

INTELLECTUAL PROPERTY JURISDICTION CLARIFICATION
ACT OF 2006

APRIL 5, 2006.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. SENSENBRENNER, from the Committee on the Judiciary,
submitted the following

R E P O R T

[To accompany H.R. 2955]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 2955) to amend title 28, United States Code, to clarify that the Court of Appeals for the Federal Circuit has exclusive jurisdiction of appeals relating to patents, plant variety protection, or copyrights, and for other purposes, having considered the same, report favorably thereon with amendment and recommend that the bill as amended do pass.

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THE AMENDMENT

The amendments are as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Intellectual Property Jurisdiction Clarification Act of 2006”.

SEC. 2. STATE COURT JURISDICTION.

Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: “No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.”.

SEC. 3. COURT OF APPEALS FOR THE FEDERAL CIRCUIT.

Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:

“(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection;”.

SEC. 4. REMOVAL.

(a) IN GENERAL.—Chapter 89 of title 28, United States Code, is amended by adding at the end the following new section:

“§ 1454. Patent, plant variety protection, and copyright cases

“(a) IN GENERAL.—A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.

“(b) SPECIAL RULES.—The removal of an action under this section shall be made in accordance with section 1446 of this chapter, except that if the removal is based solely on this section—

“(1) the action may be removed by any party; and

“(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

“(c) REMAND.—If a civil action is removed solely under this section, the district court—

“(1) shall remand all claims that are not within the original or supplemental jurisdiction of the district court under any Act of Congress; and

“(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.”.

(b) CONFORMING AMENDMENT.—The table of sections for chapter 89 of title 28, United States Code, is amended by adding at the end the following new item:

“1454. Patent, plant variety protection, and copyright cases.”.

SEC. 5. TRANSFER BY COURT OF APPEALS FOR THE FEDERAL CIRCUIT.

(a) IN GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:

“§ 1632. Transfer by the Court of Appeals for the Federal Circuit

“When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1), and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.”.

(b) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:

“1632. Transfer by the Court of Appeals for the Federal Circuit.”.

SEC. 6. EFFECTIVE DATE.

The amendments made by this Act shall apply to any civil action commenced on or after the date of the enactment of this Act.

Amend the title so as to read:

A bill to amend title 28, United States Code, to clarify that the Court of Appeals for the Federal Circuit has exclusive jurisdiction of appeals relating to patents or plant variety protection, and for other purposes.

PURPOSE AND SUMMARY

H.R. 2955, the “Intellectual Property Jurisdiction Clarification Act of 2005,” responds to the decision of *Holmes Group, Inc., v. Vornado Air Circulation Systems, Inc.*,¹ by conferring plenary authority on the U.S. Court of Appeals for the Federal Circuit to hear all patent appeals from lower courts.

BACKGROUND AND NEED FOR THE LEGISLATION

ABRIDGED HISTORY OF THE FEDERAL CIRCUIT

Congress created the Federal Circuit in 1982 by merging the Court of Claims and the Court of Customs and Patent Appeals.² The history of the enacting legislation reveals that Congress believed the merger would reduce overlapping functions between the two courts and create greater administrative efficiency within the Federal system.³ More importantly, patent practitioners, academics, and the “Hruska” Commission, which Congress created to study the Federal appellate structure, determined that the regional circuits were doing a poor job of developing coherent patent law. Specifically, litigants complained that the application of patent law “. . . to the facts of a case often produce[d] different outcomes in different courtrooms in substantially similar cases.”⁴ In other words, forum-shopping was rampant, as some circuits were regarded as “pro-patent” and other circuits as “anti-patent.”⁵

According to reformists, “. . . channeling patent cases into a single appellate forum would create a stable, uniform law and would eliminate forum shopping. Greater certainty and predictability would foster technological growth and industrial innovation and would facilitate business planning.”⁶ Although most people think of the Federal Circuit as a “specialty” court that handles only patent cases, Congress deliberately sought to broaden the court’s jurisdiction beyond one or two “types” of cases. As the House Judiciary Committee noted at the time, the Circuit’s docket spans a broad range of legal issues that includes:

appeals in suits against the government for damages or for the refund of Federal taxes, appeals from the Court of International Trade, appeals from the Patent and Trademark Office, and a few other agency review cases. In addition, the court has jurisdiction over all Federal contract appeals in which the United States is a defendant, over patent appeals from all Federal district courts, and over all appeals from the Merit Sys-

¹ 535 U.S. 826 (2002).

² “The Federal Court Improvements Act of 1982,” Pub. L. No. 97–164.

³ *Federal Court Improvements Act of 1981 (S. 1700)*, S. REP. NO. 97–275 (November 2, 1981) at 5. *Court of Appeals for the Federal Circuit Act of 1981 (H.R. 4482)*, H.R. REP. NO. 97–312 (November 4, 1981) at 18.

⁴ *Id.*

⁵ H.R. REP. NO. 97–312 at 21 (patentees favored the 5th, 6th, and 7th circuits).

⁶ Dreyfuss, *The Federal Circuit: a Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 7 (1989). H.R. REP. NO. 97–312 at 22.

tems Protection Board. The Supreme Court reviews Circuit decisions by writ of certiorari.⁷

Opinions will always vary, but the Federal Circuit is probably viewed by most practitioners, academics, and others as having largely complied with its mandate to bring stability, uniformity, and predictability to patent law.⁸ In fact, one leading scholar of the court's operations has observed that:

[a]s a general matter, [the Federal Circuit] has articulated rules that are consistent with the underlying philosophy of patent law and that are easy for the lower courts and the research community to apply. The court has been cognizant of the needs of inventors and has made strides toward shaping the law in a manner that resonates with the practicalities of technology development.⁹

THE HOLMES GROUP DECISION

In 1992, Vornado Air Circulation Systems, a manufacturer of patented fans and heaters, sued a competitor, Duracraft, for trade dress infringement, based on a grill design embodied in one of Duracraft's fan models. The 10th Circuit ruled for Duracraft, holding that Vornado had no protectible trade-dress rights in the grill design.¹⁰

Seven years later, Vornado filed a complaint with the U.S. International Trade Commission against Holmes Group, another competitor, alleging that the sale of fans and heaters with a grill design infringed a Vornado patent as well as its trade-dress rights previously denied by the 10th Circuit. Holmes Group filed a declaratory judgment action in a Kansas district court to determine the validity of the trade dress claim. Vornado's answer contained a compulsory counterclaim alleging patent infringement. The Kansas district court ruled in favor of Holmes Group on the trade dress question but stayed proceedings on the matter of patent infringement. The court determined that the counterclaim would be dismissed as well if the remainder of the opinion were upheld on appeal.¹¹ Vornado then appealed to the Federal Circuit in 2001, which vacated the Kansas district court's order and remanded for consideration based on an "intervening" ruling handed down by the Circuit in another case. Holmes Group appealed to the Supreme Court, which granted certiorari to determine whether the Federal Circuit had jurisdiction to hear the case.

The Court ruled that the Federal Circuit lacked jurisdiction. The Federal Circuit decision was vacated and the case transferred to the 10th Circuit for disposition. Justice Scalia, who authored the opinion, based his decision on the "well-pleaded complaint" rule. Most often invoked to determine the existence of a Federal question under a general jurisdictional statute for U.S. district courts,¹² the rule has also been applied by the Court to § 1338 and patent

⁷H.R. REP. NO. 97-312 at 18.

⁸See Wagner and Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1104 (2004) ("The new Federal Circuit that is now emerging—a court that is more rules-based and consistent—is already having a measurable impact on patent jurisprudence.")

⁹Dreyfuss at 8. *See also* p. 24.

¹⁰*Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F. 3d 1498 (1995).

¹¹93 F. Supp. 2d 114 (Kan. 2000).

¹²28 U.S.C. § 1331.

cases. In brief, the rule provides that whether a case “arises under” patent law “must be determined from what necessarily appears in the plaintiff’s statement of his own claim in the bill or declaration [i.e., the complaint] . . . [The plaintiff’s well-pleaded complaint must] establish either that Federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of Federal patent law. . . .”¹³ Justice Scalia cited other authority to dismiss the argument that a counter-claim could function as the basis for the “arising under” jurisdiction.¹⁴ Neither was he persuaded by the argument that § 1338 should be interpreted within the context of why Congress created the Federal Circuit (i.e., to promote national uniformity in patent law).

CRITICISM OF *HOLMES GROUP*

The Committee believes *Holmes Group* contravened the will of Congress when it created the Federal Circuit. That is, the decision will induce litigants to engage in forum-shopping among the regional circuits and State courts. Extending the argument, the Committee is concerned that the decision will lead to an erosion in the uniformity or coherence in patent law that has been steadily building since the Circuit’s creation in 1982.¹⁵

PROPOSED LEGISLATIVE FIX REVIEWED AT THE JUNE 28, 2005, SUBCOMMITTEE HEARING

The Federal Circuit Bar proposed at the June 28, 2005, Subcommittee hearing that Congress “fix” *Holmes Group* by amending § 1338(a) as follows (bold-face words represent the amendatory insertions):

The district courts shall have original jurisdiction of any civil action **involving any claim for relief** arising under any Act of Congress relating to patents, plant variety protections, copyrights, and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection, and copyright cases.

Some Federal Circuit Bar members were concerned, however, that this fix might unwittingly expand the removal jurisdiction of Federal district courts to the detriment of the States. To address this concern, the Bar proposed that the general removal statute (28 U.S.C. § 1441) be amended by creating a new subsection “(f)” that reads as follows:

A counterclaim, cross-claim, or third party claim asserting a claim for relief arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks shall not serve as a basis for removal of a civil action to a district court of the United States.

¹³ *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 809 (1988).

¹⁴ *E.g.*, *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987); *In re Adams*, 809 F. 2d 1187, 1188, n. 1 (CA5 1987).

¹⁵ See Reines, *Report of the Ad Hoc Committee to Study “Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.”*, THE FEDERAL CIRCUIT BAR JOURNAL, VOL. 12, NO. 4, at 713–28 (September 11, 2002).

CRITICISM OF THE FEDERAL CIRCUIT BAR PROPOSAL

Arthur Hellman,¹⁶ who testified at the Subcommittee’s March 17th hearing, argued that the Federal Bar approach amends a core provision of § 1338 that defines the “original jurisdiction” of district courts, an approach which “. . . runs the risk of unsettling the law in ways that no one can fully anticipate.”¹⁷ Professor Hellman was especially concerned how this solution would impact existing precedents governing original and removal jurisdiction of the district courts since this language has not been amended for more than half a century. He also articulated other concerns about the effect this change would have on a Federal statute governing supplementary jurisdiction.

Following the hearing, the Subcommittee received correspondence from other academics and practitioners with backgrounds in Federal jurisdiction and patent law.¹⁸ They agreed with Professor Hellman’s analysis and maintained that his “fix” (in effect, the text of H.R. 2955)—in contrast to the Federal Bar approach—directly solves the problem created by the *Holmes Group* decision. The Committee agrees and endorses this approach.

HEARINGS

On March 17, 2005, the Committee’s Subcommittee on Courts, the Internet, and Intellectual Property held 1 day of related hearings on “*Holmes Group*, the Federal Circuit, and the State of Patent Appeals.” Testimony was received from the following witnesses: Edward R. Reines, Esq., Weil, Gotshal, & Manges; Professor Arthur D. Hellman, University of Pittsburgh School of Law; Sanjay Prasad, Chief Patent Counsel, Oracle Corporation; and Meredith Martin Addy, Esq., Brinks, Hofer, Gilson, & Lione. Further, seven individuals and organizations submitted additional materials.

COMMITTEE CONSIDERATION

On June 28, 2005, the Subcommittee on Courts, the Internet, and Intellectual Property met in open session and ordered favorably reported the bill H.R. 2955 by voice vote, a quorum being present. On March 2, 2006, the full House Committee on the Judiciary met in open session and ordered favorably reported the bill H.R. 2955 with an amendment by voice vote, a quorum being present.

¹⁶ Sally Ann Semenko Endowed Chair and Professor, University of Pittsburgh School of Law.

¹⁷ See “*Holmes Group*,” *the Federal Circuit, and the State of Patent Appeals: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 109th Cong., 1st Sess., 40 (Serial No. 109–7) (March 17, 2005) (statement of Professor Arthur Hellman).

¹⁸ Letter from Professor Thomas D. Rowe, Duke University School of Law, to Representatives Lamar Smith and Howard Berman (April 22, 2005); letter from Associate Professor Christopher Cotropia, Tulane Law School, to Representative Lamar Smith (March 28, 2005); letter from Professor Daniel J. Meador, University of Virginia School of Law, to Representative Lamar Smith (April 19, 2005); letter from Professor Richard H. Seamon, University of Idaho College of Law, to Representatives Lamar Smith and Howard Berman (May 2, 2005); letter from James B. Gambrell, Esq., to Representatives Lamar Smith and Howard Berman (May 2, 2005); letter from Elizabeth I. Rogers, Esq., to Representatives Lamar Smith and Howard Berman (May 3, 2005).

VOTE OF THE COMMITTEE

In compliance with clause 3(b) of Rule XIII of the Rules of the House of Representatives, the Committee notes that there were no recorded votes during the committee consideration of H.R. 2955.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of Rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of Rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of Rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of Rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 2955, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 17, 2006.

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2955, the Intellectual Property Jurisdiction Clarification Act of 2006.

If you wish further details on this estimate, we will be pleased to provide them.

The CBO staff contacts are Gregory Waring (for Federal costs), who can be reached at 226-2860, and Sarah Puro (for the State and local impact), who can be reached at 225-3220.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 2955—Intellectual Property Jurisdiction Clarification Act of 2006.

CBO estimates that implementing H.R. 2955 would have no significant impact on the Federal budget and would not affect direct spending or receipts. H.R. 2955 would preempt the authority of State courts to hear certain patent and trademark cases. That provision would constitute an intergovernmental mandate as defined

in the Unfunded Mandates Reform Act (UMRA). CBO estimates, however, that the preemption would impose no costs on State, local, or tribal governments and thus would not exceed the threshold established in UMRA for intergovernmental mandates (\$64 million in 2006, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

H.R. 2955 would clarify that the Federal courts have jurisdiction over claims concerning patents, copyrights, and plant variety protection certificates issued by the U.S. Department of Agriculture. Further, the bill would state that the Federal Circuit has exclusive jurisdiction over appeals of the intellectual property decisions of the district courts. Finally, H.R. 2955 would allow removal of certain cases from the State courts to the district courts. Based on information from the Administrative Office of the U.S. Courts, CBO estimates that the bill would not impose additional costs on the Federal courts because the impact of these clarifications on the Federal court's caseloads would be insignificant.

The CBO staff contacts for this estimate are Gregory Waring (for Federal costs), who can be reached at 226-2860, and Sarah Puro (for the State and local impact), who can be reached at 225-3220. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

PERFORMANCE GOALS AND OBJECTIVES

The Committee states that pursuant to clause 3(c)(4) of Rule XIII of the Rules of the House of Representatives, the goal of H.R. 2955 is to ensure that State courts will not adjudicate any claim for relief arising under any Act of Congress pertaining to patents, plant variety protection, or copyrights. In addition, H.R. 2955 clarifies that the Federal Circuit, not the regional circuit courts, is the appropriate body to adjudicate any appeal from a final decision of a Federal trial court in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection. The Committee will evaluate the efficacy of H.R. 2955, once enacted, by monitoring whether patent appeals are being decided by the Federal Circuit as distinct from State courts or the regional circuits.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of Rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in art. I, § 8 of the Constitution.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

The following discussion describes the bill as reported by the Committee.

Sec. 1. Short title.

This Act may be cited as the "Intellectual Property Jurisdiction Clarification Act of 2005."

Sec. 2. State court jurisdiction.

Section 1338(a) of title 28 of the U.S. Code confers original jurisdiction on U.S. district courts to adjudicate civil actions pertaining

to “patents, plant variety protection, [and] copyrights. . . .” To prevent State courts from acquiring jurisdiction over patent matters, section 2 amends the second sentence of § 1338(a) as follows:

No state court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.

Sec. 3. Court of Appeals for the Federal Circuit.

Section 3 amends 28 U.S.C. § 1295 (the statute defining Federal Circuit jurisdiction) by giving the court exclusive appellate jurisdiction

of an appeal from a final decision of a [U.S. district court] in any civil action in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection.

Sec. 4. Removal.

Section 4 creates a new Federal removal statute (28 U.S.C. § 1454) that would allow patent issues in a State action to be removed to U.S. district court while other State or supplementary matters would be remanded back.

Sec. 5. Transfer by Court of Appeals for the Federal Circuit.

During the Committee’s consideration of H.R. 2955 on March 2, 2006, Representative Smith of Texas and Representative Conyers of Michigan offered an amendment to ensure that litigants do not use the legislation to file frivolous patent suits to avoid adjudicating antitrust and other non-patent disputes in the regional circuits. Section 5 consists of the text of the Smith-Conyers amendment.

As noted, Congress envisioned the Federal Circuit would be much more than a “specialty” court that only adjudicates patent appeals. The 1981 bill creating the Court and the accompanying House and Senate Reports reveal that the Federal Circuit has jurisdiction over many areas of the law, including appeals in suits against the government for damages or for the refund of Federal taxes; appeals from the Court of International Trade; appeals from the Patent and Trademark Office; and other agency review cases. In addition, the court has jurisdiction over all Federal contract appeals in which the United States is a defendant, over patent appeals from all Federal district courts, and over all appeals from the Merit Systems Protection Board.

The House Report specifically noted that many of these cases would necessarily bring matters pertaining to fraud, misuse, inequitable conduct, antitrust violations, and unfair competition before the Federal Circuit. The Court’s jurisdiction was always intended to be broad and diverse, with an emphasis on patent law based on the highly technical nature of that subject matter. It is therefore inevitable and appropriate, given the legislative history of the Court, that the Federal Circuit handle some non-patent business disputes when related and non-frivolous patent claims are present.

Moreover, the 1981 House and Senate Judiciary Committee Reports addressed the specter of litigants filing frivolous patent suits

to avoid regional-circuit adjudication of antitrust and other matters. Both Reports specifically state that “immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction” in the Federal Circuit; and cited a number of Federal Rules¹⁹ that judges may invoke to inhibit frivolous litigation. In fact, the Federal Circuit itself has taken this admonition to heart, quoting the text of the Committee Reports in its opinions, when relevant.

These safeguards provide a robust deterrent to those litigants wishing to gain access to the Federal circuit by filing frivolous patent claims. But given the importance of combating frivolous litigation and the value of having antitrust and other non-patent matters adjudicated before the regional circuits, the Committee adopted section 5 of H.R. 2955.

The text creates a new § 1632 to title 28 of the U.S. Code that requires the Federal Circuit to transfer a patent case to the appropriate regional circuit when “. . . no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of an appeal by any party. . . .”

The Committee is also interested in the choice-of-law decision-making of a court when non-patent matters are at stake. A case may be heard on appeal by either the Federal Circuit or a regional circuit, depending upon whether a claim for relief under the patent laws is the subject of any appeal. It may not therefore be clear to the litigants or the trial court which law should apply, where there is a difference between the law of the regional circuit and the law of the Federal Circuit. That dilemma should be limited, however, since the Federal Circuit ordinarily approaches claims under other laws, such as antitrust law, as would a court of appeals in the circuit of the district judge whose judgment is being reviewed.²⁰

The Federal Circuit should develop and apply its own law rather than regional circuit law, in order to create uniformity in the law applied to patent issues, only to the questions that are unique to patent law, such as whether and to what extent patent law preempts or conflicts with other causes of action, or where there are allegations that conduct in the procurement or enforcement of a patent is sufficient to strip a patentee of immunity from the anti-trust laws.²¹

Sec. 6. Effective date.

The amendments made by this Act shall apply to any civil action commenced on or after the date of enactment of this Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

¹⁹ FED. R. CIV. P. 11, 13(i), 42(b), and 54(b).

²⁰ *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317, 1322 (Fed. Cir. 2003).

²¹ *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360 (Fed. Cir. 1999); *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

TITLE 28, UNITED STATES CODE

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PART IV—JURISDICTION AND VENUE

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CHAPTER 83—COURTS OF APPEALS

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§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

【(1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, 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 governed by sections 1291, 1292, and 1294 of this title;】

(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection;

* * * * *

CHAPTER 85—DISTRICT COURTS; JURISDICTION

* * * * *

§ 1338. Patents, plant variety protection, copyrights, mask works, designs, trademarks, and unfair competition

(a) 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.】 *No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.*

* * * * *

CHAPTER 89—DISTRICT COURTS; REMOVAL OF CASES FROM STATE COURTS

Sec.

1441. Actions removable generally.

* * * * *

1454. Patent, plant variety protection, and copyright cases.

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§ 1454. Patent, plant variety protection, and copyright cases

(a) *IN GENERAL.*—A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.

(b) *SPECIAL RULES.*—The removal of an action under this section shall be made in accordance with section 1446 of this chapter, except that if the removal is based solely on this section—

- (1) the action may be removed by any party; and
- (2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

(c) *REMAND.*—If a civil action is removed solely under this section, the district court—

- (1) shall remand all claims that are not within the original or supplemental jurisdiction of the district court under any Act of Congress; and
- (2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.

* * * * *

CHAPTER 99—GENERAL PROVISIONS

Sec.

1631. Transfer to cure want of jurisdiction.

* * * * *

1632. Transfer by the Court of Appeals for the Federal Circuit.

* * * * *

§ 1632. Transfer by the Court of Appeals for the Federal Circuit

When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1), and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.

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MARKUP TRANSCRIPT
BUSINESS MEETING
THURSDAY, MARCH 2, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 10:00 a.m., in Room 2141, Rayburn House Office Building, the Honorable F. James Sensenbrenner, Jr. (Chairman of the Committee) presiding.

[Intervening business.]

Chairman SENSENBRENNER. And last, but not least, the next item on the agenda is the adoption of H.R. 2955, the "Intellectual Property Jurisdiction Clarification Act of 2005." The Chair recognizes the gentleman from Texas, Mr. Smith, the Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property, for a motion.

Mr. SMITH. Mr. Chairman, the Subcommittee on Courts, the Internet, and Intellectual Property reports favorably the bill H.R. 2955 and moves its favorable recommendation to the full House.

Chairman SENSENBRENNER. Without objection, H.R. 2955 will be considered as read and open for amendment at any point.

[The bill, H.R. 2955, follows:]

109TH CONGRESS
1ST SESSION

H. R. 2955

To amend title 28, United States Code, to clarify that the Court of Appeals for the Federal Circuit has exclusive jurisdiction of appeals relating to patents, plant variety protection, or copyrights, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 2005

Mr. SMITH of Texas introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 28, United States Code, to clarify that the Court of Appeals for the Federal Circuit has exclusive jurisdiction of appeals relating to patents, plant variety protection, or copyrights, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Intellectual Property
5 Jurisdiction Clarification Act of 2005”.

6 **SEC. 2. STATE COURT JURISDICTION.**

7 Section 1338(a) of title 28, United States Code, is
8 amended by striking the second sentence and inserting the

1 following: “No State court shall have jurisdiction over any
2 claim for relief arising under any Act of Congress relating
3 to patents, plant variety protection, or copyrights.”.

4 **SEC. 3. COURT OF APPEALS FOR THE FEDERAL CIRCUIT.**

5 Section 1295(a)(1) of title 28, United States Code,
6 is amended to read as follows:

7 “(1) of an appeal from a final decision of a dis-
8 trict court of the United States, the District Court
9 of Guam, the District Court of the Virgin Islands,
10 or the District Court of the Northern Mariana Is-
11 lands, in any civil action in which a party has as-
12 serted a claim for relief arising under any Act of
13 Congress relating to patents or plant variety protec-
14 tion;”.

15 **SEC. 4. REMOVAL.**

16 (a) IN GENERAL.—Chapter 89 of title 28, United
17 States Code, is amended by adding at the end the fol-
18 lowing new section:

19 **“§ 1454. Patent, plant variety protection, and copy-
20 right cases**

21 “(a) IN GENERAL.—A civil action in which any party
22 asserts a claim for relief arising under any Act of Con-
23 gress relating to patents, plant variety protection, or copy-
24 rights may be removed to the district court of the United

1 States for the district and division embracing the place
2 where such action is pending.

3 “(b) SPECIAL RULES.—The removal of an action
4 under this section shall be made in accordance with sec-
5 tion 1446 of this chapter, except that if the removal is
6 based solely on this section—

7 “(1) the action may be removed by any party;
8 and

9 “(2) the time limitations contained in section
10 1446(b) may be extended at any time for cause
11 shown.

12 “(c) REMAND.—If a civil action is removed solely
13 under this section, the district court—

14 “(1) shall remand all claims that are not within
15 the original or supplemental jurisdiction of the dis-
16 trict court under any Act of Congress; and

17 “(2) may, under the circumstances specified in
18 section 1367(e), remand any claims within the sup-
19 plemental jurisdiction of the district court under sec-
20 tion 1367.”.

21 (b) CONFORMING AMENDMENT.—The table of sec-
22 tions for chapter 89 of title 28, United States Code, is
23 amended by adding at the end the following new item:

“1454. Patent, plant variety protection, and copyright cases.”.

1 **SEC. 5. EFFECTIVE DATE.**

2 The amendments made by this Act shall apply to any
3 civil action commenced on or after the date of the enact-
4 ment of this Act.

○

Chairman SENSENBRENNER. The Chair recognizes the gentleman from Texas, Mr. Smith, to strike the last word.

Mr. SMITH. Mr. Chairman, let me ask for unanimous consent that my opening statement be made a part of the record.

Chairman SENSENBRENNER. Without objection.
[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF THE HONORABLE LAMAR SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS, AND CHAIRMAN, SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY

Mr. Chairman, the Subcommittee on Courts, the Internet, and Intellectual Property reports favorably the bill H.R. 2955 and moves its favorable recommendation to the full House.

Thank you, Mr. Chairman. I move to strike the last word.

The purpose of H.R. 2955 is to reverse the effect of the Supreme Court's decision in *Holmes Group v. Vornado Air Circulation Systems*. The bill confers plenary authority on the U.S. Court of Appeals for the Federal Circuit to hear all patent appeals from lower courts.

As the Subcommittee hearing last March made clear, this is consistent with the practice of the Circuit and the expectation of litigants prior to 2002, the year *Holmes Group* was issued.

By way of background, Congress created the Federal Circuit in 1982 by merging the Court of Claims and the Court of Customs and Patent Appeals.

The history of the enacting legislation reveals that Congress believed the merger would reduce overlapping functions between the two courts and create greater administrative efficiency within the federal system.

Patent practitioners, academics, and the "Hruska" (HRUS-ka) Commission, which Congress created to study the federal appellate structure, determined that the regional circuits were doing a poor job of developing coherent patent law.

For instance, litigants complained that the application of patent law to the facts of a case often produced different outcomes in different courtrooms in substantially similar cases.

Some circuits were regarded as "pro-patent" and other circuits as "anti-patent."

The solution is to channel patent cases into a single appellate forum to create a stable and uniform body of law.

Greater certainty and predictability fosters technological growth and industrial innovation and facilitates business planning.

Given this backdrop, many practitioners and academics believe *Holmes Group* contravened the will of Congress when it created the Federal Circuit.

Opinions will always vary, but the Federal Circuit is probably viewed by most practitioners and others, including all of the witnesses at our hearing, as having largely complied with its mandate to bring stability, uniformity, and predictability to patent law.

In light of this background and the record to date, H.R. 2955 cures the *Holmes Group* problem.

This fix is based on testimony received at the hearing and consists of the following provisions:

First, to prevent state courts from acquiring jurisdiction over patent matters, the bill amends the second sentence of § 1338(a) as follows: "No state court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights."

Second, H.R. 2955 amends 28 U.S.C. § 1295 (the statute defining Federal Circuit jurisdiction) by giving the court exclusive appellate jurisdiction "of an appeal from a final decision of a [U.S. district court] in any civil action in which a party has asserted a claim for relief arising under any Act of Congress relating to patents or plant variety protection."

Finally, H.R. 2955 creates a new federal removal statute that would allow patent issues in a state action to be removed to U.S. district court while other state or supplementary matters would be remanded back.

This ensures that federal courts will continue to exercise exclusive jurisdiction over patent cases as they have since at least 1836.

The provision also promotes administrative efficiencies by obviating the need for a state litigant to file a second suit to address patent claims in federal court.

In conclusion, H.R. 2955 furthers the original objective of Congress when it created the Federal Circuit back in 1982.

I urge the Members to support the bill and two bipartisan amendments that I will offer at the appropriate time.

I yield back the balance of my time.

Chairman SENSENBRENNER. And without objection, all Members' opening statements will be made a part of the record.

Mr. SMITH. And, Mr. Chairman, further I do first because the underlying legislation is not controversial; and, second of all, I'd like to, as quickly as possible, get to the two non-controversial amendments.

Chairman SENSENBRENNER. Does the gentleman yield back the balance of his time?

Mr. SMITH. I yield back the balance of my time.

Chairman SENSENBRENNER. The gentleman from California, Mr. Berman.

Mr. BERMAN. Mr. Chairman, I'd like my statement to be included in the record.

Chairman SENSENBRENNER. Without objection.

[The prepared statement of Mr. Berman follows:]

PREPARED STATEMENT OF THE HONORABLE HOWARD L. BERMAN, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman,

Thank you for scheduling a mark-up of H.R. 2955, the "Intellectual Property Jurisdiction Clarification Act of 2005."

Without stability, uniformity and dependability in the patent system, the market will not be assured of the high quality patents essential to spurring innovation. It was with this idea in mind that we created the Federal Circuit.

In most instances, the creation of the Federal Circuit in 1982 has been a boon to innovation. Whereas before patentees engaged in forum shopping because of the differences in rulings between regional circuits, patentees have now come to rely on the Federal Circuit to provide a coherent body of patent law precedent. The judges on the court, who are experts in the very complex field of patent law, have developed a consistent body of rulings that serve as clear guidance to those addressing patent validity and infringement issues.

However, as a result of the Holmes Group decision, once again, alternative forums, such as the regional circuit courts or even state courts, can now decide patent issues. The re-entry of the Circuits and the entry of state courts into the process of deciding patent law issues seems to interfere with the policies Congress sought to advance when it created the Federal Circuit. This legislation is designed to prevent the inconsistencies that may develop once more by allowing multiple forums to hear patent cases.

The amendments that will be offered today address my reservations about this proposal. One is merely a technical amendment which removes the erroneous reference to copyright cases being within the exclusive jurisdiction of the Federal Circuit. As to the second amendment—I was concerned that the Federal Circuit would become a court of first resort for appeals of matters outside its exclusive jurisdiction, such as with anti-trust cases. The second amendment begins to deal with this issue by providing for the transfer of appeals that do not implicate the Federal Circuit's function of maintaining uniformity in the patent laws.

In addition, I hope that we are able to clarify through report language that the Federal Circuit when compelled to decide an issue not subject to its exclusive jurisdiction should apply the regional circuit law on that issue.

The goal of this act and its amendments is to maintain the integrity of the patent system. I urge my colleagues to support this legislation.

I yield back.

Mr. BERMAN. And I support the legislation if the two non-controversial amendments pass.

Chairman SENSENBRENNER. Does the gentleman yield back?

Are there non-controversial amendments?

Mr. SMITH. Mr. Chairman, I have an amendment at the desk.

Chairman SENSENBRENNER. The clerk will report the amendment.

Mr. BERMAN. Can we do them both?

The CLERK. Mr. Chairman, I have two.

Chairman SENSENBRENNER. Does the gentleman wish to offer two amendments en bloc?

Mr. SMITH. Mr. Chairman, I would prefer to take them one at a time. The first amendment is number——

Chairman SENSENBRENNER. Okay. The clerk will report the amendment.

Mr. SMITH. Which is 031.

Chairman SENSENBRENNER. The clerk will report 031.

The CLERK. Amendment to H.R. 2955, offered by Mr. Smith of Texas and Mr. Conyers of Michigan. Insert the following——

Chairman SENSENBRENNER. Without objection, the amendment is considered as read.

[The amendment follows:]

AMENDMENT TO H.R. 2955
OFFERED BY MR. SMITH OF TEXAS AND MR.
CONYERS OF MICHIGAN

Insert the following after section 4 and redesignate
the succeeding section accordingly:

1 **SEC. 5. TRANSFER BY COURT OF APPEALS FOR THE FED-**
2 **ERAL CIRCUIT.**

3 (a) IN GENERAL.—Chapter 99 of title 28, United
4 States Code, is amended by adding at the end the fol-
5 lowing new section:

6 **“§ 1632. Transfer by the Court of Appeals for the Fed-**
7 **eral Circuit**

8 “When a case is appealed to the Court of Appeals
9 for the Federal Circuit under section 1295(a)(1), and no
10 claim for relief arising under any Act of Congress relating
11 to patents or plant variety protection is the subject of the
12 appeal by any party, the Court of Appeals for the Federal
13 Circuit shall transfer the appeal to the court of appeals
14 for the regional circuit embracing the district from which
15 the appeal has been taken.”.

16 (b) CONFORMING AMENDMENT.—The table of sec-
17 tions for chapter 99 of title 28, United States Code, is
18 amended by adding at the end the following new item:

“1632. Transfer by the Court of Appeals for the Federal Circuit.”

Chairman SENSENBRENNER. The gentleman from Texas is recognized for 5 minutes.

Mr. SMITH. Thank you, Mr. Chairman.

This amendment addresses the legitimate concerns of the gentleman from California, Mr. Berman, and the gentleman from Michigan, Mr. Conyers. Congress envisioned the Federal Circuit would be much more than a specialty court that only adjudicates patent appeals. The 1981 bill creating the court and the accompanying House and Senate reports reveal that the Federal Circuit has jurisdiction over many areas of the law, including appeals in suits against the Government for damages or for the refund of Federal taxes, appeals from the Court of International Trade, appeals from the Patent and Trademark Office, and other agency reviews.

The amendment before us will ensure that frivolous patent cases will not find their way to the Federal Circuit. The text creates a new section, 1632, to title 28 that requires the Federal Circuit to transfer a patent case to the appropriate regional circuit when "no claim for relief relating to patents or plant variety protection is the subject of an appeal by any party." This means that only legitimate patent claims will be considered by the Federal Circuit.

When a patent claim is non-existent, then the Federal Circuit would refer the other issues, including antitrust matters, to the appropriate regional circuit for further review.

Mr. Chairman, I urge my colleagues to support the amendment and yield back the balance of my time.

Chairman SENSENBRENNER. The question is on Smith non-controversial amendment 031. Those in favor will say aye? Opposed, no?

The ayes appear to have it. The ayes have it, and the amendment is agreed to.

Are there further amendments? The gentleman from Texas, Mr. Smith.

Mr. SMITH. Mr. Chairman, I have an amendment, number 032, at the desk.

Chairman SENSENBRENNER. The clerk will report the amendment.

The CLERK. Amendment to H.R. 2955, offered by Mr. Smith of Texas and Mr. Conyers of Michigan. Amend the title so as to read: "A bill to amend title 28, United States Code, to clarify that the Court"——

Chairman SENSENBRENNER. Without objection, the amendment is considered as read.

[The amendment follows:]

AMENDMENT TO H.R. 2955
OFFERED BY MR. SMITH OF TEXAS AND MR.
CONYERS OF MICHIGAN

Amend the title so as to read: “A bill to amend title 28, United States Code, to clarify that the Court of Appeals for the Federal Circuit has exclusive jurisdiction of appeals relating to patents or plant variety protection, and for other purposes.”.

Chairman SENSENBRENNER. The gentleman from Texas is recognized for 5 minutes.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Chairman, the amendment makes a technical correction to the descriptive title of the bill. Basically, it takes out the word "copyrights" because the bill does not, nor was it intended to, confer exclusive jurisdiction on the Federal Circuit to adjudicate copyright appeals. This was inadvertent, and the amendment simply strikes the reference to "copyrights." I urge my colleagues to support the amendment and yield back.

Chairman SENSENBRENNER. The question is on agreeing to the amendment offered by the gentleman from Texas, Mr. Smith. Those in favor will say aye? Opposed, no?

The ayes appear to have it. The ayes have it. The amendment is agreed to.

Are there further amendments?

Ms. JACKSON LEE. Mr. Chairman?

Chairman SENSENBRENNER. For what purpose does the gentleman from Texas seek recognition?

Ms. JACKSON LEE. Strike the last word, speak out of order briefly.

Chairman SENSENBRENNER. Is there objection to the gentleman from Texas speaking out of order?

[No response.]

Chairman SENSENBRENNER. If not, the gentlewoman from Texas is recognized for 5 minutes.

Ms. JACKSON LEE. Thank you, Mr. Chairman. I will just simply—to make it in order—say that obviously I support the amendment and this bill. I was detained on the floor for the drug policy, reauthorizing the Office of National Drug Control Policy Act. I believe our staffs had a prior discussion about an amendment that I would have offered, but because of those discussions, I did not offer it, dealing with the assessment of teenage drug use. I believe that is a vital question, and I would look forward to my colleagues, Democrats and Republicans, working with me, Mr. Chairman, on that amendment as we go to the floor.

We also had an initiative dealing with the tragedy of Tulia that had to do with the misuse of high-intensity drug actions. That may be more of a challenge to get bipartisan support, but I would look forward to working with my colleagues on making sure that the High-Intensity Drug Task Forces does not negatively or unfairly target communities of color.

With that, I thank the Chairman and the Committee for their indulgence, and I will yield back my time.

Chairman SENSENBRENNER. Are there further amendments to H.R. 2955?

[No response.]

Chairman SENSENBRENNER. If there are none, a reporting quorum is present. The question occurs on the motion to report the bill H.R. 2955 favorably as amended. All in favor will say aye? Opposed, no?

The ayes appear to have it. The ayes have it, and the motion to report favorably is adopted.

Without objection, the bill will be reported favorably to the House in the form of a single amendment in the nature of a sub-

stitute, incorporating the amendments adopted here today. Without objection, the staff is directed to make any technical and conforming changes, and all Members will be given 2 days, as provided by the House rules, in which to submit additional, dissenting, supplemental, or minority views.

The business noticed on today's schedule having been concluded, without objection, the Committee stands adjourned.

[Whereupon, at 11:01 a.m., the Committee was adjourned.]

