisions interpreting § 1331 (most famously, *Louisville & Nashville R.R. v. Mottley*, 211 U.S. 149, 152 (1908)), the federal question providing the basis for jurisdiction must appear in the plaintiff’s well-pleaded complaint, that is, in the plaintiff’s statement of its own claims. Neither federal issues raised in defense, nor federal counterclaims, will create federal question jurisdiction. *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002). In patent cases, by contrast, Congress has partially relaxed the well-pleaded complaint rule, providing that patent law counterclaims do, in fact, cause a case to arise under patent law. *See* America Invents Act, Pub. L. No. 112-29, § 19(a), 125 Stat. 284, 331 (2011). Patent law defenses, however, remain insufficient.

<sup>65</sup> The classic articulation of this basis for federal question jurisdiction appears in Justice Holmes’s opinion in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (“A suit arises under the law that creates the cause of action.”).

<sup>66</sup> *Gunn*, 568 U.S. at 257.

<sup>67</sup> *See* 35 U.S.C. § 281 (2012) (“A patentee shall have remedy by civil action for infringement of his patent.”).

<sup>68</sup> This requirement is sometimes referred to as the “centrality” requirement or the “essential federal element” requirement, in the sense that it requires the embedded federal issue to be “central” or “essential” to the state law claim being asserted. RICHARD D. FREER, *CIVIL PROCEDURE* 246 (4th ed. 2017); A. BENJAMIN SPENCER, *CIVIL PROCEDURE: A CONTEMPORARY APPROACH* 255 (5th ed. 2018).

federal Farm Loan Act) because the state law claim turned on whether the federal statute violated the U.S. Constitution.<sup>69</sup> In what the Supreme Court later characterized as “a somewhat generous statement of the scope of” federal question jurisdiction over state-created claims,<sup>70</sup> the Court in *Smith* wrote that a state-created claim falls within federal question jurisdiction if the plaintiff’s “right to relief depends upon the construction or application of” federal law.<sup>71</sup>

More recently, the Supreme Court has emphasized that this class of state-created claims that arise under federal law is “slim.”<sup>72</sup> To set the boundaries of arising under jurisdiction over state law claims that have federal issues embedded within them, the Supreme Court has developed a four-element test: “[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.”<sup>73</sup>

Because the class of state law claims within federal question jurisdiction is small and sometimes difficult to define,<sup>74</sup> many observers have queried whether this category should even exist.<sup>75</sup> Indeed, after the Supreme Court’s 1986 decision in *Merrell Dow Pharmaceuticals, Inc. v. Thomson*,<sup>76</sup> some lower courts and commentators thought the Court had actually limited federal question jurisdiction to cases involving claims created by federal law—the first category described above.<sup>77</sup> The plaintiffs in *Merrell Dow* asserted state law tort claims

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<sup>69</sup> 255 U.S. 180, 201–02 (1921).

<sup>70</sup> *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 312–13 (2005).

<sup>71</sup> *Smith*, 255 U.S. at 199.

<sup>72</sup> *Gunn v. Minton*, 568 U.S. 251, 258 (2013); *see also* *Empire HealthChoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699 (2006) (“special and small category”).

<sup>73</sup> *Gunn*, 568 U.S. at 258.

<sup>74</sup> *See*, for example, Chief Justice Roberts’s quip about the Jackson Pollock canvas. *See also* FREER, *supra* note 68, at 246 (noting that the question of whether a state law claim arises under federal law “is a relatively amorphous inquiry,” turning on several Supreme Court opinions “that are difficult to reconcile”).

<sup>75</sup> Justice Thomas, for instance, seems willing to consider abolishing federal question jurisdiction over state-created claims. *See Grable*, 545 U.S. at 321 (Thomas, J., concurring) (noting that the “vast majority” of cases that come within § 1331 under our current case law “involve claims created by federal law, and that “trying to sort out which cases fall within the smaller . . . category [of state-claims subject to federal question jurisdiction] may not be worth the effort it entails” (citations omitted)). *But cf.* Ann Woolhandler & Michael G. Collins, *Federal Question Jurisdiction and Justice Holmes*, 84 NOTRE DAME L. REV. 2151, 2153 (2009) (presenting a historical study suggesting that, prior to Justice Holmes’s opinion in *American Well Works*, *see supra* note 65, cases involving state law claims with embedded federal issues “were perhaps the paradigm ‘arising under’ cases”).

<sup>76</sup> 478 U.S. 804 (1986).

<sup>77</sup> *See, e.g.*, 13D WRIGHT ET AL., *supra* note 13, § 3562 (“[B]y stressing the lack of a federal claim, the majority seemed to embrace a notion that federal question jurisdiction exists only for the vindication of federal claims; if Congress does not create a claim, it is difficult, under *Merrell Dow*, to determine when (if ever) a

for damages they allegedly suffered when their mothers took the drug Bendectin while pregnant.<sup>78</sup> One of the plaintiffs' theories was negligence per se based on the defendant's alleged mislabeling of its drug in violation of the federal Food, Drug, and Cosmetic Act (FDCA).<sup>79</sup> That is, the plaintiffs argued that the defendant was liable under state tort law *because* its drug's label violated a federal statute. But the Supreme Court ruled that federal question jurisdiction did not exist, noting, among other things, that Congress could have created a federal claim for violations of the FDCA, that Congress chose not to do so, and that the Court was "not free to 'supplement' that decision in a way that makes [Congress's decision] meaningless."<sup>80</sup>

Two decades later, however, the Supreme Court clarified that certain state-created claims can, in fact, arise under federal law and create federal question jurisdiction. In *Grable & Sons Metal Products v. Darue*, the IRS had seized land owned by Grable to satisfy a federal tax delinquency.<sup>81</sup> The IRS sold the land to Darue.<sup>82</sup> Grable then brought a state law quiet title suit, claiming that Darue's title was invalid because the IRS did not notify Grable of the seizure in the manner required by the federal tax statute.<sup>83</sup>

The Supreme Court upheld federal jurisdiction over Grable's state law claim.<sup>84</sup> It first noted that, over the past century, it had "sh[ie]d away from the expansive view that mere need to apply federal law in a state-law claim will suffice to open the 'arising under' door."<sup>85</sup> Rather, the Court viewed its precedent as "confin[ing] federal-question jurisdiction over state-law claims to those [claims] that 'really and substantially involv[e] a dispute or controversy respecting the validity, construction or effect of [federal] law.'"<sup>86</sup>

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claim might arise under federal law."); Martin H. Redish, *Reassessing the Allocation of Judicial Business Between State and Federal Courts: Federal Jurisdiction and "The Martian Chronicles"*, 78 VA. L. REV. 1769, 1793 (1992) (suggesting that, after *Merrell Dow*, "one could reasonably conclude that federal interests are not sufficiently implicated to justify the assertion of federal jurisdiction unless the actual cause of action is federal" but arguing that "the Court in *Merrell Dow* adopted no such rule"); Note, *Mr. Smith Goes to Federal Court: Federal Question Jurisdiction Over State Law Claims Post-Merrell Dow*, 115 HARV. L. REV. 2272, 2280–82 (2002) (discussing a split in the courts of appeals about whether a federal right of action is required to create federal question jurisdiction).

<sup>78</sup> *Merrell Dow*, 478 U.S. at 805.

<sup>79</sup> *Id.* at 805–06.

<sup>80</sup> *Id.* at 812 n.10.

<sup>81</sup> 545 U.S. 308, 310 (2005).

<sup>82</sup> *Id.* at 310–11.

<sup>83</sup> *Id.* at 311.

<sup>84</sup> *Id.* at 314.

<sup>85</sup> *Id.* at 313.

<sup>86</sup> *Id.* (third and fourth alterations in original) (quoting *Shulthis v. McDougal*, 225 U.S. 561, 569 (1912)).



The Court then offered three reasons for upholding federal jurisdiction over *Grable*'s quiet title claim. First, "the meaning of the federal statute," the notice provision of the tax code, was disputed.<sup>87</sup> Second, the dispute over the statute's meaning was "an important issue of federal law that sensibly belong[ed] in a federal court" because of the government's interest in vindicating its tax collection activity and because federal judges are experienced with tax law.<sup>88</sup> Finally, federal jurisdiction over cases like *Grable* would not upset any balance between federal and state judicial responsibilities because, in the Court's view, "it will be the rare state title case that raises a contested matter of federal law."<sup>89</sup>

One year later, in *Empire HealthChoice Assurance, Inc. v. McVeigh*, the Supreme Court rejected federal jurisdiction over a contract claim brought by Blue Cross Blue Shield against its insured seeking to recover money the insured had received in a tort case against a third party.<sup>90</sup> The case potentially presented a federal issue because the insured was an employee of the federal government and the insurance policy was issued under a master contract between Blue Cross and the government.<sup>91</sup> The Court, however, noted that the case did not fit the "special and small category" of state-law claims that arise under federal law.<sup>92</sup> It distinguished *Grable* on the ground that "*Grable* presented a nearly 'pure issue of law,' one 'that could be settled once and for all and thereafter would govern numerous tax sale cases.'"<sup>93</sup> By contrast, the claim in *Empire* was "fact-bound and situation-specific."<sup>94</sup>

Taken together, *Merrell Dow*, *Grable*, and *Empire* make clear that, to justify federal question jurisdiction over a claim that is not created by federal law, the federal issue must have wider importance than the case at hand. Those decisions also hold that arising under jurisdiction does not exist merely because the court must apply federal law to decide a state-created claim; rather, the case for federal question jurisdiction is much stronger if the claim presents a pure question of federal law.

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<sup>87</sup> *Id.* at 315.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> 547 U.S. 677, 683 (2006).

<sup>91</sup> *Id.* at 688–89.

<sup>92</sup> *Id.* at 699.

<sup>93</sup> *Id.* at 700 (quoting RICHARD H. FALLON ET AL., HART & WECHESLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM 65 (5th ed. 2003 & Supp. 2005)).

<sup>94</sup> *Id.* at 700–01.

## B. “Arising Under” Jurisdiction in Patent Cases

As I have explained in a prior article, the Federal Circuit mostly disregarded the Supreme Court’s rulings in *Grable* and *Empire* that case-specific or fact-specific federal issues are insufficient to make a case arise under federal law for jurisdictional purposes.<sup>95</sup> Rather, the court held for many years that state law claims (or claims created by bodies of federal law besides patent law, such as antitrust law) arose under patent law—and therefore fell within the federal courts’ and the Federal Circuit’s exclusive jurisdiction—if the claims implicated issues about the scope or validity of any particular patent.<sup>96</sup> The Federal Circuit justified this expansive approach to exclusive patent jurisdiction by emphasizing both the unique experience of federal judges in deciding patent cases and the overarching importance of uniformity in patent law.<sup>97</sup> So, for example, the Federal Circuit upheld jurisdiction under § 1338 in legal malpractice cases in which the court would have to decide how issues of infringement or patentability would have turned out but for an attorney’s negligence.<sup>98</sup> The court reached the same conclusion for other state law tort claims that included embedded issues of validity or infringement.<sup>99</sup> Similarly, state law breach of contract suits would trigger exclusive jurisdiction if the contract claim turned on the validity or scope of the licensed patent.<sup>100</sup>

The Supreme Court rejected this line of Federal Circuit cases in its 2013 decision in *Gunn v. Minton*.<sup>101</sup> In that case, the federal courts had held in patent infringement litigation that a patent owned by Minton was invalid under the

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<sup>95</sup> Gugliuzza, *supra* note 22, at 1815.

<sup>96</sup> See generally *Bd. of Regents ex rel. Univ. of Tex. v. Nippon Tel. & Tel. Corp.*, 414 F.3d 1358, 1363 (Fed. Cir. 2005) (“[T]his court has held that issues of inventorship, infringement, validity and enforceability present sufficiently substantial questions of federal patent law to support jurisdiction under section 1338(a).”).

<sup>97</sup> See, e.g., *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281, 1285–86 (Fed. Cir. 2007) (“Claim scope determination is a question of law that can be complex in that it may involve many claim construction doctrines. Litigants will benefit from federal judges who are used to handling these complicated rules. Additionally, Congress’ intent to remove non-uniformity in the patent law, as evidenced by its enactment of the Federal Courts Improvement Act of 1982 [which created the Federal Circuit], is further indicium that § 1338 jurisdiction is proper here.” (citations omitted)).

<sup>98</sup> See, e.g., *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1360–62 (Fed. Cir. 2010) (patentability); *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1269 (Fed. Cir. 2007) (infringement).

<sup>99</sup> See, e.g., *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1329 (Fed. Cir. 1998) (upholding § 1338 jurisdiction over a state law claim for injurious falsehood where the allegedly false statements concerned the validity of a patent); *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478 (Fed. Cir. 1993) (upholding § 1338 jurisdiction over a state law claim of business disparagement where the allegedly disparaging statement was an accusation of patent infringement).

<sup>100</sup> See, e.g., *U.S. Valves, Inc. v. Dray*, 212 F.3d 1368, 1372 (Fed. Cir. 2000).

<sup>101</sup> 568 U.S. 251, 263 (2013).

Patent Act's on-sale bar because Minton leased his invention more than one year before filing a patent application.<sup>102</sup> Minton then sued his attorneys for malpractice in Texas state court, claiming that the attorneys had been negligent by not arguing that his patent fell within an exception to the on-sale bar for experimental uses.<sup>103</sup> The Supreme Court of Texas ordered the case dismissed for lack of jurisdiction, relying on the Federal Circuit case law mentioned above.<sup>104</sup>

But the U.S. Supreme Court reversed, with Chief Justice Roberts's unanimous opinion bluntly stating that "state legal malpractice claims based on underlying patent matters will rarely, if ever, arise under federal patent law."<sup>105</sup> Articulating and applying the four-element test outlined above,<sup>106</sup> the Court first acknowledged that resolution of a federal issue (whether Minton would have won his patent infringement suit but for his attorneys' negligence) was both necessary to and actually disputed within his state-created malpractice claim.<sup>107</sup> The Court, however, found that that federal issue was not "substantial" and therefore did not justify arising under jurisdiction.

The Court emphasized that, to be substantial, a federal issue embedded within a state law claim must not merely be "significant to the particular parties in the immediate suit"; rather, "[t]he substantiality inquiry under *Grable* looks ... to the importance of the issue to the federal system as a whole."<sup>108</sup> As examples of embedded federal questions that *are* substantial, the Court cited both *Grable*, in which the Court had emphasized the federal government's "strong interest" in recovering delinquent taxes and in vindicating its own administrative action, and *Smith*, where the disputed federal question was the constitutionality of a statute passed by Congress.<sup>109</sup>

In *Gunn*, by contrast, the patent issue raised by Minton's malpractice claim—"if Minton's lawyers had raised a timely experimental-use argument, would the result in the patent infringement proceeding have been different?"—was entirely "hypothetical" because Minton's patent had already been

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<sup>102</sup> *Minton v. Nat'l Ass'n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1375 (Fed. Cir. 2003); *see also* 35 U.S.C. § 102(b) (2006) (on-sale bar).

<sup>103</sup> *Gunn*, 568 U.S. at 255. On the experimental use exception, *see generally* *City of Elizabeth v. Pavement Co.*, 97 U.S. 126, 136 (1877).

<sup>104</sup> *Gunn*, 568 U.S. at 256 (citing *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007); *Immunocept, LLC v. Fulbright & Jaworski, LLP*, 504 F.3d 1281 (2007)).

<sup>105</sup> *Id.* at 258.

<sup>106</sup> *See supra* text accompanying note 73.

<sup>107</sup> *Gunn*, 568 U.S. at 259.

<sup>108</sup> *Id.* at 260.

<sup>109</sup> *Id.* at 260–61.

invalidated in “real-world” infringement litigation.<sup>110</sup> In addition, the Court rejected Minton’s argument that the preclusive effects of a state court ruling on a patent issue justified exclusive federal jurisdiction, emphasizing that “the result would be limited to the parties and patents that had been before the state court.”<sup>111</sup> “Such ‘fact-bound and situation-specific effects,’” the Court explained, “are not sufficient to establish federal arising under jurisdiction.”<sup>112</sup>

## II. RISING CONFUSION ABOUT “ARISING UNDER” JURISDICTION IN PATENT CASES

The Supreme Court in *Gunn* appeared to articulate a relatively clear rule about when a claim that is not created by federal patent law nevertheless arises under patent law for jurisdictional purposes: The mere need to apply federal patent law is not sufficient; rather, resolution of the patent issue must have significant consequences for more than just the parties or the patents involved in the case.<sup>113</sup> Yet the Federal Circuit has struggled to implement the Supreme Court’s holding. As this Part explains, the Federal Circuit initially tried to limit *Gunn* to its precise facts, finding no jurisdiction only when the relevant patent had already been invalidated or had expired. More recent Federal Circuit decisions reach results more faithful to the Supreme Court’s holding in *Gunn*, but they contain reasoning that is problematic in other ways. This Part critiques the Federal Circuit’s post-*Gunn* case law and examines some consequences of the rising confusion about arising under jurisdiction in patent cases.

### A. Undermining the Supreme Court

The Federal Circuit began softening the impact of *Gunn* in its very first post-*Gunn* ruling on subject matter jurisdiction, *Forrester Environmental Services, Inc. v. Wheelabrator Technologies, Inc.*<sup>114</sup> That case, which the Federal Circuit decided less than three months after *Gunn*, involved state law tort claims based on allegedly false accusations of patent infringement.<sup>115</sup> The Federal Circuit ultimately held that federal jurisdiction did not exist because the accusations concerned conduct that took place entirely in Taiwan, where the relevant U.S.

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<sup>110</sup> *Id.* at 261.

<sup>111</sup> *Id.* at 263.

<sup>112</sup> *Id.* (quoting *Empire HealthChoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 701 (2006)).

<sup>113</sup> *See, e.g., id.* at 263–64 (ruling that federal jurisdiction did not exist because the effects of the case “would be limited to the parties and patents that [were] before the ... court” and would not create “binding precedent for any future patent claim”).

<sup>114</sup> 715 F.3d 1329 (Fed. Cir. 2013).

<sup>115</sup> *Id.* at 1332.

patents could not possibly be infringed.<sup>116</sup> Nevertheless, the court, in an opinion by Judge Dyk, used the opportunity to pen dicta distinguishing *Gunn* from its older case law. The court discussed several pre-*Gunn* (indeed, pre-*Grable*) Federal Circuit decisions upholding jurisdiction over state law tort claims that contained embedded issues of patent validity or infringement<sup>117</sup> and observed that those decisions “may well have survived the Supreme Court’s decision in *Gunn*.”<sup>118</sup> The Federal Circuit elaborated:

Unlike the purely “backward-looking” legal malpractice claim in *Gunn*, permitting state courts to adjudicate disparagement cases (involving alleged false statements about U.S. patent rights) could result in inconsistent judgments between state and federal courts. For example, a federal court could conclude that certain conduct constituted infringement of a patent while a state court addressing the same infringement question could conclude that the accusation of infringement was false and the patentee could be enjoined from making future public claims about the full scope of its patent as construed in federal court.<sup>119</sup>

The Federal Circuit’s reasoning in this passage both misunderstands how the law of issue preclusion operates and is inconsistent with the Supreme Court’s holding in *Gunn*. In terms of preclusion, the Federal Circuit’s opinion significantly overstates the possibility of inconsistent rulings if state courts were to adjudicate tort claims involving false accusations of patent infringement. Contrary to what the Federal Circuit’s opinion suggests, a federal court’s finding of infringement (or, for that matter, any other finding made by the federal court) would prevent the parties from relitigating that same issue in state court. Under the doctrine of issue preclusion, the parties to a case are prohibited from relitigating any issue decided in that case. The preclusive effect of federal court rulings in federal question cases is determined by federal law,<sup>120</sup> and federal preclusion law would plainly prohibit relitigation of the same issue of infringement or validity between the same parties,<sup>121</sup> including in a later state law tort case.<sup>122</sup>

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<sup>116</sup> *Id.* at 1334–35.

<sup>117</sup> *Id.* at 1334 (citing *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478 (Fed. Cir. 1993); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1329–31 (Fed. Cir. 1998)).

<sup>118</sup> *Id.*

<sup>119</sup> *Id.* (citation omitted).

<sup>120</sup> *Taylor v. Sturgell*, 553 U.S. 880, 891 (2008).

<sup>121</sup> *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1311–12 (Fed. Cir. 2010).

<sup>122</sup> Though there is little case law on the specific question of the preclusive effect of federal patent rulings in later state court litigation, “it is clear that federal judgments must be afforded full faith and credit by the state courts.” *Developments in the Law—Section 1983 and Federalism*, 90 HARV. L. REV. 1330, 1357 n.129 (1977) (citing *Stoll v. Gottlieb*, 305 U.S. 165, 172 (1938)).

The converse is also true. If a state court first ruled that an allegation of infringement was false, that ruling would almost certainly prevent the same parties from relitigating the infringement issue in subsequent federal litigation.<sup>123</sup> Though it might seem odd at first glance to give a state court the first—and last—word on an issue of federal patent law, it is not at all unusual for federal courts to grant preclusive effect to state court judgments on matters of federal law more generally.<sup>124</sup>

Even if preclusion law would not prevent conflicting judgments between state and federal courts in patent-related state law cases (which, as I have just argued, it generally does), the *Forrester* opinion still flouted the Supreme Court’s decision in *Gunn* by suggesting that case-specific concerns about inconsistent rulings would justify exclusive federal jurisdiction. As the Supreme Court instructed, in determining whether a federal issue embedded within a state-created claim is “substantial,” courts should not “focus[] on the importance of the issue to the plaintiff’s case and to the parties before it” because the federal issue will always be significant to the parties.<sup>125</sup> Rather, the Court instructed, “[t]he substantiality inquiry ... looks ... to the importance of the issue to the federal system as a whole.”<sup>126</sup> It is simply not clear how different rulings about the validity or infringement of one particular patent could meet that standard. As the Supreme Court noted in finding federal jurisdiction lacking in *Gunn*, the effect of any ruling on the validity of Minton’s patent would have been “limited to the parties and patents that [were] before the state court.”<sup>127</sup>

Despite these flaws in the *Forrester* dicta, the Federal Circuit, in its next encounter with subject matter jurisdiction, squarely held that case- and party-

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<sup>123</sup> *Allen v. McCurry*, 449 U.S. 90, 96 (1980) (“Congress has specifically required all federal courts to give preclusive effect to state-court judgments whenever the courts of the State from which the judgments emerged would do so....”) (citing the full faith and credit statute, 28 U.S.C. § 1738).

<sup>124</sup> *See, e.g., Kremer v. Chem. Const. Corp.*, 456 U.S. 461, 485 (1982) (holding that a state court judgment affirming the denial of a federal Title VII claim precluded the claimant from bringing a federal lawsuit to relitigate the liability determination).

<sup>125</sup> *Gunn v. Minton*, 568 U.S. 251, 260 (2013).

<sup>126</sup> *Id.*

<sup>127</sup> *Id.* at 263. Though the Supreme Court has often touted the public interest in policing the scope and validity of issued patents, *see, e.g., Blonder-Tongue Lab., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971), that societal interest in “full and free competition in the use of ideas,” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969), is not the same as the *federal* interest needed to trigger jurisdiction under cases such as *Grable*. The public interest in reviewing patent validity or scope could be vindicated even if the federal courts did not exist or did not have jurisdiction over patent cases. *See generally* Gugliuzza, *supra* note 47, at 69–71 (weighing the costs and benefits of repealing the federal courts’ exclusive jurisdiction over patent cases). Jurisdiction-triggering *federal* interests typically arise in disputes about the constitutionality or meaning of federal law, or in challenges to the legality of the federal government’s own actions, as the *Grable* and *Gunn* cases themselves illustrate.

specific issues of patent infringement and validity are sufficient for a case to arise under federal patent law. In *Jang v. Boston Scientific Corp.*, the plaintiff filed a breach of contract suit in federal court seeking to recover unpaid royalties under a patent licensing agreement.<sup>128</sup> The district court denied the defendants' motion for summary judgment on the merits of the claim but gave the defendants permission to seek interlocutory review under 28 U.S.C. § 1292(b).<sup>129</sup> On appeal, the Federal Circuit, before addressing the defendants' § 1292(b) request (which it ultimately denied),<sup>130</sup> first confronted the issue of jurisdiction. Because the case indisputably qualified for diversity jurisdiction, the question before the Federal Circuit was not whether the case could proceed in federal court at all (which was the question in both *Gunn* and *Forrester*), it was whether the Federal Circuit should decide the case or whether the case should be transferred to the relevant regional circuit (in *Jang*, the Ninth Circuit).<sup>131</sup> Recall, however, that the Federal Circuit's jurisdictional statute (§ 1295(a)(1)) and the statute conferring exclusive jurisdiction on the district courts (§ 1338(a)) ask precisely the same question: Does the case "arise under" patent law?<sup>132</sup>

The Federal Circuit, in an opinion by Judge Linn, distinguished *Gunn* and held that it did, in fact, have jurisdiction over the *Jang* case. Unlike in *Gunn*, the court asserted, "the disputed federal patent law issues presented ... are substantial and neither entirely backward-looking nor hypothetical."<sup>133</sup> These patent issues, according to the court, included not only the question of infringement (that is, whether the defendants were selling products covered by Jang's patents without paying royalties) but also validity, as the licensing contract required the defendants to pay royalties only on products covered by "valid" claims of the licensed patents.<sup>134</sup> In *Jang*, unlike in *Gunn*, the relevant patents were apparently still enforceable,<sup>135</sup> and, in upholding jurisdiction, the

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<sup>128</sup> 767 F.3d 1334, 1335 (Fed. Cir. 2014).

<sup>129</sup> *Id.* at 1336. Section 1292(b) allows a district judge, when entering an order that is not otherwise appealable, to authorize the parties to seek interlocutory review if the order "involves a controlling question of law as to which there is substantial ground for difference of opinion" and "an immediate appeal ... may materially advance the ultimate termination of the litigation." 28 U.S.C. § 1292(b) (2012). The court of appeals has discretion as to whether or not to allow an appeal to proceed. *Id.*

<sup>130</sup> *Jang*, 767 F.3d at 1339.

<sup>131</sup> *See id.* at 1335.

<sup>132</sup> 28 U.S.C. §§ 1295(a)(1), 1338(a) (2012).

<sup>133</sup> *Jang*, 767 F.3d at 1337.

<sup>134</sup> *Id.*

<sup>135</sup> In reality, by the time of the Federal Circuit's opinion, the patents had been canceled in reexamination proceedings at the Patent Office. *See id.* at 1338. But the Federal Circuit treated the patents as if they were still in force for jurisdictional purposes because (1) issues of infringement or validity could still be raised in subsequent suits to recover unpaid royalties for the time period before the patents were canceled, *see id.* at 1337–38, and (2) the court viewed subject matter jurisdiction as properly determined "on the facts as they existed at

Federal Circuit put significant emphasis on how the court’s ruling in the breach of contract case might impact “subsequently arising infringement suits affecting other parties.”<sup>136</sup> Repeating the dicta from *Forrester* that I quoted above, the Federal Circuit stressed the “potential of conflicting rulings particularly as to validity” between a regional circuit and the Federal Circuit should the breach of contract case not be appealed to the Federal Circuit.<sup>137</sup> This potential for “inconsistent judgments,” the court explained, would affect “not only the parties to this dispute but other parties who might be sued in separate actions for infringement.”<sup>138</sup> Accordingly, the court concluded, “[m]aintaining Federal Circuit jurisdiction over . . . contractual disputes to avoid such conflicting rulings is important to ‘the federal system as a whole’ and not merely ‘to the particular parties in the immediate suit.’”<sup>139</sup>

Like the dicta in *Forrester*, the holding in *Jang* evidences misunderstanding of the law of preclusion and ignores the Supreme Court’s holding in *Gunn* that case- and fact-specific issues are insufficient to trigger arising under jurisdiction. In terms of preclusion, it is easiest to understand the Federal Circuit’s mistake by considering the four possible ways in which the court hearing the breach of contract suit might resolve the embedded issues of patent infringement or validity (or both). In each circumstance, the Federal Circuit’s assertion that exclusive federal and Federal Circuit jurisdiction is needed to prevent conflicting outcomes is either (a) wrong because preclusion law would prevent conflicting outcomes regardless of which court decided the case or, (b) to the extent preclusion law would not prevent conflicting outcomes, exaggerates the degree to which exclusive federal and Federal Circuit jurisdiction could do that work instead.

The first outcome the court hearing the breach of contract suit could reach is that the patent is invalid (meaning that the defendant does not owe royalties under the contract). It is black-letter law (dating back to the Supreme Court’s seminal decision in *Blonder-Tongue*<sup>140</sup>) that a ruling of patent invalidity may be invoked defensively to avoid liability by anyone accused in the future of infringing that patent, regardless of whether that accused infringer was a party to the original suit. Importantly, that would not change simply because the issue

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the time the claim was filed,” *id.* at 1338 (citing *Grupo Dataflux v. Atlas Global Grp., L.P.*, 541 U.S. 567 (2004) (a diversity case involving post-filing changes in citizenship)).

<sup>136</sup> *Id.* at 1337.

<sup>137</sup> *See id.* at 1338.

<sup>138</sup> *Id.*

<sup>139</sup> *Id.* (quoting *Gunn v. Minton*, 568 U.S. 251, 260 (2013)).

<sup>140</sup> *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).



of patent validity was decided in the context of a breach of contract claim rather than as a defense to an infringement claim. Under the federal law of issue preclusion, defendants have a broad ability to rely on rulings from a prior case against a party who litigated and lost that prior case. The relevant doctrine requires only that the two cases present the same issue and that that issue was actually litigated and necessarily decided in the prior case.<sup>141</sup> A ruling that no breach of contract occurred *because the licensed patent is invalid* plainly meets those requirements. Thus, contrary to the Federal Circuit's suggestion, there is no danger of conflicting rulings when the court hearing the breach of contract case holds that the patent is invalid: that invalidity ruling will, under *Blonder-Tongue*, control the result in any future infringement litigation, regardless of which court decides the breach of contract case.<sup>142</sup>

Second, the court hearing the breach of contract case could conclude that the patent is not invalid (meaning that the defendant *does* owe royalties if its products do, in fact, infringe—the fourth possibility discussed below). In the circumstance in which the court hearing the contract case rejects the defendant's assertion of invalidity, it is possible that a court hearing a future infringement

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<sup>141</sup> *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 719 F.3d 1367, 1371 (Fed. Cir. 2013).

<sup>142</sup> The only possible exception is if the court hearing the breach of contract case is a state court in the small minority of states that have not followed *Blonder-Tongue*'s relaxation of the mutuality requirement for the defensive use of issue preclusion. *See, e.g.*, *Jones v. Blanton*, 644 So. 2d 882, 886 (Ala. 1994); *E.C. v. Katz*, 731 So. 2d 1268, 1269–70 (Fla. 1999) (per curiam); *Lichon v. Am. Universal Ins. Co.*, 459 N.W.2d 288, 298 (Mich. 1990); *Hofsommer v. Hofsommer Excavating, Inc.*, 488 N.W.2d 380, 385–86 (N.D. 1992); *see also Farred v. Hicks*, 915 F.2d 1530, 1533 (11th Cir. 1990) (applying Georgia law). Also, it is possible that the Patent Office might not treat a state court invalidity ruling as preclusive in post-issuance proceedings to review patent validity. *Cf. Gunn*, 568 U.S. at 263 (noting that “[t]he Patent and Trademark Office Manual of Patent Examining Procedure provides that res judicata is a proper ground for rejecting a patent ‘only when the earlier decision was a decision of the Board of Appeals’ or certain federal reviewing courts, giving no indication that state court decisions would have preclusive effect” (citing MANUAL OF PATENT EXAMINING PROCEDURE § 706.03(w) (8th ed. Aug. 2012 rev.))). But the legal basis for the Patent Office ignoring a final state court judgment finding a patent to be invalid would be far from clear. *Cf. Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 (Fed. Cir. 1988) (“[I]f a court finds a patent invalid, and that decision is either upheld on appeal or not appealed, the PTO may discontinue its reexamination.... [I]t is admissible for the PTO to act on [a] standing judgment of invalidity unless and until a court has said it does not have res judicata effect.”). In an opinion issued as this Article was going to press, the Federal Circuit suggested that it, too, might refuse to follow a state court decision finding that a patent does not meet the validity requirements set by federal law. In *Inspired Development Group, LLC v. Inspired Products Group, LLC*, 938 F.3d 1355, 1365 (Fed. Cir. 2019), the court—in tension with *Forrester and Jang*—declined jurisdiction over a state law case containing an embedded issue of patent validity because it viewed “[t]he risk of” conflicting state-federal rulings on patent validity to be “remote,” noting that “a state court cannot invalidate patents.” But federal courts, contrary to what the Federal Circuit seems to be implying, do not “invalidate” patents, either. Rather, their judgments finding that patents do not meet validity requirements are given defensive, non-mutual preclusive effect in future litigation under *Blonder-Tongue*. Importantly, the relevant state and federal laws of preclusion are relatively similar, meaning that a state court judgment finding that a patent does not meet validity requirements ought to be given preclusive effect in a federal court. *See supra* notes 123-124.

dispute could reach a different result and hold the patent to be invalid. Unlike an accused infringer, who may invoke a prior ruling of invalidity defensively under *Blonder-Tongue* even if they were not a party to the prior case, a patentee may not *offensively* rely on a ruling finding its patent not invalid to preclude future litigation of validity by parties who were not involved in the prior dispute.<sup>143</sup> This is because due process principles strictly limit the use of preclusion against litigants who were not parties to a prior case.<sup>144</sup>

Importantly, however, this possibility of different validity rulings is in no way unique to cases involving state law claims (or non-patent federal claims, such as antitrust claims) with patent validity issues embedded in them. Rather, it exists any time a patentee sues multiple defendants seriatim. Indeed, the Federal Circuit itself has approved of different rulings on the validity of a single patent in serial infringement suits, reasoning that different courts can properly reach different results because of different evidentiary records and different prior art references presented in different cases.<sup>145</sup>

Moreover, when the Federal Circuit in *Jang* wrote of the possibility of “conflicting” rulings on patent validity,<sup>146</sup> it was arguably overstating matters. As the Federal Circuit itself has recognized:

[A] prior holding of validity is not necessarily inconsistent with [a] subsequent holding of invalidity. In one action, the defendants did not overcome the statutory presumption of validity; in the other they did. The difference in result could be attributable to many neutral facts: e.g., different prior art references or different records. It cannot always be said that of two “inconsistent” determinations, one is correct and one is incorrect.<sup>147</sup>

Thus, whether or not exclusive federal (or Federal Circuit) jurisdiction exists over breach of contract cases like *Jang*, the possibility of different rulings on the validity of a single patent will remain when the first court to pass on the issue finds that the patent is not invalid.

Third, the court hearing the breach of contract claim could conclude that the defendant does not infringe the patent (that is, that the products the defendant is

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<sup>143</sup> See *In re Constr. Equip. Co.*, 665 F.3d 1254, 1256 n.3 (Fed. Cir. 2011).

<sup>144</sup> *Taylor v. Sturgell*, 553 U.S. 880, 892–93 (2008).

<sup>145</sup> See, e.g., *Shelcore, Inc. v. Durham Indus., Inc.*, 745 F.2d 621, 627 (Fed. Cir. 1984); see also *Allen Archery, Inc. v. Browning Mfg. Co.*, 819 F.2d 1087, 1091 (Fed. Cir. 1987) (“[W]e shall review the district court’s conclusion on validity in this case independently” despite a prior judgment upholding validity).

<sup>146</sup> *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1338 (Fed. Cir. 2014).

<sup>147</sup> *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 710 (Fed. Cir. 1983).

selling are not covered by the plaintiff's patent and hence do not trigger any contractual obligation to pay royalties). In that circumstance, there is no danger of conflicting rulings between the same parties because the doctrine of issue preclusion would plainly prohibit the parties from relitigating the same issue of infringement in a subsequent suit.<sup>148</sup> And despite a finding of noninfringement in the first, breach of contract, case, the patentee will be allowed to file future infringement suits against different defendants. The patentee could succeed in those later suits, but that result would be unremarkable. In most circumstances, the new defendant's accused product or process will differ from the original defendant's and will therefore present unique factual questions that would justify a different outcome.

Finally, the court hearing the breach of contract suit could conclude that the patent is not invalid and that the defendant does infringe it. In that circumstance, too, exclusive jurisdiction would do nothing to reduce the danger of divergent results. The patentee would, as usual, be free to file future infringement suits against different accused infringers. And any subsequent accused infringer would have a due process right to litigate the issue of validity for itself.<sup>149</sup> None of that changes based on whether the first, breach of contract, suit is litigated in state or federal court or is appealed to the Federal Circuit or one of the regional circuits.

Moreover, even if exclusive jurisdiction would help ensure consistent rulings from one case to another, as the court in *Jang* (wrongly) asserted,<sup>150</sup> that is a case-specific, patent-specific, and party-specific consistency that the Supreme Court in *Gunn* indicated was insufficient to trigger arising under jurisdiction.<sup>151</sup> In a case like *Jang*, there is no danger that different courts will "undermine the 'development of a uniform body of [patent] law.'"<sup>152</sup> The key issues in determining whether the defendants breached the licensing contract involve the validity and scope of particular patents. Those issues are a far cry from the embedded questions of federal *law* that justified jurisdiction in *Smith* (was the federal Farm Loan Act constitutional?)<sup>153</sup> and *Grable* (what does the federal tax code mean when it requires the government to give a taxpayer

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<sup>148</sup> See *supra* notes 120–24 and accompanying text.

<sup>149</sup> See *supra* note 144.

<sup>150</sup> *Jang*, 767 F.3d at 1338.

<sup>151</sup> See *Gunn v. Minton*, 568 U.S. 251, 263–64 (2013).

<sup>152</sup> *Id.* at 261 (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989)) (alteration in original) (emphasis added).

<sup>153</sup> *Smith v. Kan. City Title Co.*, 255 U.S. 180, 195 (1921).

“notice” of its seizure of the taxpayer’s property?).<sup>154</sup> Indeed, as the Supreme Court instructed in *Grable*, its recent precedent has confined arising under jurisdiction over state law claims to those that “really and substantially involv[e] a dispute or controversy respecting the validity, construction or effect of [federal] law.”<sup>155</sup>

Despite these flaws, the Federal Circuit has continued to reassert its holding in *Jang* that case-specific issues of patent infringement or validity trigger arising under jurisdiction any time the relevant patents might be asserted in future infringement litigation (unlike in *Gunn* where the relevant patent had already been invalidated). Most notably, in *Maxchief Investments Ltd. v. Wok & Pan, Ind., Inc.*, the Federal Circuit affirmed a district court’s dismissal of a state law tortious interference claim for lack of personal jurisdiction but suggested in dicta that exclusive federal subject matter jurisdiction probably existed.<sup>156</sup> The court, in another opinion by Judge Dyk (the author of *Forrester*, which also contained questionable dicta about the scope of the federal courts’ and the Federal Circuit’s jurisdiction over patent cases post-*Gunn*), reasoned that, because the plaintiff alleged that the defendant had engaged in “unfounded” patent infringement litigation, the plaintiff would have to prove noninfringement or invalidity of the defendant’s patents to succeed on its state law claim.<sup>157</sup> A state court ruling on those (case-specific) issues, the Federal Circuit (incorrectly) claimed, raised the “potential for ‘inconsistent judgments between state and federal courts,’” justifying jurisdiction under § 1338(a).<sup>158</sup>

### B. Confusion and Its Consequences

Most observers outside the sometimes-hermetic sphere of patent law would probably be surprised to learn about the expansive conception of arising under jurisdiction espoused by the Federal Circuit in *Forrester*, *Jang*, and *Maxchief*. In fact, the leading textbook on the law of federal jurisdiction presumes that, in a case like *Jang* that involves a claim for breach of a patent license agreement, precisely the *opposite* result will prevail. The authors do not mention *Jang*, but they offer the following example that parallels the facts of that case, and they

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<sup>154</sup> *Grable & Sons Metal Prods., Inc. v. Darue*, 545 U.S. 308, 310–11 (2005); *see also* 26 U.S.C. § 6335(a) (2012) (notice requirement).

<sup>155</sup> *Grable*, 545 U.S. at 313 (quoting *Shulthis v. McDougal*, 225 U.S. 561, 569 (1912)) (alteration in original) (emphasis added).

<sup>156</sup> 909 F.3d 1134, 1140 & n.3 (Fed. Cir. 2018).

<sup>157</sup> *Id.*

<sup>158</sup> *Id.* (quoting *Forrester Envtl. Servs., Inc. v. Wheelabrator Techs., Inc.*, 715 F.3d 1329, 1334 (Fed. Cir. 2013)).

conclude—contrary to the Federal Circuit—that arising under jurisdiction would not exist:

Suppose ... that a plaintiff sues a non-diverse party for breach of the defendant's promise to pay royalties in exchange for a patent license; the defendant concedes the failure to pay but defends on the ground that the patent is invalid and as a result the promise is unenforceable. Although the case will turn exclusively on the federal issue of patent validity, *that issue will be litigated entirely in state court.*<sup>159</sup>

In fact, the Federal Circuit's holding that case-specific issues of patent infringement or validity cause a case to arise under patent law conflicts not just with the views of leading commentators, it conflicts with both regional circuit case law and subsequent decisions by the Federal Circuit itself.

As for regional circuit case law, the Federal Circuit's suggestion that, even after *Gunn*, embedded issues of patent infringement or validity can create arising under jurisdiction is most clearly in tension with the Eleventh Circuit's decision in *MDS (Canada) Inc. v. RAD Source Technologies, Inc.*<sup>160</sup> That case, which was decided after *Gunn* but before *Jang*,<sup>161</sup> involved claims that the defendant had breached a contract that prohibited it from developing technology that was “embodie[d], in whole or in part,” in certain patents.<sup>162</sup> Thus, to succeed on its breach of contract claim, the plaintiff had to prove that the defendant infringed the patents.<sup>163</sup> The Eleventh Circuit found this question of patent law insufficient to warrant Federal Circuit jurisdiction on appeal<sup>164</sup> because patent infringement is a question that is “heavily ‘fact-bound and situation-specific.’”<sup>165</sup> Because of the “highly specialized nature of patent claims and the niche market for” the technology at issue, the Eleventh Circuit observed, resolution of this issue of infringement was unlikely to affect any future cases.<sup>166</sup> Distinguishing *Grable* and the importance to the federal government of having its tax collection activities vindicated by a federal court, the Eleventh Circuit noted that “the government interest in any particular fact-bound question of patent infringement is less significant than the government interest in a question of law that will

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<sup>159</sup> RICHARD H. FALLON, JR. ET AL., *HART & WECHSLER'S THE FEDERAL COURTS AND THE FEDERAL SYSTEM* 812 (7th ed. 2015) (emphasis added).

<sup>160</sup> 720 F.3d 833 (11th Cir. 2013).

<sup>161</sup> Though the cases present similar facts, the Federal Circuit's opinion in *Jang* did not mention the Eleventh Circuit's opinion in *MDS*, perhaps because the two opinions are difficult to reconcile, as I explain here.

<sup>162</sup> *Id.* at 841.

<sup>163</sup> *Id.* at 841–42.

<sup>164</sup> *Id.* at 843. The district court indisputably had jurisdiction under the diversity statute. *Id.* at 841.

<sup>165</sup> *Id.* at 842 (quoting *Empire HealthChoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 700–01 (2006)).

<sup>166</sup> *Id.*

impact the ability of the government to raise revenue in a number of future cases.”<sup>167</sup> Lastly, the Eleventh Circuit noted that finding that the breach of contract case arose under patent law because it implicated issues of patent infringement would “upset the ‘congressionally approved balance of federal and state judicial responsibilities.’ To hold that all questions of patent infringement are substantial questions of federal law for the purposes of federal patent jurisdiction would sweep a number of state-law claims into federal court.”<sup>168</sup>

The only possible distinction between *MDS* and the Federal Circuit’s decisions in *Forrester*, *Jang*, and *Maxchief* is that, in *MDS*, one of the relevant patents had expired because the patentee failed to pay maintenance fees.<sup>169</sup> But other licensed patents in *MDS* remained in force.<sup>170</sup> Moreover, for reasons I have already explained, an interpretation of *Gunn* that finds jurisdiction lacking only when the underlying patent has already been invalidated or expired or is no longer enforceable is flawed because it puts too much weight on the significance of the case to parties at hand and it ignores the lack of significance of the case to the federal system as a whole.<sup>171</sup>

Separate and apart from the potential inconsistency of Federal Circuit law with regional circuit law, Federal Circuit law on arising under jurisdiction is now internally inconsistent. In its most recent significant encounter with issues of subject matter jurisdiction, the Federal Circuit held, in contrast to *Jang* and the other cases discussed above, that a case-specific issue of patent validity was *not* sufficient to make a federal antitrust claim arise under patent law.

In that case, *Xitronix Corp. v. KLA-Tencor Corp.*, the plaintiff’s complaint, filed in the U.S. District Court for the Western District of Texas, asserted a single claim: that the defendant violated federal antitrust law by filing suit for infringement of a patent it had obtained through fraud on the Patent Office.<sup>172</sup> The Supreme Court, in its seminal 1965 decision in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Co.*, held that enforcing a patent obtained via fraud violates the federal antitrust laws, provided the plaintiff can prove the

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<sup>167</sup> *Id.*

<sup>168</sup> *Id.* at 843 (internal citations omitted).

<sup>169</sup> *Id.* at 840; *see also* *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194, 1201 (Fed. Cir. 2018) (Newman, J., dissenting from the denial of the petition for rehearing en banc) (characterizing *MDS* as having ruled that “the question of infringement was not substantial because the patent had expired”).

<sup>170</sup> *See* *MDS (Can.), Inc. v. Rad Source Techs., Inc.*, 822 F. Supp. 2d 1263, 1312–13 (S.D. Fla. 2011) (determining that the licensor’s failure to pay maintenance fees was not a material breach of the licensing agreement because another one of the licensed patents “provide[d] sufficient protection for the blood irradiation technology” manufactured by the licensee).

<sup>171</sup> *See supra* Part II.A.

<sup>172</sup> 882 F.3d 1075, 1078, 1077 (Fed. Cir. 2018).

other elements of an antitrust claim, such as the defendant's monopoly power in a relevant market.<sup>173</sup> The federal district court in *Xitronix* granted the defendant's motion for summary judgment on the *Walker Process* claim, ruling that the plaintiff failed to raise a genuine factual dispute both about whether the defendant had defrauded the Patent Office and whether any misrepresentations had caused the Patent Office to issue the patent.<sup>174</sup>

The defendant appealed to the Federal Circuit, but the Federal Circuit transferred the case to the Fifth Circuit, concluding that the plaintiff's *Walker Process* claim did not raise a "substantial" question of patent law under *Gunn*.<sup>175</sup> The Federal Circuit offered three main reasons for finding a lack of substantiality, but all of those reasons are problematic in light of the court's prior precedent (*Jang*, most notably) and the reality of what litigation of a *Walker Process* claim entails.

The first reason the court gave for finding that the patent issues in *Xitronix* were not substantial was that, although the *Walker Process* claim turned on whether the defendant had made false statements to the Patent Office, "[t]here is nothing unique to patent law about allegations of false statements."<sup>176</sup> Yet whether a case presents issues "unique to patent law" is, quite simply, not the test for determining whether a case arises under patent law for jurisdictional purposes.<sup>177</sup> The question of whether an issue is unique to patent law is, instead, one formulation of the test the Federal Circuit has used to make *choice of law* rulings—specifically, to determine whether an issue of non-patent law (such as a procedural question or a question of substantive law outside the field of patent law) should be governed by Federal Circuit precedent or by the precedent of the regional circuit encompassing the district court.<sup>178</sup> But just because Federal Circuit law does not apply to a particular issue does not mean that the Federal Circuit lacks *jurisdiction* over the case. Indeed, many issues that frequently arise in cases over which the Federal Circuit indisputably has jurisdiction are—to the

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<sup>173</sup> 382 U.S. 172, 176–77 (1965).

<sup>174</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, No. A-14-CA-01113-SS, 2016 WL 7626575, at \*9 (W.D. Tex. Aug. 26, 2016).

<sup>175</sup> *Xitronix*, 882 F.3d at 1078, 1080.

<sup>176</sup> *Id.* at 1077.

<sup>177</sup> Oddly, just a paragraph earlier, the court had correctly recited the jurisdictional standard by asking whether the *Walker Process* claim "necessarily depends on the resolution of a substantial question of federal patent law." *Id.* (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)).

<sup>178</sup> See, e.g., *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574–75 (Fed. Cir. 1984) (per curiam) ("We, therefore, rule, as a matter of policy, that the Federal Circuit shall review procedural matters, that are not unique to patent issues, under the law of the particular regional circuit court where appeals from the district court would normally lie.").

chagrin of many observers<sup>179</sup>—not actually governed by Federal Circuit law.<sup>180</sup> Thus, whether or not issues of fraud on the Patent Office are “unique” to patent law does not answer the question of which court—state or federal, or, as in *Xitronix*, the Federal Circuit or a regional circuit—has jurisdiction.<sup>181</sup>

The second reason the Federal Circuit gave in *Xitronix* for finding a lack of substantiality was the case-specific nature of the patent questions raised.<sup>182</sup> After asserting that the allegations of fraud were not “unique to patent law,” the court acknowledged that determining whether the defendant made misrepresentations to the Patent Office “will almost certainly require some application of patent law.”<sup>183</sup> For instance, analyzing whether fraud occurred “may require analysis of the [patent’s] claims and specifications and may require application of patent claim construction principles.”<sup>184</sup> Though the Federal Circuit did not mention it, a *Walker Process* claim also requires the court to determine the *effect* that any misrepresentations had on the patent examiner, as the Supreme Court’s *Walker Process* decision requires the plaintiff to prove that the defendant’s misrepresentations *caused* the Patent Office to issue the patent.<sup>185</sup>

In any event, the Federal Circuit in *Xitronix* wrote that jurisdiction was lacking because the Supreme Court in *Gunn* required “something more” than “mere resolution of a patent issue in a ‘case within a case’” to trigger arising under jurisdiction.<sup>186</sup> As my analysis above suggests, this interpretation of *Gunn* is correct. A case-specific, patent-specific analysis of claim scope or infringement, or of how specific misrepresentations affected an examiner’s

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<sup>179</sup> See, e.g., Peter S. Menell, *API Copyrightability Bleak House: Unraveling and Repairing the Oracle v. Google Jurisdictional Mess*, 31 BERKELEY TECH. L.J. 1515, 1577 (2016) (describing problems that have occurred because the Federal Circuit applies regional circuit law to copyright issues); Joan E. Schaffner, *Federal Circuit “Choice of Law”: Erie Through the Looking Glass*, 81 IOWA L. REV. 1173, 1178 (1996) (arguing that the Federal Circuit’s reticence to apply its own law to nonpatent substantive issues “inhibits the court’s ability to provide uniform guidance to patent policy and the patent-related business activities of litigants”).

<sup>180</sup> See Ted L. Field, *Improving the Federal Circuit’s Approach to Choice of Law for Procedural Matters in Patent Cases*, 16 GEO. MASON L. REV. 643, 653–68 (2009) (also noting inconsistencies in the Federal Circuit’s choice-of-law precedent).

<sup>181</sup> Moreover, and in any event, Federal Circuit precedent clearly holds that the fraud element of a *Walker Process* claim is an issue unique to patent cases and is therefore governed by Federal Circuit precedent. See *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067–68 (Fed. Cir. 1998) (en banc in relevant part) (“Whether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws is one of those issues that clearly involves our exclusive jurisdiction over patent cases.... Because most cases involving these issues will therefore be appealed to this court, we conclude that we should decide these issues as a matter of Federal Circuit law, rather than rely on various regional precedents.”).

<sup>182</sup> *Xitronix*, 882 F.3d at 1078.

<sup>183</sup> *Id.* at 1077–78.

<sup>184</sup> *Id.* at 1078.

<sup>185</sup> See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 174 (1965).

<sup>186</sup> *Xitronix*, 882 F.3d at 1078 (citations omitted).



analysis of patentability, are not sufficient to create arising under jurisdiction, even in a case like *Xitronix* in which the patent might still be enforced in the future. But the Federal Circuit’s reasoning in *Xitronix* is inconsistent with the court’s prior decision in *Jang*, which held that issues of patent infringement or validity embedded within a state law breach of contract claim *were* sufficient to make a case arise under patent law for jurisdictional purposes.<sup>187</sup>

The final reason the Federal Circuit gave for finding a lack of substantiality in *Xitronix*—in a possible effort to distinguish *Jang*—was that the *Xitronix* case presented “no dispute over the validity” of the plaintiff’s patent.<sup>188</sup> But *Xitronix* *did* effectively involve a question of patent validity. A finding in the antitrust litigation that the defendant had obtained its patent through fraud on the Patent Office would almost certainly cause the patent to be found unenforceable in any future infringement litigation under patent law’s doctrine of inequitable conduct, which prohibits a patentee from enforcing a patent that it obtained through intentional misrepresentations to the Patent Office.<sup>189</sup> As the Fifth Circuit observed in a subsequent appeal in the *Xitronix* litigation: “[I]f this litigation determines that the [defendant/patentee] defrauded the PTO in obtaining the . . . patent, collateral estoppel principles would furnish a readymade inequitable conduct defense to any potential infringer whom [the patentee] might sue.”<sup>190</sup> Though inequitable conduct is technically a ground of patent unenforceability, not validity, the salient point is that a finding of fraud in the *Walker Process* case would give rise to a near-locktight inequitable conduct defense, which would bar a future infringement claim—just like a ruling of patent invalidity would under *Blonder-Tongue*. So, contrary to the Federal Circuit’s assertion, the validity of the patent effectively *was* at issue in *Xitronix*, again making the case indistinguishable from—and in conflict with—*Jang*.<sup>191</sup>

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<sup>187</sup> See *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1336 (Fed. Cir. 2014) (quoting with approval the Federal Circuit’s opinion upholding jurisdiction in a prior appeal in the same litigation: “In previously ruling that this court had jurisdiction over *Jang*’s appeal, we noted that ‘[a]lthough this case arises from a contract claim, rather than directly as a patent infringement claim, *Jang*’s right to relief on the contract claim as asserted in the complaint depends on an issue of federal patent law—whether the stents sold by [the defendants] would have infringed [*Jang*’s patents].’ Nothing in the Supreme Court’s decision in *Gunn* alters that conclusion.” (quoting *Jang v. Bos. Sci. Corp.*, 532 F.3d 1330, 1334 n.5 (Fed. Cir. 2008) (citation omitted))).

<sup>188</sup> *Xitronix*, 882 F.3d at 1078. Recall that the contract in *Jang* obligated the defendants to pay royalties only on products covered by “valid” patent. *Jang*, 767 F.3d at 1337.

<sup>189</sup> See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285, 1290–92 (Fed. Cir. 2011) (en banc).

<sup>190</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 439 (5th Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019); see also *TransWeb, LLC v. 3M Innovative Props. Co.*, 812 F.3d 1295, 1307 (Fed. Cir. 2016) (“After *Therasense*, the showing required for proving inequitable conduct and the showing required for proving the fraud component of *Walker Process* liability may be nearly identical.”).

<sup>191</sup> For this reason, the Federal Circuit was incorrect to analogize the *Xitronix* case to a recent D.C. Circuit

The defendant in *Xitronix* sought rehearing en banc in the Federal Circuit, but the court denied the petition by a vote of ten to two.<sup>192</sup> Only Judges Newman and Lourie voted to rehear the case.<sup>193</sup> And only Judge Newman filed an opinion explaining her rationale. That opinion pointed out many of the flaws in the panel's decision that I identified above. She observed that the plaintiff's *Walker Process* claim necessarily raised an issue about the enforceability of the underlying patent,<sup>194</sup> and she noted that the panel's decision was inconsistent with circuit precedent, including *Jang*.<sup>195</sup> Ultimately, however, Judge Newman's opinion embraced the flawed view that case-specific issues of validity or enforceability that merely require applying patent law are sufficient to trigger arising under jurisdiction.<sup>196</sup>

Despite Judge Newman's dissent, the *Xitronix* case next landed in the Fifth Circuit. Remarkably, the Fifth Circuit refused to decide the case and sent it *back* to the Federal Circuit.<sup>197</sup> Though the Fifth Circuit correctly recognized several errors in the Federal Circuit panel's opinion, the court made some errors of its own. And it certainly did not make the case that the Federal Circuit's decision finding that it lacked jurisdiction was so "clearly erroneous" or "implausible" as to warrant sending the parties back to the Federal Circuit for yet another round of appellate litigation.<sup>198</sup>

The Fifth Circuit began its analysis by examining the Federal Circuit's pre-*Gunn* case law, which it understood to hold that "the determination of fraud before the PTO necessarily involves a substantial question of patent law."<sup>199</sup>

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decision exercising jurisdiction over a malpractice claim alleging that the defendants had engaged in negligence during patent prosecution, *Seed Co. v. Westerman*, 832 F.3d 325, 331 (D.C. Cir. 2016). In that decision, the basis for the D.C. Circuit exercising jurisdiction was that the case, "like *Gunn*, involve[d] no forward-looking questions about any patent's validity" because the patent never actually issued. *Id. Xitronix*, by contrast, *did* involve questions that would affect the patent's enforceability going forward.

<sup>192</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194, 1195 (Fed. Cir. 2018).

<sup>193</sup> *Id.*

<sup>194</sup> *Id.* at 1199 (Newman, J., dissenting from denial of the petition for rehearing en banc) ("The panel states that *Gunn* requires moving the appeal to the Fifth Circuit because in the case at bar '[t]here is no dispute over the validity of claims.' This is a puzzling statement, for that is the dispute: *Xitronix* states that a finding of fraud or inequitable conduct will 'result in the ... patent claims being rendered collaterally invalid and/or unenforceable.'" (citation omitted) (quoting *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1078 (Fed. Cir. 2018))).

<sup>195</sup> *Id.* at 1200.

<sup>196</sup> *See id.* at 1196 ("If the issues of inequitable conduct or fraud in procuring [a] patent are no longer deemed to be a substantial issue of patent law, the court should speak en banc.").

<sup>197</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 431 (5th Cir. 2019).

<sup>198</sup> *See Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 819 (1988) (holding that a transferee court should accept jurisdiction over a patent appeal so long as the transfer decision is "plausible" and not "clearly erroneous" (citation omitted)).

<sup>199</sup> *Xitronix*, 916 F.3d at 439 (citing *In re Ciprofloxacin Hydrochloride Antitrust Litig.*, 544 F.3d 1323,

After summarizing the Supreme Court's decision in *Gunn*, the Fifth Circuit asserted that the Federal Circuit's "reasoning [in its transfer decision] depended on several premises that we find implausible."<sup>200</sup> First, the Fifth Circuit noted, "[a] finding of fraud on the PTO would," in fact, "render [the] patent effectively unenforceable in future cases," strengthening the case that the federal question embedded in the plaintiff's *Walker Process* claim is "substantial."<sup>201</sup> Consistent with my argument above, the Fifth Circuit's statement is correct as a matter of preclusion doctrine. But, as I have also argued, the potential unenforceability of one particular patent is too case-specific to satisfy *Gunn*'s requirement that the embedded issue of patent law be significant to the federal system as a whole.

Second, the Fifth Circuit criticized the Federal Circuit for distinguishing prior Federal Circuit decisions holding that *Walker Process* claims are governed by Federal Circuit precedent, not regional circuit precedent.<sup>202</sup> In *Xitronix*, the Federal Circuit had reasoned that its precedent on *choice of law* did not mandate that it accept *jurisdiction*.<sup>203</sup> Yet the Fifth Circuit wrote that the distinction between jurisdiction and choice of law "strikes us as immaterial. The tests for both questions turn on the Federal Circuit's exclusive jurisdiction over a given issue."<sup>204</sup> This statement reflects a misunderstanding of Federal Circuit choice-of-law doctrine. As explained above, for better or worse, the scope of Federal Circuit law is *not* coextensive with the scope of Federal Circuit jurisdiction.<sup>205</sup> Thus, cases about whether Federal Circuit law applies to a given issue do not answer the question of whether a particular case falls within the Federal Circuit's jurisdiction.

Finally, the Fifth Circuit criticized the Federal Circuit's reliance on precedent from outside the Federal Circuit in declining jurisdiction.<sup>206</sup> Yet some aspects of the Fifth Circuit's criticism are overblown. For instance, the Fifth Circuit chastised the Federal Circuit for citing a Third Circuit decision, *In re Lipitor Antitrust Litigation*, in which the Third Circuit exercised jurisdiction over a patent-related antitrust claim that asserted *Walker Process* fraud as one

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1330 n.8 (Fed. Cir. 2008)). This line of case law, it is worth noting, is consistent with the Federal Circuit's general pre-*Gunn* view, discussed above, that the mere need to apply patent law was sufficient to create arising under jurisdiction over cases involving non-patent claims. *See supra* Part I.B.

<sup>200</sup> *Xitronix*, 916 F.3d at 438–39.

<sup>201</sup> *Id.* at 439 (citing *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1367 (Fed. Cir. 1998)).

<sup>202</sup> *Id.* (citing *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067 (Fed. Cir. 1998)).

<sup>203</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1078–79 (Fed. Cir. 2018).

<sup>204</sup> *Xitronix*, 916 F.3d at 439.

<sup>205</sup> *See supra* notes 179–81.

<sup>206</sup> *Xitronix*, 916 F.3d at 439–40.

of many theories of antitrust liability.<sup>207</sup> The Fifth Circuit noted that the *Lipitor* case involved “non-patent antitrust theories,” so it “clearly” belonged in the regional circuit.<sup>208</sup> While that is an accurate description of the *Lipitor* case, the Third Circuit’s opinion in that case also reviewed the Federal Circuit’s pre-*Gunn Walker Process* case law as well as the *Gunn* decision itself and observed that, after *Gunn*, a claim of *Walker Process* fraud might no longer be a “substantial” question of federal law sufficient to trigger arising under jurisdiction.<sup>209</sup> And the Federal Circuit in *Xitronix* relied on *Lipitor* for nothing more than the Third Circuit’s passing statement that the validity of the Federal Circuit’s pre-*Gunn* case law on jurisdiction over *Walker Process* claims “may be open to debate following *Gunn*.”<sup>210</sup>

Also, the Fifth Circuit criticized the Federal Circuit for relying on a prior Fifth Circuit decision, *USPPS, Ltd. v. Avery Dennison Corp.*,<sup>211</sup> which the Federal Circuit viewed as evidence that the Fifth Circuit had previously been willing to decide “a state law claim based on fraud on the PTO because the underlying fraud allegation ‘d[id] not cause the underlying hypothetical patent issues to be of substantial importance to the federal system as a whole.’”<sup>212</sup> The Fifth Circuit was correct to note that *USPPS* did not, in fact, involve a claim of fraud on the Patent Office; it actually involved fraud claims against a business and its lawyers following a failed patent application.<sup>213</sup> But the Fifth Circuit’s ultimate holding in *USPPS* is directly on point. In that case, the plaintiff “could not prove causation without proving the patentability of its invention.”<sup>214</sup> Thus, *USPPS*—just like *Xitronix*—required an analysis of patentability. Yet the Fifth Circuit nevertheless exercised jurisdiction in *USPPS* because “[t]he hypothetical patent issues between the parties ... [were] fact-specific and of no importance to the federal system”<sup>215</sup>—a result that is consistent with the Federal Circuit’s ruling in *Xitronix* declining jurisdiction.

Ultimately, the Fifth Circuit concluded that, under *Gunn*, the federal question in *Xitronix* was indeed substantial. The court analogized the case to

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<sup>207</sup> 855 F.3d 126, 146 (3d Cir. 2017). Other theories included the defendants’ filing of a sham citizen petition with the Food and Drug Administration and the defendants’ entry into a reverse payment settlement of patent litigation. *Id.*

<sup>208</sup> *Xitronix*, 916 F.3d at 439–40.

<sup>209</sup> *See Lipitor*, 855 F.3d at 146.

<sup>210</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1079 (Fed. Cir. 2018).

<sup>211</sup> 541 F. App’x 386 (5th Cir. 2013).

<sup>212</sup> *Xitronix*, 882 F.3d at 1080 (quoting *USPPS*, 541 F. App’x at 390).

<sup>213</sup> *Xitronix*, 916 F.3d at 440.

<sup>214</sup> *USPPS*, 541 F. App’x at 389.

<sup>215</sup> *Id.* at 390.

*Grable* and *Smith*, asserting that it turned on “the legality of a federal action.”<sup>216</sup> In *Grable*, the federal question was whether the government had lawfully seized land to satisfy a tax delinquency.<sup>217</sup> In *Smith*, the question was whether Congress had acted constitutionally when it passed the Farm Loan Act.<sup>218</sup> In *Xitronix*, the question, in the Fifth Circuit’s view, was whether the Patent Office had properly issued a patent.<sup>219</sup>

But that, too, is an overstatement. The federal question in *Xitronix* is not about whether the *government* acted legally, it is about whether the *patentee* fraudulently goaded the Patent Office into issuing a patent. This focus on the legality of actions *by a private party*—not the federal government—distinguishes *Xitronix* from *Grable* and *Smith*. Moreover, in both *Grable* and *Smith*, the determination of whether the government had acted lawfully would have clear implications for future cases. In *Grable*, a decision about whether the taxpayer received adequate notice would set precedent about the meaning of “notice” in the tax statute that would apply in any other dispute involving that statute.<sup>220</sup> In *Smith*, the decision on whether the Farm Loan Act was constitutional would dictate the validity of bonds that were owned by numerous different persons and corporations and that were issued by dozens of banks that were owned at least in part by the federal government.<sup>221</sup> In addition, the *Smith* case would (and did) set important precedent about Congress’s power under the Constitution’s Commerce Clause.<sup>222</sup> In a case like *Xitronix*, by contrast, the enforceability of the patent in suit is relevant only to the parties to the case and, perhaps, to the small number of persons who might be accused of infringing that patent in the future. Either way, the effects of the determination of patent enforceability “would be limited to the parties and patents ... before the ... court”<sup>223</sup>—precisely the type of effects the Supreme Court in *Gunn* ruled were insufficient to establish arising under jurisdiction.

It is possible, as the Fifth Circuit noted in *Xitronix*, that the court’s resolution

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<sup>216</sup> *Xitronix*, 916 F.3d at 441 (“This litigation has the potential to render [the] patent effectively unenforceable and to declare the PTO proceeding tainted by illegality.”).

<sup>217</sup> *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 310 (2005).

<sup>218</sup> *Smith v. Kan. City Title & Tr. Co.*, 255 U.S. 180, 195 (1921).

<sup>219</sup> *Xitronix*, 916 F.3d at 441.

<sup>220</sup> *See Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 311 (2005).

<sup>221</sup> *See Smith*, 255 U.S. at 196; *see also* Larry Yackle, *Federal Banks and Federal Jurisdiction in the Progressive Era: A Case Study of Smith v. K.C. Title & Trust Co.*, 62 U. KAN. L. REV. 255, 274 (2013) (noting that the mere filing of “the constitutional challenge in *Smith* wrecked the rural financial system established by the Act”).

<sup>222</sup> *Smith*, 255 U.S. at 211.

<sup>223</sup> *Gunn v. Minton*, 568 U.S. 251, 263 (2013).

of the *Walker Process* claim could “set precedent” about the scope of patent practitioners’ duty of candor to the Patent Office.<sup>224</sup> But the mere possibility that, by applying the law to the facts of the case, a court *might* set precedent about a patent-related matter also does not seem sufficient to create arising under jurisdiction under *Gunn*. After all, in *Gunn*, if the court hearing the malpractice case determined that the patentee would have won his infringement suit because the experimental use exception did, in fact, apply, that ruling would stand as precedent about the contours of the experimental use doctrine. But, despite the precedent-creating potential of a federal decision, the Supreme Court in *Gunn* found federal jurisdiction lacking.<sup>225</sup> Thus, the Fifth Circuit was wrong to assert that adjudication of a case-specific patent issue must be done exclusively in federal court (and in the Federal Circuit) simply because it *might* set precedent about a patent-related matter. Indeed, the leading treatise on federal jurisdiction notes that one consequence of *Gunn* is that “the standards of practice before a federal administrative agency (the Patent and Trademark Office) and the federal courts, for lawyers whose practice may be almost exclusively before those bodies, [are] regulated by state law, and enforced by state courts.”<sup>226</sup>

In a final effort to defend its refusal to accept jurisdiction in *Xitronix*, the Fifth Circuit tried to downplay the jurisdictional significance of the case-specific nature of the federal question. Specifically, the Fifth Circuit noted that, although “any result would be ‘limited to the parties and patent involved in this matter,’” that is “‘likely true of many patent cases,’” and so “[i]f this consideration alone sufficed to remove a case from the Federal Circuit’s exclusive jurisdiction, there is no telling where the line should properly be drawn.”<sup>227</sup> The Fifth Circuit is surely correct that the mine-run of federal patent cases do not set groundbreaking precedent and so their significance, like the *Xitronix* case itself, is limited to the parties at bar. But the Fifth Circuit was wrong to suggest that, if the Federal Circuit did not have jurisdiction over party-specific patent cases, jurisdictional chaos would result. That is because the party-specific issues at the center of most patent cases *arise in the context of suits for patent infringement*. Those cases involve claims *created* by the federal Patent Act, so they indisputably arise under patent law for jurisdictional purposes, regardless of whether the case has the

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<sup>224</sup> *Xitronix*, 916 F.3d at 441.

<sup>225</sup> See *Gunn*, 568 U.S. at 264–65.

<sup>226</sup> FALLON ET AL., *supra* note 159, at 836. While state law and state courts will, under *Gunn*, define the contours of malpractice law for patent lawyers, the Patent Office can still regulate matters of professionalism and ethics through its Office of Enrollment and Discipline. See generally *Office of Enrollment and Discipline*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/about-us/organizational-offices/office-general-counsel/office-enrollment-and-discipline-oed> (last modified July 17, 2019, 5:46 PM).

<sup>227</sup> *Xitronix*, 916 F.3d at 441 n.9.

potential to set important precedent or is merely a fact-specific dispute over infringement or validity. The case-specific nature of a dispute is sufficient to defeat jurisdiction only in the comparatively rare case, like *Xitronix*, that involves patent-related issues but does not include claims actually created by patent law. So, the Fifth Circuit's argument, which seems to suggest that the Federal Circuit would have nothing to do if it did not have jurisdiction over party-specific disputes embedded within non-patent claims, fails.

For now, the game of jurisdictional ping-pong in the *Xitronix* litigation seems to be at an end. One month after the Fifth Circuit refused to accept jurisdiction, the Federal Circuit issued a per curiam order stating that it would decide the case on the merits.<sup>228</sup> But the court did not let the jurisdictional issue lie. Rather, in its order, the court noted several "flaws" in the Fifth Circuit's analysis.<sup>229</sup> First, the Federal Circuit criticized a statement by the Fifth Circuit that, for a case to arise under patent law, "all" claims in the plaintiff's well-pleaded complaint must raise substantial questions of patent law.<sup>230</sup> Under Supreme Court precedent, the Federal Circuit (correctly) noted, only *one* claim needs to raise a substantial question of patent law so long as patent law is "essential" to each "*theory*" of the claim.<sup>231</sup> Second, the Federal Circuit derided as "untenable" a suggestion by the Fifth Circuit that the scope of Federal Circuit jurisdiction under § 1295(a)(1) is broader than the district courts' exclusive jurisdiction under § 1338(a).<sup>232</sup> I explore this issue in more detail below,<sup>233</sup> but, for present purposes, it suffices to say that the Federal Circuit made the reasonable point that both statutes use the same, "arising under" phrase for the same purpose: "to define the jurisdiction of particular federal courts."<sup>234</sup> Indeed, as discussed, the federal courts have, for better or worse, interpreted the identical language in both statutes in an identical fashion.<sup>235</sup> Finally, the Federal Circuit chided the Fifth Circuit for relying on Federal Circuit precedent on choice of law to determine the scope of the Federal Circuit's jurisdiction.<sup>236</sup> Matters of jurisdiction and choice of law in patent cases, the Federal Circuit noted, "are related but distinct."<sup>237</sup>

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<sup>228</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 757 F. App'x 1008, 1010 (Fed. Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019).

<sup>229</sup> *Xitronix*, 757 F. App'x at 1010.

<sup>230</sup> *Id.* at 1009.

<sup>231</sup> *Id.* (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 810–11 (1988)).

<sup>232</sup> *Id.*

<sup>233</sup> See *infra* Part III.B.

<sup>234</sup> *Xitronix*, 757 F. App'x at 1009.

<sup>235</sup> See *supra* note 62 and accompanying text.

<sup>236</sup> *Xitronix*, 757 F. App'x at 1009.

<sup>237</sup> *Id.*; see *supra* notes 176–77 and accompanying text.

Despite these “flaws” in the Fifth Circuit’s opinion, the Federal Circuit accepted jurisdiction over the *Xitronix* case, noting that the Fifth Circuit’s conclusion that the Federal Circuit had jurisdiction was “not implausible.”<sup>238</sup> Yet, in accepting jurisdiction, the Federal Circuit (perhaps intentionally, perhaps not) highlighted a clear intracircuit split in Federal Circuit jurisdictional law. In explaining why it found the Fifth Circuit’s transfer decision “not implausible,” the Federal Circuit noted that the Supreme Court’s decision in *Gunn* “could be read to imply that whether the patent question at issue is substantial depends on whether the patent is ‘live’ such that the resolution of any question of patent law is not ‘merely hypothetical.’”<sup>239</sup> In the case at hand, the Federal Circuit noted, “the underlying patent has not expired.”<sup>240</sup> In addition, the Federal Circuit wrote, “the resolution of the [*Walker Process*] fraud question could affect [the patent’s] enforceability”<sup>241</sup> (perhaps acknowledging the mistake from its prior opinion in which the court had said “[t]here is no dispute over the validity of the [patent]”).<sup>242</sup> This view—that any dispute about the infringement or validity of a still-enforceable patent “arises under” patent law—is not only what the Fifth Circuit held in *Xitronix*, it is consistent with the Federal Circuit’s holding in *Jang* (as well as the Federal Circuit’s dicta in *Forrester* and *Maxchief*) that the jurisdictional analysis turns on whether the patent might be asserted in “subsequently arising infringement suits.”<sup>243</sup>

However, in the very next paragraph of its order accepting jurisdiction over the *Xitronix* case, the Federal Circuit panel expressly disagreed with that view, stating: “[W]e reject the theory that our jurisdiction turns on whether a patent can still be asserted. Under this logic, cases involving *Walker Process* claims based on expired patents would go to the regional circuits while those with unexpired patents would come to us, despite raising the same legal questions.”<sup>244</sup> While the panel’s point might be logical (and, as I argued above, faithful to Supreme Court precedent), that is precisely the outcome contemplated by the Federal Circuit’s opinions in *Jang*, *Forrester*, and *Maxchief*, which cabin *Gunn*’s limits on jurisdiction to cases in which the underlying patent has been invalidated or expired or is no longer enforceable.<sup>245</sup>

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<sup>238</sup> *Xitronix*, 757 F. App’x at 1010.

<sup>239</sup> *Id.* (quoting *Gunn v. Minton*, 568 U.S. 251, 261 (2013)).

<sup>240</sup> *Id.*

<sup>241</sup> *Id.*

<sup>242</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1078 (Fed. Cir. 2018); *see also supra* notes 188–91 and accompanying text.

<sup>243</sup> *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1337 (Fed. Cir. 2014).

<sup>244</sup> *Xitronix*, 757 F. App’x at 1010.

<sup>245</sup> *See supra* Part II.A. In a decision issued as this Article was going to press, another panel of the Federal Circuit—also in conflict with cases such as *Jang*—wrote that “a run-of-the-mill question of infringement or



### C. Getting Jurisdiction Right, Sometimes

As the discussion thus far hopefully shows, there is serious confusion in the emerging appellate case law on arising under jurisdiction in patent cases. But I do not mean to suggest that courts since *Gunn* have never gotten the jurisdictional analysis right. The Federal Circuit has, for instance, correctly found that arising under jurisdiction existed in cases presenting purely legal questions about the constitutionality of both state statutes<sup>246</sup> and federal statutes involving patents.<sup>247</sup> Those constitutional challenges strongly resemble *Smith* in that they present nearly pure questions about Congress's power under the Constitution's Intellectual Property Clause<sup>248</sup> or otherwise seek to have patent-related statutes declared facially invalid on constitutional grounds.<sup>249</sup> The court has also found arising under jurisdiction to be lacking over legal malpractice cases involving expired patents, consistent with *Gunn*.<sup>250</sup> As I explain below, however, at least one of the Federal Circuit's recent decisions involving a malpractice claim and supposedly expired patents massages the facts of the case to avoid inconsistency with the Federal Circuit's decision in *Jang*.<sup>251</sup>

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validity" embedded within a state law claim does not create arising under jurisdiction, even if the patent remains in force. *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1369 (Fed. Cir. 2019). The portion of the opinion addressing *Gunn*'s requirement that the embedded federal question must be "substantial" was plainly dicta, for the court also found that the plaintiff's state-created unjust enrichment claim did not necessarily raise a question of patent law. *See id.* at 1363. Nevertheless, the Federal Circuit in *Inspired Development* attempted to distinguish *Jang* on the ground that *Jang* involved a dispute over appellate jurisdiction as between the Federal Circuit and a regional circuit under § 1295 whereas *Inspired Development* involved a dispute over state court versus federal court jurisdiction under § 1338. *See id.* at 1365. Yet current law does not support that distinction: both §§ 1295 and 1338 use the same "arising under" language, and courts usually treat precedent interpreting both sections interchangeably. Still, as a pure policy matter, it may make sense for the federal courts' exclusive jurisdiction (vis-à-vis state courts) to be narrower than the Federal Circuit's appellate jurisdiction (vis-à-vis the regional circuits). *See infra* Part III.B.

<sup>246</sup> *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 642–43 (Fed. Cir. 2015) (constitutional challenge to Vermont statute prohibiting "bad faith" acts of patent enforcement).

<sup>247</sup> *Madstad Eng'g, Inc. v. USPTO*, 756 F.3d 1366, 1370 (Fed. Cir. 2014) (constitutional challenge to the provision of the America Invents Act (AIA) granting priority to the first inventor to file a patent application).

<sup>248</sup> U.S. CONST. art. I, § 8, cl. 8 ("The Congress shall have the power ... [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

<sup>249</sup> *See Madstad*, 756 F.3d at 1370 (challenge to the AIA under the Intellectual Property Clause); *MPHJ*, 803 F.3d at 642 (seeking a declaratory judgment that Vermont's statute is "invalid or preempted ... under the First, Fifth, and Fourteenth Amendments, the Supremacy and Patent Clauses of the Constitution, and Title 35 of the U.S. Code [the Patent Act]").

<sup>250</sup> *See NeuroRepair, Inc. v. Nath Law Grp.*, 781 F.3d 1340, 1345 (Fed. Cir. 2015).

<sup>251</sup> *See infra* Part III.C, which discusses *Alps South, LLC v. Shumaker, Loop & Kendrick, LLP*, No. 2018-1717, 2018 WL 4522168, at \*3 (Fed. Cir. June 14, 2018), a case in which the underlying patents had expired but the statute of limitations had not yet run meaning that, like in *Jang* (and, for that matter, *Xitronix*), future infringement suits could possibly be filed.

The regional circuits, too, have correctly applied *Gunn* in several patent-related cases. For instance, the Third Circuit, in the *Lipitor* case discussed above, exercised jurisdiction over an appeal involving claims of *Walker Process* fraud because there were theories under which the plaintiffs could successfully prove their antitrust claims that had nothing to do with patent law.<sup>252</sup> Also, the D.C. Circuit recently exercised jurisdiction over a case involving claims for legal malpractice that occurred during a failed patent prosecution, reasoning that the case “like *Gunn*, involve[d] no forward-looking questions about any patent’s validity, but instead solely concern[ed] whether unsuccessful patent applicants can recover against their attorneys.”<sup>253</sup> And the Fifth Circuit itself has exercised jurisdiction over fraud claims involving failed patent applications, even though those claims required the plaintiffs to prove the patentability of their alleged inventions, because the patent issues were “hypothetical,” “fact-specific,” and “of no importance to the federal system.”<sup>254</sup>

These decisions are helpful in formulating a clearer jurisdictional rule that is faithful to Supreme Court precedent—a task the Article turns to now.

### III. REDUCING CONFUSION ABOUT “ARISING UNDER” JURISDICTION IN PATENT CASES

This final Part explores three broader implications of the more granular critique of the prevailing jurisdictional case law presented thus far. First, it synthesizes the doctrinal analysis above into a relatively clear jurisdictional rule that should help reduce uncertainty about and litigation over subject matter jurisdiction in many patent-related cases. Second, it considers a more radical jurisdictional reform: removing the connection between the federal courts’ exclusive jurisdiction over patent cases (to the exclusion of state courts) and the Federal Circuit’s appellate jurisdiction (*vis-à-vis* the regional circuits). Finally, it returns to the Federal Circuit jurisdictional case law discussed above and presents some initial evidence that those decisions are panel dependent—a phenomenon that highlights some potential shortcomings of the Federal Circuit as an institution.

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<sup>252</sup> *In re Lipitor Antitrust Litig.*, 855 F.3d 126, 146 (3d Cir. 2017); *see also* *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 810 (1988) (“[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.”).

<sup>253</sup> *Seed Co. v. Westerman*, 832 F.3d 325, 331 (D.C. Cir. 2016).

<sup>254</sup> *USPPS, Ltd. v. Avery Dennison Corp.*, 541 F. App’x 386, 389–90 (5th Cir. 2013).

## A. A Clearer Rule

### 1. Only Questions of Patent Law Trigger “Arising Under” Jurisdiction Over Non-Patent Claims

Many scholars who have considered the question of when a claim created by state law should nevertheless be considered to arise under federal law have embraced malleable tests that give the federal courts discretion to exercise jurisdiction based on the weighing of multiple factors,<sup>255</sup> including the strength of the federal interest in the case and the impact of a finding of jurisdiction on the federal docket.<sup>256</sup> The test for arising jurisdiction articulated in *Gunn* (drawn from the Supreme Court’s earlier decision in *Grable*), is a little less ad hoc—it articulates four specific elements that must be satisfied for jurisdiction to exist.<sup>257</sup> But it also embraces more malleable considerations such as the strength of the relevant federal interest and whether federal jurisdiction would upset the “congressionally approved” balance of cases between the state and federal courts.<sup>258</sup> Indeed, despite *Gunn*’s four-element test, at least some courts of appeals have distilled three “factors” they believe “assist” in determining the most important element of that test: whether the embedded issue is “substantial” in the sense that it is important to the federal system as a whole. For example, the Eleventh Circuit, in the patent-related *MDS* case discussed above, articulated those factors as follows:

First, a pure question of law is more likely to be a substantial federal question. Second, a question that will control many other cases is more likely to be a substantial federal question. Third, a question that the government has a strong interest in litigating in a federal forum is more

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<sup>255</sup> See, e.g., William Cohen, *The Broken Compass: The Requirement That a Case Arise “Directly” Under Federal Law*, 115 U. PA. L. REV. 890, 916 (1967) (“Establishing [whether a state-created claim arises under federal law] requires inquiries and guesses about such matters as these: the extent of the caseload increase for federal trial courts if jurisdiction is recognized; the extent to which cases of this class will, in practice, turn on issues of state or federal law; the extent of the necessity for an expert federal tribunal to handle issues of federal law that do arise; the extent of the necessity for a sympathetic federal tribunal in cases of this class.”).

<sup>256</sup> See David L. Shapiro, *Jurisdiction and Discretion*, 60 N.Y.U. L. REV. 543, 568 (1985) (“[N]o formulation can possibly explain or even begin to account for the variety of outcomes [in cases involving embedded federal questions] unless it accords sufficient room for the federal courts to make a range of choices based on considerations of judicial administration and the degree of federal concern.”). But see Jonathan Remy Nash, *On the Efficient Deployment of Rules and Standards to Define Federal Jurisdiction*, 65 VAND. L. REV. 509, 518 (2012) (highlighting the efficiency gains flowing from rule-based boundaries of federal subject matter jurisdiction).

<sup>257</sup> *Gunn v. Minton*, 568 U.S. 251, 258 (2013) (“[F]ederal jurisdiction over a state law claim will lie if a federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution in federal court without disrupting the federal-state balance approved by Congress.”).

<sup>258</sup> *Id.*

likely to be a substantial federal question.<sup>259</sup>

The Federal Circuit has also articulated these three factors on occasion.<sup>260</sup>

As this Article has shown, a multifaceted, malleable, factor-driven jurisdictional test has not proved easy for the courts to apply,<sup>261</sup> at least in patent cases. The work of applying that test and the uncertainty over the outcome may, therefore, not be worth it. As the Hart and Wechsler book notes, the Supreme Court has upheld federal question jurisdiction over state law claims in only four cases in the past one hundred years, and, “[e]ven in the lower courts, rather few decisions uphold jurisdiction.”<sup>262</sup> The case in favor of an ill-defined standard is even further undercut by the severe consequences of a determination that jurisdiction is lacking—an objection that, to repeat, can be raised at any point in the litigation.<sup>263</sup>

A simple rule that should be relatively easy to apply and that is consistent with Supreme Court precedent is that the mere need to *apply* federal law is never sufficient to create arising under jurisdiction.<sup>264</sup> As the Court noted in *Grable*, since *Smith*, the Court has “sh[ie]d away from the expansive view that mere need to apply federal law in a state-law claim will suffice to open the ‘arising under’

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<sup>259</sup> MDS (Can.) Inc. v. Rad Source Techs., Inc., 720 F.3d 833, 842 (11th Cir. 2013) (citations omitted).

<sup>260</sup> See *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1364 (Fed. Cir. 2019); *NeuroRepair, Inc. v. Nath Law Grp.*, 781 F.3d 1340, 1345 (Fed. Cir. 2015).

<sup>261</sup> I am, to be sure, not the first person to make this observation. See, e.g., Daniel J. Meltzer, *Jurisdiction and Discretion Revisited*, 79 NOTRE DAME L. REV. 1891, 1913 (2004) (expressing, based on a review of the relevant case law, “doubt[ ]” about “whether federal judges, as intelligent and dedicated as most of them are, can in fact establish a coherent framework for the boundaries of subject matter jurisdiction predicated not upon a federal claim for relief but instead upon a federal ingredient in a state law claim for relief”); *Mr. Smith Goes to Federal Court*, *supra* note 77, at 2280 (finding that, from 1994 to 2002, the federal courts of appeals reversed the lower court judgment in forty-five of the sixty-nine reported cases in which they discussed arising under jurisdiction under over state-created claims); Nash, *supra* note 256, at 550–51 (arguing that the test for determining whether a case “arises under” federal law should be more rule-like and easier to satisfy—“there [should] be federal jurisdiction to hear a case even where the federal issue merely lurks in the background”—but that the federal courts should retain discretion to abstain from hearing the case if the federal issues are not “central” to the dispute).

<sup>262</sup> FALLON ET AL., *supra* note 159, at 836.

<sup>263</sup> See Martha A. Field, *Removal Reform: A Solution for Federal Question Jurisdiction, Forum Shopping, and Duplicative State-Federal Litigation*, 88 IND. L.J. 611, 640 (2013) (noting that the cases in which federal question jurisdiction exists over state-created claims “are few and far between, making unnecessary[] discretionary jurisdictional rules that can disrupt a litigation in its final hours”).

<sup>264</sup> Cf. Richard D. Freer, *Of Rules and Standards: Reconciling Statutory Limitations on “Arising Under” Jurisdiction*, 82 IND. L.J. 309, 340, 344 (2007) (suggesting “that federal question jurisdiction might be more compelling for questions of law rather than application of clearly established law to fact” but asserting that *Grable* “open[s] the lower federal court doors to claims requiring application or interpretation of federal law” (emphasis added)).

door.”<sup>265</sup> “As early as 1912,” the Court continued, it “had confined federal-question jurisdiction over state-law claims to those that ‘really and substantially involv[e] a dispute or controversy respecting the validity, construction or effect of [federal] law.’”<sup>266</sup> Indeed, a year after deciding *Grable*, the Court in *Empire* refused to uphold federal question jurisdiction over a breach of contract claim involving an insurance policy issued under a contract with the federal government, emphasizing that *Grable* presented a nearly “pure issue of law”—what does “notice” mean under the federal tax statute?—an issue “that could be settled once and for all and thereafter would govern numerous tax sale cases.”<sup>267</sup> The Court in *Empire* also emphasized that “[t]he state court in which the personal-injury suit was lodged is competent to *apply* federal law, to the extent it is relevant.”<sup>268</sup>

In *Smith*, too, a pure question of federal constitutional law was at stake: Was the Farm Loan Act within Congress’s power under the Commerce Clause? As the Supreme Court noted in upholding jurisdiction: “[T]he controversy concerns the constitutional validity of an act of Congress which is directly drawn into question. The decision depends upon the determination of this issue.”<sup>269</sup>

A rule holding that the mere need to apply federal law is not sufficient to create arising under jurisdiction is also consistent with the other two (less prominent) examples of Supreme Court cases upholding federal question jurisdiction over non-federal claims (in addition to *Smith* and *Grable*). *Hopkins v. Walker*, decided in 1917 (before *Smith*, actually), involved a state law claim to remove a cloud on title stemming from two apparently conflicting federal land grants.<sup>270</sup> Based on that fact alone, the Court’s decision to uphold jurisdiction could be said to stand for proposition that a dispute over the validity of a federal grant of right—such as a utility patent—within a state law claim does indeed arise under federal law, consistent with the Federal Circuit’s decision in *Jang* and the Fifth Circuit’s decision in *Xitronix*. Interestingly, however, neither of those decisions cited *Hopkins*. And, in any event, it is clear that the claim in *Hopkins* turned on purely legal questions about the meaning and content of federal law. As the Supreme Court wrote: “[T]he determination of the plaintiffs’

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<sup>265</sup> *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S. 308, 313 (2005).

<sup>266</sup> *Id.* (quoting *Shulthis v. McDougal*, 225 U.S. 561, 569 (1912)) (alteration in original); *see also* *Moore v. Chesapeake & Ohio Ry.*, 291 U.S. 205, 213 (1934) (holding that a state law tort claim did not arise under federal law even though the claim was premised on the defendant’s violation of a federal statute).

<sup>267</sup> *Empire HealthChoice Assur., Inc. v. McVeigh*, 547 U.S. 677, 700 (2006).

<sup>268</sup> *Id.* at 701 (emphasis added).

<sup>269</sup> *Smith v. Kan. City Title & Tr. Co.*, 255 U.S. 180, 201 (1921).

<sup>270</sup> *Hopkins v. Walker*, 244 U.S. 486, 488–89 (1917).

rights requires *a construction of the [federal] mining laws* under which the proceedings resulting in the patent were had ....<sup>271</sup>

The final Supreme Court decision upholding federal question jurisdiction over a state-created claim, *City of Chicago v. International College of Surgeons*,<sup>272</sup> contains little analysis of the jurisdictional issue, but it, too, can be read to be consistent with a rule holding that the mere need to apply federal law does not trigger arising under jurisdiction. In that case, the plaintiffs filed claims under Illinois law seeking judicial review of a municipal agency's land use decisions.<sup>273</sup> As the Supreme Court explained, the plaintiffs' complaints raised several federal constitutional claims, including that the relevant local ordinances, both facially and as applied, violated the Fifth and Fourteenth Amendments.<sup>274</sup> In a very brief discussion, the Supreme Court upheld jurisdiction, noting simply that "[a]s we have explained, ... '[e]ven though state law creates [a party's] causes of action, its case might still 'arise under' the laws of the United States if a well-pleaded complaint established that its right to relief under state law requires resolution of a substantial question of federal law.'"<sup>275</sup> In the Court's view, the plaintiffs' "federal constitutional claims, which turn exclusively on federal law, unquestionably fit within this rule."<sup>276</sup> Though some aspects of the plaintiffs' claims could be said to require merely applying federal law (for instance, their as-applied challenge to the relevant ordinances challenged "the manner in which the [agency] conducted its administrative proceedings"<sup>277</sup>), the facial challenge to the constitutional validity of the ordinances seems to have unquestionably presented a pure question of federal law.

The notion that the need to apply federal law is not sufficient to create arising under jurisdiction and that, instead, a purely legal question is required draws some interesting support from Justice Holmes's opinion in *American Well Works*, in which he made the statement—usually identified as underinclusive—that "[a] suit arises under the law that creates the cause of action."<sup>278</sup> *American Well Works* was actually a patent case. The plaintiff alleged that the defendants had committed a tort by "falsely and maliciously" stating that a pump

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<sup>271</sup> *Id.* (emphasis added).

<sup>272</sup> 522 U.S. 156 (1997).

<sup>273</sup> *Id.* at 160.

<sup>274</sup> *Id.* at 164.

<sup>275</sup> *Id.* (quoting *Franchise Tax Bd. v. Constr. Laborers Vacation Tr.*, 463 U.S. 1, 13 (1983)).

<sup>276</sup> *Id.*

<sup>277</sup> *Id.* at 160.

<sup>278</sup> *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916).

manufactured by the plaintiff infringed the defendants' patent and threatening and bringing infringement suits against the users of the plaintiff's pump.<sup>279</sup> Though the veracity of the allegations of infringement and the validity of the defendants' patent would surely be an issue in the case, Justice Holmes found those issues insufficient to create federal jurisdiction, noting, in the sentence immediately following the famous statement about a case arising under the law that creates the claim: "The fact that the justification [for the threats of suit] may involve the validity and infringement of a patent is no more material to the question under what law the suit is brought than it would be in an action of contract."<sup>280</sup> In other words, even setting aside the creation test, it seems that Justice Holmes thought the *American Well Works* case would not arise under federal law because it involved case-specific issues of infringement and validity.<sup>281</sup>

## 2. *Objections and Responses*

Throughout the discussion above, I have attempted to anticipate and respond to potential criticisms of the reimagined jurisdictional rule I have proposed, which focuses on the existence of a question of federal patent *law* embedded within a non-patent claim. This subpart highlights the most important objections to my argument and provides a few additional responses.

First, one might contend that Federal Circuit cases such as *Jang* already provide a relatively clear rule: Any issue about the infringement or validity of an in-force patent creates arising under jurisdiction. Indeed, aspects of the Supreme Court's opinion in *Gunn* can be understood to support the view that case-specific issues of infringement or validity of a patent that remains in force

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<sup>279</sup> *Id.* at 258–59.

<sup>280</sup> *Id.* at 260.

<sup>281</sup> Though *American Well Works* is usually understood to concern the "substantiality" element of federal question jurisdiction, the opinion might be better understood as finding no jurisdiction because the federal issue—whether or not substantial—was not part of the plaintiff's well-pleaded tort claim. Specifically, Justice Holmes's opinion seemed to indicate that the plaintiff could have prevailed separate and apart from the validity or infringement of the patent. He wrote: "If the State adopted for civil proceedings the saying of the old criminal law: the greater the truth the greater the libel, the validity of the patent would not come in question at all. In Massachusetts the truth would not be a defence if the statement was made from disinterested malevolence." *Id.*; see also *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 810 (1988) ("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." (alterations in original) (citation omitted) (quoting *Franchise Tax Bd. v. Constr. Laborers Vacation Tr.*, 463 U.S. 1, 26 (1983))). It is worth noting that *American Well Works* was decided before *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938), so, even though the *American Well Works* case itself began in federal district court in Arkansas, the federal court was applying the "general law" of torts.

can trigger arising under jurisdiction because resolution of those issues could have “forward-looking” effects in future litigation involving the same patent. For instance, in explaining why the patent question embedded in the plaintiff’s malpractice claim was *not* substantial, Chief Justice Roberts’s opinion noted that, regardless of the outcome of the malpractice suit, “Minton’s patent will remain invalid.”<sup>282</sup> One could infer from this passage that a case in which the patent has not yet expired or been ruled invalid *would* arise under federal patent law.

Yet there are also, as noted, many aspects of the *Gunn* opinion emphasizing that questions that are important only to the parties to the case and the patent in suit are not the type of “substantial” federal questions that cause a case to arise under federal patent law.<sup>283</sup> And all of the Supreme Court’s prior decisions upholding federal question jurisdiction based on embedded federal issues involved pure issues of law that would affect future cases involving litigants who were not parties to the case at hand. So the distinction drawn by the Federal Circuit between party-specific, backward-looking issues (no jurisdiction) and party-specific, forward-looking issues (jurisdiction), is on shaky doctrinal footing.

Moreover, for the reasons explained above,<sup>284</sup> an embedded finding on infringement or validity of an in-force patent will often have little or no forward-looking effects. On the issue of infringement, defendants who might be sued by the patentee in the future will frequently be employing products or processes that differ from the accused products or processes in the first suit. And, on validity, due process significantly limits forward-looking impact, as a patentee may not offensively rely on a finding that its patent is not invalid against different accused infringers in the future. Thus, case-specific, party-specific, and patent-specific issues of validity or infringement, even though they require a court to apply federal patent law, do not seem like the type of questions that are sufficiently important to the federal system as a whole to justify jurisdiction under *Gunn*. A purely legal question about the content of federal patent law, by contrast, would trigger exclusive jurisdiction because the resolution of that

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<sup>282</sup> *Gunn v. Minton*, 568 U.S. 251, 261 (2013).

<sup>283</sup> *See, e.g., id.* at 263 (“[E]ven assuming that a state court’s case-within-a-case adjudication may be preclusive under some circumstances, the result would be limited to the parties and patents that had been before the state court. Such ‘fact-bound and situation-specific’ effects are not sufficient to establish federal arising under jurisdiction.” (quoting *Empire HealthChoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 701 (2006))); *id.* at 263–64 (“There is no doubt that resolution of a patent issue in the context of a state legal malpractice action can be vitally important to the particular parties in that case. But something more, demonstrating that the question is significant to the federal system as a whole, is needed.”).

<sup>284</sup> *See supra* Part II.A.



question would affect numerous future cases involving litigants who were not parties to the original suit, similar to a case like *Grable*.

Another possible objection to a jurisdictional rule that turns on the existence of a pure question of patent law being embedded within a non-patent claim is that the line between questions of law and questions of fact in patent cases is hazy; many issues in patent litigation that are highly case specific, such as claim construction and validity, are actually considered to present questions of law.<sup>285</sup> However, many of those questions of law are resolved based on factual considerations,<sup>286</sup> so they are not the *pure* questions of law that would trigger jurisdiction under the rule I propose. Moreover, the notion that certain case-specific and patent-specific issues of patent scope or validity present entirely legal questions is, as I have explained in prior writing, normatively dubious.<sup>287</sup> This is not the space for a comprehensive analysis of the law/fact divide in patent litigation—I will save that analysis for future work.<sup>288</sup> For present purposes, it suffices to say that, when I argue that a question of patent law is required to trigger jurisdiction, I mean the sort of abstract question that can be resolved without reference to the particulars of the case,<sup>289</sup> such as a question of statutory interpretation or of the constitutional validity of some provision of the patent statute.<sup>290</sup> Contrary to Federal Circuit decisions such as *Jang*, issues about the scope or validity of one particular patent are not sufficient.

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<sup>285</sup> See generally ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, PATENT LAW AND POLICY 913–15 (7th ed. 2017) (summarizing the law/fact distinction on numerous issues that arise in patent litigation).

<sup>286</sup> See generally *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 838 (2015) (“While we held in *Markman* that the ultimate issue of the proper construction of a claim should be treated as a question of law, we also recognized that in patent construction, subsidiary factfinding is sometimes necessary. Indeed, we referred to claim construction as a practice with ‘evidentiary underpinnings,’ a practice that ‘falls somewhere between a pristine legal standard and a simple historical fact.’” (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 378, 388, 390 (1996))); *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 96–97 (2011) (“While the ultimate question of patent validity is one of law, the same factual questions underlying the PTO’s original examination of a patent application will also bear on an invalidity defense in an infringement action.” (citation omitted) (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966))).

<sup>287</sup> See Gugliuzza, *supra* note 55, at 608, 627 (arguing that both patent eligibility and claim construction, two issues often treated by courts as presenting purely legal questions, instead have significant factual aspects).

<sup>288</sup> See Paul R. Gugliuzza, Law, Fact, and Patent Validity (Nov. 13, 2019) (unpublished manuscript) (on file with author).

<sup>289</sup> See Gary Lawson, *Proving the Law*, 86 NW. U. L. REV. 859, 882 n.68 (1992).

<sup>290</sup> *E.g.*, *Madstad Eng’g, Inc. v. USPTO*, 756 F.3d 1366, 1370 (Fed. Cir. 2014). It is worth noting that federal district judges frequently must draw lines between pure questions of law, mixed questions of law and fact, and pure questions of fact when, for instance, determining whether an interlocutory appeal is permissible. See 28 U.S.C. § 1292(b) (permitting judges to certify an order for immediate appeal if, among other things, it presents a “controlling question of law”); see also *Century Pac., Inc. v. Hilton Hotels Corp.*, 574 F. Supp. 2d 369, 371 (S.D.N.Y. 2008) (“The question of law certified for interlocutory appeal must refer to a pure question of law that the reviewing court could decide quickly and cleanly without having to study the record.”) (internal quotation marks omitted).

Attacking my argument from the other direction, it is worth noting that one passage of the *Gunn* opinion seems to suggest that even a novel, pure question of federal patent law would not be sufficient to trigger arising under jurisdiction absent other considerations indicating a strong federal interest in the case. In that passage, the Chief Justice first rejected the argument that the need for legal uniformity counseled in favor of federal jurisdiction over the malpractice suit, emphasizing that “state courts can be expected to hew closely to the pertinent federal precedents” when deciding what would have happened in the underlying infringement suit but for the attorney’s alleged negligence.<sup>291</sup> “As for more novel questions of patent law that may arise for the first time in a state court ‘case within a case,’” the Chief Justice continued, “they will at some point be decided by a federal court in the context of an actual patent case, with review in the Federal Circuit.”<sup>292</sup> This statement could be read to mean that the nature of the question (legal versus factual) is not dispositive in the jurisdictional analysis.

But Chief Justice Roberts’s statement cannot be taken literally. If it were true that questions of federal *law* cannot trigger arising under jurisdiction when those questions might eventually be decided by a federal court, then both *Smith* and *Grable* were wrongly decided. The issue about the meaning of “notice” in the federal tax statute could have arisen in a future case brought directly against the IRS challenging the legality of a seizure.<sup>293</sup> Similarly, in a case like *Smith*, which implicated federally chartered banks, federal treasury bonds, and numerous banks in which the U.S. Treasury had invested public funds,<sup>294</sup> the constitutionality of the Farm Loan Act could have been raised in a variety of suits falling within federal question jurisdiction, to say nothing of the possibility of diversity jurisdiction or of the extremely high likelihood of Supreme Court review if a state court found an act of Congress unconstitutional.<sup>295</sup> Thus, the Chief Justice’s statement is probably best read as making a point unique to patent cases: If a state law claim raises a novel question about the legal requirements for patent validity or infringement, that question is likely to arise in a future infringement suit—and the federal courts will have *exclusive* jurisdiction over that suit. By contrast, in cases like *Grable* and *Smith*, the relevant question of

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<sup>291</sup> *Gunn v. Minton*, 568 U.S. 251, 262 (2013).

<sup>292</sup> *Id.*

<sup>293</sup> For an example of a case brought directly against the IRS challenging the adequacy of notice under the same statute at issue in *Grable*, see *Kabakjian v. United States*, 92 F. Supp. 2d 435, 439–40 (E.D. Pa. 2000), *aff’d*, 267 F.3d 208 (3d Cir. 2001).

<sup>294</sup> See *Smith v. Kan. City Title & Tr. Co.*, 255 U.S. 180, 196–97 (1921).

<sup>295</sup> See STEPHEN M. SHAPIRO ET AL., *SUPREME COURT PRACTICE* 264 (10th ed. 2013) (“Where the decision below holds a federal statute unconstitutional . . . certiorari is usually granted because of the obvious importance of the case.”).

federal law *might* be raised in the future, and the federal courts *might* have jurisdiction (though certainly not exclusive jurisdiction). Because the possibility of future resolution of that federal question by a federal court in a case like *Grable* or *Smith* is more speculative, there is a stronger reason for a federal court to exercise jurisdiction over a state-created claim raising that issue.

Another critique of a jurisdictional rule that turns on the existence of a question of patent law involves matters of timing. How can a trial court deciding jurisdiction at the outset of a case know whether the case involves a jurisdiction-triggering legal question? This critique, however, can largely be answered through the principle that the burden of proof lies on the party attempting to invoke federal jurisdiction.<sup>296</sup> So a plaintiff who wants to file, say, a patent malpractice claim in federal court would have the burden of identifying a specific legal question that triggers jurisdiction and of convincing the court that that legal question is essential to each of its theories of recovery. Things could be trickier in a removal scenario, where the *defendant* would have to identify a question of patent law in the *plaintiff's* well-pleaded complaint, but it would not be unreasonable to ask the defendant to at least try to do so. (Think of it as the defendant carrying an initial burden of production.) The burden would then shift to the plaintiff to explain why there is, in fact, no question of patent law embedded in its claim, with the ultimate burden of persuading the court that jurisdiction exists remaining on the defendant.

One final objection to a jurisdictional rule that turns on the existence of a question of law is grounded in an alternative interpretation of the leading Supreme Court cases on embedded federal questions. The cases in which the Court has upheld jurisdiction over state-created claims all arguably presented disputes over the legality of an action taken by the federal government. *Smith* (constitutionality of an act of Congress) and *Grable* (legality of an IRS tax seizure), most notably, fit this mold. One might say that a case in which an in-force federal patent might be held invalid similarly presents a question about the legality of an action taken by the federal government (issuing a patent) and so similarly justifies arising under jurisdiction.

A rule that jurisdiction exists when the validity of an in-force patent is in dispute is, I readily admit, the most appealing alternative to the rule I have proposed. It has support in Supreme Court precedent, and it is relatively clear. Indeed, it could actually function as a complement to the rule I have proposed. Arising under jurisdiction could exist if the case presents *either* (a) a pure

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<sup>296</sup> See *Kokkonen v. Guardian Life Ins. Co.*, 511 U.S. 375, 377 (1994).

question of patent law *or* (b) a question about the validity of a patent that can still be enforced. In the end, however, the legality of a patent examiner issuing one particular patent seems so inconsequential to the federal system as a whole—arguably *the* key consideration of both *Grable* and *Gunn*<sup>297</sup>—that it probably should not trigger “arising under” jurisdiction—particularly in a patent case, where, if a court finds that there is a substantial question of patent law embedded within a state law claim, state courts are entirely excluded from shaping their own state’s law in that area.<sup>298</sup>

Moreover, both *Grable* and *Smith* can be distinguished from a case in which the embedded federal issue is a case-specific, fact-specific question about patent validity. *Grable* was, of course, a dispute about the legality of the IRS’s tax seizure activities, but the case would also set legal precedent about the type of notice the tax statute requires. *Smith*, too, was a dispute over the legality of an act of Congress, but that dispute turned on an entirely legal inquiry into Congress’s power under the Commerce Clause. Finally, though the notion that jurisdiction exists any time there is a dispute over the validity of an in-force patent appears to be a relatively clear rule, determining whether a patent is “in force” is not always as easy as it would seem. The statute of limitations for a claim of patent infringement extends for six years beyond the patent’s expiration,<sup>299</sup> meaning that even rulings about the validity of an expired patent can have forward-looking effects. And breach of licensing cases often involve numerous patents, some of which may have been invalidated or expired and others that have not.<sup>300</sup> Indeed, federal judges deciding patent-related jurisdictional disputes are often confused about whether the relevant patents are or are not in force.<sup>301</sup>

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<sup>297</sup> See, e.g., *Gunn*, 568 U.S. at 260 (“As our past cases show, ... it is not enough that the federal issue be significant to the particular parties in the immediate suit; that will *always* be true when the state claim ‘necessarily raise[s]’ a disputed federal issue, as *Grable* separately requires. The substantiality inquiry under *Grable* looks instead to the importance of the issue to the federal system as a whole.” (second alteration in original)).

<sup>298</sup> Cf. *Dell Techs. Inc. v. TiVo Corp.*, No. 1:18-CV-666-LY, 2019 WL 2410085, at \*10 (W.D. Tex. June 6, 2019) (declining jurisdiction over a breach of contract case with an embedded question of patent infringement, noting that “allowing this case to proceed forward in federal court would ... diminish the role of the state of Texas in regulating commercial agreements and misrepresentations”).

<sup>299</sup> 35 U.S.C. § 286 (2012).

<sup>300</sup> Cf. *MDS (Can.) Inc. v. Rad Source Techs., Inc.*, 720 F.3d 833, 840, 843 (11th Cir. 2013) (finding no “arising under” jurisdiction over a breach of license dispute where one of the relevant patents had expired but others had not).

<sup>301</sup> See, e.g., *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194, 1201 (Fed. Cir. 2018) (Newman, J., dissenting from the denial of the petition for rehearing en banc) (characterizing *MDS* as having ruled that “the question of infringement was not substantial because the patent had expired” when, in fact, only one of the relevant patents had expired); *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 440 (5th Cir. 2019) (repeating

To be sure, if the issue ever came before the Supreme Court, the Court might well rule that the validity of an in-force patent is a substantial question of patent law that warrants exclusive federal and Federal Circuit jurisdiction because of the preclusive effects that stem from a finding of invalidity. In my view, however, issues about the validity of one particular patent, though they might raise questions about the legality of an action by the federal government (issuing a patent), are not sufficiently important to federal system *as a whole* to create jurisdiction under *Gunn*.

### B. *Delinking District Court and Federal Circuit Jurisdiction*

The discussion in the Article thus far has largely blended analysis of district court jurisdiction with Federal Circuit jurisdiction because the two statutes use the same “arising under” language and, under current law, are interpreted to have the same scope. As a normative matter, however, current law arguably makes little sense. Suppose, for example, a civil action raising case-specific patent issues is properly in federal district court beyond dispute, perhaps because, whether or not the embedded patent issues are substantial, the parties have diverse citizenship (and the amount-in-controversy requirement is satisfied)<sup>302</sup> or there are federally created claims in the case that clearly create jurisdiction under the general federal question statute.<sup>303</sup> Under Federal Circuit decisions such as *Jang*, most of those cases will be routed to the Federal Circuit on appeal. Under the more stringent interpretation of *Gunn* that I have proposed, as well as the Federal Circuit panel’s original decision in *Xitronix*, cases involving party- or patent-specific issues of infringement or validity will be heard by the regional circuits. One potential policy defense of this latter regime is that it would be good for courts besides the Federal Circuit to decide patent cases sometimes. Many commentators have identified the lack of “percolation” by peer-level courts as a significant problem in modern patent law,<sup>304</sup> and so they have proposed having additional courts of appeals decide patent cases.<sup>305</sup> But the

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the argument that the patent in *MDS* had expired), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019); *Alps South, LLC v. Shumaker, Loop & Kendrick, LLP*, No. 2018-1717, 2018 WL 4522168, at \*3 (Fed. Cir. June 14, 2018) (discussing a district court decision erroneously concluding that the statute of limitations for infringement had expired).

<sup>302</sup> See, e.g., *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1335 (Fed. Cir. 2014).

<sup>303</sup> See, e.g., *Xitronix*, 916 F.3d at 442.

<sup>304</sup> See Diane P. Wood, *Is It Time to Abolish the Federal Circuit’s Exclusive Jurisdiction in Patent Cases?*, 13 CHI.-KENT J. INTELL. PROP. 1, 4 (2013). *But cf.* John M. Golden, *The Supreme Court As “Prime Percolator”*: *A Prescription for Appellate Review of Questions in Patent Law*, 56 UCLA L. REV. 657, 662 (2009) (suggesting that the Supreme Court can perform the function of percolating patent law—a task performed by the various regional circuits in most other areas of federal law).

<sup>305</sup> See, e.g., Nard & Duffy, *supra* note 48, at 1661.

cases that truly involve the contours of federal patent *law* will—under practically any understanding of *Gunn*—still be routed to the Federal Circuit. So, percolation is not an adequate justification for a regime in which the only issues of patent law decided by the regional circuits are case-specific issues of validity and infringement. Is a better jurisdictional design possible?

Though the Fifth Circuit’s opinion in *Xitronix* has numerous flaws, many of which I detailed above, the opinion concluded with an interesting law-reform argument. Specifically, the court questioned whether *Gunn*, which involved a dispute over state-versus-exclusive-federal jurisdiction under § 1338(a), should apply to cases like *Xitronix*, which involved a dispute over regional-circuit-versus-Federal-Circuit jurisdiction under §1295(a)(1).<sup>306</sup> As the Fifth Circuit noted, *Gunn*’s formulation of the “substantiality” requirement—which focuses on the importance of the case to the federal system as a whole—makes little sense as a criterium for sorting cases among the federal courts of appeals.<sup>307</sup> And the fourth element of the test for federal jurisdiction under *Grable* and *Gunn*—that the exercise of federal jurisdiction must not upset the congressionally approved balance of authority between the state and federal judiciaries—“is even less suited to the task of sorting cases between the circuits,” as the Fifth Circuit also noted.<sup>308</sup>

Indeed, there are good reasons for the test for Federal Circuit jurisdiction—once a case is properly in federal court—to be broader than the test for exclusive federal jurisdiction in the district courts. In choosing between state and exclusive federal jurisdiction, there are, as noted, weighty federalism considerations at play.<sup>309</sup> Exclusive federal jurisdiction deprives state courts of the ability to shape their own state’s law simply because a case involves a federal patent. Though a multi-element, multi-factor test for jurisdiction (such as the test in *Gunn* as interpreted by the lower courts) incentivizes costly litigation over forum selection, that litigation may be worth it given those stakes.

But once a patent-related case is properly in federal court, it is not clear what interest is served by applying the stringent *Gunn* test to sort cases among the circuits. If the case is in federal court under the general federal question statute (a patent-related antitrust claim, for instance), there are no federalism values to protect whatsoever. If the case is in federal court because of diversity (a patent-related breach of contract case, perhaps), it might be suggested that the judges

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<sup>306</sup> *Xitronix*, 916 F.3d at 442.

<sup>307</sup> *Id.*

<sup>308</sup> *Id.*

<sup>309</sup> See Gugliuzza, *supra* note 47, at 69–70.

of the regional circuits are more familiar with the relevant state law that governs the non-patent aspects of the claim under *Erie*. But that concern about the relative expertise of regional circuit versus Federal Circuit judges on matters of state law is a far cry from the trial-level concern about entirely disabling state courts from deciding claims created by their own state's law. Moreover, any expertise gained by having regional circuit judges decide state law issues could be outweighed by those judges' inexperience in handling the issues of patent infringement or validity embedded within the state law claim. In short, there is a solid (if not locktight) normative argument that the Federal Circuit should have jurisdiction over federal question and even diversity cases that require mere application of patent law.

Though such a regime could be appealing as a policy matter, both § 1295(a)(1) (the Federal Circuit's jurisdictional statute) and § 1338(a) (which confers exclusive jurisdiction on the federal district courts) use the exact same "arising under" language. And the Supreme Court has repeatedly insisted on "linguistic consistency" when interpreting that phrase, at least as it appears in § 1338 and the general federal question statute, § 1331.<sup>310</sup> The Court has also equated the federal courts' exclusive jurisdiction under § 1338 with the Federal Circuit's jurisdiction under § 1295,<sup>311</sup> though that case, it is worth noting, involved an older version of § 1295, which explicitly referenced § 1338, making the Federal Circuit's jurisdiction turn on whether the district court's jurisdiction was based, "in whole or in part, on section 1338."<sup>312</sup>

As the Fifth Circuit observed in *Xitronix*, the America Invents Act (AIA), passed in 2011, amended the Federal Circuit's jurisdictional statute to delete the reference to § 1338.<sup>313</sup> Section 1295(a)(1) now confers on the Federal Circuit jurisdiction over cases involving claims or counterclaims "arising under ... any Act of Congress relating to patents."<sup>314</sup> The Fifth Circuit relied heavily on that statutory change to argue that *Gunn*'s test for allocating patent-related cases between the federal courts and state courts should not apply when allocating appeals among the circuits.<sup>315</sup>

The change of language in the AIA, however, would be a subtle way of

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<sup>310</sup> *Gunn v. Minton*, 568 U.S. 251, 257 (2013); *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 829–30 (2002); *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808–09 (1988).

<sup>311</sup> *Christianson*, 486 U.S. at 814.

<sup>312</sup> 28 U.S.C. § 1295(a)(1) (2006).

<sup>313</sup> America Invents Act, Pub. L. No. 112-29, § 19(b), 125 Stat. 284, 331–32 (2011).

<sup>314</sup> 28 U.S.C. § 1295(a)(1) (2012).

<sup>315</sup> See *Xitronix Corp. v. KLA-Tencor Corp.*, 916 F.3d 429, 442–43 (5th Cir. 2019), *cert. denied*, 2019 WL 4921285 (U.S. Oct. 7, 2019).

overruling a large body of case law that has applied the same jurisdictional test under both § 1295 and § 1338.<sup>316</sup> As the Supreme Court noted in a recent decision on another procedural issue in patent law (venue), when Congress wants to overturn a settled practice of the federal courts, Congress must make its intent clear in the text of the statute.<sup>317</sup> Yet the statutory text, as noted, uses the exact same phrase to delineate both the exclusive jurisdiction of the federal courts and the appellate jurisdiction of the Federal Circuit. Moreover, I can find nothing in the legislative history of the amendment to § 1295 to indicate that Congress sought to delink the Federal Circuit's appellate jurisdiction from the exclusive jurisdiction of the district courts.<sup>318</sup>

Still, the idea of disconnecting district court and Federal Circuit jurisdiction is an interesting one, and the Fifth Circuit offered some persuasive reasons for doing so:

It would be quite reasonable to have a system that imposes different restrictions at the entrance to the federal system and at the fork in the road leading to different circuits. The exclusionary *Gunn-Grable* test, screening out most potential cases at the entrance, protects federal district courts from overload and reflects constitutional respect for state courts and state prerogatives. As to those cases that do make it into the federal system, preservation of uniformity comes to the fore, furthered by *Christianson's* inclusionary test for routing appeals to the Federal Circuit. [That is, the standard under which the Federal Circuit must accept a transfer so long as the transferee court's jurisdictional analysis is "plausible" and not "clearly erroneous."] Such a test also promotes judicial economy by simplifying the jurisdictional inquiry and avoiding the jurisdictional ping-pong that *Christianson* aimed to end.<sup>319</sup>

In short, there are good reasons, grounded in federalism, for federal courts to be cautious about finding that a state law claim must be decided exclusively

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<sup>316</sup> In addition to the Supreme Court's decision in *Christianson*, the Federal Circuit has equated these two statutes in numerous decisions, including several issued after *Gunn*. See, e.g., *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1079 (Fed. Cir. 2018); *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 645–46 (Fed. Cir. 2015); *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1336 (Fed. Cir. 2014); *Krauser v. BioHorizons, Inc.*, 753 F.3d 1263, 1268 (Fed. Cir. 2014).

<sup>317</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017) ("When Congress intends to effect a change of that kind, it ordinarily provides a relatively clear indication of its intent in the text of the amended provision.")

<sup>318</sup> See H.R. REP. NO. 112-98 (2011); see also H.R. REP. NO. 109-407 (2006) (report on an earlier version of the amendment that was eventually incorporated into the AIA); Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 539–40 (2011) (describing the purpose of the amendment to § 1295(a)(1) as being to "extend the Federal Circuit's appellate jurisdiction to compulsory patent ... counterclaims, abrogating *Holmes Group*").

<sup>319</sup> *Xitronix*, 916 F.3d at 443.



by the federal courts under § 1338(a)<sup>320</sup>—hence my proposed rule limiting exclusive federal jurisdiction under § 1338(a) to cases raising pure questions of federal patent *law*. But once a case is already in federal court—either because the claim is created by federal law and indisputability falls within the federal courts’ general federal question jurisdiction under § 1331 (as was the case in *Xitronix*) or because there is diversity jurisdiction (as was the case in *Jang*)—the Federal Circuit’s expertise on patent matters and the general desire for uniformity in patent law and the adjudication of patent cases could plausibly be said to warrant Federal Circuit jurisdiction. In other words, while the mere need to apply federal patent law ought not be sufficient to trigger exclusive federal jurisdiction under § 1338(a), those same issues perhaps should warrant Federal Circuit appellate jurisdiction under § 1295(a)(1).<sup>321</sup>

### C. *The Panel Dependency of Federal Circuit Jurisdictional Rulings*

Turning back to the Federal Circuit’s recent jurisdictional decisions to conclude the Article. Though the set of post-*Gunn* rulings in the Federal Circuit is, quantitatively speaking, relatively small, there is some intriguing evidence of panel dependency that is worth pointing out. On my reading of the case law, it seems clear that at least three judges—all of whom have participated in multiple hotly disputed cases—have strong views on the proper scope of the federal courts’ and the Federal Circuit’s jurisdiction over cases arising under patent law.

First, Judge Dyk appears to clearly favor a broad scope of arising under

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<sup>320</sup> Cf. *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831–32 (2002) (Scalia, J.) (holding that allowing a patent law counterclaim to trigger the federal courts’ exclusive jurisdiction over patent cases would fail to respect “the rightful independence of state governments”).

<sup>321</sup> In an opinion issued as this Article was going to press, the Federal Circuit suggested that cases such as *Jang*, which hold that a case arises under patent law any time the court must decide an issue of validity or infringement of an in-force patent, are relevant only to determining the scope of Federal Circuit appellate jurisdiction (*vis-à-vis* the regional circuits) under § 1295; cases involving fact-specific issues of validity or infringement, the court wrote, do not trigger exclusive federal jurisdiction (*vis-à-vis* state courts) under § 1338. *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1365 (Fed. Cir. 2019) (“*Jang*’s reasoning is worlds away from the supposed state-federal conflict here. The analysis in *Jang* took place entirely between federal courts.”). That suggestion was contained in a portion of the opinion that was clearly dicta, *see supra* note 245, and it is difficult to justify under earlier Federal Circuit opinions viewing the scope of §§ 1295 and 1338 to be identical, *see supra* notes 43, 62. The Federal Circuit in *Inspired Development* attempted to explain away *Jang* by noting that the dispute in *Jang*—which involved Federal Circuit versus regional circuit jurisdiction—raised a question that was important “to the federal system as a whole” under *Gunn* because different federal courts might reach different conclusions about the validity of a single patent. *Inspired Dev.*, 938 F.3d at 1365. As explained above, however, principles of issue preclusion would ensure against any such differing conclusions (at least to the maximum extent permitted by due process), regardless of which court decided the first case. *See supra* notes 140–147 and accompanying text. Still, though *Inspired Development* is questionable as a matter of existing doctrine, the opinion is consistent with this Article’s normative argument for different jurisdictional rules at the trial level and on appeal.

jurisdiction. He was the author of the opinions in both *Forrester* and *Maxchief*, two opinions that each espoused—in passages that were unnecessary to the court’s decision—the view that case-specific issues of validity or infringement of a patent that can still be enforced justify jurisdiction.<sup>322</sup> And Judge Dyk was on the panel in *Jang*, the case that imported that dicta from *Forrester* into a holding of the court.<sup>323</sup> Though Judge Linn wrote the *Jang* opinion, that opinion relied heavily on an earlier, pre-*Gunn* opinion in that same litigation that had upheld jurisdiction because the plaintiff’s “right to relief on [his] contract claim ... depends on an issue of federal patent law—whether the stents sold by [the defendants] would have infringed [the plaintiff’s] patents.”<sup>324</sup> That earlier opinion, it may not be surprising to learn, was written by Judge Dyk (and joined by Judge Linn).

Second, Judge Newman seems to similarly adhere to a broad conception of arising under jurisdiction. She was on the panel in *Forrester*—the case in which Judge Dyk wrote that the Federal Circuit’s case law extending arising under jurisdiction to tort claims based on allegedly false assertions of patent infringement “may well have survived ... *Gunn*.”<sup>325</sup> And she dissented from the denial of rehearing en banc in *Xitronix*, arguing that case-specific issues of patent validity or enforceability are sufficient to trigger the federal district courts’ and the Federal Circuit’s exclusive jurisdiction.<sup>326</sup>

Finally, at the other end of the spectrum, is Judge Moore. Most significantly, she wrote the opinion in *Xitronix* holding that a case-specific issue of *Walker Process* fraud did not cause the case to arise under patent law.<sup>327</sup> Moreover, Judge Moore wrote a nonprecedential opinion finding no jurisdiction in a case decided one day before *Xitronix*, *Alps South, LLC v. Shumaker, Loop & Kendrick*.<sup>328</sup> That case involved malpractice claims against attorneys who had handled prior infringement litigation.<sup>329</sup> In holding that federal jurisdiction was lacking under § 1338(a), Judge Moore’s opinion noted (quoting the district

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<sup>322</sup> *Forrester Envtl. Servs., Inc. v. Wheelabrator Techs., Inc.*, 715 F.3d 1329, 1334 (Fed. Cir. 2013); *Maxchief Invs. Ltd. v. Wok & Pan, Ind., Inc.*, 909 F.3d 1134, 1140 n.3 (Fed. Cir. 2018).

<sup>323</sup> *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1337 (Fed. Cir. 2014) (quoting *Forrester*, 715 F.3d at 1334).

<sup>324</sup> *Jang v. Bos. Sci. Corp.*, 532 F.3d 1330, 1334 n.5 (Fed. Cir. 2008), quoted in *Jang*, 767 F.3d at 1336.

<sup>325</sup> *Forrester*, 715 F.3d at 1334.

<sup>326</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 892 F.3d 1194, 1195–96 (Fed. Cir. 2018) (Newman, J., dissenting from the denial of the petition for rehearing en banc). That said, Judge Newman joined Chief Judge Prost’s recent opinion in *Inspired Development*, which asserted in dicta that a case-specific issue of infringement is *not* sufficient to trigger exclusive federal jurisdiction under § 1338 even if, under *Jang*, such an issue *is* sufficient to trigger Federal Circuit jurisdiction under § 1295. *Inspired Dev.*, 938 F.3d at 1365.

<sup>327</sup> *Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075, 1075 (Fed. Cir. 2018).

<sup>328</sup> No. 2018-1717, 2018 WL 4522168 (Fed. Cir. 2018).

<sup>329</sup> *Id.* at \*1.

court's opinion in the case) that the relevant patents "expired years ago, which minimizes (or more accurately, eliminates) the prospect of a conflict between a state-court decision in this action and a federal decision in another infringement action over the same patents."<sup>330</sup>

Based on that description of the case, it seems as if it is on all fours with *Gunn*. The patent issues were case-specific, backward-looking, hypothetical questions of validity or infringement of a patent that had already expired. It turns out, however, that the district court was wrong that no infringement suit could be filed in the future. Judge Moore noted—apparently contrary to the district court's understanding—that "the statute of limitations for seeking damages for infringement of the patents has not yet expired."<sup>331</sup> Thus, rather than being on all fours with *Gunn*, *Alps South* was actually similar to *Jang*, which upheld jurisdiction because adjudication of the patent issue embedded within the breach of contract claim could impact a future infringement suit.<sup>332</sup>

Nevertheless, Judge Moore ruled—contrary to *Jang* (but consistent with the understanding of *Gunn* that I urged above)—that such an embedded patent issue was not sufficient to create arising under jurisdiction.<sup>333</sup> She gave two reasons. First, "even if [the plaintiff] brought another suit, the district court correctly explained that the state court's resolution of any patent issues in this malpractice case would lack any preclusive effect on that federal action."<sup>334</sup> But that is simply not true. As explained above, state court rulings can have preclusive effects in future litigation, including litigation in federal court and almost certainly in patent cases.<sup>335</sup> Second, Judge Moore's opinion in *Alps South* noted that any state court ruling on infringement or validity "would be limited to the patents and those parties."<sup>336</sup> This view—that case-specific issues of validity and infringement are insubstantial for jurisdictional purposes—is consistent with the opinion in *Xitronix* that Judge Moore would release the next day. But it is at odds with the broader conceptions of arising under jurisdiction embraced by Judges Dyk and Newman.<sup>337</sup>

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<sup>330</sup> *Id.* at \*3 (citations omitted).

<sup>331</sup> *Id.*

<sup>332</sup> *Jang v. Bos. Sci. Corp.*, 767 F.3d 1334, 1338 (Fed. Cir. 2014).

<sup>333</sup> *Alps South*, 2018 WL 4522168, at \*3–4.

<sup>334</sup> *Id.* at \*3.

<sup>335</sup> See *supra* notes 120–24 and accompanying text.

<sup>336</sup> *Alps South*, 2018 WL 4522168, at \*3.

<sup>337</sup> In analyzing particular Federal Circuit judges' views about the scope of arising under jurisdiction, it is also worth noting that, before the Supreme Court decided *Gunn*, Judge O'Malley penned several opinions objecting to the Federal Circuit's then-expansive jurisdictional rule, see *Minkin v. Gibbons, P.C.*, 680 F.3d 1341, 1353 (Fed. Cir. 2012) (O'Malley, J., concurring); *Landmark Screens, LLC v. Morgan, Lewis, & Bockius, LLP*,

I should repeat that the sample size here is small. On my review of the relevant case law, there are only eleven Federal Circuit decisions since *Gunn* that contain a significant analysis of whether arising under jurisdiction exists. And six of those decisions seem relatively uncontroversial. In two cases, the court approved of jurisdiction over cases involving pure questions of patent law that were embedded within claims that were not for patent infringement.<sup>338</sup> A third case involved claims that actually were for patent infringement.<sup>339</sup> Finally, three decisions declined jurisdiction over cases that asserted theories of relief that had nothing to do with patent law.<sup>340</sup>

It is also worth noting that, pursuant to the (infamous?) Federal Circuit Rule 36, the Federal Circuit resolves a large proportion of its appeals without issuing any opinion at all.<sup>341</sup> Without performing significantly more research (to wit, reviewing every brief in every case decided in a Rule 36 affirmance),<sup>342</sup> it is impossible to know how many of those cases involved plausible disputes over jurisdiction. Still, to see three judges making repeat appearances and taking

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676 F.3d 1354, 1367 (Fed. Cir. 2012) (O'Malley, J., concurring); *USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341, 1350 (Fed. Cir. 2012) (O'Malley, J., concurring), *vacated*, 569 U.S. 915 (2013); *Byrne v. Wood, Herron & Evans, LLP*, 676 F.3d 1024, 1027 (Fed. Cir. 2012) (O'Malley, J., dissenting from the denial of the petition for rehearing en banc); *Byrne v. Wood, Herron & Evans, LLP*, 450 F. App'x 956, 961 (Fed. Cir. 2011) (authoring majority opinion exercising jurisdiction but questioning the relevant precedent), *vacated*, 568 U.S. 1190 (2013). Interestingly, both of Judge O'Malley's post-*Gunn* jurisdictional opinions uphold jurisdiction, but those cases were relatively easy ones under governing precedent. *See infra* note 338 and accompanying text.

<sup>338</sup> *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 642–43 (Fed. Cir. 2015) (O'Malley, J.); *Madstad Eng'g, Inc. v. USPTO*, 756 F.3d 1366, 1370 (Fed. Cir. 2014) (O'Malley, J.).

<sup>339</sup> *Bayer Cropsience AG v. Dow Agrosiences LLC*, 680 F. App'x 985, 990–91 (Fed. Cir. 2017) (per curiam). In *Bayer*, the original lawsuit was for patent infringement and so plainly arose under patent law; jurisdiction was in controversy on appeal because the infringement claim had been sent to arbitration and the case before the Federal Circuit was Dow's appeal from the district court's refusal to vacate an arbitration award in Bayer's favor. *Id.* at 990.

<sup>340</sup> *Polidi v. Lee*, No. 2018-2277, 2019 WL 5853882, at \*2 (Fed. Cir. Nov. 8, 2019) (per curiam); *Inspired Dev. Grp., LLC v. Inspired Prods. Grp., LLC*, 938 F.3d 1355, 1363 (Fed. Cir. 2019) (Prost, C.J.); *NeuroRepair, Inc. v. Nath Law Grp.*, 781 F.3d 1340, 1344–45 (Fed. Cir. 2015) (Wallach, J.). With these six cases excluded, the five controversial post-*Gunn* Federal Circuit cases on jurisdiction are: *Forrester*, *Jang*, *Maxchief*, *Xitronix*, and *Alps South*.

<sup>341</sup> *See Gugliuzza & Lemley*, *supra* note 53, at 779–80 (reporting that, over the past several years, the Federal Circuit has resolved between approximately 30% and 35% of appeals from the district courts through Rule 36 affirmances). For a scholarly critique of the Federal Circuit's frequent use of Rule 36, see Dennis Crouch, *Wrongly Affirmed Without Opinion*, 52 WAKE FOREST L. REV. 561 (2017).

<sup>342</sup> It is possible to do this. Mark Lemley and I—with significant help from research assistants and a knowledgeable patent lawyer—did it for our article on Rule 36. *See Gugliuzza & Lemley*, *supra* note 53, at 782 n.84. But it is not easy. *See id.* at 809 (noting that “many lawyers don't have the time (or the financial resources) to dig through dockets and briefs ... to determine the basis for the nearly 200 Rule 36 affirmances the Federal Circuit issues every year” and arguing that, instead of opinionless affirmances, the Federal Circuit should generally issue a “short, nonprecedential opinion making clear the arguments raised by the appellant (and rejected by the court)”).

consistent—and diametrically opposed—positions on one particular issue is noteworthy and merits attention going forward.

The panel dependency of Federal Circuit law on matters of jurisdiction (and on numerous other issues<sup>343</sup>) highlights a potential shortcoming of the Federal Circuit as an institution: The narrowness of the court's jurisdiction encourages its judges to develop detailed normative preferences about issues of patent law and policy, and it provides them with ample opportunities to express and implement those preferences. One additional benefit of clearer jurisdictional rules—such as the one proposed in this Article—is that they are harder to manipulate in service of a preferred policy outcome.

### CONCLUSION

Confusion about the scope of the federal courts' and the Federal Circuit's jurisdiction over patent cases is on the rise. This Article has provided an extensive review of the relevant precedent and attempted to bring some clarity to the legal doctrine. Under the novel approach I propose, for a case to arise under patent law, it must present a dispute about the content of federal patent law or a question about the interpretation or validity of the federal patent statute. This Article has also sought to highlight the normatively questionable basis for equating the Federal Circuit's appellate jurisdiction over patent cases with the original jurisdiction of the district courts. Given the panel dependence on jurisdictional matters that seems to prevail in the Federal Circuit, subject matter jurisdiction, perhaps surprisingly, promises to be one of the most confounding and controversial issues in patent litigation for years to come.

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<sup>343</sup> See *id.* at 798–99.