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A SURVEY OF ARTICLE III PROCEDURAL ISSUES CONSIDERED AT THE FEDERAL CIRCUIT DURING ITS FIRST DECADE

JERRY R. SELINGER*

In 1982, the United States Court of Appeals for the Federal Circuit (Federal Circuit) adopted as binding precedent the rulings of its two predecessor courts: the Court of Customs and Patent Appeal and the Court of Claims.¹ This adoption instantly created a substantial body of law on many substantive issues. However, it provided little precedent on procedural issues since the two predecessor courts (both Article I courts) had little prior exposure to procedural issues arising in Article III litigation.

This is not to suggest that the Federal Circuit was obligated to create a spectrum of procedural decisions without the benefit of prior judicial input. To the contrary, there was significant Supreme Court precedent available on many procedural issues. A wealth of decisional law from the regional circuits also existed. How Federal Circuit jurisprudence has developed over the first ten years of that court's existence and how this unique appellate court has availed itself of those prior cases is discussed in the following sections.

I. THRESHOLD PROCEDURAL ISSUES

A. *Issues Basic to Jurisdiction*

The Federal Circuit, like any federal appellate court, has only limited jurisdiction.² Unlike the regional circuits, however, it has exclusive jurisdiction of the following:

(1) of an appeal from a final decision of a district court . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be gov-

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1. See *South Corp. v. United States*, 690 F.2d 1368 (Fed. Cir. 1982) (en banc).

2. 28 U.S.C. § 1295 (1993).

erned by sections 1291, 1292, and 1294 of this title;³

In turn, 28 U.S.C. § 1338(a) provides that the district courts "shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."⁴

At an early stage in its existence, the Federal Circuit opined that it had both the authority and the obligation to determine whether an appeal lies within its exclusive appellate jurisdiction.⁵ In *C.R. Bard, Inc. v. Schwartz*,⁶ the full court rejected the argument that appeal of jurisdictional questions under § 1338 must be heard by the regional circuit courts, with only the merits of patent cases to be considered by the Federal Circuit.⁷ "Congress intended this court to have the exclusive authority under § 1295 to decide the issue . . . whether a district court has jurisdiction to entertain a case under § 1338."⁸ The Federal Circuit since has delineated the scope of its exclusive appellate jurisdiction in matters where the lower court concededly had jurisdiction under 28 U.S.C § 1338(a). It also has considered issues relating directly to the "arising under" requirement of § 1338(a).

1. "Arising Under" Guidelines

In *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*,⁹ the Federal Circuit outlined its view regarding when a controversy involving a patent sufficiently "arises under" the patent laws to provide a basis for jurisdiction under § 1338(a). In particular, the court reiterated the established gloss that the Supreme Court placed on "arising under" jurisdiction: that the "plaintiff must have asserted [either] some right or interest under the patent laws, or at least some right or privilege that would be defeated by one or sustained by an opposite construction of those laws."¹⁰

3. *Id.*

4. 28 U.S.C. § 1338(b) provides pendant jurisdiction of a claim for unfair competition when joined with a substantial and related claim under the copyright, plant variety protection or trademark laws. See 28 U.S.C. § 1338(b) (1993).

5. *Aleut Tribe v. United States*, 702 F.2d 1015, 1017 (Fed. Cir. 1983); see also *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 877 (Fed. Cir. 1983) (holding that the Federal Circuit had jurisdiction to determine whether the district court properly found no declaratory judgment jurisdiction under 28 U.S.C. § 1388). See discussion *infra* part I.C.

6. *C.R. Bard, Inc.*, 716 F.2d at 877.

7. *Id.* at 877.

8. *Id.*

9. 733 F.2d 1568 (Fed. Cir. 1984).

10. *Id.* (citing *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U.S. 282, 286 (1902)). *Excelsior Wooden Pipe Co.* in turn quoted from *Pratt v. Paris Gas*

The *Beghin-Say* plaintiff sought to remove a cloud on title to two United States patent applications, and to declare that the assignment of those two applications was valid under 28 U.S.C. § 261. The lower court dismissed the action for lack of jurisdiction under § 1338, and the Federal Circuit affirmed, holding that the action sounded exclusively in contract. That the Patent and Trademark Office (PTO) recorded the assignment contract on which suit was based did not, in the Federal Circuit's opinion, convert the contract action into one "arising under" the patent laws.¹¹ In dicta, the court then identified traditional issues under the patent laws that would give rise to jurisdiction. These issues included questions of patent validity, patent infringement, fraud upon the PTO, and patent antitrust issues.¹²

*Dubost v. United States Patent and Trademark Office*¹³ involved consideration of somewhat different "arising under" issues. This case was an appeal from a district court decision affirming the denial of a petition to the Commissioner. A foreign priority date had been denied because the check accompanying the United States patent application, filed on the very last day of the priority period, was unsigned. The Federal Circuit sua sponte considered whether it had jurisdiction over the appeal.¹⁴ Noting that the district court's resolution of the case necessarily entailed the construction of 38

Light & Coke Co., 168 U.S. 255 (1897); accord *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 807-08 (1988).

11. An attempted removal of a state court contract dispute involving the scope of a patent license also proved unsuccessful in *In re Oximetrix, Inc.*, 748 F.2d 637 (Fed. Cir. 1984). By contrast, *Yarway Corp. v. Eur-Control U.S.A., Inc.*, 775 F.2d 268 (Fed. Cir. 1985), recognized that a patent dispute may exist between parties to a contract that arises under the patent laws. *Id.* at 273. In *Cordis Corp. v. Medtronic, Inc.*, 835 F.2d 859 (Fed. Cir. 1987), the court announced that an assertion of noninfringement which is merely a defense to a state court contract action to enforce a license agreement, while an actual controversy, is not one "arising under" § 1338. *Id.* at 862. By contrast, it explained, a suit for declaratory judgment that certain devices neither infringe nor fall within the scope of a patent license (for which royalties would be required) with an assertion that equitable defenses preclude enforcement, does arise under the patent laws. *Id.*

12. *Beghin-Say Int'l, Inc.*, 733 F.2d at 1570.

13. 777 F.2d 1561 (Fed. Cir. 1985).

14. 35 U.S.C. § 119 provides:

[A]n application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, shall have the same effect as if the application had been filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within 12 months from the earliest date on which such foreign application was filed;

35 U.S.C. § 119 (1993).

U.S.C. §§ 111 and 119, the court deemed jurisdiction appropriate.¹⁵

An appeal was transferred to a regional circuit court in *Consolidated World Housewares, Inc. v. Finkle*¹⁶ for want of arising under jurisdiction. Plaintiff Consolidated had entered into a first contract with Finkle, which recited that Finkle was the sole inventor of an invention for which he had filed a patent application which was assigned to Consolidated. Thereafter, a dispute apparently arose and Consolidated entered into a second contract with a third party. This subsequent contract recited that two other individuals claimed ownership rights in the Finkle invention, had also filed applications thereon, and had assigned those applications to the third party. The second agreement provided that Consolidated would file suit against Finkle and the third party in order to obtain a resolution on the issue of inventorship. The district court dismissed the complaint, without prejudice, for failure to exhaust PTO remedies, although expressing doubt of its jurisdiction under 28 U.S.C. § 1338(a).

On appeal, the Federal Circuit found jurisdiction wanting under § 1338(a). The mere presence of a patent issue, it noted, "cannot of itself create a cause of action arising under the patent laws."¹⁷ The district court did not have original jurisdiction to conduct an interference since 35 U.S.C. § 135(a) grants that function exclusively to the PTO.¹⁸ Merely because a contract action may involve a determination of inventorship, moreover, did not convert that contract dispute into one "arising under" the patent laws.¹⁹

Disagreement over the contours of "arising under" jurisdiction resulted in a procedural nadir in *Christianson v. Colt Industries Operating Corp.*²⁰ In this suit, ex-employee Christianson sued Colt for violations of Sections 1 and 2 of the Sherman Act and for tortious interference with business relationships. Colt asserted justification as a defense—that its conduct was needed to protect trade secrets—and countersued for misappropriation of trade secrets relating to its M16 production information. Christianson obtained

15. 777 F.2d at 1565. 35 U.S.C. § 111 requires, inter alia, that an application for patent be "accompanied by the fee required by law." 35 U.S.C. § 111 (1993).

16. 831 F.2d 261 (Fed. Cir. 1987).

17. *Id.* (citations omitted).

18. *Id.* 35 U.S.C. § 135, inter alia, states that any question of priority of invention shall be determined by a board of patent interferences (consisting of three examiners of interferences) whose decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Commissioner may issue a patent to the applicant who is adjudged the prior inventor. 35 U.S.C. § 135(a) (1993). Appeal may thereafter be had to the United States Court of Appeals for the Federal Circuit. *Id.*

19. *Id.*

20. 486 U.S. 800, 800 (1988), *rev'g* 822 F.2d 1544 (Fed. Cir. 1987).

summary judgment on both the antitrust and tortious interference claims. In the process of so ruling, the district court invalidated nine of Colt's patents and declared all trade secrets relating to the M16 unenforceable, ostensibly based on 35 U.S.C. § 112.

Colt appealed to the Federal Circuit which, after briefing and argument, concluded that it lacked jurisdiction. An unpublished order transferred the appeal to the Seventh Circuit. That appellate court, however, considered the jurisdictional issue *de novo*, resolved that the Federal Circuit was "clearly wrong," and transferred the case back.²¹ In turn, the Federal Circuit reaffirmed its prior ruling, characterizing the Seventh Circuit action as based on "a monumental misunderstanding of the patent jurisdiction granted this court."²² Nevertheless, it then proceeded to address the merits in "the interest of justice."²³ The matter thereafter arrived at the Supreme Court.

The Supreme Court reiterated what a plaintiff is required to demonstrate for a case to arise under federal patent law by stating that "[t]he plaintiff must [1] set up some right, title or interest under the patent laws, or [2] at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws."²⁴ The Court further qualified the nature of that showing by limiting jurisdiction to only those cases "in which a well-pleaded complaint establishes either that federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law."²⁵ Turning to the facts in issue, the Court concluded that even "[the] most superficial perusal of petitioners' complaint" showed that patent law did not in any sense create the

21. 798 F.2d 1051, 1056-57, 1062 (7th Cir. 1986).

22. 822 F.2d at 1547.

23. *Id.* at 1559-60. The decision of the district court was reversed.

24. *Christianson*, 486 U.S. at 807-08 (citing *Pratt v. Paris Gas Light & Coke*, 168 U.S. 255, 259 (1897)).

25. *Id.* at 808 (citing *Franchise Tax Bd. v. Construction Laborer's Vacation Trust*, 463 U.S. 1, 27-28 (1983)). In *Vink v. Hendirkus Johannes Schijf Rolkan N.V.*, 839 F.2d 676 (Fed. Cir. 1988), the patentee's original complaint sought a declaratory judgment of patent ownership, an injunction against infringement, and the imposition of a constructive trust. *Id.* at 677. An amended complaint for patent infringement thereafter was filed. *Id.* The district court, reasoning that the real issue in the case was ownership of the patent, concluded there was no federal jurisdiction. *Id.* This decision was reversed on appeal. *Id.* at 678. The Federal Circuit opined that on its face the amended complaint set forth a patent law question sufficient to confer federal jurisdiction. *Id.* at 677. Although, presumably, ownership would be raised as a defense, the district court had erred in considering ownership to determine jurisdiction. *Id.* at 679. Indeed, the appellate court generalized, even though a non-federal issue (ownership of the patent) logically would be resolved on the merits before the federal issue (patent infringement), resolution of the merits should be ignored in determining whether under the well-pleaded complaint rule there is federal jurisdiction. *Id.*

antitrust or intentional interference claims.²⁶

The dispute thus centered around whether patent law was a necessary element of one of the well-pleaded antitrust claims. This prompted the Court to review how the well-pleaded complaint rule operated. For instance, a case presenting a patent law defense did not for that reason alone "arise under" patent law. This was so even if the defense is anticipated in the plaintiff's complaint, and even if both parties admit that the defense is the only question truly at issue in the case.²⁷ Moreover, the Court cautioned, 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.²⁸ By contrast, merely because a claim makes no reference to federal patent law does not necessarily mean it does not arise under that law. A plaintiff may not defeat § 1338(a) jurisdiction by failing to plead necessary federal patent-law questions.²⁹

Framed by these principles, resolution by the Supreme Court of the jurisdictional issues became, in its view, straightforward. The patent law issue, although arguably necessary to at least one "theory" under each claim of recovery, was not necessary to the overall success of either claim. The well-pleaded complaint rule focuses on claims, not theories, and "just because" an element that is essential to a particular theory might be governed by federal patent law does not mean that a claim "arises under" patent law.³⁰ Having reached agreement with the Federal Circuit's conclusion that it lacked jurisdiction, the Supreme Court then was compelled to vacate the appellate court's decision on the merits.³¹

The Federal Circuit recently explored the outer bounds of "arising under" jurisdiction in *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*³² In this case, plaintiff Additive

26. 486 U.S. at 809.

27. *Id.* The well-pleaded complaint rule was again applied in *Speedco, Inc. v. Estes*, 853 F.2d 909 (Fed. Cir. 1988). The appellate court reiterated that federal jurisdiction is to be determined by what appears in the plaintiff's statement "unaided by anything alleged in the anticipation or avoidance of defenses . . ." *Id.* at 912. There is a corollary to this rule when analyzing jurisdictional predicates for declaratory judgment. In that procedural context, the plaintiff's complaint must be ignored. Rather, to determine whether federal jurisdiction exists in a declaratory judgment action, the well-pleaded complaint rule is applied "to the action that the declaratory defendant would have brought." *Id.*

28. 486 U.S. at 810.

29. *Id.* at 809 n.3.

30. *Id.* at 811.

31. The Supreme Court politely chastised the Seventh Circuit. It suggested that in the future the courts of appeals adhere strictly to principles of law of the case: If a transferee court can find the transfer decision "plausible," its jurisdictional inquiry should end. *Id.* at 819. The case was then remanded with instructions to transfer it to the Seventh Circuit. *Id.*

32. 986 F.2d 476 (Fed. Cir. 1993).

Controls (Adcon) brought an action in a Texas state court against a patentee, based on letters written by the patentee to Adcon's customers and prospective customers accusing Adcon of patent infringement. The complaint pled underlying facts without articulating expressly any specific claim. The action was removed to federal court.³³ Adcon's motion to remand the case to state court, brought on the eve of trial, was denied.³⁴ After trial, the court ruled against Adcon, both on its lawsuit and on a counterclaim for patent infringement. The court further enjoined Adcon from infringing the patent. On appeal, the Federal Circuit held that the district court had subject matter jurisdiction, and thus properly denied the motion to remand.

According to the Federal Circuit, the district court had characterized Adcon's claim as one for unfair competition.³⁵ At the outset, the Federal Circuit relabeled it as a claim for business disparagement. The appellate court explained that the specific averments in the complaint, describing a dispute over patent infringement and asserting that the patentee wrote letters to Adcon's customers warning that Adcon's product infringed, together with allegations that Adcon had suffered financial loss, stated the elements of that claim under Texas law.³⁶

Admittedly, these allegations did not meet the "first prong" of the *Christianson* test for "arising under" jurisdiction because the recast claim did not set up any right, title, or interest under the patent laws. However, the Federal Circuit explained that a Texas business disparagement claim requires a plaintiff to prove, as part of its prima facie case, the falsity of defendant's disparaging statements.³⁷ One disparaging statement, the court observed, was the accusation that the plaintiff infringed. To prove the falsity of this accusation, Adcon would be required to show that its product does not infringe. Thus, the Federal Circuit concluded, Adcon's right to relief necessarily depends on resolution of a substantial question of patent law.³⁸

In reaching this conclusion, the Federal Circuit distinguished *American Well Works Co. v. Layne & Bowler Co.*³⁹ That Supreme

33. 28 U.S.C. § 1441(a) authorizes removal of an action if the district court to which it seeks removal has subject matter jurisdiction at the time of removal.

34. Telephone interview with William C. Norwell, Jr. (May 18, 1993).

35. *Additive Controls*, 986 F.2d at 478 n.1. Adcon's trial counsel characterized it as a claim for interference with business relationships under Texas law. Telephone interview with William D. Durkee (May 20, 1993).

36. *Additive Controls*, 986 F.2d at 478 (citing *Hurlbut v. Gulf Atl. Life Ins. Co.*, 749 S.W.2d 762, 767 (Tex. 1987)).

37. *Id.*

38. See also *Christopher v. Cavallo*, 662 F.2d 1082 (4th Cir. 1981) (ruling that action for breach of warranty that required proof of copyright infringement arose under the copyright laws).

39. 241 U.S. 257 (1916).

Court decision, applying Massachusetts law, held that federal courts lacked jurisdiction over a business disparagement case. Under then-existing Massachusetts law, however, a defendant was required to prove the truth of its statements while, by contrast, under Texas law the plaintiff had the burden of showing the falsity of allegedly disparaging statements.⁴⁰ Moreover, the Federal Circuit opined that, since *American Well Works*, the Supreme Court "has uniformly upheld federal jurisdiction over cases in which plaintiff's right to relief under state law required resolution of a substantial question of federal law."⁴¹

Additive Controls glossed over the fact that a cause of action which requires proof of non-infringement by the accused infringer, rather than infringement by the patentee, reverses the burden which usually is placed on the patentee.⁴² A holding that such a claim implicates patent law nonetheless appears to be within the outer reaches of "arising under" jurisdiction.⁴³ Consider, though, a contract action to collect royalties under a patent license, which claim requires proof that royalty payments are due because the products sold are within the scope of the patent claims. Under *Additive Controls*, it certainly would appear that such a claim arises under the patent laws, despite an old Supreme Court decision to the contrary.⁴⁴ *Christianson*, as construed in *Additive Controls*, expanded, at least implicitly, this aspect of "arising under" jurisdiction.

By contrast, the appellate court may have erred in divining from the complaint, which had no labelled claim, the business disparagement claim on which it predicated jurisdiction. The appellate court never addressed the issue of whether unfair competition, the theory tried below, could be resolved under Texas law without reaching the issue of infringement.⁴⁵

Furthermore, the Federal Circuit ignored that the facts pled also set forth a claim for tortious interference with contract under Texas law, although anticipating a defense of legal justification or

40. *Additive Controls*, 986 F.2d at 478-79.

41. *Id.* at 479 (citations omitted).

42. See *Envirotech Corp. v. Al George, Inc.*, 730 F.2d 753 (Fed. Cir. 1984) (holding that the burden of proof is on the patentee to prove infringement by a preponderance of the evidence).

43. It is well-settled that an action for a declaratory judgment of non-infringement may arise under the patent laws. See *infra* notes 83-110 and accompanying text.

44. See *Albright v. Teas*, 106 U.S. 613, 618 (1883) (holding that since "[t]he controversy between [the parties] . . . is whether certain goods . . . embody the invention covered by the appellee's patents. . . [it] does not necessarily involve a construction of the patents.>").

45. See, e.g., *Schoellkopt v. Pledger*, 778 S.W.2d 897, 904 (Tex. Ct. App. 1989) (writ denied) (finding that a claim of unfair competition may be based on some finding of an independent substantive tort or other illegal conduct).

excuse.⁴⁶

Justice Holmes long ago wrote that “the party who brings a suit is master to decide what law he will rely upon, and therefore does determine whether he will bring a ‘suit arising under’ the patent or other laws of the United States by his declaration or bill.”⁴⁷ As more recently explained by an appellate court, “if a person is free not to vindicate his rights in court at all, then he should be free to assert in court only those rights he chooses.”⁴⁸ Redefining the cause of action at the appellate level in *Additive Controls* to articulate the disparagement theory — the basis of jurisdiction — may thus have been an inappropriate restriction on the plaintiff’s freedom of choice. Of course, the plaintiff needed merely to articulate its claim to avoid inadvertently creating “arising under” jurisdiction.

2. Ancillary Jurisdictional Issues

The Federal Circuit also promptly encountered the question of how to treat federal non-patent issues (or pendent state issues). *Atari, Inc. v. JS&A Group, Inc.*,⁴⁹ involved an action for patent infringement, copyright infringement, and related state claims. The district court granted a preliminary injunction against copyright infringement. The plaintiff then separated that cause of action under Rule 42(b) of the Federal Rules of Civil Procedure, admittedly in an effort to have any interlocutory appeal by the accused infringer channeled to a regional circuit. En banc consideration of Federal Circuit jurisdiction over the preliminary injunction appeal ensued.

At the outset, the court noted that the complaint had pled subject matter jurisdiction under § 1338(a). The appellate court then explained that its jurisdiction “is defined by the basis of the district

46. The elements of tortious interference with an existing contract are as follows: a contract between the plaintiff and a third person, knowledge of that contract by the defendant, inducement by the defendant to the third person to breach that contract, and resulting breach. See, e.g., *Goodrich v. Superior Oil Co.*, 640 S.W.2d 680 (Tex. Ct. App. 1982). Legal justification or excuse is an affirmative defense upon which the defendant has the burden of proof. *Sterner v. Marathon Oil Co.*, 767 S.W.2d 686 (Tex. 1989). Fairly read, then, the Adcon complaint pleads the elements of tortious interference and anticipates the patentee’s affirmative defense of excuse. 35 U.S.C. § 287 requires a patentee to notify an infringer of its infringement in the event that the patentee is making or selling a patented article but fails to mark the product with the patent number. See 35 U.S.C. § 287(a) (1993).

47. *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913).

48. *Hunter v. United Van Lines*, 746 F.2d 635, 640 (9th Cir. 1984). There is an “artful pleading” doctrine which operates to allow courts under some circumstances to recharacterize a plaintiff’s state law claim as a federal claim. It applies in exceptional circumstances only, not apposite here. See generally *Federated Dep’t Stores v. Moitie*, 452 U.S. 394 (1981).

49. 747 F.2d 1422 (Fed. Cir. 1984) (en banc).

court jurisdiction."⁵⁰ The plaintiff had asserted federal jurisdiction of the entire case based, in part, on its patent claim. Accordingly, exclusive appellate jurisdiction over the entire case resided in the Federal Circuit. Moreover, separation under Rule 42 did not obviate its exclusive jurisdiction by creating a separate "decision." A separated claim remains part of the original lawsuit and "judgment on a separately tried claim is normally not final and appealable until all claims are adjudicated."⁵¹

Choice of forum similarly was an issue in *In re Innotron Diagnostics*.⁵² Innotron filed suit for antitrust violations against Abbott Laboratories. Three weeks later Abbott Laboratories sued Innotron in the same district for patent infringement. The district court ordered consolidation of the cases pursuant to Rule 42 of the Federal Rules of Civil Procedure. Over Innotron's objection, a motion to try the patent issues first was granted. Innotron then answered the patent infringement complaint, asserting, inter alia, patent misuse and an antitrust counterclaim. Not surprisingly, the district court separated the antitrust issues in Innotron's counterclaim from the patent issues for trial. Innotron then filed a petition for writ of mandamus to the Ninth Circuit, demanding reconsolidation. The Ninth Circuit "denied [the petition] without prejudice to renewal if the Federal Circuit determined that it has no jurisdiction."⁵³

Jurisdiction was, in fact, found by the Federal Circuit.⁵⁴ Whether a patent infringement action was filed in a separate complaint from the antitrust suit or as a counterclaim was considered a distinction without a difference.⁵⁵ In either instance the district court's jurisdiction over the patent count is based in part on § 1338(a).⁵⁶ Having crossed the threshold jurisdictional issue, the Federal Circuit then confronted the question of its authority to consider petitions for writs of mandamus.

Conceding that it lacked "supervisory authority" over the district courts, often the basis for mandamus jurisdiction, the court then considered whether it had "authority to grant writs of manda-

50. *Id.* at 1430.

51. *Id.* (citing *Sears, Roebuck & Co. v. Mackey*, 351 U.S. 427 (1956); *Cold Metal Process Co. v. United Eng'g & Foundry Co.*, 351 U.S. 445 (1956); and *Hebel v. Ebersole*, 543 F.2d 14 (7th Cir. 1976)).

52. 800 F.2d 1077 (Fed. Cir. 1986).

53. *Id.* at 1079.

54. *Id.* at 1080.

55. *Id.*

56. *Id.* The appellate court noted, however, that it would not: [H]ave jurisdiction over an appeal from a district court judgment where the district court's jurisdiction was based solely on diversity, even though the case may involve interpretation, viability and applicability of a patent license contract, and [even though] those determinations may require consideration of defenses raising patent validity and infringement issues. *In re Innotron Diagnostics*, 800 F.2d 1077, 1080-81 n.4 (Fed. Cir. 1986).

mus relating to . . . 'procedural' orders separating issues for trial."⁵⁷ It found authority to exercise mandamus jurisdiction in two instances: (1) "in aid of its jurisdiction" under 28 U.S.C. § 1651 "where [it] would have jurisdiction over an appeal from a final decision"⁵⁸; and (2) "in proper circumstances" not involving administration, supervision, management or oversight of a district court," but in which the patent jurisdiction of the Federal Circuit plays a significant role.⁵⁹ The appellate court concluded that it would entertain the writ because the issue of Rule 42 separation was "intimately bound up with and controlled by the law of patents."⁶⁰

B. Venue

In 1988, 28 U.S.C. § 1391(c) was amended, becoming effective on February 17, 1989. Prior to its amendment, that subpart provided that "(c) [a] corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."⁶¹ The relevant portion of the amended subpart now states that "(c) [f]or purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced."⁶² Quite clearly, the amendment enlarged the number of districts in which a corporation potentially may reside for venue purposes.⁶³ The 1988 amendments did not, by contrast, change any language in 28 U.S.C. § 1400(b), which provides that "(b) [a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."⁶⁴ That section has been consistently phrased for decades, and construed without reference to § 1391(c). Nevertheless, in *VE*

57. *Id.* at 1081. Supervisory authority is possessed by the regional circuits. 28 U.S.C. § 1651 (1976).

58. *Innotron*, 800 F.2d at 1081.

59. *Id.* at 1083-84. Examples when the court had entertained a writ include *In re Newman*, 782 F.2d 971 (Fed. Cir. 1986) (discovery order dispute); *In re Mark Indus.*, 751 F.2d 1219 (Fed. Cir. 1984) (order violating 35 U.S.C. § 282). The court also gave several examples when it had declined to exercise mandamus jurisdiction. *C.P.C. v. Nosco Plastics, Inc.*, 719 F.2d 400 (Fed. Cir. 1983) (order refusing to disqualify counsel); *In re Oximetrix*, 748 F.2d 637 (Fed. Cir. 1984) (stay of litigation).

60. 800 F.2d at 1082. The petition was thus considered, but denied.

61. 28 U.S.C. § 1391(c) (1976).

62. 28 U.S.C. 1391(c) (1976 & Supp. 1993).

63. See H.R. REP. No. 889, 100th Cong., 2d Sess., at 70 (1988) (cited in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1580 n.18 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991)).

64. 28 U.S.C. § 1400(b) (1976).

Holding Corp. v. Johnson Gas Appliance Co.,⁶⁵ the definition of general corporate residence resulting from the 1988 amendment to § 1391(c) was applied to the patent venue provision, § 1400(b). The focus in *VE Holding* was on the changed wording in the first clause of amended § 1391(c): “[f]or purposes of venue under this chapter.”⁶⁶ The appellate court found in that language a statutory change making § 1391(c) applicable to all venue provisions in § 1391 to § 1412, inclusive, including § 1400(b).⁶⁷

The Federal Circuit recognized that the Supreme Court had on two previous occasions adopted the view that 28 U.S.C. § 1400(b) was the exclusive venue provision for patent infringement actions.⁶⁸ The first case, *Stonite Products Co. v. Melvin Lloyd Co.*,⁶⁹ concluded that the Act of 1897, 29 Stat. 695, specifically was adopted to limit venue in patent actions. According to the Supreme Court, the legislative history of the 1897 Act explained it was not intended “to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings.”⁷⁰ The statute under scrutiny in *Stonite Products* devolved from the 1897 legislation and the Supreme Court applied the 1897 legislative intent to conclude that the patent venue provision was the only basis for venue in patent infringement litigation.⁷¹

The patent venue question resurfaced after the 1948 revision and recodification of the Judicial Code, 62 Stat. 869. In *Fourco Glass Co. v. Transmirra Products Corp.*,⁷² the Supreme Court reiterated that “§ 1391(c) is a general corporation venue statute, whereas § 1400(b) is a special venue statute applicable, specifically, to all defendants in a particular type of actions, i.e. patent infringement actions.”⁷³ From this premise, the Court concluded that § 1400(b) is “the sole and exclusive provision controlling venue in patent infringement actions”⁷⁴

Despite these two decisions, in *VE Holding* the Federal Circuit relied upon *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*,⁷⁵ for the proposition that the patent venue statute could be amended indirectly without explicitly rewriting § 1400(b).⁷⁶ *Bru-*

65. 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

66. *Id.* at 1579.

67. *Id.*

68. *Id.* at 1077.

69. 315 U.S. 561 (1942).

70. *Id.* at 566.

71. *Id.* at 566-67.

72. 353 U.S. 222 (1957).

73. *Id.* at 228.

74. *Id.* at 229.

75. 406 U.S. 706 (1972).

76. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

nette involved the interaction of the patent venue statute and the alien defendant venue statute.⁷⁷ The *Brunette* court distinguished *Fourco* and *Stonite* on the ground that “§ 1391(d) was not derived from the general venue statutes that § 1400(b) was intended to replace.”⁷⁸ The Supreme Court concluded that § 1391(d) was not venue-restricting legislation, “but rather as a declaration of the long-established rule that suits against aliens are wholly outside the operation of all the federal venue laws, general and special.”⁷⁹ Accordingly, an alien defendant could not rely on § 1400(d) as a shield against suit for patent infringement.⁸⁰

In all events, the Federal Circuit in *VE Holding* concluded that venue in patent infringement actions had been altered as to corporate defendants.⁸¹ They may be sued for patent infringement in any district in which they are subject to personal jurisdiction at the time suit is filed.⁸²

C. Declaratory Judgments

28 U.S.C. § 2201 authorizes declaratory judgment actions in the following case: “(a) In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.”⁸³ There must be an actual case or controversy between the parties for jurisdiction under this statute.⁸⁴ The burden is on the declaratory plaintiff to establish by a preponderance of the evidence that jurisdiction existed at, and has continued to exist since, the time the complaint was filed.⁸⁵ Whether the parties’ conduct was sufficient to create an actual controversy, moreover, is on appeal a question of law which the Federal Circuit reviews *de novo*.⁸⁶

Examination of the “totality of the circumstances” is necessary

77. 28 U.S.C. § 1391(d) (1976) (providing that “[a]n alien may be sued in any district.”).

78. *Brunette Mach. Works, Ltd.*, 406 U.S. at 713.

79. *Id.* at 714.

80. *Id.*

81. *VE Holding*, 917 F.2d at 1583.

82. Venue can also be altered by contract. In *Warner & Swasey Co. v. Salvagnini Transferica S.P.A.*, 806 F.2d 1045 (Fed. Cir. 1986), the appellate court effectuated a choice of forum clause in a license agreement. Dismissal of a patent infringement suit brought in a jurisdiction other than that specified in the license agreement was affirmed. *Id.* at 1046.

83. 28 U.S.C. § 2201(a) (1982 & Supp. 1993).

84. *Indium Corp. of Am. v. Semi-Alloys, Inc.*, 781 F.2d 879, 882 (Fed. Cir. 1985), *cert. denied*, 479 U.S. 820 (1986).

85. *International Medical Prosthetics Research Assocs., Inc. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 575 (Fed. Cir. 1986).

86. *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 888 (Fed. Cir. 1992).

to determine whether an actual controversy exists.⁸⁷ The Federal Circuit has devised a two-prong test to ascertain whether the circumstances present an "actual controversy."⁸⁸ First, the patentee's conduct must have created a reasonable apprehension on the part of the declaratory plaintiff that the patentee will initiate suit if the declaratory plaintiff continues the allegedly infringing activity.⁸⁹ This first prong is an objective test.⁹⁰ Second, the plaintiff must actually have either produced or have prepared to produce a product somehow involved in the infringing activity.⁹¹ In *Shell Oil Co. v. Amoco Corp.*,⁹² the court stated that whether a declaratory plaintiff reasonably believed it would be sued depends on whether the patentee's conduct rose to a level sufficient to indicate an intent to enforce its patent.⁹³ The *Shell* court announced a two-phase subtest to assay the patentee's conduct. The trier of fact looks first "for any express charges of infringement."⁹⁴ If none, it then looks to the "totality of the circumstances."⁹⁵

The *Shell* opinion emphasized that not every instance in which a patentee and a potential infringer debate the merits of infringement and/or invalidity gives rise to a justiciable controversy.⁹⁶ The *Shell* court stated that "[t]he Declaratory Judgment Act was intended to protect threatened parties, not to drag a non-threatening patentee into court. We will not encourage litigation by finding a threat to sue only because a non-threatening party, when approached by a possible infringer, asserted its best arguments in discussion."⁹⁷ Yet, *Shell* does recognize that "a reasonable apprehension of an intent to initiate an infringement suit may be found from statements made during licensing negotiations."⁹⁸ It simply depends on what was said.

Many of the declaratory cases reviewed by the Federal Circuit over the past ten years involve the question of whether there is a justiciable controversy.⁹⁹ Other cases focus on the scope of the

87. *Indium Corp. of Am.*, 781 F.2d at 882 (citing *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 272 (1941)).

88. *Jervis B. Webb Co. v. Southern Sys., Inc.*, 742 F.2d 1388, 1398 (Fed. Cir. 1984).

89. *Id.*

90. *Indium Corp. of Am.*, 781 F.2d at 883.

91. *Jervis B. Webb Co.*, 742 F.2d at 1399.

92. 970 F.2d 885, 888 (Fed. Cir. 1992).

93. *Id.*

94. *Id.*

95. *Id.* A declaratory plaintiff is not required to admit infringement to create an actual controversy. *International Medical Prosthetics Research Assocs., Inc. v. Gore Enter. Holdings, Inc.*, 787 F.2d 572, 575 (Fed. Cir. 1986).

96. *Shell Oil Co.*, 970 F.2d at 889.

97. *Id.*

98. *Id.*

99. *Compare West Interactive Corp. v. First Data Resources, Inc.*, 972 F.2d 1295 (Fed. Cir. 1992) (no actual controversy) and *Shell Oil Co.*, 970 F.2d at 885

threatened lawsuit. The Federal Circuit has instructed that only specific patent claims actually in controversy can be declared invalid. For example, in *Jervis B. Webb Co.*,¹⁰⁰ the court reversed a declaration of invalidity of claims not asserted by the patentee. No declaratory judgment was warranted, the reviewing court opined, because the accused infringer had not produced devices falling under the unasserted claims, the patentee had not made general allegations of infringement, and no ground of invalidity inherently applied to all of the claims of the patent.¹⁰¹

The Federal Circuit has also held declaratory jurisdiction to be discretionary. In *Intermedics Infusaid, Inc. v. Regents of the University of Minnesota*,¹⁰² the district court stayed a declaratory judgment action for patent invalidity pending resolution of a state court suit by the patentee to collect license royalties. The Federal Circuit agreed that the district court had acted within its discretion.¹⁰³ By contrast, in *Minnesota Mining and Manufacturing Co. v. Norton Co.*,¹⁰⁴ the Federal Circuit found dismissal of a declaratory judgment action based on a pending interference proceeding to have constituted an abuse of discretion. Reversal was warranted (1) because the interference proceeding would not ameliorate the infringement issues presented in the declaratory judgment action, and (2) because the declaratory plaintiff would likely suffer significant prejudice from delay.¹⁰⁵

The Federal Circuit also has reviewed declaratory judgment actions in the context of forum shopping. In *Kahn v. General Motors Corp.*,¹⁰⁶ the Federal Circuit held that "as a principle of sound judicial administration, a first [filed] suit should have priority' absent special circumstances."¹⁰⁷ The Federal Circuit also stated that "[t]wo situations [commonly] justify a departure from the first-filed rule of priority."¹⁰⁸ One situation is the "customer action," "where the first suit is filed against a customer who is simply a reseller of the accused goods, while the second suit is a declaratory action brought by the manufacturer" of the goods against the patentee.¹⁰⁹

(no actual controversy) *with Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731 (Fed. Cir. 1988) (dismissal of declaratory judgment action for want of controversy reversed) *and Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953 (Fed. Cir. 1987) (dismissal for want of justiciable case or controversy reversed).

100. 742 F.2d 1388 (Fed. Cir. 1984).

101. *Id.* at 1399.

102. 804 F.2d 129 (Fed. Cir. 1986).

103. *Id.*

104. 929 F.2d 670 (Fed. Cir. 1991).

105. *Id.* at 674-75.

106. 889 F.2d 1078 (Fed. Cir. 1989).

107. *Id.* at 1081 (quoting *William Gluckin & Co. v. International Playtex Corp.*, 407 F.2d 177, 178 (2d Cir. 1969)).

108. *Id.*

109. *Id.*

The second situation is where forum shopping alone motivates the choice of situs for the first suit: "The manufacturer who is charged with infringing a patent cannot stretch the Federal Declaratory Judgments Act to give him a paramount right to choose the forum for trying out questions of infringement and validity. He is given an equal start in the race to the courthouse, not a headstart."¹¹⁰

D. Appealability

Jurisdiction of the Federal Circuit normally is limited to appeals of final decisions within its subject matter.¹¹¹ An exception to this rule of finality is the Federal Circuit's exclusive jurisdiction, *inter alia*, over interlocutory decisions relating to injunctions, when arising from matters within its exclusive jurisdiction.¹¹² In addition, 28 U.S.C. § 1292(b) and Rule 54 of the Federal Rules of Civil Procedure authorize exceptions in the discretion of the district court.¹¹³ Several judicially created exceptions also have been created.

1. Interlocutory Appeal Issues

*Holmes v. Bendix Corp.*¹¹⁴ presented the question of whether denial of a motion for summary judgment of infringement constituted denial of injunctive relief. Jurisdiction, thus, was asserted

110. *Id.* at 1079 (quoting *Kerotest Mfg. Co. v. C-O-T Fire Equip. Co.*, 342 U.S. 180, 185 (1952)).

111. 28 U.S.C. § 1295 (1976 & Supp. 1993).

112. *Id.* § 1292(c). The Federal Circuit also has exclusive jurisdiction over judgments in matters over which it has exclusive jurisdiction and which are final, except for accounting and interlocutory decisions relating to the Court of International Trade and the United States Claims Court. *Id.* § 1292(c)(2) & (d).

113. 28 U.S.C. § 1292(b) states:

(b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is a substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: *Provided, however*, That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order.

28 U.S.C. § 1292(b) (1993) (emphasis in original). Rule 54(b) states in part: (b) Judgment Upon Multiple Claims or Involving Multiple Parties. When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, or when multiple parties are involved, the court may direct the entry of a final judgment as to one or more but fewer than all of the claims or parties only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment.

FED. R. CIV. P. 54.

114. 713 F.2d 792 (Fed. Cir. 1983).

under 28 U.S.C. § 1292(c).¹¹⁵ None of the summary judgment motions, however, “alerted the judge that he was passing on injunctive relief indirectly.”¹¹⁶ Moreover, the Federal Circuit noted, Rule 56 of the Federal Rules of Civil Procedure relates not to an injunction, but to a claim, counterclaim, cross-claim, or declaratory judgment.¹¹⁷ Accordingly, to invoke interlocutory appellate jurisdiction, a party “at least must point out something he said or did to alert the court that it would be passing indirectly on the availability of injunctive relief.”¹¹⁸

*Chaparral Communications, Inc. v. Boman Industries, Inc.*¹¹⁹ involved the counterpart situation of a partial summary judgment against the patentee. The district court had granted summary judgment of patent unenforceability, waiver, and attorney fees, but had reserved for trial several other patent and unfair competition claims, and had denied a motion for Rule 54(b) certification. The patentee argued that the grant of summary judgment against it was appealable under 28 U.S.C. § 1292 because it had the effect of denying the patentee’s request for injunctive relief.¹²⁰ On the authority of *Holmes*, the Federal Circuit dismissed the appeal because the district judge was never alerted that his ruling on the summary judgment motion might require him to pass on injunctive relief indirectly.¹²¹

Subsequently, in *Woodard v. Sage Products, Inc.*,¹²² the Federal Circuit considered whether an order granting summary judgment of noninfringement in favor of one of several defendants is immediately appealable if the district court neither certifies the issue under 28 U.S.C. § 1292(b), nor enters a separate final judgment under Rule 54. The patentee argued that the summary judgment order was immediately appealable because it effectively denied permanent injunctive relief against the dismissed defendant.¹²³ “A series of five salient Supreme Court opinions” were relied upon by both parties.¹²⁴ The Federal Court opined that these five decisions

115. *Id.* at 793.

116. *Id.*

117. *Id.* (quoting FED. R. CIV. P. 56).

118. *Id.* at 793-94.

119. 798 F.2d 456 (Fed. Cir. 1986).

120. *Id.* at 457.

121. *Id.* at 458.

122. 818 F.2d 841 (Fed. Cir. 1987) (en banc).

123. *Id.* at 844. The Federal Circuit at the outset determined that deference to the law as interpreted by the circuit in which the district court was located was inappropriate, since the matter of § 1292(c) appealability related to an issue of its own appellate jurisdiction. *Id.*

124. *Id.* at 845. The cases relied upon were: *Carson v. American Brands, Inc.*, 450 U.S. 79 (1981), *remanded*, 645 F.2d 300 (4th Cir. 1981); *Gardner v. Westinghouse Broadcasting Co.*, 437 U.S. 478 (1978); *Switzerland Cheese Ass’n, Inc. v. E. Horne’s Mkt., Inc.*, 385 U.S. 23 (1966); *Baltimore Contractors,*

have not uniformly been construed among regional circuits.¹²⁵ All circuits, however, were in agreement that "the *threshold* requirement is that the order must have the effect of the grant or denial of an injunction"¹²⁶

Then, the Federal Circuit determined that one of the five cases, *Carson v. American Brands, Inc.*,¹²⁷ fairly synthesized the criteria espoused by the Supreme Court. In particular, the Federal Circuit borrowed from *Carson* a three-step test for the appropriateness of an interlocutory appeal of injunction-affecting orders under § 1292(c): "(a) that the order be injunctive in nature, (b) that it cause a serious, if not irreparable, consequence and (c) that the order can be effectively challenged only by immediate appeal."¹²⁸ Inevitably, the Federal Circuit discussed several of its prior decisions, including *Holmes* and *Chaparral*. It "clarified" those prior decisions to eliminate any requirement that a litigant "specifically alert a district court that its ruling on an interlocutory matter in effect denies an injunction if the pleadings make that self-evident."¹²⁹

Finally, *Shiley, Inc. v. Bentley Laboratories, Inc.*¹³⁰ dealt with consideration of what constitutes an interlocutory order involving an injunction. After a jury verdict in favor of the patentee, the district court had entered a permanent injunction against the infringer. The infringer moved to stay the permanent injunction pending an appeal on the merits, but that motion was denied both by the district court and by the Federal Circuit. The infringer then appealed the district court's denial of the stay of the permanent injunction. The Federal Circuit dismissed the appeal because "denial of a stay of [the] post-trial [permanent] injunction . . . was neither a 'final decision' nor within the appellate court's jurisdiction over interlocutory orders."¹³¹ The stay motion could not be converted into a § 1292 dispute.¹³²

2. The Bootstrap Effect

In *Gerber Garment Technology, Inc. v. Lectra Systems, Inc.*,¹³³ a series of rulings on summary judgment and preliminary injunc-

Inc. v. Bodinger, 348 U.S. 176 (1955); *General Elec. Co. v. Marvel Rare Metals*, 287 U.S. 430 (1932); *Woodard*, 818 F.2d at 846-49.

125. *Woodard*, 818 F.2d at 850.

126. *Id.* (emphasis in original).

127. 450 U.S. 79 (1981), *remanded*, 654 F.2d 300 (4th Cir. 1981).

128. *Id.* Applying this test, interlocutory appeal was not deemed appropriate. *Id.* at 855. The patentee had failed to seek a preliminary injunction. *Id.* at 854. The Federal Circuit, moreover, refused to consider factual arguments on harm which had not first been considered by the trial court. *Id.*

129. *Woodard*, 818 F.2d at 855.

130. 782 F.2d 992 (Fed. Cir. 1986).

131. *Id.* at 993 (quoting 28 U.S.C. § 1295(a)(1) (1982)).

132. *Id.*

133. 916 F.2d 683 (Fed. Cir. 1990).

tions (none of which was independently appealable) combined synergistically to create an appealable decision. The patentee had asserted infringement of three patents. It moved, *inter alia*, for summary judgment of infringement or, in the alternative, for a preliminary injunction. Conversely, the accused infringer moved for summary judgment that claims of the remaining patent were invalid for obvious-type double patenting. The district court granted summary judgment of invalidity, denying the patentee's motion for summary judgment and its request for a preliminary injunction. The court made no findings on the subsidiary factors for preliminary injunction.¹³⁴

At the outset, the Federal Circuit addressed "that procedural quirk in the law whereby the nonappealable becomes reviewable and piecemeal litigation becomes permissible."¹³⁵ The grant of summary judgment of invalidity was an interlocutory partial judgment.¹³⁶ The denial of the patentee's motion for summary judgment was interlocutory.¹³⁷ Moreover, the trial court's failure to set forth any findings relating to denial of the preliminary injunction would normally make that ruling "incapable of review."¹³⁸

Faced with this record, the Federal Circuit made an assumption that "the [district] court denied the preliminary injunction because its summary judgment of invalidity . . . precluded injunctive relief."¹³⁹ The appellate court, thus, reviewed the merits of an otherwise unappealable summary judgment on the theory that the ruling was "closely interrelated factually" to the preliminary injunction.¹⁴⁰ Consequently, "through the magic of Section [1292(c)(1)], the unappealable partial judgment . . . must be reviewed as though it were appealable, and the result of that review in this case is to affirm the denial of the motion for preliminary injunction."¹⁴¹

In *Intermedics*, the Federal Circuit considered the argument that, in effect, an order dismissing a declaratory judgment action because of a prior-filed state court contract action (while technically entry of a dismissal) was simply a "stay" and not a final appealable

134. *Id.* at 685.

135. *Id.*

136. *Id.*

137. *Id.*

138. *Gerber*, 916 F.2d at 686.

139. *Id.*

140. *Id.* (citing *Intermedics Infusaid, Inc. v. Regents of the Univ. of Minn.*, 804 F.2d 129, 134 (Fed. Cir. 1986)).

141. *Id.* A district court decision on the merits frequently will be entered without a determination of costs or with an award of reasonable attorney fees, to be determined upon further hearing. A judgment which resolves all issues except the amount of costs and attorney fees is, however, final under § 1295. *Johannsen v. Pay Less Drug Stores North-West, Inc.*, 918 F.2d 160, 163 (Fed. Cir. 1990).

order.¹⁴² The reviewing court recognized the many cases holding an order staying a court's own proceedings to be not appealable, and the rejoinder that the district court action was practically final.¹⁴³ It then finessed this aspect of appealability by finding jurisdiction because of the trial court's refusal to issue an injunction.

*Katz v. Lear Siegler, Inc.*¹⁴⁴ was another case in which the Federal Circuit considered a non-appealable interlocutory order ancillary to another matter which was appealable. In particular, the district court had granted a preliminary injunction staying proceedings filed by the patentee in another district and had granted a motion to join a third party as a counter-defendant. The Federal Circuit considered and affirmed the normally non-appealable joinder order, because it had jurisdiction over the injunction appeal.¹⁴⁵

In *Scripps Clinic & Research Foundation v. Genentech, Inc.*,¹⁴⁶ the court reviewed a partial denial of summary judgment of infringement. The district court had granted summary judgment against the patentee that, inter alia, its claims were: (1) unenforceable based on inequitable conduct; (2) invalid for failure to comply with 35 U.S.C. §§ 102 and 251; and (3) invalid for failure to comply with the best mode requirement of 35 U.S.C. § 112. The district court also granted summary judgment of infringement as to some, but not all claims. Final judgment was entered and both sides appealed.

On this record, the Federal Circuit agreed that the denial of summary judgment of infringement of some claims was appealable. The appellate court, relying on the law of the Ninth Circuit, found that an appeal from a final judgment may include challenges to all rulings which produced the judgment, whether or not independently appealable. However, because of the undeveloped record, the Federal Circuit considered only questions of law relating to the denial of that motion.¹⁴⁷

3. "Almost" Final Judgments

With limited exceptions, only final decisions are appealable. One exception is Rule 54 which authorizes a district court to create a final judgment "upon an express determination that there is no just reason for delay and upon an express direction for the entry of

142. *Id.* at 134. The Federal Circuit also confirmed that the Anti-Injunction Act, 28 U.S.C. § 2283, precluded grant of an injunction to stay such a proceeding in state court. *Id.*

143. *Id.*

144. 909 F.2d 1459 (Fed. Cir. 1990).

145. *Id.* at 1461, 1464.

146. 927 F.2d 1565 (Fed. Cir. 1991), *reh'g denied*, 1991 WL 525082 (Fed. Cir. Apr. 30, 1991).

147. *Id.* at 1583.

judgment.”¹⁴⁸ Not surprisingly, there have been several appeals taken without Rule 54 certification, but which did not resolve all issues against all parties.

For instance, in *Veach v. Vinyl Improvement Products Co.*,¹⁴⁹ the patentee had asserted both patent infringement and misappropriation of trade secrets. The district court granted the accused infringer’s motion for summary judgment as to the claim for patent infringement, while denying a corresponding summary judgment motion on the trade secret cause of action. The district court also closed discovery. The patentee appealed and the accused infringer moved to dismiss the appeal as premature. The Federal Circuit granted that motion, noting that there was no final order and no basis for interlocutory appellate jurisdiction as to any ruling.¹⁵⁰

In *Atari, Inc. v. JS & A Group, Inc.*,¹⁵¹ the Federal Circuit considered, inter alia, the implications of an order for separate trial under Rule 42. The case presented one patent and six non-patent counts based on a common set of facts. In the course of concluding that jurisdiction for the entire case belonged exclusively to it, the Federal Circuit noted that a judgment on a separately-tried claim is normally not final and appealable until all claims of the case are adjudicated.¹⁵² A similar result was obtained in *Johannsen v. Pay Less Drug Stores, North West, Inc.*¹⁵³ The district court in *Johannsen* had entered a judgment that concluded all liability issues between the parties, although it had stayed proceedings on injunctive relief and accounting for unfair competition. Both sides separately requested the district court to certify its liability rulings under Rule 54(b), but an appeal was taken before the trial court ruled on certification. The Federal Circuit sua sponte dismissed the appeal, explaining that there was no final decision because both unfair competition accounting and proceedings on injunctive relief remained unresolved.¹⁵⁴

Recently, in *W.L. Gore & Associates, Inc. v. International Medical Prosthetics Research Associates, Inc.*,¹⁵⁵ the Federal Circuit considered aspects of Rule 54 certification. The district court had bifurcated a patent misuse defense and antitrust counterclaim from the patentee’s infringement claim and the accused infringer’s other affirmative defenses. Trial proceeded on the latter matters, and judgment of noninfringement, patent invalidity and laches was en-

148. FED. R. CIV. P. 54.

149. 700 F.2d 1390 (Fed. Cir. 1983).

150. *Id.* at 1391.

151. 747 F.2d 1422 (Fed. Cir. 1984) (en banc).

152. *Id.* at 1430-31.

153. 918 F.2d 160 (Fed. Cir. 1990).

154. *Id.* at 162.

155. 975 F.2d 858 (Fed. Cir. 1992).

tered and certified pursuant to Rule 54. Appellee challenged the certification. The Federal Circuit recognized that Rule 54 allows for certification only of one or more but fewer than all of the claims or parties. The Federal Circuit stated that “[r]ule 54 does not come into play when mere defenses are left unadjudicated, but only when additional claims, counterclaims or third-party claims are left unadjudicated.”¹⁵⁶ Rule 54 certification was proper, though, “because the infringement claim was finally adjudicated and there [was] more than one claim for relief.”¹⁵⁷ Indeed, the court observed, even a factual overlap on only tangential issues or one aspect of a counterclaim would not create an abuse of discretion in the event of Rule 54 certification.¹⁵⁸

Two judicially created exceptions to the final judgment rule were expressly incorporated into the jurisprudence of the Federal Circuit in *Tenneco Resins, Inc. v. Reeves Brothers, Inc.*¹⁵⁹ One is the “collateral order” doctrine and the other is the *Gillespie* rule.¹⁶⁰ The collateral order doctrine, as adopted by the Federal Circuit, has three elements. First, the trial court “must conclusively determine the disputed question. Second, it must resolve an important issue completely separate from the merits of the action. Third, it must be effectively unreviewable on appeal from a final judgment.”¹⁶¹ The Supreme Court in *Gillespie* set forth two criteria to be followed in determining whether an order relating to the pleadings should be considered sufficiently final to permit appellate review. First, “do stricken allegations raise issues separate and distinct from those raised by the remaining allegations?”¹⁶² Second, “will the goal of judicial economy be served?”¹⁶³ The broad language of *Gillespie* allows for the exercise of immediate appellate jurisdiction under 28 U.S.C. § 1291 where the effect of an order is “fundamental to the further conduct of the case.”¹⁶⁴ However, the *Gillespie* rationale has been limited to the unique facts of its case, to ensure § 1291 retains its significance.¹⁶⁵

156. *Id.* at 863.

157. *Id.* at 864.

158. *Id.*

159. 736 F.2d 1508 (Fed. Cir. 1984).

160. See *Cohen v. Beneficial Indus. Loan Corp.*, 337 U.S. 541 (1949) (collateral order); *Gillespie v. United States Steel Corp.*, 379 U.S. 148 (1964).

161. *Tenneco Resins, Inc.*, 736 F.2d at 1510. The Federal Circuit rejected a mandatory fourth condition that the collateral appeal present a “serious and unsettled” question, but recognized it was an additional, albeit discretionary, consideration. *Id.*

162. 379 U.S. at 152-54.

163. *Id.*

164. *Id.* at 154.

165. *Jeanette Sheet Glass Corp. v. United States*, 803 F.2d 1576, 1583 (Fed. Cir. 1986).

Turning to the facts in issue in *Tenneco Resins*, the district court had refused to allow an accused infringer to amend its pleadings and allege affirmative defenses of invalidity and unenforceability, because of unreasonable delay.¹⁶⁶ The accused infringer took an immediate appeal, which the patentee moved to dismiss. The Federal Circuit recognized that infringement, validity, and unenforceability are "distinct and separate issues."¹⁶⁷ Then the court considered whether judicial economy would be served by allowing the appeal.¹⁶⁸ It pragmatically recognized that issues of validity and unenforceability are "hopelessly intermingled" with the remaining issues.¹⁶⁹ Accordingly, the motion to dismiss the appeal was denied.

Several interesting procedural issues were presented to the Federal Circuit in *In re International Medical Prosthetics Research Associates, Inc.*¹⁷⁰ The case involved a petition for writ of mandamus and an appeal, both based on the district court's disqualification of one of the two law firms representing the petitioner/appellant. The appellate court recognized that, in appropriate circumstances, mandamus was a proper vehicle for review of non-final matters.¹⁷¹ However, it concluded that the circumstances of that case did not require grant of the extraordinary remedy of mandamus.¹⁷² By contrast, following the law of the Ninth Circuit (wherein the district court resided) the Federal Circuit reviewed on appeal the order disqualifying counsel under the collateral order exception.¹⁷³

A different result occurred in *Quantum Corp. v. Tandon Corp.*¹⁷⁴ There, the alleged infringer unsuccessfully moved for a separate trial on the issues of willfulness and reissue intervening rights. The accused infringer also had been ordered to produce attorney opinion letters relating to its defense against willful infringement. An immediate appeal was taken, with jurisdiction predicated on the collateral order doctrine. The Federal Circuit concluded that the two orders were not immediately appealable because they did not satisfy the third requirement of the collateral order doctrine. Each order was effectively reviewable on appeal from a final judgment.¹⁷⁵

166. *Tenneco Resins, Inc.*, 736 F.2d at 1509.

167. *Id.* at 1511.

168. *Id.* at 1512.

169. *Id.*

170. 739 F.2d 618 (Fed. Cir. 1984).

171. *Id.* at 619-20.

172. *Id.* at 620.

173. *Id.*

174. 940 F.2d 642 (Fed. Cir. 1991).

175. *Id.* at 644. The question, however, is whether disclosure of privileged information will cause irreparable harm if the disclosure is later found to be erroneous.

4. Third Party Discovery Issues

On several occasions, the Federal Circuit has been presented with appeals from orders relating to third party discovery. In *Heat & Control, Inc. v. Hester Industries, Inc.*,¹⁷⁶ the collateral order doctrine was applied to determine whether an order quashing third-party discovery was appealable. At the outset, the Federal Circuit opined that a discovery order incident to a pending action is "ordinarily not subject to appeal," and an order quashing a subpoena is "typically not a final judgment."¹⁷⁷ It observed, however, that the district court which heard the motion to quash was not the same court in which the main action was being litigated. Thus, the order quashing the subpoena appeared to meet all three criteria under the collateral order doctrine.¹⁷⁸

Nevertheless, the Federal Circuit considered whether a different result should obtain because it has nationwide subject matter jurisdiction. However, the Federal Circuit deemed this irrelevant and held the order appealable.¹⁷⁹ By contrast, in *Micro Motion, Inc. v. Exac Corp.*,¹⁸⁰ the Federal Circuit held that an order denying a motion to quash a subpoena directed to a non-party, entered by a court other than the court in which the action is pending, was interlocutory and non-appealable.¹⁸¹

II. REVIEW OF TRIAL COURT CONTROL OVER LITIGATION

As discussed above, the Federal Circuit has exclusive jurisdiction of, inter alia, "an appeal from a final judgment of a district court . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 of [Title 28] . . ." ¹⁸² Consequently, "a district court exercising jurisdiction pursuant to 28 U.S.C. section 1338 is bound by the substantive patent law of [the Federal] Circuit."¹⁸³ Concomitantly, that circuit has exclusive jurisdiction to review any other matters resolved by the trial court if it acquired jurisdiction

176. 785 F.2d 1017 (Fed. Cir. 1986).

177. *Id.* at 1021.

178. It conclusively determined the disputed question, resolved an important issue completely separate from the merits of the action, and was effectively unreviewable on appeal from a final judgment. *Id.*

179. *See also* *Truswal Sys. Corp. v. Hydro-Air Eng'g, Inc.*, 813 F.2d 1207, 1209 (Fed. Cir. 1987) (finding an order quashing a subpoena issued to a non-party final and appealable).

180. 876 F.2d 1574 (Fed. Cir. 1989).

181. *Id.* at 1576. The appellate court did note several exceptions to its ruling. These included the collateral order doctrine and the possibility of mandamus or seeking certification by the district court of a legal question in accordance with 28 U.S.C. § 1292(b). No exception was apposite on the record. *Id.*

182. 28 U.S.C. § 1295(a)(1).

183. *Panduit Corp. v. All States Plastics Mfg. Co.*, 744 F.2d 1564, 1573 (Fed. Cir. 1984).

under § 1338.¹⁸⁴ However, “as a matter of policy, 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.”¹⁸⁵ The exact parameters of this ruling, observed by the court in *Panduit Corp. v. Allstates Plastics Manufacturing Co.*, will be unclear “until such procedural matters are presented to this court for resolution.”¹⁸⁶

A. Unique Procedural Matters

When a procedural issue relates to the jurisdiction of the Federal Circuit, decisions of the regional circuit may be used for guidance, but deference is inappropriate. In *Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*,¹⁸⁷ the appellate court focused sua sponte on whether an order increasing a supersedeas bond is appealable under 28 U.S.C. § 1291. An apparent conflict between the Second Circuit and the Fifth Circuit was noted but then finessed. The Federal Circuit assumed that such orders were appealable.¹⁸⁸ However, because only a finding about counsel within the order was being challenged and that finding was unrelated to the relief granted in the order, the court dismissed the appeal for want of jurisdiction.¹⁸⁹ Similarly, in *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*,¹⁹⁰ the Federal Circuit announced that since dismissal for want of “actual controversy” jurisdiction implicates the jurisprudential responsibilities in a field within its exclusive jurisdiction, it would not be bound by decisions of the regional circuit courts.¹⁹¹

An analogous situation relates to how the Federal Circuit resolves conflicts among its panel decisions. As a basic premise, prior decisions of a panel of the court are binding precedent on subse-

184. *Id.*

185. *Id.* at 1574-75. In *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661 (Fed. Cir. 1986), the appellate court explained that a motion to amend was “a procedural matter not unique to the field of patent law [and it applied] the discernible law of the [regional] circuit.” *Id.* at 666. The court also refused to consider the denial of a motion for summary judgment that antitrust violations had occurred. *Id.* at 669.

186. 744 F.2d 1564, 1575 (Fed. Cir. 1984). See *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 857 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 2957 (1992) (citing *Panduit*, 744 F.2d 1564).

187. 856 F.2d 173 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 1099 (1989).

188. *Id.* at 176.

189. *Id.* at 177. In *Atari Corp. v. Seagate Technology*, 847 F.2d 826 (Fed. Cir. 1988), the Federal Circuit considered a disqualification order, applying the law of the regional circuit. The order was certified for review pursuant to 28 U.S.C. § 1292(b) and considered on the merits by the Federal Circuit. 847 F.2d 826.

190. 824 F.2d 953 (Fed. Cir. 1987).

191. *Id.* at 954 n.3.

quent panels "unless and until overturned en banc."¹⁹² Nevertheless, conflicts sometimes do occur. When a direct conflict does arise, the precedential decision is supposedly the first.¹⁹³

B. Construing the Federal Rules

At least some of the Federal Rules of Civil Procedure have quasi-jurisdictional implications. One example is motion practice under Rule 50. Terminology under that rule recently has changed. As of December 1, 1991, the term "directed verdict" in Rule 50(a) has been replaced by the phrase "judgment as a matter of law" and a Rule 50(b) motion for judgment n.o.v. is now a "motion for judgment as a matter of law after verdict."¹⁹⁴ Nevertheless, the substance of the rule appears unchanged.

Rule 50(a) requires a party moving for judgment as a matter of law to specify the grounds upon which the motion is based. A party who fails to specify an issue in its motion "may not subsequently challenge the jury's verdict on that issue."¹⁹⁵ After the close of the accused infringer's evidence in *Kinzenbaw*, the patentee moved for directed verdict on a number of issues, but failed to do so on a § 102(a) issue. The trial court denied the motion for directed verdict. It submitted all contested issues (including the § 102 issue) to the jury, which found an anticipatory prior use. Subsequently, the trial court denied the patentee's Rule 50(b) motion which encompassed every issue found against it. The Federal Circuit refused to consider the § 102(a) issue because of the patentee's failure to raise that issue in a Rule 50(a) motion.¹⁹⁶

In so ruling, the Federal Circuit observed that Rule 50(a) requires that "[a] motion for directed verdict shall state the specific grounds therefor."¹⁹⁷ Accordingly, a party who fails to specify an issue in its motion for directed verdict "may not subsequently challenge the jury's verdict on that issue, which is conclusive on that point."¹⁹⁸ Moreover, even "[a] specific reference to the issue in a motion for judgment n.o.v. does not cure a prior failure to include the issue in the motion for a directed verdict and, thus, does not

192. *UMC Elects. Co. v. United States*, 816 F.2d 647, 652 n.6 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1025 (1988).

193. *Newell Co. v. Kenney Mfg. Co.* 864 F.2d 757, 763 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989). *In re Gosteli*, 872 F.2d 1008 (Fed. Cir. 1989), explained, by contrast, that to resolve conflicts among CCPA decisions, the "later decisions control because that court always sat en banc." *Id.* at 1011.

194. FED. R. CIV. P. 50(a), (b).

195. *Kinzenbaw v. Deere & Co.*, 741 F.2d 383, 387-88 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1004 (1985).

196. *Id.*

197. *Id.* at 387.

198. *Id.*

preserve the issue for appeal.”¹⁹⁹ A motion under Rule 50(a) may thus relate to the appellate court’s jurisdiction. *Kinzenbaw* did not explicitly address this issue, nor did it address the question of which circuit’s law to apply. Trial had been held in the Northern District of Iowa. Nevertheless, the only Rule 50 authority cited by the appellate court was from the United States Court of Appeals for the District of Columbia Circuit.²⁰⁰

Failing to move for judgment under Rule 50(b) after making a timely motion under Rule 50(a) may be somewhat less disastrous. In *Sun Studs, Inc. v. ATA Equipment Leasing, Inc.*,²⁰¹ the Federal Circuit initially reversed a jury verdict of laches for lack of evidence.²⁰² During the course of proceedings on rehearing, the court learned the patentee had not moved for judgment as a matter of law after the verdict on laches, while having previously moved for judgment as a matter of law on that issue. The patentee’s failure to so move precluded the appellate court from reversing and rendering. Instead, it had the authority “only to order a new trial on the issue.”²⁰³

The harm caused by failing to move under Rule 50(a) for judgment as a matter of law can be somewhat ameliorated in one other fashion. In *Power Lift, Inc. v. Lang Tools, Inc.*,²⁰⁴ the patentee had failed to move for judgment under Rule 50(a) but did move for judgment as a matter of law after the verdict and for a new trial.²⁰⁵ The appellate court agreed that the Rule 50(b) motion should be disregarded, but considered the patentee’s timely motion for new trial on the very same issues.²⁰⁶ However, reviewability of a jury verdict for sufficiency of the evidence in the absence of a Rule 50(b) motion is limited to plain error.²⁰⁷

The Federal Circuit in *Biodex* considered the question of whether deference to regional circuit law is appropriate in deciding if a post-verdict motion is a prerequisite to appellate review of the sufficiency of the evidence underlying a jury verdict. Initially, the

199. *Id.*

200. *Kinzenbaw*, 741 F.2d at 387. *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 2957 (1992), noted an “apparent conflict” in the Federal Circuit about whether to apply regional law to Rule 50 practice. *Id.* at 855 n.5. It then observed that the conflict was merely theoretical, because the applicable law is uniform. *Id.*

201. 872 F.2d 978 (Fed. Cir. 1989), *overruled on other grounds*, *A.C. Ackerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

202. *Id.* at 993.

203. *Id.* at 995 (citations omitted).

204. 774 F.2d 478 (Fed. Cir. 1985).

205. FED. R. CIV. P. 50(b), 59.

206. *Power Lift, Inc.*, 774 F.2d at 480. Rule 50 involves legal sufficiency of evidence while Rule 59 is based on factual sufficiency. FED. R. CIV. P. 50, 59.

207. *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 854 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 2957 (1992) (limiting review to plain error).

Federal Circuit reviewed its prior case law to understand the origins of the rule of deference. The court observed that deference did not extend to all procedural issues merely because that issue might separately arise in a case having nothing to do with the patent laws, concluding that when there is "an essential relationship between our exclusive statutory mandate or our functions as an appellate court and the relevant procedural issue, that relationship provides an additional reason why resolution of the procedural issue may be committed to our jurisprudence."²⁰⁸ The precise issue before it was "not jurisdictional, but closely related to the exercise of our mandate."²⁰⁹ The Federal Circuit then concluded that although the issue at hand was procedural, it was appropriate to adopt its own single rule, rather than rely on evolution of law in the regional circuits.²¹⁰

The Federal Circuit has also considered jury submissions under Rules 49 and 51. By way of overview, federal practice normally allows a general verdict to be submitted to the jury, with or without "special interrogatories."²¹¹ Timely objection generally is required to preserve error as to the form or language of the court's instructions.²¹² A party must object to the form of special interrogatories before the jury retires.²¹³ It does not matter which party has the burden of proof.²¹⁴ Similarly, if a party believes that an issue has been omitted or not adequately dealt with in the court's interrogatories, proposed additional interrogatories must be tendered to the court before the jury retires. Otherwise, any complaint about the issue as submitted is waived.²¹⁵ Where a party submits correct special issues, their rejection by the court preserves error and precludes express or implied findings in support of the verdict.²¹⁶ By contrast, if a necessary issue of fact is omitted from the instructions without objection, the trial court may make express findings on such issues.²¹⁷ Alternatively, the trial court is deemed

208. *Id.* at 858.

209. *Id.*

210. The standard then adopted was not to review the sufficiency of the evidence after a jury verdict absent some post-verdict disposition, either by a deferred ruling or upon a post-verdict motion. *Id.* at 862.

211. *Texas & Pac. Ry. Co. v. Griffith*, 265 F.2d 489, 493-94 (5th Cir. 1959); *FED. R. CIV. P.* 49.

212. *Nimnicht v. Dick Evans, Inc.*, 477 F.2d 133, 134 (5th Cir. 1973).

213. *J.C. Motor Lines, Inc. v. Trailways Bus Sys., Inc.*, 689 F.2d 599, 602 (5th Cir. 1982).

214. *Id.*

215. *MBank Ft. Worth, N.A. v. Trans Meridian, Inc.*, 820 F.2d 716, 723-24 (5th Cir. 1987); *REO Indus., Inc. v. Pangaea Resource Corp.*, 800 F.2d 498, 501 (5th Cir. 1986).

216. *Ford Motor Co. v. Dallas Power & Light Co.*, 499 F.2d 400, 408 (5th Cir. 1974); *FED. R. CIV. P.* 49(a).

217. *Murtagh v. University Computing Co.*, 490 F.2d 810 (5th Cir.), *cert. denied*, 419 U.S. 835 (1974).

to have made a finding on the issue in accordance with the judgment entered.²¹⁸ However, the trial court may not make a finding on a missing ultimate issue.²¹⁹

At times, the Federal Circuit has appeared inconsistent in articulating guidelines for jury submissions by trial courts. In *Connell v. Sears, Roebuck & Co.*,²²⁰ for example, the Federal Circuit approved submission of the question of obviousness to a jury. It cautioned, though, that such submission should be accompanied by detailed special interrogatories designed to elicit responses and appropriate instructions.²²¹ Shortly thereafter, in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,²²² the Federal Circuit lectured a district court not to solicit only a legal conclusion from the jury and then act as fact finder.²²³ Similarly, in *White v. Jeffrey Mining Machinery Co.*,²²⁴ the appellate court announced that "interrogatories to juries should be directed to facts, not to questions of law such as obviousness, fraud, and claim interpretation, which constitute the basis for instructions to the jury"²²⁵

Subsequent rulings by the Federal Circuit, however, appear to have lessened the import of the *White* and *American Hoist* pronouncements. *Weinar v. Rollform, Inc.*,²²⁶ for instance, explained that because of Rule 49, appellate courts cannot compel the use of special interrogatories. Indeed, the court observed, it would be inappropriate to vacate a judgment on a jury verdict solely for failure to submit special interrogatories.²²⁷

The Federal Circuit also has been somewhat inconsistent about the scope of review of a judgment based on a jury verdict. In *White*, there was an absence of stated findings. The Federal Circuit reversed denial of a Rule 50(b) motion, based on its perception that there was substantial agreement on the underlying facts. It refused to accord to the jury's findings the substantial evidence/reasonable jury standard of review.²²⁸ By contrast, *Perkin-Elmer Corp. v. Computervision Corp.*,²²⁹ articulated a more traditional standard on appeal after denial of a motion under Rule 50(b). The appellate court, in part, recognized that the law presumes findings in the absence of special interrogatories. However, debate contin-

218. *Ogden Food Serv. Corp. v. Mitchell*, 614 F.2d 1001, 1003 (5th Cir. 1980).

219. *Kinnell v. Mid-Atlantic Mausoleums, Inc.*, 850 F.2d 958, 965-66 (3d Cir. 1988).

220. 722 F.2d 1542 (Fed. Cir. 1983).

221. *Id.* at 1547.

222. 725 F.2d 1350 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

223. *Id.* at 1361.

224. 723 F.2d 1553 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 825 (1984).

225. *Id.* at 1558 n.5.

226. 744 F.2d 797 (Fed. Cir. 1984), *cert. denied*, 470 U.S. 1084 (1985).

227. *Id.* at 809.

228. 723 F.2d at 1558 n.6.

229. 732 F.2d 888 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 857 (1984).

ues within the Federal Circuit as to the proper legal and factual bases for reviewing jury verdicts.²³⁰

III. PRESUMPTIONS AT THE FEDERAL CIRCUIT

A. *Presumption of Validity*

35 U.S.C. § 282 provides, inter alia, that "[a] patent shall be presumed valid" and the burden of establishing invalidity "shall rest on the party asserting it."²³¹ The Federal Circuit first discussed this statutory presumption in *Stratoflex, Inc. v. Aeroquip Corp.*²³² The court explained at the outset that the presumption of invalidity "is a procedural device, not substantive law."²³³ Nevertheless, the party asserting validity not only has the procedural burden of proceeding first on that issue and establishing a prima facie case, "but the burden of persuasion on the merits remains with that party until final decision."²³⁴ The Federal Circuit emphasized that the presumption is a constant: "Introduction of more pertinent prior art than that considered by the examiner does not, therefore, 'weaken' or 'destroy' the presumption. Nor does such introduction 'shift' the basic burden of persuasion."²³⁵

That same year, in *Richdel, Inc. v. Sunspool Corp.*,²³⁶ the Federal Circuit, although affirming a final judgment, went through the unusual exercise of identifying and publishing errors of law in the trial court's analysis. Several of the errors involved the presumption of validity. The trial court "implicitly" had required the patentee to prove that the prior art had been considered by the PTO. The burden properly was on the party attacking validity to show that the prior art had not been considered. Similarly, it was error for the trial court to require the patentee to prove facts necessary to a conclusion of nonobviousness.²³⁷

In *Structural Rubber Products Co. v. Park Rubber Co.*,²³⁸ the Federal Circuit defined several subpresumptions relating to validity. These include a presumption of novelty, a presumption of non-

230. See, e.g., *Newell Co. v. Kenny Mfg. Co.*, 864 F.2d 757, 770-74 (Fed. Cir. 1984) (Newman, J., dissenting).

231. 35 U.S.C. § 282 (1993).

232. 713 F.2d 1530 (Fed. Cir. 1983).

233. *Id.* at 1534.

234. *Id.*

235. *Id.*

236. 714 F.2d 1573 (Fed. Cir. 1983).

237. *Id.* The Federal Circuit concluded, however, that any error by the trial court was harmless, based on underlying factual findings. *But see*, *ACS Hosps., Inc. v. Montefiore Hosp.*, 732 F.2d 1572, 1574-75 (Fed. Cir. 1974) (reviewing court finding that the trial court's treatment of the presumption of validity was incorrect as a matter of law and was not harmless error).

238. 749 F.2d 707 (Fed. Cir. 1984).

obviousness, and a presumption of utility.²³⁹ Subsequently, the Federal Circuit explained that since the statute makes a patent presumptively valid when issued, the presumption is applicable “to all of the many bases for challenging a patent’s validity.”²⁴⁰

B. *The Laches Presumption*

There has long been a laches presumption that arises after six years of delay. How this defensive presumption has evolved over the ten years of the Federal Circuit’s existence provides an interesting contrast with the presumption of validity.

1. *The Relevant Statutory Framework*

35 U.S.C. § 286 limits recovery for patent infringement to that occurring in the six years prior to the date suit is filed.²⁴¹ It is not, however, a true statute of limitations in the sense of barring an action for infringement after the passage of six years.²⁴² This “gap” in the law long has been filled by equitable defenses.

*Campbell v. City of Haverhill*²⁴³ was an action at law for patent infringement decided at a time when there was no federal restriction on stale patent litigation. The accused infringer asserted as a defense a six year state statute of limitations applicable to tort cases. Relying on the federal courts’ exclusive jurisdiction over patent suits, the patentee argued conversely that no time constraints were applicable.²⁴⁴ The Supreme Court rejected the patentee’s argument and focused instead on the prejudice resulting from delay:

Unless . . . [the state statute of limitations applies] we have the anomaly of a distinct class of actions subject to no limitation whatever—a class of privileged plaintiffs who, in this particular, are outside the pale of the law, and subject to no limitation of time in which they may institute their actions. The result is that users of patented articles, perhaps innocent of any wrong intention, may be fretted by actions brought against them after all their witnesses are dead, and perhaps after all memory of the transaction is lost to them. This cannot have

239. *Id.* at 714.

240. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1570 (Fed. Cir. 1987), *cert. denied*, 481 U.S. 1052 (1987).

241. *See Pollen v. Ford Instrument Co.*, 108 F.2d 762, 763 (2d Cir. 1940). The *Pollen* court stated that:

The provision in the patent law that there shall be no recovery for infringements committed more than six years before suit is not a mere statute of limitation . . . It is a condition on the right, not on the remedy, and it is not subject to the disabilities or excuses by which ordinary statutes of limitation may be avoided by plaintiff.

Id.

242. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992) (en banc).

243. 155 U.S. 610 (1895).

244. *Id.* at 614-15.

been within the contemplation of the legislative power.²⁴⁵

Two years later, Congress enacted 29 Stat. 694, providing a six-year moving window for past damages in patent suits, whether at law or in equity.²⁴⁶ Nevertheless, laches remained a recognized defense both in the equitable form of patent litigation and in patent actions at law for damages.²⁴⁷ In 1915, Congress enacted 38 Stat. 956, codified as 28 U.S.C. § 398 (now repealed), which authorized equitable defenses to be interposed in actions at law.²⁴⁸ Courts relied upon this provision in applying laches (an equitable defense) to bar stale patent damage actions.²⁴⁹ 28 U.S.C. § 398 subsequently was deleted from 28 U.S.C. as surplusage when Rule 2 of the Federal Rules of Civil Procedure abolished the procedural distinctions between actions at law and suits in equity.²⁵⁰ However, because Rule 2 provides the same procedural rights previously set forth in § 398, the right to interpose the equitable defense of laches in patent litigation remained viable.²⁵¹

The continued availability of laches as a defense—whether the action is legal or equitable—also appears to be what Congress intended in the 1952 Patent Act.²⁵² 35 U.S.C. § 282, sets forth the defenses which may be raised in an action involving the validity or infringement of a patent, including “noninfringement, absence of liability for infringement, or unenforceability.” The word “unenforceability” was “added by amendment in the Senate for greater clarity,” with the purpose of including “equitable defenses such as laches, estoppel and unclean hands.”²⁵³

245. *Id.* The Court also noted Justice Marshall’s perceptive comment: “In a country within which not even treason can be prosecuted after the lapse of three years, it can scarcely be supposed that an individual would remain forever liable to a pecuniary forfeiture.” *Id.* at 617 (citation omitted).

246. 29 Stat. 694 is currently codified at 35 U.S.C. § 286.

247. *See, e.g.*, *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928); *Window Glass Mach. Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645, 648 (3d Cir. 1922), *cert. denied*, 261 U.S. 623 (1923).

248. 28 U.S.C. § 398 (1940) (repealed). The statute did not create any new defenses, but merely allowed equitable issues, otherwise available, to be raised by answer, plea or replication rather than as a separate bill on the equity side of court. *See Liberty Oil Co. v. Condon Nat’l Bank*, 260 U.S. 235 (1922).

249. *See Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *accord Ford v. Huff*, 296 F. 652 (5th Cir. 1924), *cert. denied*, 266 U.S. 602 (1924).

250. *See* 28 U.S.C. § 398 note (1940 ed.); FED. R. CIV. P. 2 advisory committee’s note 1; 2 JEREMY C. MOORE ET AL., MOORE’S FEDERAL PRACTICE ¶ 2.05[2], at 2-33 n.49 (2d ed. 1991).

251. FED. R. CIV. P. 2, 8(e)(2); *see also Technitrol, Inc. v. Memorex Corp.*, 376 F. Supp. 828, 831, (N.D. Ill. 1974), *aff’d*, 513 F.2d 1130 (7th Cir. 1975) (rejecting the argument that laches is inapplicable in a patent action which seeks only damages for past harm).

252. *See* 35 U.S.C. § 282.

253. P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (1954); *accord J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1561, (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).

2. Evolution of the Laches Presumption

Laches is an affirmative defense.²⁵⁴ One asserting it must show (1) that the patentee delayed filing suit for an unreasonable and inexcusable length of time from the date the plaintiff first knew or reasonably should have known of its claim against the defendant and (2) that such delay operated to the defendant's material prejudice.²⁵⁵ If successful, laches (unlike estoppel) bars the recovery of pre-filing damages only. Nevertheless, patentees who delay unreasonably in filing suit long have been required to explain their inaction.²⁵⁶

In a 1928 opinion, *George J. Meyer Manufacturing Co. v. Miller Manufacturing Co.*,²⁵⁷ the Seventh Circuit discussed the interplay of laches and estoppel.²⁵⁸ The appellate court recognized that it may be in the patentee's financial interest to unreasonably delay suit.²⁵⁹ Balancing fairness to the patentee against fairness to the accused infringer, the Seventh Circuit reasoned that in such situations damages for infringement committed prior to suit should be withheld, but prospective relief should not. Turning to the facts of the case, the reviewing court held that the fifteen year delay was sufficiently long as to require the patentee to offer explanation.²⁶⁰ Not only did the patentee fail to do so, but the court found misleading silence. Laches (and estoppel) were established.²⁶¹

Years earlier, in *Lane & Bodley Co. v. Locke*,²⁶² the Supreme Court placed the burden on the patentee to show excuse for de-

254. FED. R. CIV. P. 8(c).

255. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1032 (1992) (en banc); see also *Cornetta v. United States*, 851 F.2d 1372, 1377-78 (Fed. Cir. 1988) (en banc).

256. *Window Glass Mach. Co. v. Pittsburg Plate Glass Co.*, 284 F. 645, 650 (3d Cir. 1922), cert. denied, 261 U.S. 623 (1923) ("When delay in prosecuting a claim is so unusual as to carry with it the appearance of being unreasonable, . . . there devolves upon a plaintiff the burden. . . .")

257. 24 F.2d 505, 508 (7th Cir. 1928).

258. *Id.* "Laches is a term that is often used carelessly and loosely. At times, it has been defined in such a way as to eliminate all distinction between it and estoppel. . . . This Court has attempted consistently to recognize and maintain the essential differences. . . ." *Id.* at 506-07.

259. *Id.* "A patentee is therefore justified in waiting to ascertain whether realizations equal expectations." *Id.* at 507. See also *A.C. Aukerman*, 960 F.2d at 1033 ("[A] patentee may [not] intentionally lie silently and wait watching damages escalate, particularly where an infringer, if he had had notice, could have switched to a noninfringing product.") (Citations omitted.)

260. *Meyer*, 24 F.2d 505. The *Meyer* court stated that:

The 15 years that elapsed between the date of the issuance of the patent and the commencement of the suit, during which time neither patentee nor his assignee asserted rights under the patent, is so great as to cast upon the appellants the duty of explaining their nonaction. This they did not attempt to do.

Id. at 507-08.

261. *Id.* at 508.

262. 150 U.S. 193 (1893).

lay.²⁶³ The plaintiff had permitted at least eight years to elapse before filing suit. During much of that time he had been employed by the defendant and knew that the defendant used the patented invention continually. The patentee forewent any complaint of infringement in the hopes of preserving then-existing "amicable relations" with the defendant/employer. Such "amicable relations" apparently resulted in the patentee's continued employment at a salary which was larger than any amount he would have been entitled to if he had only been paid a royalty. Suit was filed only after his employment ceased. The Court concluded that this explanation was tantamount to being a misrepresentation, and concluded that the patentee had not carried its burden of excuse.²⁶⁴

Prior to the creation of the United States Court of Appeals for the Federal Circuit, the federal appellate courts had almost uniformly recognized and adopted the rebuttable presumption that a delay of more than six years was prejudicial and unreasonable.²⁶⁵ Since 1982, at least seven panels of the Federal Circuit had approved employment of that presumption.²⁶⁶

Laches was first discussed by the Federal Circuit in *Leinoff v. Lewis Milona & Sons, Inc.*²⁶⁷ As an affirmative defense, the one asserting laches normally must prove the unreasonableness of a delay in the filing of suit. However, by analogy to 35 U.S.C. § 286, the appellate court held that a six year delay "is presumptively an un-

263. *Id.* at 201.

264. *Id.*

265. See, e.g., *Olympia Werke Aktiengesellschaft v. General Elec. Co.*, 712 F.2d 74, 77 (4th Cir. 1983); *Jensen v. Western Irrigation and Mfg.*, 650 F.2d 165, 168-69 (9th Cir. 1980); *Studiengesellschaft Kohle v. Eastman Kodak Co.*, 616 F.2d 1315, 1326 (5th Cir. 1980); *TWM Mfg. v. Dura Corp.*, 592 F.2d 346, 349 (6th Cir. 1979), *cert. denied*, 479 U.S. 852 (1986); *Maloney-Crawford Tank Corp. v. Rocky Mountain Natural Gas Co.*, 494 F.2d 401, 403-04 (10th Cir. 1974) (*dictum*); *Baker Mfg. v. Whitewater Mfg.*, 430 F.2d 1008, 1009, 1011 (7th Cir. 1970), *cert. denied*, 401 U.S. 956 (1971); *Jones v. Ceramco, Inc.*, 387 F. Supp. 940 (E.D.N.Y. 1975), *aff'd*, 526 F.2d 585 (2d Cir. 1975). The Ninth Circuit in *Gillons v. Shell Co. of California* examined the equitable roots of laches, stating that "injury is presumed from the statutory period of limitation in common-law actions, and, when equity adopts the statutory period, it adopts along with it the presumption of injury, until the contrary is shown." *Gillons v. Shell Co. of California*, 86 F.2d 600, 608 (9th Cir. 1936) (quoting *McGrath v. Panama R. Co.*, 298 F. 303, 304 (5th Cir. 1924)), *cert. denied*, 302 U.S. 689 (1937). The Ninth Circuit adopted a six-year "analogous" period and, finding a nine-year delay, affirmed laches. *Id.* at 608-11.

266. See *Adelberg Lab., Inc. v. Miles, Inc.*, 921 F.2d 1267 (Fed. Cir. 1990); *Meyers v. Brook Shoes Inc.*, 912 F.2d 1459 (Fed. Cir. 1990); *Jamesbury Corp. v. Litton Indus. Prod., Inc.*, 839 F.2d 1544 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 828 (1988); *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570 (Fed. Cir. 1987); *Bott v. Four Star Corp.*, 807 F.2d 1567 (Fed. Cir. 1986); *Mainland Indus. Inc. v. Standal's Patents Ltd.*, 799 F.2d 746 (Fed. Cir. 1986); *Leinoff v. Lewis Milona & Sons, Inc.*, 726 F.2d 734, 741-42 (Fed. Cir. 1984), *overruled by A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1032.

267. *Leinoff*, 726 F.2d at 741-42.

reasonable one for filing a patent infringement suit."²⁶⁸ It then defined the nature of that presumption. At the outset, the reviewing court emphasized that the presumption was not irrebuttable. With this caveat, it announced that "the presumption after six years shifts the burden, however, to the patent owner now to prove the existence and reasonableness of such an excuse."²⁶⁹ In addition, the patentee "bears the additional burden of showing lack of injury to the infringer caused by the delay."²⁷⁰

*Mainland Industries, Inc. v. Standal's Patents, Ltd.*²⁷¹ involved an appeal after a jury finding that a patentee had carried its burden of proof to show reasonable excuse for delay in filing suit. There was no dispute, however, that the burden properly had been placed on the patentee.²⁷² Thereafter, the Federal Circuit on at least five other occasions explicitly placed the burden of proof on the patentee to prove the existence and reasonableness of an excuse for delay exceeding six years and to show lack of injury.²⁷³

However, in 1992, the Federal Circuit in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*²⁷⁴ concluded that as of August 1, 1975, the nature of this presumption had been changed by Rule 301 of the Federal Rules of Evidence, which states:

In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of nonpersuasion, which remains throughout the trial upon the party on whom it was originally cast.²⁷⁵

Aukerman announced that, under this rule, "a presumption is not merely rebuttable but completely vanishes upon the introduction of sufficient evidence to support a finding of the non-existence of the presumed fact."²⁷⁶

268. *Id.* at 741 (citations omitted).

269. *Id.* at 742.

270. *Id.*

271. 799 F.2d 746, 748-49 (Fed. Cir. 1986).

272. *Id.* The principal question was whether, as a matter of law, litigation in non-United States forums could be considered in determining excusable delay. The Federal Circuit concluded that it was not an abuse of discretion to allow the jury to consider foreign litigation. *Id.* at 749.

273. See also *Adelberg Lab., Inc. v. Miles, Inc.*, 921 F.2d 1267, 1270-71 (Fed. Cir. 1990); *Meyers v. Brook Shoes, Inc.*, 912 F.2d 1459, 1461 (Fed. Cir. 1990); *Jamesbury Corp. v. Litton Indus. Prod., Inc.*, 839 F.2d 1544, 1552 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 828 (1988); *Bott v. Four Star Corp.*, 807 F.2d 1567, 1575 (Fed. Cir. 1986). See, e.g., *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570, 1572 (Fed. Cir. 1987), *overruled by A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

274. 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

275. FED. R. EVID. 301.

276. *Id.* at 1037.

The Federal Circuit, in adopting this "bursting bubble" presumption *sua sponte*, seemingly failed to consider that the laches presumption, like the presumption of validity, was provided for by "Act of Congress," if not by the Federal Rules of Civil Procedure. The laches defense, while not explicitly mentioned, clearly is encompassed within 35 U.S.C. § 282.²⁷⁷ When Congress enacts legislation, the wording of the statute is viewed in light of prior cases in the area.²⁷⁸ The presumption of laches was well established as of 1952. The Senate Committee Report which accompanied the legislation suggests that defenses to infringement were to be part of the statute in their current form: "The defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the substance."²⁷⁹ Nevertheless, the *Aukerman* decision engrafted the "bursting bubble" version of a presumption onto laches.

IV. CONCLUSION

The United States Court of Appeals for the Federal Circuit has resolved a wide range of procedural questions over the first decade of its existence. So long as attorneys continue to be advocates, however, the appellate court will continue to confront new procedural issues.

277. See *supra* note 17 and accompanying text.

278. See, e.g., *Reed v. S.S. Yaka*, 373 U.S. 410, 414 (1963); *Overstreet v. North Shore Corp.*, 318 U.S. 125, 131-32 (1943).

279. S. REP. NO. 1979, 82d Cong., 2d Sess. (1952), reprinted in 6 DONALD CHISUM, PATENTS 19-12.