

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN THE SUPREME COURT OF THE UNITED STATES

- - - - -X  
THE HOLMES GROUP, INC., :  
Petitioner :  
v. : No. 01-408  
VORNADO AIR CIRCULATION :  
SYSTEMS, INC. :  
- - - - -X

Washington, D. C.  
Tuesday, March 19, 2002

The above-entitled matter came on for oral  
argument before the Supreme Court of the United States at  
11:11 a. m.

APPEARANCES:  
JAMES W. DABNEY, ESQ., New York, New York; on behalf of  
the Petitioner.  
PETER W. GOWDEY, ESQ., Washington, D. C.; on behalf of the  
Respondent.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**C O N T E N T S**

	<b>PAGE</b>
<b>ORAL ARGUMENT OF</b>	
<b>JAMES W. DABNEY, ESQ.</b>	
<b>On behalf of the Petitioner</b>	<b>3</b>
<b>PETER W. GOWDEY, ESQ.</b>	
<b>On behalf of the Respondent</b>	<b>25</b>
<b>REBUTTAL ARGUMENT OF</b>	
<b>JAMES W. DABNEY, ESQ.</b>	
<b>On behalf of the Petitioner</b>	<b>44</b>

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

P R O C E E D I N G S

(11:11 a.m.)

CHIEF JUSTICE REHNQUIST: We'll hear argument in next No. 01-408, The Holmes Group v. Vornado Air Circulation Systems, Inc.

Mr. Dabney.

ORAL ARGUMENT OF JAMES W. DABNEY

ON BEHALF OF THE PETITIONER

MR. DABNEY: Mr. Chief Justice, and may it please the Court:

This case concerns how far the Federal Circuit can properly go in taking jurisdiction to the exclusion of the regional circuits.

In its recent construction of its appellate jurisdiction, the Federal Circuit has effectively taken the position that the defendant's answer containing a patent counterclaim acts like a super removal petition. The Federal Circuit says that if the defendant in a non-patent suit files an answer that includes a patent counterclaim, that pleading automatically removes the plaintiff's non-patent suits from regional circuit jurisdiction and transfers it to Federal Circuit jurisdiction.

According to the respondent, that same pleading automatically has the effect of changing the substantive

1 law governing non-patent claims in the plaintiff's non-  
2 patent suit from regional circuit to Federal Circuit law,  
3 and the decision below demonstrates that these principles  
4 apply even when a judgment is entered which doesn't  
5 address patent law at all.

6 The petitioner respectfully submits that the  
7 decision below is antithetical to what the Congress had in  
8 mind when it established the Federal Circuit.

9 QUESTION: Well, Congress did want patent law to  
10 be uniform, didn't it?

11 MR. DABNEY: Congress --

12 QUESTION: I mean, that's why it placed the  
13 jurisdiction in the Court of Appeals for the Federal  
14 Circuit.

15 MR. DABNEY: One -- Mr. -- Your Honor, one of  
16 the Congress' objectives in establishing the Federal  
17 Circuit certainly was --

18 QUESTION: And to the extent that you then allow  
19 the other courts of appeals to deal with patent claims,  
20 you're defeating that uniformity goal.

21 MR. DABNEY: Your Honor, the Congress in  
22 enacting 1295, according to this Court in *Christianson*,  
23 establishes not that every case in which a Federal patent  
24 claim is raised automatically goes to the Federal Circuit.  
25 This Court in *Christianson* held -- this Court in

1     Christianson addressed the question, how do we know if a  
2     case belongs in the Federal Circuit? That was the  
3     specific question raised in Christianson.

4             Citing the legislative history of 1295, this  
5     Court answered that question. Cases fall within the  
6     exclusive jurisdiction of the Federal Circuit, this Court  
7     held, in the same sense that cases are said to arise under  
8     Federal -- under Federal law for purposes of Federal  
9     question jurisdiction.

10            QUESTION: Mr. Dabney, has the Federal Circuit  
11     held that whenever there's a patent claim in a -- in a --  
12     a patent issue in a counterclaim, it has jurisdiction? Or  
13     must it be a compulsory counterclaim?

14            MR. DABNEY: The Federal Circuit has held in the  
15     DSC Communications case that permissive or compulsory, it  
16     doesn't matter.

17            QUESTION: It doesn't matter.

18            QUESTION: But in this case --

19            QUESTION: In this case, it was compulsory.

20     Right?

21            MR. DABNEY: Your Honor, it is far from clear  
22     that the counterclaim in this case was in fact compulsory.  
23     The -- and the -- and the Court can see that most clearly  
24     by looking at the answer that was actually filed in this  
25     case, which appears on pages 94 to 98 of the lodging. The

1 one thing that's conspicuously absent from the answer  
2 filed in this case was any counterclaim for trade dress  
3 infringement. Well, if this was --

4 QUESTION: But did -- did the court of appeals  
5 say in this case that the -- the counterclaim was  
6 compulsory?

7 MR. DABNEY: The court of appeals did not say  
8 that. There's absolutely nothing in the decision --

9 QUESTION: We're not talking about the trade  
10 dress claim. It was the patent infringement counterclaim  
11 that was in question.

12 MR. DABNEY: The respondent has taken the  
13 position that the patent counterclaim that it filed in  
14 this particular case was compulsory within the meaning of  
15 rule 13. No court has passed on that question that --

16 QUESTION: Did it not arise out of the same  
17 transaction and occurrence which under the rules is  
18 interpreted broadly?

19 MR. DABNEY: The subject matter of that  
20 counterclaim was, at the time it was filed, the subject of  
21 another pending proceeding. And it is far from clear that  
22 this respondent was under any legal duty whatsoever to  
23 assert that patent counterclaim at any believable risk to  
24 itself.

25 QUESTION: Suppose that respondent who started

1 his own show in the -- in the CIT -- when the defendant in  
2 that case turns up as plaintiff in Kansas District Court  
3 -- was it? The -- the district court here?

4 MR. DABNEY: At the time that the present action  
5 was commenced, the plaintiff in this action was one of  
6 three named people whom the respondent was trying to get  
7 an investigation started against.

8 QUESTION: No. I just wanted to know where the  
9 forum was. The forum that the plaintiff is suing in is in  
10 the Tenth Circuit.

11 MR. DABNEY: Correct.

12 QUESTION: And it's in Kansas.

13 MR. DABNEY: That's correct.

14 QUESTION: Okay.

15 Suppose the plaintiff in the suit in New York  
16 then brings that same claim in the district court in  
17 Kansas and says, court, please consolidate these two, and  
18 then you don't have a counterclaim. You have two claims  
19 consolidated for adjudication. Suppose that were the  
20 case.

21 MR. DABNEY: Yes.

22 QUESTION: Then, I take it, the judgment is  
23 rendered. There's a patent claim, not a counterclaim, but  
24 a claim, and then the jurisdiction is in the Federal  
25 Circuit. Is that right?

1           MR. DABNEY: That is a hypothetical situation,  
2 different from this case. I would suggest that the  
3 district court has an arsenal of remedies to decide  
4 whether that should or should not be the outcome in that  
5 case.

6           QUESTION: I'm asking you a question that puts  
7 together two claims, not counterclaims, two claims. The  
8 district court has made the judgment that these arise out  
9 of the same transaction and occurrence and therefore  
10 consolidates them because it makes sense in terms of  
11 judicial economy. Okay. They are processed as  
12 consolidated cases. There's a judgment. Where does the  
13 appeal go?

14           MR. DABNEY: I -- I would say in practice that  
15 would depend in large measure on the sequence in which the  
16 matters are tried, whether they are tried at the same  
17 time, whether they are tried separately.

18           QUESTION: Yes, they are tried at the same time.

19           MR. DABNEY: Tried at the same time? I believe  
20 that under the question that this Court has not accepted  
21 expressly under question 2, it would be open to both sides  
22 in that situation to request that the district court enter  
23 judgments which would preserve regional circuit  
24 jurisdiction over the plaintiff's non-patent suit in the  
25 first case.



1           QUESTION: They're both plaintiffs.

2           MR. DABNEY: I understand. And no one in this  
3 case -- there's no question in this case as to what the  
4 appropriate disposition would be of any claim for patent  
5 infringement or any judgment adjudicating any such claim.  
6 If the question had come up --

7           QUESTION: Are you suggesting in -- in response  
8 to my question that they would -- these two cases that  
9 have been consolidated would then be split apart for  
10 purposes of appeal and one claim would go to a regional  
11 circuit and the other to the Federal Circuit?

12          MR. DABNEY: It would be open to the parties to  
13 that litigation in -- where they're both plaintiffs and  
14 they both have filed claims, to request the entry of  
15 judgments if they felt it was in their interest to do so,  
16 based on the outcome of the trial.

17          QUESTION: Well, you're assuming they could have  
18 separate judgments under 54(b). Is that what your point  
19 is here?

20          MR. DABNEY: Yes, Your Honor.

21          QUESTION: Yes.

22          But if there were a single judgment which did  
23 include the patent claim, then I think you'd say the  
24 appeal would go to the Federal Circuit.

25          MR. DABNEY: Not -- not necessarily.

1                   QUESTION: Come on. Give us a little bit.  
2 Surely, surely in that case.

3                   QUESTION: Well, why not? I mean, what are you  
4 giving up in your case by agreeing to that? I don't  
5 understand that.

6                   MR. DABNEY: I think it's important to  
7 understand that when a -- when a person comes to court and  
8 asked for a court to vary the rights and obligations of  
9 parties, seeks judicial relief, what that person comes to  
10 court with is a bundle of rights. That's his suit. That  
11 is what he's asking the court to vindicate. This Court  
12 has never said that that bundle of rights, the plaintiff's  
13 right to choose who's going to decide that claim, and what  
14 law is going to govern that claim, can be changed at all  
15 automatically by something the defendant pleads or by how  
16 the --

17                  QUESTION: May I -- may I interrupt and ask a  
18 kind of a basic question here?

19                  MR. DABNEY: Certainly.

20                  QUESTION: It seems to me that you could prevail  
21 on either of two theories, that -- that the counterclaim  
22 should be ignored for purposes of selecting the appellate  
23 court to go to, or you could say that in this particular  
24 case, you got a 54(b) judgment that had -- was totally  
25 unrelated to patent claims and therefore, in this case,

1 regardless of whether we agree with Aerojet or the rest,  
2 you should prevail.

3 But you seem to be arguing that even if the  
4 counterclaim had been decided and adjudicated on a patent  
5 issue, that you -- it would be the same case.

6 MR. DABNEY: That is correct, Your Honor.

7 QUESTION: You're not relying on the fact that  
8 -- that there was a severance of the non-patent claims  
9 under -- with a 54(b) finding, that it was a separate  
10 claim

11 MR. DABNEY: That would provide a narrower basis  
12 for reversal.

13 QUESTION: But you're not asking us to rule on  
14 that basis.

15 MR. DABNEY: Well, we did in the petition, but  
16 the Court declined to accept question 2 in the petition.  
17 What Your Honor asked me was specifically question 2 in  
18 the petition for certiorari.

19 QUESTION: I see.

20 MR. DABNEY: And the Court did not accept that  
21 question before the Court. Hence, we're up on the broader  
22 question of whether or not the plaintiff's well-pleaded  
23 complaint continues to govern the basis of arising under  
24 jurisdiction in the Federal court.

25 In Christianson, to decide this case, the Court

1 need look hardly beyond 486 U. S. , page 814. Right then  
2 and there the Court was faced with the question, how do we  
3 know if a case properly belongs in the Federal Circuit?  
4 And the Court held, we know that because Congress has told  
5 us the answer. What Congress said is, cases fall within  
6 the exclusive jurisdiction of the Federal Circuit in the  
7 same way that they are said to arise under Federal law for  
8 purposes of general Federal question jurisdiction under  
9 1331. The cases are legion which say that what a  
10 defendant pleads in its answer, whether it's an  
11 affirmative defense or a counterclaim, is irrelevant to  
12 whether a case falls within the original arising under  
13 jurisdiction of the Federal court.

14 QUESTION: In the -- in the context where  
15 there's a great concern about Federal-State relations,  
16 cases lodged in the State court being lifted out of that  
17 State court and put into a Federal court, this context is  
18 totally different. It is an entirely Federal context, and  
19 it's a question of which appellate forum it goes to. And  
20 it seems to me that you can't just say that what arising  
21 under means in the original jurisdiction context it  
22 necessarily means when we're talking about an exclusive  
23 appellate forum for a case that's colored Federal totally.  
24 There's no State element in it.

25 MR. DABNEY: Your Honor, I would say two things

1 in response to that.

2 In the first place, that was exactly the  
3 argument which the respondent in Christianson made. In  
4 footnote 2 of Christianson, the Court expressly recited  
5 maybe our arising under jurisprudence is irrelevant in  
6 this case since, after all, we're only deciding whether  
7 the Seventh Circuit or the Federal Circuit should decide  
8 this antitrust case in which the district court  
9 invalidated a number of patents.

10 And citing the legislative history that the  
11 Congress chose, for better or for worse, to make the  
12 referent of Federal Circuit jurisdiction the same as the  
13 referent of district court jurisdiction under 1331 and  
14 1338, under the page and in the passage that I just read,  
15 this Court I believe specifically considered and decided  
16 that notwithstanding that the outcome in this type of case  
17 is simply which of two Federal courts of appeals will hear  
18 a case. Nevertheless, for better or for worse, Congress  
19 has decided that the referent of Federal Circuit  
20 jurisdiction is the same.

21 QUESTION: Christianson was the first time the  
22 Court encountered this issue, and Christianson affirmed  
23 the Federal Circuit. The Federal Circuit said, we don't  
24 have the appellate authority in this case.

25 A couple of years later, the Federal Circuit

1 looked at the issue again in Aerojet and it wrote an  
2 opinion saying these are different. In one case we were  
3 dealing with a defense, an issue, a question, and in  
4 another case, we've got a claim. And for purposes of  
5 which court of appeals it goes to, maybe the court is --  
6 in Aerojet is saying we have to qualify Christianson's  
7 reasoning if not -- not its result.

8 MR. DABNEY: Justice Ginsburg, in Aerojet, the  
9 Federal Circuit stated, among other things, that the  
10 traditional prerogative of the plaintiff to choose his law  
11 and to choose his court applies only to the trial court  
12 level. The Aerojet case said that the plaintiff in that  
13 case had fully exhausted his right to choose his court and  
14 to choose his law because he had access to a district  
15 court forum.

16 This Court -- this case demonstrates how that  
17 rationale of Aerojet is mischievous and dangerous and  
18 incorrect. Since Aerojet in 1989, there has been a sea  
19 change in the Federal Circuit's approach to what law it  
20 chooses to apply in cases such as this, and it is the  
21 Federal Circuit's choice of law approach, adopted in the  
22 late 1990's, which has given birth to this entire action.

23 QUESTION: When you say choice of law, you're  
24 not talking strictly about patent law, I take it.

25 MR. DABNEY: Absolutely not. This -- it's

1 undisputed that what --

2 QUESTION: You're talking about Federal law  
3 interpreted differently by different circuits.

4 MR. DABNEY: Precisely.

5 QUESTION: It's not like am I going to choose  
6 the law of France or the law of Oklahoma versus the law of  
7 New York.

8 MR. DABNEY: That's absolutely the case. And  
9 the Federal Circuit, being a co-equal court of appeals, is  
10 fully entitled, I suppose, to fashion its own liability  
11 rules and apply them even to claims over which it has only  
12 nonexclusive or pendent jurisdiction. But by doing that,  
13 it has given rise to great incentives, which the  
14 respondent has attempted to avail itself of in this case,  
15 to get a case into the Federal Circuit and take advantage  
16 of the different law of the Federal Circuit on a non-  
17 patent claim.

18 So, I would suggest to Your Honor that this  
19 Court has never wavered from the idea that a person who  
20 comes to court seeking relief -- there's a lot of  
21 uncertainty in litigation. I'm called upon to advise  
22 clients all the time whether they should or should not  
23 bring suit, where they should bring suit, how they should  
24 bring suit. The one thing this Court has said, whatever  
25 else is uncertain in litigation, the one thing you know

1 is, number one, if you bring a suit, you have -- you are  
2 absolute master to decide what law you're going to rely on  
3 in your complaint. That's your claim. If I specify the  
4 law of California in my complaint, that's my choice. If  
5 the plaintiff specifies the law of the Tenth Circuit or a  
6 judgment of the Tenth Circuit, that is the plaintiff's  
7 choice.

8 QUESTION: That's a little odd, don't you think?  
9 We are talking about one law, a Federal law. It is not  
10 quite the same as talking about the law of California, the  
11 law of Nevada. And wasn't one of the purposes of having  
12 the Federal Circuit so that you would reduce the number of  
13 disparities in -- in Federal law?

14 MR. DABNEY: Well, early in its history the  
15 Federal Circuit seemed to be more mindful of that type of  
16 conflict than it is today.

17 It's very important that Your Honor understand.  
18 In the Midwest case, which fomented this whole thing, the  
19 1999 Midwest case, that was a case that involved not just  
20 Federal law claims, that was a case that involved claims  
21 under Iowa State law. And the Federal Circuit in that  
22 case was considering whether or not a plaintiff could  
23 properly claim trade dress protection for the shape a boat  
24 trailer winch post. And the district court had granted  
25 summary judgment dismissing the plaintiff's claims not



1 just under the Lanham Act, but under Iowa State law.

2 QUESTION: Well, you -- you don't mean that the  
3 Federal Circuit has asserted that where you have a State  
4 claim, that it's going to apply Federal law to that State  
5 claim.

6 MR. DABNEY: That is exactly what it did in the  
7 Midwest case. The Federal Circuit --

8 QUESTION: Mr. Dabney, we're all quite close to  
9 you. I think perhaps we can hear you even if you don't  
10 speak so quite so loudly.

11 (Laughter.)

12 QUESTION: You -- you are saying that the  
13 Federal Circuit said we have the right not only to  
14 determine what is an answer to a Federal issue, but we  
15 have a right to tell Iowa what the law of the State of  
16 Iowa is? That would be astonishing.

17 MR. DABNEY: I invite Your Honor to look at  
18 pages 1564 and 65 of volume 175 of Federal 3rd, and Your  
19 Honor will read there that the Federal Circuit reversed a  
20 summary judgment under Iowa State law on the ground that  
21 in its view the Federal patent law doesn't limit any claim  
22 that can be asserted under Iowa State law. And therefore,  
23 the district court erred in not holding that Iowa State  
24 law could protect the shape of a trailer winch post.

25 QUESTION: Mr. Dabney, would you heed my

1 admonition? Please do.

2 MR. DABNEY: Thank you, Your Honor. I  
3 apologize, Mr. Chief Justice.

4 So, therefore --

5 QUESTION: On -- on one point that you made  
6 about the Federal Circuit saying, well, if it's a Federal  
7 question, what is the Federal law? We decide that as our  
8 sister circuits do. It's just asserting that it's a court  
9 of equal dignity, that it's not under the enthrall of the  
10 Tenth Circuit or any other circuit.

11 MR. DABNEY: I am not questioning that that is  
12 what the Federal Circuit is currently doing, and that it  
13 -- it -- I'm not questioning it has the power to do that.

14 QUESTION: May I ask this -- just a question  
15 about the history of what we've got before us? Am I  
16 correct in believing that until the Federal Circuit  
17 changed its view and started to apply its own law to non-  
18 patent issues as opposed to applying other circuits' law  
19 when the case arose in another circuit, the bar generally  
20 was totally happy with the rule that the counterclaim  
21 would -- counterclaim alleging a patent claim would be  
22 sufficient to give appellate jurisdiction to the Federal  
23 Circuit?

24 MR. DABNEY: I cannot say that that is a fair  
25 characterization of what the bar generally holds. I

1 believe that the bar is very cautious in what it says  
2 about any court in which it may appear in front of.

3 QUESTION: Is it --

4 QUESTION: So, it is true that this -- this has  
5 become a much more important problem since they changed  
6 the -- their rule on what they do with the ancillary  
7 claims.

8 MR. DABNEY: It has much greater practical  
9 significance now. But the fact of the matter is that the  
10 arising under basis --

11 QUESTION: The jurisdiction rule is the same in  
12 either event.

13 MR. DABNEY: Is -- is the same. We have a  
14 bright line test. How do we know whether a case belongs  
15 in the Federal Circuit or in any Federal court? You look  
16 at what's presented on the place -- on the face of the  
17 plaintiff's well-pleaded complaint. You don't inquire  
18 into the plaintiff's motives or -- or spin-out theories as  
19 to why the plaintiff is doing what it's doing.

20 QUESTION: Well, may I ask a question?

21 MR. DABNEY: Certainly.

22 QUESTION: Not -- not your case certainly, but  
23 we had a case called Cardinal Chemical Company v. Morton  
24 International in 1993, which seemed to say that a patent  
25 law counterclaim could serve as an independent basis for a

1 district court's original jurisdiction.

2 MR. DABNEY: That's not how I read Cardinal  
3 Chemical, Justice O'Connor.

4 QUESTION: Okay.

5 MR. DABNEY: Cardinal Chemical was a straight-  
6 up patent infringement case. The defendant in that case  
7 asserted two -- at least two things in -- in response to  
8 the claim of patent infringement. The defendant in  
9 Cardinal Chemical said, your patent is invalid, and  
10 therefore I'm not liable. And then, as many defendants do  
11 nowadays, the defendant in Cardinal Chemical says, I also  
12 want a counterclaim for declaratory judgment that your  
13 patent is invalid. One of the reasons why I want that is  
14 so that if you, the plaintiff, decide to pull the plug on  
15 your suit, I can stay in court on my counterclaim. And  
16 that was what came up and that was the issue.

17 However, it's very clear that since at least  
18 1990 the source of a district court's power to hear a  
19 counterclaim like that is in 1367, supplemental  
20 jurisdiction. The district court unquestionably --

21 QUESTION: Not 1338?

22 MR. DABNEY: Not -- absolutely not. 1367.

23 So --

24 QUESTION: What is -- what is -- taking a case,  
25 Mr. Dabney -- and this has come up I think again and again

1 -- where you have a counterclaim that would qualify for  
2 Federal jurisdiction whether under 1331, 1338, whatever,  
3 that for whatever reason, the main claim drops out, maybe  
4 because it failed -- fails to state a claim. The  
5 counterclaim, whether it's an antitrust claim, patent  
6 claim, copyright claim, stays in Federal court and it's  
7 not supplemental to anything. It has its own  
8 jurisdictional base. It's a Federal claim. And if it  
9 weren't a Federal claim, it couldn't stay there because it  
10 would have nothing to pend to.

11 MR. DABNEY: I don't believe that's a correct  
12 statement of 1367. I believe that a Federal court can  
13 retain --

14 QUESTION: Are there not many, many cases in the  
15 district court, blessed by the courts of appeals, where  
16 exactly what I've described happens? The main claim drops  
17 for whatever reason. There's a counterclaim that would  
18 qualify independently for Federal jurisdiction. The court  
19 will adjudicate that. But if it has a counterclaim that  
20 would not independently qualify, it is not likely to hang  
21 onto that case. Right?

22 MR. DABNEY: That is what happens --

23 QUESTION: Because -- because the only Federal  
24 peg is gone. And pendent jurisdiction is exercised when  
25 there's a tail that's attached to a dog, but when the dog

1 is gone, the tail doesn't stay.

2 MR. DABNEY: Yes. But in that situation,  
3 Justice Ginsburg, you're not talking about nullifying a  
4 plaintiff's choice of law and forum through the -- the  
5 assertion of a well-pleaded complaint. If a plaintiff  
6 asserts a defective complaint and shouldn't --

7 QUESTION: The question I asked you is you said  
8 that what had been going on for years before there was  
9 1367 codified, all of a sudden that independent Federal  
10 claim, be it an antitrust claim, a patent claim, suddenly  
11 becomes shrunken to a supplemental jurisdiction rather  
12 than having its own jurisdictional peg.

13 MR. DABNEY: I don't know that the legal  
14 significance of the source of a district court's power to  
15 act in that situation has ever been a subject on which any  
16 legal consequences followed so that the body of law that  
17 developed on that would have any precedential significance  
18 in this situation.

19 The fact -- the critical distinction between  
20 this situation and the one Your Honor is positing is that  
21 in the situations Your Honor is talking about, you're not  
22 talking about a plaintiff who had a well-pleaded complaint  
23 who he prevailed on being ousted of his chosen court and  
24 forum. I don't believe that the appropriate disposition  
25 of a counterclaim in that situation sheds any light on

1 what should happen to a plaintiff who files suit under  
2 non-patent law and wins, and the plaintiff doesn't seek  
3 relief under Federal patent law. The plaintiff doesn't  
4 care what the defendant does with other claims the  
5 defendant has. If the respondent wants to have a patent  
6 counterclaim, go to the Federal court or litigate a  
7 Federal patent counterclaim in the International Trade  
8 Commission, more power to it.

9 This suit was brought to get preliminary  
10 injunctive relief against threatened, imminent,  
11 irreparable harm to the plaintiff's business which was  
12 granted. There was a preliminary injunction that was  
13 issued in January of 2000, which remains in effect to this  
14 day upon the posting of a \$100,000 bond. The plaintiff  
15 had every right and entitlement to go into court, to plead  
16 his claim in the way that the plaintiff thought would best  
17 accomplish the plaintiff's objectives. That is a  
18 prerogative which this Court has said over and over and  
19 over again is the plaintiff's right. No well-counseled  
20 plaintiff could possibly file a lawsuit without thinking  
21 what court is most likely to give me the relief that I'm  
22 seeking. That's not forum shopping. That's good  
23 lawyering. And that's what happened in this case.

24 QUESTION: And what about a defendant who would  
25 just love to have -- not particularly litigious, has a

1 claim, a good claim, asserts it as a counterclaim, goes  
2 into the district court because that's where it belongs?  
3 I just don't understand why the rule that would apply to  
4 the district court carries over to the specialized court  
5 of appeals if you are, in fact, dealing with a patent  
6 claim that's been adjudicated.

7 MR. DABNEY: This Court has held and the -- the  
8 congressional choice of the arising under referent for  
9 Federal Circuit jurisdiction clearly recognized that there  
10 will be many, many times when patent law questions and  
11 patent law issues, including the issue of validity, will  
12 be decided not just in the regional circuits, but in the  
13 State courts.

14 Would it really have mattered in Lear v. Adkins  
15 if the defendant in that case hadn't just said, the  
16 contract is invalid because the patent is no good and  
17 there's no consideration, if it had filed a counterclaim,  
18 as was done in Cardinal Chemical and said, I want a  
19 declaratory judgment that the patent isn't valid? No  
20 legal consequence should follow from that.

21 And in the real world, Justice Ginsburg, if a  
22 defendant really is concerned about maintaining its access  
23 to the Federal Circuit, the defendant will file his own  
24 suit, as Your Honor suggested in that --

25 QUESTION: This defendant did.



1           MR. DABNEY: I'm sorry?

2           QUESTION: Didn't -- this defendant did. He  
3 started in the -- in the --

4           MR. DABNEY: The respondent -- and -- and it was  
5 free at all times to pursue all available remedies in that  
6 forum and that's not -- that's not even in question at  
7 this point. But just as the respondent was free to choose  
8 a forum that it thought was most favorable to it, which,  
9 by the way, would have been subject to Federal Circuit  
10 review, so was the petitioner. And the petitioner filed  
11 suit in accordance with the rules. It got a judgment. It  
12 won, and it's had its judgment taken away by a court that  
13 clearly does not have jurisdiction to hear the  
14 controversy.

15           If there's no further questions, I'd like to  
16 reserve the rest of my time.

17           QUESTION: Very well, Mr. Dabney.

18           Mr. Gowdey, we'll hear -- hear from you.

19           ORAL ARGUMENT OF PETER W. GOWDEY

20           ON BEHALF OF THE RESPONDENT

21           MR. GOWDEY: Mr. Chief Justice, and may it  
22 please the Court:

23           In light of the colloquy that we've had, I want  
24 to make a preliminary point and then a couple other  
25 starting points.

1           The first is that there's absolutely no issue  
2 that the Federal Circuit has failed to follow this Court's  
3 precedents and, as Justice Ginsburg pointed out  
4 previously, correctly anticipated this Court's holding in  
5 Christianson.

6           And to respond to a question that Justice  
7 O'Connor raised, in the Cardinal case, this Court did say,  
8 in this case Cardinal properly invoked the original  
9 jurisdiction of a district court by way of its patent  
10 counterclaim.

11           QUESTION: Mr. Gowdey, do you think the court of  
12 -- the Federal Circuit's opinion here is entirely  
13 consistent with footnote 2 in our Colt opinion?

14           MR. GOWDEY: In the which opinion, Your Honor?

15           QUESTION: In -- in our Christianson v. Colt  
16 Industries?

17           MR. GOWDEY: I think -- I think that the  
18 position that the Federal Circuit has taken this Court is  
19 completely consistent with Christian v. Colt.

20           QUESTION: And -- and with footnote 2 therein?

21           MR. GOWDEY: Yes. And -- and I say that because  
22 of the reasoning and the procedures and the -- and the  
23 considered exhaustive review that the Federal Circuit made  
24 in Aerojet or the Christian v. Colt case. They started  
25 their Aerojet decision saying that the question was of

1 exceptional importance and, because of that, sat on their  
2 choice en banc. They exactly framed the question in that  
3 case, which was whether --

4 QUESTION: Mr. Gowdey, may I suggest that you  
5 raise that a little higher? The podium. I'm having some  
6 trouble hearing.

7 QUESTION: We had the opposite problem. The  
8 first counsel had a very loud voice and yours is very  
9 soft. So --

10 MR. GOWDEY: I -- I do have a soft voice and I  
11 apologize.

12 They framed the question in *Christian v. Colt* --  
13 in -- in *Aerojet* as being one where you do not have a  
14 patent issue as the complaint, but you have a patent  
15 counterclaim coming in. And in that case, it was a  
16 compulsory patent counterclaim. Should that be a  
17 sufficient basis for giving exclusive appellate  
18 jurisdiction to the Federal Circuit? They answered that  
19 it was.

20 The *Aerojet* opinion is -- is well-crafted. It's  
21 a thoughtful opinion. It goes through analysis --

22 QUESTION: Well, that's -- that's this CAFC's  
23 ruling on its own jurisdiction.

24 MR. GOWDEY: That's correct.

25 QUESTION: In the *Aerojet* case.

1           MR. GOWDEY: Yes. Yes, Your Honor.

2           QUESTION: So, in effect, we're trying to decide  
3 whether that's right in this circumstance.

4           MR. GOWDEY: That is absolutely correct, Your  
5 Honor.

6           They -- they looked --

7           QUESTION: But it does seem to be unlikely, does  
8 it not, that where the counterclaim raising the patent  
9 issue hasn't been dealt with and what we're dealing with  
10 is an appeal from this injunction which was rendered in  
11 the plaintiff's suit below -- why should the CAFC get into  
12 it at all?

13           MR. GOWDEY: Because we should look at  
14 jurisdiction for an appellate court at the time of the  
15 pleading stage of the case, Your Honor. And at the  
16 pleading stage, you have the complaint and you have the  
17 answer and counterclaims --

18           QUESTION: I would think it would have to be  
19 considered also in light of what's happened in this case.  
20 I don't see why you would be so limited necessarily. It  
21 seems so odd that this appeal would go to the Federal  
22 Circuit.

23           MR. GOWDEY: I -- I don't think it's odd, Your  
24 Honor. I think that you have to establish appellate  
25 jurisdiction at the beginning of a case so that as a case

1 proceeds, if there are interlocutory appeals that -- that  
2 are going to happen, where is it that they should be  
3 properly directed? And there should not be a conundrum as  
4 -- as to that. And if you look at the claims in the case,  
5 if you look under 1338 and 1295, talking about civil  
6 actions and claims, the jurisdiction of a Federal Circuit  
7 should -- should be decided by what claims are pled.

8 QUESTION: Well, what case of ours do you think  
9 most strongly supports your view of this jurisdictional  
10 question?

11 MR. GOWDEY: I -- I think you have to look at  
12 Christian v. Colt and the fact that in that case, the  
13 decision said it should be adapted to 1338. I think the  
14 Aerojet decision that comes along after that and its  
15 exhaustive review of Christianson makes clear that -- that  
16 you should look at claims. And as you're adapting 1338 to  
17 the patent situation --

18 QUESTION: Mr. Gowdey, I -- I think Aerojet  
19 makes a whole lot of sense if -- if the issue before the  
20 -- the court there and the issue before us here were what  
21 makes sense. Then -- then Aerojet may -- may well be  
22 right.

23 But -- but it seems to me that the issue really  
24 before us is what does section 1295 mean. What was it  
25 understood to mean when it spoke of a claim arising under

1 any act of Congress relating to copyrights and trademarks?  
2 And that's a different question. And when you have a long  
3 history known to every first-year law student that a case  
4 arises under a certain law, if the well-pleaded complaint  
5 invokes that law and does not arise under that law if --  
6 if a counterclaim invokes it, I find it hard to believe  
7 that anyone would interpret the statute, written with that  
8 magic language, in any other way.

9 Now, it -- it might well be the case, as you  
10 argue, that another disposition is more sensible for the  
11 Federal Circuit. But we have to deal here with what  
12 Congress said, and the -- and the whole issue is whether a  
13 claim arising under an act of Congress isn't magic  
14 language that -- that the whole legal community has known  
15 for many years, which means you have to have a well-  
16 pleaded complaint invoking it.

17 MR. GOWDEY: Well --

18 QUESTION: And that's what I think we said in  
19 Christianson.

20 MR. GOWDEY: Well, in Christian v. -- in  
21 Christianson, however, there was no counterclaim. That --  
22 that issue was not before the Court. That issue has not  
23 yet been addressed by this -- by this Court, which is why  
24 I think looking at the Aerojet decision and looking at the  
25 review that it made of Christianson is important for this

1 Court to -- to undertake and to look at. There were --

2 QUESTION: Not just Aerojet, but I would like  
3 you to pursue that because my understanding is the same as  
4 Justice Scalia's. You started out by saying, in response  
5 to the Chief Justice's question, that footnote 2 applies.  
6 I take it that means we now have an issue that does not  
7 just concern patent law. It concerns all of Federal  
8 jurisdiction.

9 You then said we look to what is filed in the  
10 district court at the complaint stage. Again, all of  
11 Federal jurisdiction.

12 You then say that all these other cases involved  
13 a well-pleaded complaint and an answer. This one, though,  
14 involves a well-pleaded complaint and a compulsory  
15 counterclaim

16 MR. GOWDEY: Yes --

17 QUESTION: I agree. So, I look up Wright and  
18 Miller, and Wright and Miller says it is not sufficient  
19 for the Federal question to enter the case as a  
20 counterclaim asserted by the defendant. Now, he didn't  
21 just make that up. He has dozens of citations. So, at  
22 that point I think QED. You lose.

23 Now, why don't you?

24 MR. GOWDEY: Well, for the reasons set forth in  
25 Aerojet. First, had the --

1           QUESTION: Aerojet, to my way of thinking, just  
2 said it's a counterclaim. It's not a defense. Okay, I  
3 accept that. But I still have Wright and Miller and all  
4 the cases they cite.

5           MR. GOWDEY: And -- and I think most of the  
6 cases that I'm aware of that talk about counterclaims are  
7 removal cases. That's where you have a -- a State/Federal  
8 issue.

9           QUESTION: Are what -- what kind of cases?

10          MR. GOWDEY: Removal cases, Your Honor, where --  
11 where you -- and there is no issue of federalism here.  
12 The -- the petitioner properly brought a case in -- in the  
13 Federal district court in Kansas.

14          QUESTION: Then you're -- you're now defeating  
15 your first concession which was with footnote 2 in  
16 Aerojet, that we are to deal with this case exactly as if  
17 it were a removal case because it's a question of all  
18 Federal jurisdiction, not just patent. The word is  
19 arising under. That's in fact -- I flag it because that's  
20 what frightens me. I thought that if all that were at  
21 issue here were patent cases, we weren't going to make a  
22 big mistake either way.

23          MR. GOWDEY: Well --

24          (Laughter.)

25          QUESTION: But once you tell me that this



1 involves all cases of removal, I suddenly get quite  
2 nervous about departing from well-settled law.

3 MR. GOWDEY: Then -- then I must retract it. It  
4 does not -- it does not involve all cases of removal.  
5 This is a patent case, and -- and I think we're talking  
6 about patent issues and whether the Federal Circuit has  
7 proper jurisdiction of claims in a case involving patent  
8 issues.

9 QUESTION: Well, then that means we interpret,  
10 under your view, arising under in different ways in the --  
11 in the patent statute and in -- in the Federal  
12 jurisdiction statute.

13 MR. GOWDEY: I -- I think that arising under is  
14 not to be interpreted in a different way, but I think as  
15 this Court said in *Christianson*, that it should be adapted  
16 to 1338. It should be adapted to 1338 because, under  
17 1295, Congress was interested in getting as many patent  
18 claims to the Federal Circuit as it could.

19 QUESTION: But certainly *Christianson* gave no  
20 intimation that the phrase, arising under, should be  
21 interpreted differently in the statute conferring  
22 jurisdiction on the Federal Circuit as it has  
23 traditionally been in 1331.

24 MR. GOWDEY: That's correct, Your Honor.

25 QUESTION: Is there a difference in interpreting

1 a different way and adapting?

2 MR. GOWDEY: I -- I think it's a question of --  
3 of looking at claims that are pled in a case. If -- if  
4 you look at the second point of Chief -- Chief Judge  
5 Markey in Aerojet, he was -- he was taking a -- a look at  
6 claims. And a patent claim, as Justice O'Connor pointed  
7 out earlier, has its own separate, independent  
8 jurisdictional base under 1338. Once you find that a  
9 patent claim comes in under 1338 with its own  
10 jurisdictional basis, under 1295 that is an appeal-  
11 directing mechanism that Congress put into place.

12 And -- and I think that if you go again to  
13 Aerojet, as Chief Judge Markey pointed out in his first  
14 reason for why the patent counterclaim should be  
15 considered arising under and give appellate jurisdiction,  
16 had that counterclaim been filed as a complaint, there's  
17 no question that -- that Federal Circuit jurisdiction  
18 would have been invoked.

19 QUESTION: But that's -- you can say that by  
20 analogy to 1331 too, that although you can have a -- a  
21 compulsory counterclaim will not change the result there.  
22 It still goes to Federal court if -- if the well-pleaded  
23 complaint doctrine is applied. You could say, well, the  
24 compulsory counterclaim could have been in its own right a  
25 case of Federal question, but that doesn't change the

1 rule.

2 MR. GOWDEY: It does not change the rule. I  
3 believe, Your Honor, you're talking about removal cases.  
4 And certainly if -- if you have --

5 QUESTION: But why does it make a difference if  
6 we're talking about removal cases? Because the language  
7 is exactly the same.

8 MR. GOWDEY: Because I think in a  
9 Federal/Federal situation where there is no federalism,  
10 there is no issue with respect to States' rights and  
11 States' claims. And -- and we're not talking about a -- a  
12 reading of 1338 or 1295 where you -- where we're concerned  
13 about somehow taking away the essence of -- of a State  
14 court to deal with State court actions. And -- and we're  
15 not talking about that. This Court does not need to, I  
16 think, even go there.

17 We're talking about a situation where you have a  
18 Federal question that has been properly presented in a  
19 Federal court. Original jurisdiction has been applied. A  
20 -- a patent counterclaim comes in that has its own  
21 separate jurisdictional base under 1338. The question  
22 then is, from an appellate standpoint, has Congress set up  
23 and dictated an appellate-directing mechanism with 1295?  
24 And I think they have. And they recognized when they  
25 said, as long as jurisdiction was based in whole or in

1 part under 1338, that not all of the case would have to be  
2 patent cases. It could be part of it.

3 And once you have the nexus between a district  
4 court having original jurisdiction under 1338, 1295  
5 directs that that appeal -- for the patent cases, 1295  
6 directs that appeal should go to the Federal Circuit.

7 I -- I think the basic purpose of -- of the  
8 well-pleaded complaint rule was -- was to avoid the -- the  
9 sort of State/Federal conflicts. Since that's not here,  
10 then there is -- is no reason to say that there should be  
11 a compelled disregard of -- of counterclaims. And where  
12 Congress' intent was to get as many patent claims as  
13 possible to the Federal Circuit, again --

14 QUESTION: But you -- you can say, I think, that  
15 when Congress used the term, well-pleaded complaint, its  
16 intent was to have the same sort of analysis as there is  
17 in 1331.

18 MR. GOWDEY: I -- I think the language is the  
19 same. But again, going back to what this Court --

20 QUESTION: Congress didn't use it -- Congress  
21 didn't say well-pleaded complaint. It said -- it said  
22 arising under.

23 MR. GOWDEY: Yes, Your Honor.

24 And I think, as this Court said in Christianson,  
25 by adapting that under 1338, there are -- there is a way

1 to accomplish both the jurisdictional goals and the intent  
2 of Congress of getting patent claims --

3 QUESTION: But you are giving arising under a  
4 different meaning for appellate purposes. You are  
5 including the counterclaim, a different meaning from  
6 original jurisdiction where, as Justice Breyer read,  
7 everybody agrees that for original jurisdiction purposes,  
8 counterclaims don't count.

9 MR. GOWDEY: I -- I think --

10 QUESTION: You're suggesting they do count for  
11 appellate jurisdiction.

12 MR. GOWDEY: I'm suggesting that they do, and  
13 I'm suggesting that Congress recognized that in 1295 where  
14 -- where, unlike petitioner, I -- I think when -- when a  
15 plaintiff comes into court, clearly he has his choice of  
16 -- of what Federal court to go to, what State, and so on.  
17 Under 1295, once you have patent claims in a case, I think  
18 Congress set up an appellate-directing mechanism that --  
19 that does not make it a litigant's choice. It defines  
20 where it goes.

21 QUESTION: Suppose you did do that, which -- I  
22 mean, suppose you took Justice Stevens' concurring view in  
23 Christianson, which was a view that would come closer to  
24 doing what you want. It would make sense. You'd look at  
25 the -- look at the case after it's decided in the district

1 court to see where -- whether there's a patent claim  
2 You'd still lose here, wouldn't you?

3 MR. GOWDEY: Well, I think Justice Stevens  
4 actually goes farther than we need to go because --

5 QUESTION: Well, why farther? Because I would  
6 go just as far as he went. You went just as far as he  
7 went. You look at the whole thing after it's decided.

8 MR. GOWDEY: Well --

9 QUESTION: Now, how could you go further than  
10 that?

11 MR. GOWDEY: Well, I'm saying he -- he went  
12 further. He -- he's saying, I believe, that you could  
13 even look at -- at Federal Circuit jurisdiction being --  
14 being shown where you have amended a complaint later on,  
15 that you could get a patent issue under that -- in at that  
16 point.

17 In -- in this case here, there was a patent  
18 issue that came in at the pleading stage. And so that --  
19 that's the distinction that I -- that I would see. That's  
20 why I'm saying you don't have to go so far as -- as to say  
21 you look at the well-trying case.

22 QUESTION: Was there patents issue adjudicated  
23 at all here? And there was not a judgment. The judgment,  
24 the 54(b) judgment, was on trade dress alone?

25 MR. GOWDEY: There has not been a patent ruling

1 yet, Your Honor. We didn't get that far. We haven't --

2 QUESTION: So, there's not only the no judgment,  
3 but no adjudication?

4 MR. GOWDEY: No adjudication, not even any  
5 discovery, Your Honor. So -- so, we have a patent -- a  
6 patent case that has, in essence, a -- a very young one,  
7 that has not gotten very far except for the fact that we  
8 have this preliminary injunction from Judge Brown in  
9 Kansas.

10 QUESTION: I think it would be consistent with  
11 Justice Stevens' opinion to say you look to see what was  
12 adjudicated. His concurring opinion suggests that. And  
13 if what was adjudicated was the patent claim, whether it  
14 were a claim or a counterclaim, then that's what should  
15 count. If what were adjudicated were a trade dress claim,  
16 then that's what should count.

17 MR. GOWDEY: 1338, however, talks about civil  
18 actions, and civil actions goes -- goes back to a  
19 description of being all claims for relief. We would say  
20 that you should look for the claims that are made for  
21 relief at the time the case is -- is being pled. That is  
22 the point at which I think you should have appellate  
23 jurisdiction being decided so that as interim or  
24 interlocutory appeals happens, you know appellate court it  
25 goes to.

1           If you waited until you -- you saw what was  
2 actually tried in a case and, as Justice Stevens  
3 suggested, you waited even to see if the -- if a complaint  
4 would be amended subsequently after the pleading stage,  
5 earlier -- earlier disposition of interlocutory orders  
6 might go somewhere else, and appropriately so.

7           QUESTION: If the district court has to decide  
8 which of two different circuits' laws you're going to  
9 follow, I guess he knows what the case is going to look  
10 like at the end -- or she. Maybe -- maybe the trial judge  
11 doesn't because the trial doesn't know which circuit to  
12 follow, so he doesn't know how it's going to come out.

13           MR. GOWDEY: Well, but if -- Your Honor, if --  
14 if --

15           QUESTION: It's a circular analysis.

16           MR. GOWDEY: If -- if you're looking at the  
17 claims that are pled at the pleading stage, the district  
18 court judge will know what appellate court will -- will  
19 apply certainly under the Aerojet rule, which -- which  
20 again would -- would place appellate jurisdiction at the  
21 Federal Circuit if you have a well-pled patent  
22 counterclaim coming in at the pleading stage as part of  
23 the defendant's answer.

24           QUESTION: But you will -- you will have the  
25 situation then in which the district judge is -- is going



1 to have to defy the law of his circuit on a -- on the non-  
2 patent issue.

3 MR. GOWDEY: Perhaps that's a more difficult  
4 question. I think the Federal Circuit, being a sister --  
5 sister circuit to the rest of the regional circuit courts  
6 of appeal, certainly would make an effort to apply the  
7 appropriate regional circuit law to non-patent issues.

8 QUESTION: Well, the claim is -- and I -- I will  
9 be candid to say I'm not in a position to -- to evaluate  
10 this claim because I haven't gone back and looked at -- at  
11 many of the cases on it to find out what's really going  
12 on. But I mean, the claim is made that the Federal  
13 Circuit is not doing that.

14 MR. GOWDEY: Well, I think the Federal Circuit  
15 is making an attempt to look at its -- its historical base  
16 for decisions with respect to those issues that relate to,  
17 in effect, patent law issues. Now, the way I read cases  
18 coming from the Federal Circuit, they're making an attempt  
19 to apply law of their own where they find either there --  
20 there is conflict or where there has not been a well-  
21 grounded set of policies or law to decide an issue. Where  
22 the regional circuit has laws that are not affecting  
23 patents, my reading is the Federal Circuit is applying  
24 regional circuit law in an appropriate way as they see fit  
25 from panel to panel.

1           QUESTION: That's what it used to do. You say  
2 they -- you think it's still doing that? It's still  
3 following circuit rule on non-patent law issues?

4           MR. GOWDEY: I think they are, and I think as  
5 the -- the court was started in 1982, and by -- by that  
6 measure, it's a relatively young court. Aerojet has been  
7 around half of its lifetime since 1990.

8           QUESTION: Well, I understand at the time  
9 Aerojet was decided, they did that. But I thought there  
10 was a recent -- in the last year or 2, they had taken a  
11 different view and were applying their own law as opposed  
12 to the Tenth Circuit law in this case on the non-patent  
13 law issues.

14          MR. GOWDEY: Certainly in Midwest, they -- they  
15 were -- they were taking a look at trade dress law because  
16 of the interrelationship trade dress has on the Lanham Act  
17 with patent issues. To that extent, they certainly were  
18 looking at new law and saying where there is an  
19 interaction of laws and holdings with respect to patent  
20 issues, that that is an area that they -- they can and  
21 perhaps should get into.

22          QUESTION: But that seems somewhat inconsistent  
23 with the last part of 1295(a), which in effect says that  
24 when it's a non-patent law issue, they -- the 1291 and the  
25 1292 and 1294 shall apply.

1           MR. GOWDEY: Are you talking about the exception  
2 of 1295, Your Honor?

3           QUESTION: Yes.

4           MR. GOWDEY: Certainly that's a two-part  
5 exception, and where you have other claims pending, you  
6 can still have jurisdiction under 1338.

7           QUESTION: Okay. So, now the trial judge has to  
8 say, well, there may be two circuits involved here. One  
9 is my own circuit and it's not related, and so the Federal  
10 Circuit won't control, but if it's somehow related to the  
11 patent claim, then the Federal Circuit would -- so, this  
12 -- this is a further metaphysical exercise. This -- this  
13 is great for the legal profession actually.

14           (Laughter.)

15           MR. GOWDEY: It keeps all well employed, Your  
16 Honor.

17           I -- I think that where -- where there are  
18 issues that relate to patent law, certainly they -- they  
19 will be looking to Federal Circuit precedent to help them.  
20 Where there are non-patent law issues, it's the regional  
21 circuit law that can and should control. And -- and I  
22 think that as the court develops in time, there will be --  
23 there will be a larger body of law that -- that will help  
24 district circuit judges in that regard.

25           As respects this case, however, where -- where

1 we have a patent counterclaim, I think the Aerojet  
2 decision and looking at what went on before Christian --  
3 Christianson, looking at -- at the Christianson decision  
4 itself and the analysis that that court did with Chief  
5 Judge Markey speaking for the whole court en banc, very  
6 carefully and thoughtfully gives a legitimate basis for  
7 why a Federal Circuit should have jurisdiction over cases  
8 where there is a well-pleaded compulsory counterclaim at  
9 the district court level.

10 Chief Judge Markey also noted at 895 F.2d at  
11 742, in all events, the Supreme Court did hold in  
12 Christianson or in any other case that for all cases and  
13 circumstances only the complaint and never a counterclaim  
14 can serve as the basis of district court jurisdiction.  
15 And under section 1295, the basis of district court  
16 jurisdiction is for this Court an appeal-directing  
17 mechanism. And I think that's where 1295 really is -- is  
18 important and the interconnection with -- with 1338.

19 If there are no other -- no other questions, I  
20 thank the Court.

21 QUESTION: Thank you, Mr. Gowdey.

22 Mr. Dabney, you have 3 minutes remaining.

23 REBUTTAL ARGUMENT OF JAMES W. DABNEY

24 ON BEHALF OF THE PETITIONER

25 MR. DABNEY: In response to your question, Mr.

1 Justice Kennedy, there is no difference between different  
2 interpretation and adaptation. The respondent's position  
3 would call for this Court to retreat from Christianson and  
4 to adopt some special interpretation of arising under  
5 unique to 1338(a) that deviates from the arising under  
6 language as it was clearly adopted by Congress in 1295.

7 Secondly, with regard to the question of -- of  
8 Federal Circuit choice of law, what Mr. Gowdey stood here  
9 -- I just would call -- call Your Honors' attention to  
10 page 94a of the joint appendix which is the district  
11 court's opinion in this case in which the district court  
12 says, Vornado -- that's the respondent -- contends that  
13 this change in the law exception is met because in Midwest  
14 Industries, the Federal Circuit expressly rejected the  
15 Tenth Circuit's Vornado I holding, ruling instead that a  
16 claim for trade dress protection was not barred by the  
17 fact that a product configuration has been claimed as a  
18 significant inventive element of the patent. As part of  
19 its ruling in that case, the Federal Circuit abandoned its  
20 prior practice of applying regional circuit law on  
21 questions involving the relationship between patent law  
22 and other Federal law rights and said, quote, henceforth,  
23 we will apply our own law to such questions.

24 There is no doubt whatever that the Federal  
25 Circuit has recently and radically changed how it

1 adjudicates trade dress claims, and it was the opportunity  
2 to try to take advantage of the -- of the Federal  
3 Circuit's view of trade dress protection which was before  
4 the Court in the Traffix case, and rejected by the Court  
5 in the Traffix case, which drove the case that's currently  
6 before the Court, which isn't to say that the Federal  
7 Circuit can't do that. But by doing that, whatever  
8 legitimacy could have been before it, even as a matter of  
9 common sense, Justice Scalia, in derogation of clearly  
10 expressed congressional intent, in 1989, the Federal  
11 Circuit has done a 180 degree U-turn in its approach to  
12 its choice of law in these matters. And therefore, the --  
13 a critical underpinning of the Aerojet principle has been  
14 completely wiped out.

15 QUESTION: You're -- you're telling us that this  
16 is unqualified. I think Mr. Gowdey said that the  
17 relationship language is -- that it's -- it's only in the  
18 intersection of patent law, not just any -- any question  
19 that comes along.

20 MR. DABNEY: That -- it is the issue that was  
21 before this Court in the Traffix case. It is a question  
22 of how far State law, how far Federal law can properly go  
23 in allowing a company like the respondent to claim  
24 unregistered, judge-made --

25 QUESTION: And I don't see what the Federal

1 Circuit meant when it said the relationship between patent  
2 law and other Federal rights.

3 MR. DABNEY: The Federal --

4 QUESTION: Questions involving the relationship  
5 between those two. The Federal Circuit has interpreted  
6 that to be unlimited?

7 MR. DABNEY: The Federal Circuit has taken the  
8 position that -- I'm sorry. My time is up. May I answer  
9 the question?

10 QUESTION: Yes, briefly.

11 MR. DABNEY: The Federal Circuit has taken the  
12 position that Federal patent law does not create any right  
13 to copy or use anything, and therefore, it was wrong for  
14 the Court in Midwest to say that Iowa State law could not  
15 protect that.

16 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Dabney.  
17 The case is submitted.

18 (Whereupon, at 12:05 p.m., the case in the  
19 above-entitled matter was submitted.)

20

21

22

23

24

25