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ONE SIZE DOES NOT FIT ALL: HYPOTHETICAL PATENTS AND DIFFICULTIES WITH APPLYING THE § 1331 "SUBSTANTIAL QUESTION" FORMULA TO § 1338[†]

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Recent Federal Circuit case law has taken an aggressive stance towards establishing jurisdiction over state law claims, finding that questions concerning hypothetical patents are sufficiently "substantial" to warrant federal jurisdiction over quintessential state law issues. Several district courts and one Federal Circuit panel have challenged this approach as excessively expansive, encouraging a reimportation of 1331's "substantial question" formulation into 1338. This paper argues that a direct importation of 1331 substantiality is not appropriate in the patent context because history does not require a direct import, policy considerations suggest that 1331 and 1338 jurisdiction differ in important ways, and direct importation raises several pragmatic concerns. Instead, an approach that draws from the original basis of 1338's "substantial question of federal patent law" test and then incorporates selected aspects of 1331 substantiality is more appropriate.

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INTRODUCTION

The United States Code, in 28 U.S.C. § 1338(a) grants federal courts exclusive jurisdiction to hear cases "arising under" patent law. The Federal Circuit has long used this provision not only to establish jurisdiction over causes of action created by the patent statute, but also to assert its jurisdiction over state law claims that "necessarily depend[] on resolution of a substantial question of federal patent law."[1] The causes of action in these "embedded patent question" cases range from breach of contract to libel to attorney malpractice. This practice developed in part from the 28 U.S.C. § 1331 jurisprudence regarding federal question jurisdiction, where federal courts have found jurisdiction over state-law claims that implicate important federal interests.[2]

Recent Federal Circuit case law has taken an aggressive stance towards establishing § 1338 jurisdiction over state law claims.[3]

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

2. *See generally Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 313 (2005).

3. *See, e.g.*, *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007) (finding § 1338 jurisdiction over a malpractice claim where the court would have to engage in a hypothetical infringement analysis); *Immunocept, L.L.C. v. Fulbright & Jaworski, L.L.P.*, 504

This is particularly true in attorney malpractice cases, where the Federal Circuit has found hypothetical patentability (that is, whether a patent would have issued but for the attorney's negligence) sufficiently "substantial" to warrant federal control of a quintessential state law tort claim.

In response, several district courts and at least one Federal Circuit panel have pressed a stricter interpretation of "substantial" in the § 1338 context.[4] This more narrow definition more closely parallels Supreme Court precedent in § 1331 cases; however, not all aspects of § 1331 substantiality transfer well into the patent context. As such, if the Federal Circuit is to adopt a substantial question formula that more closely mirrors § 1331, careful scrutiny of the doctrine and its application in the patent context are in order.

This paper explores the meaning of "substantial question" under § 1338 and argues that a direct importation of § 1331 substantiality is not appropriate in the patent context. Part I introduces federal patent question jurisdiction under § 1338 and traces the evolution of § 1338 substantiality. Part II reviews general federal question jurisdiction under § 1331 and how its conception of "substantial" differs from that in § 1338. Part III summarizes recent attempts to harmonize § 1331 substantiality with § 1338 and outlines the difficulties of applying this standard in the patent context. Finally, Part IV proposes a new approach to § 1338 substantiality that is more sensitive to historical doctrinal development and the particularities of patent law.

I. FEDERAL PATENT QUESTION JURISDICTION

A. Jurisdiction under § 1338

28 U.S.C. § 1338 provides that "[t]he 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."[5] Courts have generally understood § 1338 to apply the same definition of "arising under" as § 1331, the federal question

F.3d 1281 (Fed. Cir. 2007) (finding § 1338 jurisdiction over a malpractice claim where the court would have to engage in a hypothetical patent prosecution).

4. *See, e.g.*, *Byrne v. Wood, Herron & Evans, LLP*, 2011 WL 5600640, at *6 (Fed. Cir. 2011); *Roof Technical Servs., Inc. v. Hill*, 679 F. Supp. 2d 749, 754 (N.D. Tex. 2010).

5. 28 U.S.C. 1338(a) (2011).

jurisdiction statute.[6] As such, cases falling under § 1338 must satisfy the well-pleaded complaint rule.[7] However, unlike § 1331, § 1338 awards exclusive jurisdiction, leaving parties no choice but to litigate § 1338 cases in federal court.

28 U.S.C. § 1441(a) governs removal of cases that raise federal patent questions. The statute provides that a defendant "may" remove to federal court "any civil action brought in a [s]tate court of which the district courts of the United States have original jurisdiction."[8] Such cases include those that properly fall within § 1338. If the defendant decides to remove a case involving an embedded federal patent question, he must file a notice of removal and all relevant pleadings in federal court within 30 days after receipt of the complaint.[9] If the defendant fails to do so, the case proceeds through the state court system. However, because § 1338 confers exclusive jurisdiction, such cases risk vacation on appeal. Should an appellate court (up to and including the Supreme Court) find that a case properly falls within § 1338, the state court's judgment would be vacated for lack of subject matter jurisdiction and the question would be tried again in federal court.

Christianson v. Colt Industries Operating Corp. established the basic test the Federal Circuit uses to assess §1338 jurisdiction: a case "arises under" patent law if "a well-pleaded complaint establishes either [(1)] that federal patent law creates the cause of action or [(2)] that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims."[10] The Court further clarified that "necessarily depends" means that "a claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to each of those theories."[11] Thus, a claim that can be supported either under patent law or some other area of law is not sufficient to trigger *Christianson*'s second prong.[12]

B. Historical Development of § 1338 Substantiality

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6. *See, e.g., Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 829 (2002).

7. *See id.*

8. 28 U.S.C. § 1441(a).

9. 28 U.S.C. § 1446(b).

10. *Christianson*, 486 U.S. at 809.

11. *Id.* at 810.

12. *See, e.g., ClearPlay, Inc. v. Max Abecassis & Nissim Corp.*, 602 F. 3d 1364, 1367-68 (Fed. Cir. 2010).

1. Origin of § 1338 Substantiality: *Christianson v. Colt*

"Substantial" has been a feature of federal question jurisdiction since it was first established by the 1875 Judiciary Act.[13] *Christianson* marked the first time this concept was directly applied to patent law.[14] In *Christianson*, Christianson sued Colt under the Clayton and Sherman Acts for conduct that allegedly drove Christianson out of business.[15] Christianson argued that § 1338 jurisdiction was proper because in order to make out his monopolization claim under § 2 of the Sherman Act, he needed to prove that Colt made false assertions that Christianson was violating their trade secrets and that these assertions were false because they were based on invalid patents.[16] The Court, however, rejected this argument under its "necessarily depend" requirement.[17] There were reasons "completely unrelated" to patent law that could determine the success of Christianson's monopolization claim; thus, jurisdiction was not proper.[18]

The *Christianson* test most immediately derives from *Franchise Tax Board v. Construction Laborers Vacation Trust for Southern California*, a 1983 Supreme Court opinion denying federal question jurisdiction over a state law preemption claim.[19] *Christianson* cited *Franchise Tax Board* immediately before establishing its now oft-cited test, quoting the following from *Franchise Tax Board*:

> Under our interpretations, Congress has given the lower federal courts jurisdiction to hear, originally or by removal from a state court, only those cases in which a well-pleaded complaint establishes either that federal law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law.[20]

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13. *See* Act of March 3, 1875, § 5, 18 Stat. at 472 (including the directive that a circuit court dismiss or remand a case if it appeared at any time that "such suit does not really and substantially involve a dispute or controversy properly within [its] jurisdiction.").

14. *See Christianson*, 486 U.S. at 808.

15. *Id.* at 805.

16. *Id.* at 811.

17. *Id.* at 812.

18. *Id.*

19. *See Franchise Tax Bd. v. Constr. Laborers Vacation Trust for S. Cal.*, 463 U.S. 27, 28 (1983).

20. *Id.*

This language is remarkably similar to that in the *Christianson* test.[21] In addition to *Franchise Tax Board*, the *Christianson* Court may have also drawn on the Federal Courts Improvement Act of 1982 (the legislation that created the Federal Circuit), which was cited in one of the lower court opinions.[22] Specifically, the Senate report for the bill stated the requirement that, in order for the Federal Circuit to have appellate jurisdiction over § 1338 cases, a district court must also have jurisdiction.[23] This, the report said, "is a substantial requirement. Immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore there will be no [appellate] jurisdiction over these questions."[24]

But other than these hints, *Christianson* did little to elucidate what meaning "substantial question" should have in the patent context. Since the case could be decided under other legal theories that did not "necessarily depend" on federal patent law, the Court avoided the "substantial question" issue entirely.[25] This sidestepping left the Federal Circuit to work out its own interpretation in the years that followed.

2. Early Federal Circuit Decisions: "Substantial" as "Seemingly Important"

The earliest Federal Circuit decisions applying *Christianson* similarly shied away from deciding cases on a "substantial question" basis. Instead, these cases fell into one of two categories: either the court found jurisdiction because patent law supplied the cause of action (the first prong of *Christianson*),[26] or the court did not find jurisdiction because patent law did not supply the cause of action (the second prong of *Christianson*) and relief did not "necessarily depend" on a question of patent law.[27] The court did,

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21. *Compare Christianson*, 486 U.S. at 809 *with Franchise Tax Bd.*, 463 U.S. at 27.

22. *Christianson*, 822 F.2d at 1551.

23. S. Rep. No. 97-275, at 19 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 29; *see* H.R. Rep. No. 97-312, at 41 (1981).

24. *Id.*

25. *Christianson*, 486 U.S. at 812.

26. *See, e.g.*, *MCV, Inc. v. King-Seely Thermos Co.*, 870 F.2d 1568, 1570 (Fed. Cir. 1989) (§ 1338 jurisdiction where § 256 of federal patent law created the cause of action); *Exxon Chem. Patents, Inc. v. Lubrizol Corp.*, 935 F.2d 1263, 1265 (finding § 1338 jurisdiction based on well-pleaded complaint of patent infringement).

27. *See, e.g.*, *Speedco, Inc. v. Estes*, 853 F.2d 909, 913 (Fed. Cir. 1986) (no § 1338 jurisdiction over threatened contract claim where patent validity could

however, hint at its understanding of substantiality in dicta. In *MCV, Inc. v. King-Seely Thermos Co.*, the court stated that, even though it was not a question reached in the case, "definition of the invention" was a substantial question because it "implicates at least several provisions of the Patent Act."[28] Put simply, because the question touched so many parts of the patent law, the court considered it substantial.

One of the first cases to squarely address the substantial question doctrine in the context of embedded patent issues was *Additive Controls & Measurement Systems, Inc. v. Flowdata, Inc.*[29] There, the plaintiff sued a competitor for business disparagement under Texas state law because the competitor had sent letters to the plaintiff's customers and potential customers warning them that the plaintiff's product infringed its patent.[30] Texas law required that plaintiffs, in order to make out a business disparagement claim, prove that the disparaging statements in question were false as a part of their prima facie case.[31] Thus, because the plaintiff needed to prove noninfringement in order to prove that the disparaging statements were false, the court found that plaintiff's "right to relief necessarily depend[ed] upon resolution of a substantial question of patent law.[32]

The *Additive Controls* court did not directly explain why it considered noninfringement a substantial question. (Perhaps this seemed too obvious?) It did, however, distinguish this case from several previous Federal Circuit decisions that did not involve "substantial questions" of patent law.[33] In the prior cases, patent issues flunked the "necessarily depend" requirement of *Christianson*, and thus never reached the subsequent question of substantiality: patent validity arose only as a defense;[34] royalty

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only be raised as defense and thus did not comport with the well-pleaded complaint rule); *AT&T Co. v. Integrated Network*, 972 F.2d 1321, 1324 (Fed. Cir. 1992) (no § 1338 jurisdiction where claim did not "necessarily depend" on patent law because plaintiff could rely on either patent or non-patent theories to prove its case: "AT & T may rely on one theory with patent connotations, and on another theory involving no patent question.").

28. *MCV*, 870 F.2d at 1570-71.

29. *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476 (1993).

30. *Id.* at 477.

31. *Id.* at 478.

32. *Id.*

33. *Id.* at 479.

34. *Speedco, Inc. v. Estes*, 853 F.2d 909, 913 (Fed. Cir. 1986).

disputes "raise[d] at most a matter of contract law;"[35] the scope of a licensing agreement was in dispute;[36] and a breach of contract claim could be decided without considering contract validity.[37] Taken together, these early cases reveal a Federal Circuit that was unconcerned with a formal definition of substantiality. As long as an issue appeared important to the court, it was considered a substantial question of patent law without further explication.

3. *Hunter Douglas*: An Attempt at Policy-Based Substantiality

The Federal Circuit's next effort to take up the subject of substantiality came five years later in *Hunter Douglas, Inc. v. Harmonic Design, Inc.*[38] This case involved a state law claim for injurious falsehood, which required proof of false statement as one of its elements.[39] Defendants had notified several of the plaintiff's customers that they held an exclusive license to make and sell a particular type of window shade; the plaintiff argued that this was false, though, because the underlying patent was invalid and unenforceable.[40] The court upheld jurisdiction under the second prong of *Christianson*, finding that it raised questions of federal patent law (namely, validity and enforceability) that were both necessary and substantial.[41]

The *Hunter Douglas* court drew on § 1331 jurisprudence to support its finding of substantiality. It began by citing the then-leading Supreme Court definition of § 1331 substantiality, *Merrell Dow Pharmaceuticals, Inc. v. Thompson*,[42] which it read as requiring "an evaluation of the *nature* of the federal interest at stake"[43] and which the Court said *Christianson* had "subsumed."[44]

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35. *Consol. World Housewares, Inc. v. Finkle*, 831 F.2d 261, 265 (Fed. Cir. 1987).

36. *Ballard Med. Prods. v. Wright*, 823 F.2d 527, 530 (Fed. Cir. 1987).

37. *In re Oximetrix, Inc.*, 748 F.2d 637, 641 (Fed. Cir. 1984).

38. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318 (Fed. Cir. 1998). *Hunter Douglas* was overruled on other grounds by *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999), but its reasoning on substantiality remains instructive.

39. *Id.* at 1329.

40. *Id.* at 1322.

41. *Id.* at 1329-30.

42. *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804 (1986). In *Merrell Dow*, the Supreme Court held that state law tort claims that required violation of federal regulations as one of their elements did not raise a substantial question of federal law under § 1331. *Id.* at 817.

43. *Hunter Douglas*, 153 F.3d at 1330 (quoting *Merrell Dow*, 478 U.S. at 814 n.12).

To this, the *Hunter Douglas* court offered three different elaborations. First, because *Additive Control* had already found that infringement was a substantial question of patent law, it made sense to conclude that validity and enforceability were also substantial:

> In keeping with our precedent, we treat validity and enforceability the same as infringement. We see no reason why our jurisdictional jurisprudence should distinguish the first two from the latter. Each of these issues is substantial in the federal scheme, for they are essential to the federally created property right: one determines whether there is a property right, another whether that right is enforceable, and the third what is the scope of that right.[45]

Second, considering validity and enforceability to raise substantial questions would promote the policy behind the establishment of the Federal Circuit, namely the effectuation of a "clear, stable, uniform basis for evaluating matters of patent validity/invalidity and infringement/noninfringement," which, in turn, will "render[ ] more predictable the outcome of contemplated litigation, facilitate[ ] effective business planning, and add [ ] confidence to investment in innovative new products and technology."[46] Third, the *Hunter Douglas* state law claim mirrored that in *Additive Control*, a similarity that lent support for rendering identical jurisdictional decisions.[47]

C. Current Understanding of § 1338 Substantiality

Since *Hunter Douglas*, however, the Federal Circuit has almost entirely declined to engage policy in deciding whether a patent law question is substantial. Instead, it has adopted a subject-specific approach, deciding cases simply on the identity of the underlying patent issue and operating on the assumption that "*Christianson* sets a lenient standard for jurisdiction under 28 U.S.C. § 1338(a)."[48]

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44. *Id.*

45. *Id.*

46. *Id.* at 1331 (quoting *Aerojet-Gen. Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.,* 895 F.2d 736, 744 (Fed. Cir. 1990) (en banc) (quoting H.R. Rep. No. 97–312 at 20, 23 (1981), and S. Rep. No. 97–275, at 3–6 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 13–16.)).

47. Id.

48. *See, e.g.*, *U.S. Valves, Inc. v. Dray*, 212 F.3d 1368 (Fed. Cir. 2000).

1. Infringement

Following *Additive Controls*, the Federal Circuit has generally considered infringement to be a substantial question of patent law. This issue arises often in state contract disputes arising from licensing agreements. In *U.S. Valves, Inc. v. Dray*, for example, the court found that it had jurisdiction over a licensing dispute where the defendant had granted the plaintiff an exclusive license for a patent but later started marketing products allegedly covered by the patent.[49] The court found a substantial issue of federal patent law because, in order to determine whether the defendant had violated plaintiff's licensing rights, "a court must interpret the patents and then determine whether [defendant's invention] infringes these patents."[50] The court also concluded that a substantial question of patent law existed in *Arlaine & Gina Rockey, Inc. v. Cordis Corp.*, since the defendant had sold a device that the plaintiff claimed was covered by a preexisting licensing agreement.[51] Here, too, the plaintiff had to "show that the use of Cordis' products was infringing the patent" in order "[t]o prevail in its contract action for royalties."[52] Likewise, in *Scherbatskoy v. Halliburton Co.*, for example, the court upheld jurisdiction over a contract dispute, where the question of whether an additional fees provision had been triggered turned on whether the defendant's subsidiary provided services that were covered by a patent.[53]

The Federal Circuit has also continued to find infringement substantial in state tort actions. In *Tiger Team Technologies, Inc. v. Synesi Group, Inc.*, for example, the plaintiff sued under the Minnesota Deceptive Trade Practice Act (MDTPA) where the defendant had made statements that the plaintiff's product infringed its patents.[54] The case seemed to be a repeat of *Additive Controls*: because the MDTPA required proof of false statement, the plaintiffs would have to establish noninfringement to make out

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49. *U.S. Valves,* 212 F.3d at 1369.

50. *Id.* at 1372.

51. *Arlaine & Gina Rockey, Inc. v. Cordis Corp.*, 175 F. App'x 329, 330 (Fed. Cir. 2006).

52. *Id.* at 331.

53. *Scherbatskoy v. Haliburton Co.*, 178 F.3d 1312, at *1 (Fed. Cir. 1999) (unpublished disposition).

54. *Tiger Team Techs., Inc. v. Synesi Group, Inc.*, No. 2009-2508, 2009 WL 3614522, at *1 (Fed. Cir. Nov. 2 2009).

their claim.[55] Thus, the court found, their case "depends upon resolution of a substantial question of patent law."[56]

2. Validity

The Federal Circuit continues to follow *Hunter Douglas* in holding that validity is a substantial question of patent law. In *Sign-A-Way, Inc. v. Mechtronics Corp.*, for example, the plaintiff sued under the Lanham Act, alleging that the defendant had engaged in false and misleading advertising because it publicized its system as patented" despite knowing the patent had been fraudulently obtained.[57] The court held that this raised a substantial question under *Hunter Douglas* because "[t]he issue of the validity . . . la[id] at the core of Sign-A-Way's Lanham Act claim."[58]

3. Inventorship

The Federal Circuit considers inventorship a substantial question of patent law. In *HIF Bio, Inc. v. Yung Shin Pharmaceuticals Industrial Co.*, for example, the court granted jurisdiction over a state law slander claim where the defendants claimed that they were the true inventors of plaintiff's product.[59] Because the slander claim required proof that the statements in question were false, deciding the case required a determination of the true inventor's identity.[60] As a result, jurisdiction was warranted because inventorship "is indisputably a question of federal patent law."[61] Similarly, in *Sunbeam Products, Inc. v. Wing Shing Products (BVI) Ltd.*, the court found substantiality where a pre-trial order made it clear that "whether Mr. Coffee employees were joint inventors of the '585 patent is an issue to be tried by the court."[62]

4. Compliance with Patent Regulations

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55. *Id.*

56. *Id.*

57. *Sign-A-Way, Inc. v. Mechtronics Corp.*, 232 F.3d 911, at *1-*2 (Fed. Cir. 2000).

58. *Id.* at *2.

59. HIF Bio, Inc. v. Yung Shin Pharm. Indus. Co., 600 F.3d 1347, 1355 (Fed. Cir. 2010).

60. *Id.*

61. *Id.*

62. *Sunbeam Prods., Inc. v. Wing Shing Prods. (BVI) Ltd.*, 153 F. App'x 703, 706-07 (Fed. Cir. 2005).

The Federal Circuit has also held that compliance with the Manual of Patent Examining Procedure ("MPEP") standards is a substantial question of patent law. In *Carter v. ALK Holdings, Inc.*, a patent attorney was sued for malpractice because he simultaneously represented clients who had competing interests.[63] The MPEP required patent practitioners to turn away prospective clients when that employment would create conflicts of interest, and the court found that this requirement imposed a fiduciary duty on the attorney.[64] As such, the court concluded that "the determination of John Doe I's compliance with the MPEP . . . [was] a necessary element of Carter's malpractice cause of action," and the case "involve[d] a substantial question of federal patent law and [was] not frivolous."[65]

The Federal Circuit has reached a similar conclusion in the context of Patent Cooperation Treaty ("PCT") regulations. In *Helfgott & Karas, P.C. v. Dickenson*, the court found that it had jurisdiction over an Administrative Procedure Act ("APA") claim where the plaintiff claimed that the Commissioner of the Patent and Trademark Office ("PTO") acted arbitrarily and capriciously in the performance of his duties under 35 U.S.C. § 364.[66] Specifically, the statute required the Commissioner to act in accordance to PCT rules and regulations, and the plaintiff alleged that the Commissioner failed to do this when he denied plaintiff's petition to correct its PCT application.[67] Because "whether the Commissioner has violated the APA in applying the PCT rules and regulations, as well as its own regulations, raises a substantial question under the patent laws sufficient to vest jurisdiction," the court heard the case.[68]

5. Ownership

In contrast to the relatively broad range of topics that impose substantial questions of patent law under Federal Circuit jurisprudence, the court has consistently held that ownership of a patent is not a substantial question and, therefore, does not confer exclusive jurisdiction on the federal courts. Instead, the court deems this a pure question of property law that falls exclusively

63. *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1321-22 (Fed. Cir. 2010).

64. *Id.* at 1324.

65. *Id.* at 1325.

66. *Helfgott & Karas, P.C. v. Dickenson*, 209 F.3d 1328, 1333 (Fed. Cir. 2000).

67. *Id.* at 1334.

68. *Id.*

under state jurisdiction.[69] For example, in *Barricade International, Inc. v. Stockhausen, Inc.*, the plaintiff sought a declaration that it owned a patent through the doctrine of constructive trust.[70] The court held that it did not have jurisdiction because "[s]uch a claim does not arise under federal patent law."[71]

Likewise, the Federal Circuit has declined to exercise jurisdiction over infringement cases that are premised on a declaration of ownership. For example, in *Jim Arnold Corp. v. Hydrotech Systems, Inc.*, the plaintiffs sought rescission of a patent assignment and contended that because the assignment was void, the defendants were liable for infringement.[72] The Federal Circuit responded that "the complaint can only be read to say that in order for the federal district court to reach the patent infringement claim, it first must resolve the ownership interests." [73] Since state contract law guided the first phase of adjudication, the court found state court jurisdiction to be proper .[74] The court reaffirmed this jurisdictional treatment of ownership in a more recent decision, *Nolen v. Lufkin*.[75] There, too, infringement claims were conditioned on the rescission of an assignment agreement; because of this, the court found that it did not have jurisdiction.[76]

D. § 1338 Substantiality in Hypothetical Patent Cases

The Federal Circuit has so firmly embraced a subject-specific approach to "substantial question" that it has proceeded to find substantial questions in cases where qualifying issues are only presented in hypothetical situations. These decisions demonstrate how far-reaching § 1338 jurisdiction becomes under a subject-specific approach and provide the most dramatic examples of how § 1338 and § 1331 substantiality have diverged.

1. Hypothetical Infringement Suits

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69. *See, e.g.*, *MyMail, Ltd. v. Am. Online, Inc.*, 476 F.3d 1372, 1376 (Fed. Cir. 2007) (finding "the only question is one of ownership. . . State law, not federal law, addresses such property ownership disputes.").

70. *Barricade Intern., Inc. v. Stockhausen, Inc.*, 49 F. App'x 891, 892 (Fed. Cir. 2002).

71. *Id.*

72. *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1571 (Fed. Cir. 1997).

73. *Id.* at 1574.

74. *See id.*

75. *Nolen v. Lufkin Indus., Inc.*, 466 F. App'x 895, 899-901 (Fed. Cir. 2012).

76. *Id.*

In *Air Measurement Technologies, Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, the Federal Circuit established that a case raises a substantial question of patent law when the court would have to engage in a hypothetical infringement analysis. There, the plaintiff sued his former attorney for mistakes he had made in the prosecution and litigation of his patents.[77] The plaintiff claimed that these mistakes allowed his adversary to raise invalidity and unenforcement defenses, which in turn forced him to settle for a value that was significantly less than he otherwise could have recovered.[78] The court found that this was sufficient to establish § 1338 jurisdiction because, in order to adjudicate the malpractice suit, the "district court will have to adjudicate, hypothetically, the merits of the infringement claim."[79] Thus, the case "present[ed] a substantial question of patent law conferring § 1338 jurisdiction."[80]

The Federal Circuit has consistently applied *Air Measurement* to other hypothetical infringement cases. In *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, for example, the court upheld jurisdiction over a Michigan malpractice suit, where an attorney's conduct had created an inequitable conduct defense in a previous infringement suit.[81] The court held that it had jurisdiction because satisfaction of two elements of a Michigan malpractice claim required a predicate finding of infringement.[82] Thus, the suit "present[ed] a substantial question of patent law" that warranted § 1338 jurisdiction.[83]

2. Hypothetical Patent Prosecution

The Federal Circuit has also established that § 1338 jurisdiction exists when a malpractice suit requires a court to engage in a hypothetical patent prosecution. The doctrine originated in *Immunocept, LLC v. Fulbright & Jaworski LLP*.[84] In this case, the plaintiff sued a former attorney for a claim drafting error, which he asserted provided "inadequate protection" such that others could

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77. *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1266 (Fed. Cir. 2007).

78. *Id.* at 1268.

79. *Id.* at 1269.

80. *Id.*

81. *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1367, 1369 (Fed. Cir. 2011).

82. *Id.* at 1372.

83. *Id.*

84. *Immunocept, LLC v. Fulbright & Jaworski LLP*, 504 F.3d 1281 (Fed. Cir. 2007).

easily copy the disclosed methods but evade infringement liability.[85] Because deciding whether this was actually the case required the court to determine the scope of the claim and because the court "surely consider[ed] claim scope to be a substantial question of patent law," the court found that it had jurisdiction.[86]

The Federal Circuit has since extended this idea to other prosecution errors. In *Davis v. Brouse McDowell, L.P.A.*, for example, the court upheld jurisdiction over an Ohio malpractice suit that was based on an attorney's failure to file timely PCT applications.[87] The plaintiff complained that this negligence cost her the opportunity to secure patents that she otherwise could have gotten.[88] The Court accordingly held it had jurisdiction because, in order to prove damages, the plaintiff would need to prove that the patents actually would have issued.[89] Thus, the plaintiff's theory "place[d] the merits of the underlying [patent prosecution] directly at issue" and patent law was a "necessary element" of the malpractice claim.[90] Similarly, in *USPPS, Ltd. v. Avery Dennison Corp.*, the Federal Circuit upheld jurisdiction over a Texas malpractice suit where a plaintiff blamed his inability to get a patent on a legal department's "lack of action and management."[91] The court concluded that *Davis* squarely applied, and, because the plaintiff had to demonstrate that his invention was patentable in order to recover damages, jurisdiction was appropriate.[92]

Thus, for the decade and a half that has followed *Hunter Douglas*, the Federal Circuit has adhered to its idea that § 1338 jurisdiction is a "lenient" standard: as long as an issue falls within the realm of patent law, it qualifies as substantial.[93] This subject-specific approach has become so dominant that it not only

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85. *Id.* at 1284-85.

86. *Id.* at 1285.

87. *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1359 (Fed. Cir. 2010).

88. *Id.* at 1361.

89. *Id.* at 1360.

90. *Id.*

91. *USPPS, Ltd. v. Avery Dennison Corp.*, 676 F.3d 1341, 1344 (Fed. Cir. 2012).

92. *Id.* at 1346.

93. *See, e.g.*, *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476, 478 (Fed. Cir. 1993) (infringement is a substantial question); *Sign-A-Way, Inc. v. Mechtronics Corp.*, 232 F.3d 911, at *2 (Fed. Cir. 2000) (validity is a substantial question); *HIF Bio, Inc. v. Yung Shin Pharm. Indus. Co.*, 600 F.3d 1347, 1355 (Fed. Cir. 2010) (inventorship is a substantial question); *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1325 (Fed. Cir. 2010) (compliance with MPEP is a substantial question).

precludes a balancing of policy, but also stretches far enough to include issues of patent law that are not only real, but hypothetical.[94]

II. FEDERAL QUESTION JURISDICTION

Until *Christianson v. Colt Industries Operating Corp.*,[95] § 1331 and § 1338 substantiality shared the same history.[96] However, since that point, the concept has markedly diverged: whereas the embedded patent issue's identity directs the substantiality determination in § 1338 cases, § 1331 decisions ask the more detail-intensive question of whether an issue seems "important" to federal law.

A. Jurisdiction Under § 1331

28 U.S.C. § 1331 states that "[t]he district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."[97] A suit "arises under" federal law for the purposes of § 1331 when it is clear from the face of plaintiff's complaint that it raises a federal question.[98] Jurisdiction can lie regardless of whether the complaint uses a

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94. *See, e.g.*, *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262, 1269 (Fed. Cir. 2007) (hypothetical infringement is a substantial question); *Immunocept, LLC v. Fulbright & Jaworski LLP*, 504 F.3d 1281, 1283 (Fed. Cir. 2007) (hypothetical prosecution is a substantial question).

95. *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988).

96. "Substantial" originates from the 1875 Judiciary Act, the first statute to confer "arising under" jurisdiction. *See* Act of March 3, 1875, § 5, 18 Stat. at 472 (including the directive that a circuit court dismiss or remand a case if it appeared at any time that "such suit does not really and substantially involve a dispute or controversy properly within [its] jurisdiction."). Early embedded federal question cases limited this concept to the requirement that a case present a genuine federal issue. *See, e.g.*, *Manhattan Life Ins. Co. v. Broughton*, 109 U.S. 121, 123 (1883) (upholding jurisdiction to interpret a life insurance contract, which included the condition that it be voided if the bearer should die "in violation of any law . . . of the United States."); *Hopkins v. Walker*, 244 U.S. 486, 490-91 (1917) (upholding jurisdiction over a suit to remove a cloud of title, where confusion over the title was based on disparate interpretations of federal mining laws). Heightened standards for "substantial" appeared in Supreme Court jurisprudence as early as the 1930s. *See, e.g.*, *Gully v. First Nat. Bank*, 299 U.S. 109, 117 (1936) ("What is needed is something of that common-sense accommodation of judgment to kaleidoscopic situations which characterizes the law in its treatment of problems of causation. One could carry the search for causes backward, almost without end. . . . ").

97. 28 U.S.C. § 1331 (2011).

98. *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149, 153(1908).

federal or state law cause of action, but the analyses differ. If a federal statute provides the cause of action, federal question jurisdiction exists.[99] However, if a state law provides the cause of action used by the plaintiff, federal question jurisdiction may still exist if the state law claim "necessarily raise[s] a stated federal issue, actually disputed and substantial, which a federal forum may entertain without disturbing any congressionally approved balance of federal and state judicial responsibilities."[100] Thus, in embedded federal issue cases, § 1331 analysis generally proceeds as four separate inquiries: (1) Is the federal issue necessarily raised? (2) Is the federal issue actually disputed? (3) Is the federal issue substantial? (4) Would deciding this case in a federal forum upset the balance of federal and state judicial responsibilities?[101]

It is important to note that 28 U.S.C. § 1441(a) also governs removal in federal question cases. Just as with § 1338, removal is automatic and parties must litigate the propriety of removal in federal court. State courts are presumed competent to hear federal questions, unless an explicit statutory directive ousts this jurisdiction.[102] In contrast to § 1331, therefore, any failure to remove under § 1441(a) does not risk later vacation by the Supreme Court.

B. Current Understanding of § 1331 Substantiality

1. Supreme Court Decisions: "Substantial" as "Important to Federal Law Generally"

The Supreme Court's decisions in *Grable & Sons Metal Products, Inc. v. Darue Engineering & Manufacturing* and *Empire Healthchoice Assurance, Inc. v. McVeigh* set the modern standard for § 1331 substantiality. Taken together, these cases suggest that in order to be "substantial," a question must be "important" to federal law as a whole.[103] In both cases, the Supreme Court conducted this inquiry by first identifying the federal interests that were implicated by the federal question and then asking whether those interests were sufficiently important.[104]

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99. *Am. Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 258 (1916).

100. *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005).

101. *See, e.g., id.*

102. *See Tafflin v. Leavitt*, 493 U.S. 455, 465 (1990).

103. *See Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 313 (2005).

104. *See, e.g., id.*

In *Grable*, the Court found that federal question jurisdiction existed in a state action to quiet title where the plaintiff claimed a title was invalid because the IRS had failed to notify him in the exact manner required by 16 U.S.C. § 6335(a).[105] The court recited the substantiality standard as follows:

> It has become a constant refrain . . . that federal jurisdiction demands not only a contested federal issue, but a substantial one, indicating a serious federal interest in claiming the advantages thought to be inherent in a federal forum.[106]

Applying this definition, the Court identified several federal interests that were sufficiently important: interpretation of federal tax statutes, the government's "strong interest" in the "prompt and certain collection" of taxes, and the government's "direct interest" in the availability of a federal forum to vindicate the administration of the tax code.[107] After concluding that the federal issues were substantial, the court also noted that this holding would raise few federalism concerns, as "it will be the rare state title case that raises a contested matter of federal law." Thus, future federal intrusions in this area should be rare.[108]

Grable also expanded federal question jurisdiction by limiting *Merrell Dow*.[109] In *Merrell Dow*, the court had denied § 1331 jurisdiction over a state law claim that required violation of a federal statute as one of its elements.[110] Some lower courts understood this to mean that a federal question was not sufficiently "substantial" to award jurisdiction where a federal statute did not supply a cause of action.[111] *Grable* clarified that *Merrell Dow* only established that, if the underlying federal statute does not provide a cause of action, this is suggestive that a question is not "substantial."[112] However, this suggestion may be overcome, as was the case in *Grable*.

After expanding "substantial question" to cases implicating serious federal interests in *Grable*, the Court quickly clarified that

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105. *Id.* at 311.

106. *Id.* at 313.

107. *Id.* at 315.

108. *Id.*

109. *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804 (1986).

110. *Id.* at 817.

111. *See, e.g.*, *Jairath v. Dyer*, 154 F.3d 1280, 1284 (11th Cir. 1998); *Esser v. Roach*, 829 F. Supp. 171, 176 (E.D. Va. 1993).

112. *Grable*, 545 U.S. at 318.

not all interests warrant federal jurisdiction. Its decision in *Empire Healthchoice Assurance, Inc. v. McVeigh* made it clear that federal questions must meet a high bar to be considered "substantial."[113] There, the Court rejected federal question jurisdiction for state reimbursement claims by health insurance providers, where federal law created the providers' right to reimbursement.[114] Even though the Court acknowledged "[t]he United States no doubt 'has an over-whelming interest in attracting able workers to the federal workforce,' and 'in the health and welfare of the federal workers upon whom it relies to carry out its functions,'" it did not consider these interests sufficiently important.[115] Accordingly, *Empire Healthchoice* did not raise a substantial federal question.[116]

Empire Healthchoice also provided another guidepost for substantiality analysis: it distinguished *Grable* on the grounds that it involved a "pure issue of law," whereas the *Empire* claims were "fact-bound and situation specific."[117] Thus, *Grable*'s federal question "could be settled once and for all and thereafter would govern numerous tax sales cases."[118] Such finality is far less likely where, as in *Empire*, the federal question is tied more closely to the facts. Resolution of this kind of question is not as important to federal law as a whole, and thus counsels against federal jurisdiction.[119]

2. "Substantial" in Practice: Patterns in Recent Lower Court Decisions

a. Application of *Grable* and *Empire Healthchoice* Generally

Lower courts have been less than consistent in applying *Grable*'s and *Empire Healthchoice*'s conception of substantiality. Some courts cite deem specific federal interests to be important.[120]

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113. *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 700 (2006).

114. *See id.* at 684-85.

115. *Id.* at 701.

116. *Id.* The *Empire Healthchoice* court indicated that one of the reasons this case was "poles apart from *Grable*" was because "the question qualified as 'substantial,'" in *Grable*, suggesting the court did not think the *Empire Healthchoice* case met the substantiality bar.

117. *See id.* at 699-701.

118. *Id.* at 699.

119. *Id.* at 699-701.

120. *See, e.g.*, *Santana v. Muscogee (Creek) Nation*, 2012 WL 896243, at *2 (N.D. Okla. Mar. 15, 2012) (upholding jurisdiction in state tort claims against an Indian casino because whether the casino had consented to suit was determined

Other courts employ *Empire Healthchoice*'s "pure issue of law" distinction, noting that their decisions would control in a number of cases going forward.[121] Others do both.[122] Many do neither.[123]

Only two circuits have attempted a more structured approach to the substantiality doctrine. The Sixth Circuit has read *Empire Healthchoice* as establishing a four-factor test:

> (1) whether the case includes a federal agency, and particularly, whether that agency's compliance with the federal statute is in dispute; (2) whether the federal question is important (i.e., not trivial); (3) whether a decision on the federal question will resolve the case (i.e., the federal question is not merely incidental to the outcome); and (4) whether a decision as to the federal question will control numerous other cases (i.e., the issue is not anomalous or isolated).[124]

These factors are to be considered in the aggregate "along with any other factors that may be applicable in a given case," and how factors should be weighed will vary from case to case.[125] The Tenth Circuit has adopted a more permissive test:

> A case should be dismissed for want of a substantial federal question only when the federal issue is "(1) wholly insubstantial or obviously frivolous, (2) foreclosed by prior cases which have settled the issue one way or another, or (3) so patently without merit as to require no meaningful consideration."[126]

The Supreme Court has yet to endorse either.

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in part by the Indian Gaming Regulatory Act and because "[p]laintiff's right to relief and where he may seek it implicates important federal interests in tribal economic development, self-sufficiency, and strong tribal governments.").

121. *See, e.g.*, *Bender v. Jordan*, 623 F.3d 1128, 1131 (D.C. Cir. 2010); *Pet Quarters, Inc. v. Depository Trust and Clearing Corp.*, 559 F.3d 772, 779 (8th Cir. 2009).

122. *See, e.g.*, *Nicodemus v. Union Pacific Corp.*, 440 F.3d 1227, 1236 (10th Cir. 2006).

123. *See, e.g.*, *Konspore v. Friends of Animals, Inc.*, 2012 WL 965527, at *15 (D. Conn. Mar. 20, 2012).

124. *Mikulski v. Centerior Energy Corp.*, 501 F.3d 555, 570 (6th Cir. 2007).

125. *Id.*

126. *Nicodemus v. Union Pacific Corp.*, 440 F.3d 1227, 1236 (10th Cir. 2006), citing *Wiley v. Nat'l Collegiate Athletic Ass'n*, 612 F.2d 473, 477 (10th Cir. 1979) (citing *Hagans v. Lavine*, 415 U.S. 528, 539-41 (1974)).

Despite inconsistencies in analytical methodology, it is possible to detect some patterns in modern substantiality jurisprudence. A summary follows.

b. Lower Court Cases Finding a State Law Claim Involves a Substantial Federal Question

Courts applying *Grable* and *Empire Healthchoice* have most consistently found that a question embedded in a state law claim was substantial in two types of cases: (1) the state law claim involved an issue that is traditionally federal in character; and (2) the state law claim involved an issue in an area where there had been significant federal involvement.

(1) Traditionally Federal in Character

Courts have generally found that a state law claim involved a substantial question of federal law where the claim raises a question that has been considered traditionally federal in character. State law claims that raise questions about the federal government's relationship with Native Americans, for example, fall into this category.[127] Courts are also likely to find substantiality in cases involving constitutional questions. For example, in *Konspore v. Friends of Animals, Inc.*, the plaintiff alleged violation of a state statute that prohibited retaliatory action against employees for exercising their First Amendment rights.[128] Finding that "an alleged violation of a person's right to freedom of speech and expression—a constitutional violation—is unquestionably a substantial federal issue," the District Court for the District of Connecticut upheld its jurisdiction over the claim.[129]

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127. *See, e.g.*, *Wapato Heritage LLC v. Evans*, 430 F. App'x 557, 559 (9th Cir. 2011) (upholding jurisdiction in an action to enforce a settlement agreement regarding a Native American estate, stating that "federal law sets conditions for the Settlement Agreement's validity and effectiveness."); *Santana v. Muscogee (Creek) Nation*, 2012 WL 896243, at *2 (N.D. Okla. Mar. 15, 2012) (upholding jurisdiction in state tort claims against an Indian casino because whether the casino had consented to suit was determined in part by the Indian Gaming Regulatory Act and because "Plaintiff's right to relief and where he may seek it implicates important federal interests in tribal economic development, self-sufficiency, and strong tribal governments.").

128. *Konspore v. Friends of Animals, Inc.*, 2012 WL 965527, at *15 (D.Conn. Mar. 20, 2012).

129. *Id.* at *16.

(2) Significant Federal Involvement

Courts also generally find that a state claim involves a substantial federal question when the question concerns an area where there has been significant federal involvement. This arises most often in cases where there has been significant involvement by a federal regulatory agency. For example, in *United States v. City of Loveland*, the Sixth Circuit upheld jurisdiction over a breach of contract claim that was based on a 1985 consent decree that had been negotiated with the EPA.[130] The court applied its four-factor substantiality test (see above), and in doing so, emphasized the number of ways the claim involved the federal government: the consent decree was negotiated with a federal agency, the consent decree was created to compel compliance with federal law, and the court's decision would affect the federal government's ability to enforce the Clean Water Act in other cities.[131] Because interpretation of the consent decree touched the federal government in so many ways, it seemed clear that it raised a substantial question.

Cases that implicate the actions of federal regulatory agencies in administering on-going programs have also been found to raise substantial federal questions in other circuits. In *Bender v. Jordan*, the D.C. Circuit found federal jurisdiction over a breach of a contract claim where the provision in question was intended to implement a federal regulation.[132] In its reasoning, the court, like in *City of Loveland*, emphasized the high degree to which the claim touched aspects of the federal government: "At stake is the interpretation of a *federal* regulation that governs the conduct of a *federal* agency—the Office of Thrift Supervision—and *federally* chartered savings associations."[133] Similarly, in *Pet Quarters, Inc. v. Depository Trust & Clearing Corp.*, the Eighth Circuit found federal jurisdiction over a state anti-competition claim because "it directly implicates actions taken by the [Securities Exchange] Commission in approving the creation of the Stock Borrow Program and the rules governing it."[134]

These types of cases generally require a high-level of involvement by the federal government. On the other hand, cases

130. *United States v. City of Loveland*, 621 F.3d 465, 472 (6th Cir. 2010).

131. *See id.*

132. *Bender v. Jordan*, 623 F.3d 1128, 1131 (D.C. Cir. 2010).

133. *Id.* (emphasis added).

134. *Pet Quarters, Inc. v. Depository Trust & Clearing Corp.*, 559 F.3d 772, 779 (8th Cir. 2009).

that merely reference agency action are generally not federal enough to be considered substantial.[135] Also persuasive in these cases is the fact that the embedded federal question was not "fact-bound and situation specific" like *Empire Healthchoice*, but instead had the potential to impact a number of cases going forward.[136]

c. Lower Court Cases Finding that a State Law Claim Does Not Involve a Substantial Federal Question

Courts have most consistently found a lack of a substantial federal question in two types of cases: (1) cases where application of federal law was so straightforward that no interpretation was required; and (2) cases where the court considered the federal component of a state law claim to be a mere "reference" and not significant enough to warrant jurisdiction. Many cases also exist where the court dismisses a federal issue as not substantial without explanation; these cases seem motivated by a court's general sense that the question was not "federal enough," but they omit articulation of a more exacting governing principle.

(1) No Interpretation Required in Applying Federal Law

Courts tend to find that a case does not involve a substantial question when application of federal law is so straightforward that no interpretation of federal law is required. For example, in Adventure Outdoors, Inc. v. Bloomberg, the Eleventh Circuit rejected federal jurisdiction over state defamation claims even though the plaintiffs, in order to make out their case, were required to prove that they had not violated federal law.[137] Because "[c]lear federal guidance exists on every question of federal law relevant to evaluating the falsity of those statements," the court found that the case constituted nothing more than a

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135. *See, e.g.*, *Kalick v. Nw. Airlines Corp.*, 372 F. App'x 317, 320 (3d Cir. 2010).

136. *See, e.g.*, *Bender*, 623 F.3d at 1130 (noting "this case presents a nearly pure issue of federal law"); *United States v. City of Loveland*, 621 F.3d 465, 472 (concluding that "the decision on the federal question will have a broad impact because, depending on the outcome of this litigation, other entities may seek to circumvent consent agreements entered into between the federal government and cities around the nation to enforce the Clean Water Act"); *Pet Quarters*, 559 F.3d at 779 (finding that "[r]esolution of this dispute would control the outcome in numerous other cases.").

137. *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290, 1298 (11th Cir. 2008).

straightforward application of federal law and did not raise a substantial question.[138] Similarly, in Kalick v. Northwest Airlines Corp., the Third Circuit also found that it did not have jurisdiction where the court only needed to apply a federal regulation in state contract and fraud claims, asserting that "it does not appear from Kalick's complaint that the interpretation of the federal regulation is in dispute, only whether NWA abided by the regulations."[139] A number of district court cases have also found a lack of jurisdiction where the court did not have to interpret federal law in applying it to a state law claim.[140]

(2) Federal Component only a "Glancing Reference"

Courts also find a lack of a substantial question where they consider a state law claim to only make "glancing references" to federal law. For example, in *Nevada v. Bank of America Corp.*, the plaintiff alleged violation of the Nevada Deceptive Trade Practices Act, which included a provision against "[v]iolat[ing] a state or federal statute or regulation relating to the sale or lease of goods or services."[141] The court rejected arguments that this provision was sufficient to invoke federal jurisdiction, declaring that "Nevada's glancing reference to federal law is insufficient to confer federal jurisdiction over Nevada's state law claims."[142] Several district courts have also invoked this sort of mere-reference language. In *Kenny v. Bank of America, N.A.*, the Eastern District of Virginia found that state law claims that attempted to effectuate the Home Affordable Modification Program (a federal program) were mere "reference[s]" to federal guidelines that were "insufficient" to confer jurisdiction.[143] Similarly, in *Bashaw v. Bank of New York Mellon Corp.*, the Eastern District of California found that state fraud and contract claims invoking federal banking

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138. *Id.* at 1301.

139. *Kalick v. Nw. Airlines Corp.*, 372 F. App'x 317, 320 (3rd Cir. 2010).

140. *See, e.g.*, *Mathis v. Gibson*, 2008 WL 2330537, at *3 (D.S.C. June 3, 2008) (federal law extending liability to a second class of defendants did not raise a substantial issue); *Salinas De Valle v. Sierra Cascade Nursery, Inc.*, 2007 WL 214604, at *2 (E.D. Cal. Jan. 25, 2007) (breach of H-2A Employment Agreements using federal standards did not raise a substantial issue); *Corre v. Steltenkamp*, 2006 WL 2385352, at *4 (E.D. Ky. Aug. 16, 2006) (breach of contract claim based on federal minimum wage standards did not raise a substantial issue).

141. *Nevada v. Bank of Am. Corp.*, 672 F.3d 661,675 (9th Cir. 2012).

142. *Id.*

143. *Kenny v. Bank of Am., N.A.*, 2011 WL 6046452, at *2 (E.D. Va. Dec. 5, 2011).

regulations constituted "cursory reference[s]" that were "insufficient to justify . . . jurisdiction."[144]

(3) Not Federal Enough

Many cases finding a lack of substantiality fail to provide clear reasons for this conclusion, but seem animated by a sense that the dispute is not "federal enough" to warrant jurisdiction. For example, in *Alaska v. Eli Lilly & Co.*, the District of Alaska denied jurisdiction over tort claims for losses incurred by the state's Medicaid program for a defective drug.[145] Even though some claims were based on federal regulations and the Medicaid program was primarily supported by federal funds, the court found that this was not enough to warrant jurisdiction, simply stating that "[t]he Court finds no substantial federal question in this matter at this time."[146] Similarly, in *Von Essen v. C.R. Bard, Inc.*, the District of Rhode Island declined to exercise jurisdiction over a state law claim that required material misrepresentation to the FDA as one of its elements.[147] The court agreed that this claim "include[d] a federal issue;" however, because the court did not find that "the fraud-on-the-FDA element . . . is a substantial interest under *Grable*'s first prong," it concluded without elaboration that the issue was not substantial.[148]

It is unclear whether this line of cases actually comports with *Grable*, or even other lower court cases applying *Grable* and *Empire Healthchoice*. For example, it at least seems plausible that *Alaska* could fall within cases like *City of Loveland* and *Bender*, where questions about federal regulations and continuing federal programs are enough to be considered substantial.[149] This disagreement could simply reflect lower courts' confusion over what exactly substantiality means in practice.[150] Nevertheless,

144. *Bashaw v. Bank of New York Mellon Corp.*, 2011 WL 2964202, at *2 (E.D. Cal. July 19, 2011).

145. *Alaska v. Eli Lilly & Co.*, No. 3:06-CV-88 TMB, 2006 WL 2168831 (D. Alaska July 28, 2006).

146. *Id.* at *3.

147. *Von Essen v. C.R. Bard, Inc.*, No. CV 07-1850ML, 2007 WL 3275148 (D.R.I. Nov. 6, 2007).

148. *Id.* at *2.

149. *See United States v. City of Loveland*, 621 F.3d 465, 472 (6th Cir. 2010) (exercising federal jurisdiction over a dispute regarding a consent decree under the Clean Water Act); *Bender v. Jordan*, 623 F.3d 1128, 1131 (D.C. Cir. 2010).

150. For a more thorough discussion of the confusion that *Grable* has created in the lower courts, see Andrew D. Bradt, *Grable on the Ground:*

employing some inherent conception of what seems "federal enough" appears to be a lingering feature of § 1331 jurisprudence.

Although inconsistency exists, these cases evince a general recognition that, to be substantial under § 1331, the embedded federal question must meet some threshold level of importance relative to the other issues in the case. Embedded issues that are traditionally federal in character or concern areas of traditional federal involvement likely mean more discussion of federal issues within the case itself. By contrast, this is not likely to be the case in cases where federal standards do not need to be interpreted or federal considerations are "glancing references."

III. RECONCILING § 1338 SUBSTANTIALITY WITH § 1331

A. Recent Attempts to Reinstate § 1331 Substantiality in § 1338

Several district courts, one Federal Circuit panel and several Federal Circuit dissents have concluded that hypothetical patent cases do not comport with *Grable*'s conception of § 1331 substantiality. *Grable* requires that "substantial questions" implicate "serious federal interests," and decisions about individual patents that do not actually exist have little bearing on federal systems. In response, these courts and panels attempt a reintroduction of *Grable* principles, using federal interests and law/fact distinctions to find a lack of substantiality.

1. District Court Proposals in Hypothetical Patent Cases

In *Roof Technical*, the Northern District of Texas held that it did not have § 1338 jurisdiction over a malpractice suit that involved a hypothetical prosecution inquiry.[151] Specifically, the plaintiff's attorney had submitted a patent application that did not conform to PTO regulations and failed to correct it in a timely manner.[152] In finding that it did not have jurisdiction to decide the case, the court directly applied *Grable* and *Empire Healthchoice* and concluded, "nothing indicates a serious federal interest in adjudicating this action in federal court."[153] In addressing substantiality, the court offered three specific reasons why the case

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Mitigating Unchecked Jurisdictional Discretion, 44 U.C. Davis L. Rev. 1153 (2011).

151. *Roof Technical Servs., Inc. v. Hill*, 679 F. Supp. 2d 749, 754 (N.D. Tex. 2010).

152. *Id.* at 750.

153. *Id.* at 753.

did not present a substantial question of patent law: (1) the case would not require the court to determine the meaning of federal patent law (rather, it would just apply it); (2) the court's decision would be fact-bound rather than resolving a broader question of law; and (3) the federal interest in the uniform application of patent laws is not implicated in this case, where "no patent rights are actually at stake."[154] In support of its overall decision to decline jurisdiction, the court also offered a fourth reason: extending federal jurisdiction to hypothetical patent cases would raise federalism concerns because it would "sweep an entire category of cases, traditionally the domain of state courts, into federal court."[155]

In *Genelink*, the District of New Jersey also declined to exercise jurisdiction over a malpractice suit that involved a hypothetical prosecution component.[156] There, the patent attorney missed critical deadlines, causing the plaintiff's patent application to be deemed abandoned.[157] After a lengthy discussion of *Franchise Tax Board*, *Grable*, and recent Federal Circuit decisions, the *Genelink* court concluded that the claim "does not turn on substantial questions of federal law."[158] It offered several reasons why: (1) resolution of the case required no determination of actual infringement or claim construction, because an actual patent never issued; (2) the malpractice claim did not "raise important issues of federal patent law or require the interpretation of patent law" because the standard of care an attorney owes in not missing deadlines is uniform across all areas of law; (3) in general, no U.S. patent regimes were threatened because no patent was issued; (4) the hypothetical patentability inquiry the court would need to engage in was fact-specific and would thus have "no precedential effect;" and (5) federal law required a strict presumption against removal in all removal statutes.[159]

2. Federal Circuit Panel Proposal in Hypothetical Patent Cases

In *Byrne*, one panel of the Federal Circuit also, in dicta, expressed doubt that hypothetical patent cases raise substantial

154. *Id.* at 753-54.

155. *Id.* at 754.

156. *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 599-600 (D.N.J. 2010).

157. *Id.* at 600.

158. *Id.* at 599.

159. *Id.* at 599-601.

questions of patent law.[160] Citing *Grable*, the panel observed that § 1338 analysis "requires us to determine whether hearing the case in a federal forum would 'disturb[] any congressionally approved balance of federal and state judicial responsibilities.'"[161] The panel gave two reasons why this might be the case. First, determining whether a hypothetical patent claim would be valid would "rest on case-specific inquiries comparing prior art against patent claims that have not and will never issue;" thus, these decision would only involve application, not interpretation, of patent law and have little to no precedential effect.[162] Second, these cases raise serious federalism issues because they "open[] the federal courthouse to an entire class of actions, thereby usurping state authority over this traditionally state law tort issue."[163]

A close read of this passage suggests that the panel may not consider *Grable* relevant to the question of substantiality; rather, the panel seems to use *Grable* as an entirely separate component of § 1338 analysis. Specifically, it assumes the following framework: if a case falls under the second prong of *Christianson*,[164] does it raise a question of patent law that is (1) necessary; (2) substantial; and (3) does not disturb congressionally-approved balance of federal and state judicial responsibilities, if decided in a federal forum? The passage only addresses this third prong, and as such, could be read to suggest that this panel deems *Grable* relevant only to this third inquiry. Nevertheless, the reasons the panel cites are similar, if not identical, to reasons cited by the Northern District of Texas and the District of New Jersey in finding hypothetical patent cases to not raise substantial questions of patent law.[165] They are also similar to reasons cited in § 1331

160. *Byrne v. Wood, Herron & Evans, LLP*, 450 F. App'x 956, 961 (Fed. Cir. 2011).

161. *Id.* at 961, citing *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005).

162. *Id.* at 961.

163. *Id.*

164. The second prong of *Christianson* finds federal question jurisdiction where "the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law." *Christianson*, 486 U.S. at 809.

165. *See Roof Technical Servs., Inc. v. Hill*, 679 F. Supp. 2d 749, 754 (N.D. Tex. 2010) (no substantial federal question for fact-based application of patent law where no patent rights are at stake); *Genelink Biosciences, Inc. v. Colby*, 722 F. Supp. 2d 592, 599 (D.N.J. 2010) (no substantial federal question for fact-specific application of patent law where no patent was actually issued and there is a presumption against removal).

cases for why a federal question is not substantial.[166] Thus, it also seems possible that the panel's discussion could provide evidence of its conception of substantiality, even though it addresses a different prong of the § 1331 analysis.

3. Federal Circuit Dissents in Hypothetical Patent Cases

As a part of the push to decline § 1338 jurisdiction over hypothetical patent cases, the Federal Circuit was recently asked to rehear *Byrne* and another recent Federal Circuit case, *Memorylink Corp. v. Motorola Inc.*, en banc.[167] The court denied both petitions, largely resting on the fact that both cases involved embedded patent issues that past precedent deemed substantial.[168] Judge O'Malley dissented from both decisions, using *Grable* and its progeny to argue that issues involving hypothetical patents are not substantial questions of patent law.

In her *Byrne* dissent, Judge O'Malley argued that the plaintiff's complaint that the attorney was negligent in not procuring stronger patent protection for his invention did not raise substantial questions of patent law. She began by identifying several considerations that guided the substantiality considerations in *Grable* and its progeny:

> (1) if the issue is a "pure question of law," rather than one that is "fact-bound and situation-specific"; (2) the federal government's interest in the issue, including whether it implicates a federal agency's ability to vindicate its rights in a federal forum and whether resolution of the issue would

166. *See, e.g.*, *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699 (2006) (no substantial federal question where claims are "fact-bound and situation specific"); *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290, 1300 (11th Cir. 2008) (no substantial federal question where dispute requires "an evaluation of a factual argument").

167. *See Byrne v. Wood, Herron & Evans, LLP*, 676 F.3d 1024, 1025 (Fed. Cir. 2012) (order denying petition for rehearing en banc); *Memorylink Corp. v. Motorola, Inc.*, 676 F.3d 1051, 1051 (Fed. Cir. 2012) (order denying petition for rehearing en banc).

168. In *Memorylink*, the Federal Circuit believed the case raised an issue of patent inventorship, which "necessarily raise[s] an issue of patent law." *See Memorylink Corp. v. Motorola, Inc.,* 419 F. App'x. 991, 992 (Fed. Cir. 2011) (order denying motion to transfer). In *Byrne*, the court denied the petition because it raised issues such as hypothetical infringement and "[t]he existence of these issues necessarily makes the [patent law] issues 'substantial.'" *See Byrne*, 676 F.3d at 1026.

> be controlling in numerous other cases; and (3) if resolution of the federal issue is dispositive of the case at hand.[169]

In *Byrne*, she argued, all of these considerations counseled against granting § 1338 jurisdiction. First, hypothetical patentability is "fact-bound and situation-specific" because "the only question is whether a different patent could have issued *under the particular circumstances of that case*."[170] Second, state-court adjudication of hypothetical patent cases would not pose a serious threat to the federal interest in the uniform application of patent law because state court decisions on patent matters would be non-precedential, would not restrict the PTO, and "do not implicate any underlying patent rights themselves, and instead require consideration of patent law only to inform the state law standards of causation or damages."[171] Finally, the patent issues in hypothetical patent cases are usually not dispositive, strongly cutting against the idea that these issues are "substantial."[172]

In her *Memorylink* dissent, Judge O'Malley used similar considerations to argue that a negligence action premised on an attorney's improperly adding additional inventors to a patent application did not raise a substantial question of patent law.[173] The Federal Circuit had denied plaintiff's request to transfer the case to the Seventh Circuit because the complaint's request to correct the list of inventors would have required proof of inventorship, which inevitably "raise[d] an issue of patent law."[174] In her dissent, Judge O'Malley first argued that patent issues were insubstantial because no real patent rights were at stake and no binding discussion of the inventorship doctrine could take place in this context.[175] Second, she pointed out that the patent issue was only one factor that would be used in the state's negligence calculus; resolution of this federal issue was not dispositive.[176] Finally, Judge O'Malley concluded this discussion with the

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169. *Byrne*, 676 F.3d at 1034 (O'Malley, J., dissenting). In support of this proposition, Judge O'Malley cited *Empire HealthChoice* and *Grable*, as well as two lower court decisions: *Adventure Outdoors* and *Mikulski*. *Id.* at 1034.

170. *Id.* at 1034.

171. *Id.* at 1035.

172. *Id.* at 1036.

173. *Memorylink Corp. v. Motorola, Inc.*, 676 F.3d 1051, 1051 (Fed. Cir. 2012) (order denying petition for rehearing en banc).

174. *Memorylink Corp. v. Motorola, Inc.*, 419 F. App'x 991, 992 (Fed. Cir. 2011).

175. *Memorylink Corp.*, 676 F.3d at 1053.

176. *Id.*

observation that "by asserting jurisdiction over these types of cases, we are disturbing the appropriate balance between state and federal courts."[177] When rights are only hypothetical, she explained, the federal interest in the uniform application of patent law is slim and insufficient to justify intrusion into state negligence law.[178]

Thus, while the Federal Circuit has not been willing to reconsider its subject-specific conception of substantiality en banc, *Grable* principles continue to be pressed by dissenters at the federal bench and beyond.[179] These opinions urge direct importation of § 1331 substantiality into the § 1338 context, using the fact that hypothetical patent cases are fact-bound, non-precedential and do not threaten the federal interest in uniform application of patent law to real patent rights to conclude that these embedded issues are insubstantial.

B. Difficulties with Directly Importing § 1331 Substantiality into § 1338

Although replacing the Federal Circuit's subject-specific approach to substantiality with § 1331's "important to federal law" view of substantiality would create doctrinal parallels, a direct import is not appropriate in the patent context. Specifically, there are a number of issues that courts should consider before performing a doctrinal transplant.

1. History Does Not Require Direct Import

As a preliminary matter, it is not clear from the history of § 1338 that adoption of modern § 1331 substantiality is required.

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177. *Id.*

178. *Id.*

179. *See, e.g.*, *Byrne v. Wood, Herron & Evans, LLP*, 676 F.3d 1024, 1025 (Fed. Cir. 2012) (order denying petition for rehearing en banc); *Memorylink Corp. v. Motorola, Inc.*, 676 F.3d 1051, 1051 (Fed. Cir. 2012) (order denying petition for rehearing en banc); Ryan Davis, *High Court Has 2nd Chance To Hear Patent Malpractice Issue*, Law 360, June 5, 2012, available at http://www.lanepowell.com/wp-content/uploads/2012/06/High-Court-Has-2nd-Chance-To-Hear-Patent-Malpractice-Issue.pdf. This question has also been presented to the Supreme Court in two recent petitions for certiorari. *See* Petition for a Writ of Certiorari at 5, *Memorylink Corp. v. Motorola, Inc.*, 676 F.3d 1051 (Fed. Cir. 2012) (No. 11-1356), 2012 WL 1652602 at *4, *cert. denied*, 132 S. Ct. 2734 (2012), *rehearing denied*, 2012 WL 3263535 (Aug. 13, 2012); Petition for a Writ of Certiorari at 5, *Gunn v. Minton*, 355 S.W.3d 634 (Supr. Ct. Tex. Dec. 16, 2011) (No. 11-1118), 2012 WL 826572, at *5, *cert. granted*, 2012 WL 831493 (Oct. 5, 2012).

Christianson drew its "substantial question" formula from *Franchise Tax Board*, not *Grable*.[180] A close reading of *Franchise Tax Board* reveals that it employs a different conception of substantiality than that of *Grable* and its progeny.

In *Franchise Tax Board*, a California agency sought, among other things, a declaration under California's declaratory judgment statute that its regulatory authority to enforce tax levies against certain individuals was not preempted by ERISA.[181] Although the court acknowledged that this claim necessarily raised a federal issue and satisfied the well-pleaded complaint rule,[182] it declined to grant jurisdiction.[183] Quoting an earlier Supreme Court decision that called for "a selective process which picks the substantial causes out," the Court argued that there were "good reasons" for denying jurisdiction in declaratory judgment actions that sought substantiation of state regulations.[184] The court focused specifically on the fact that states were not prejudiced by such a denial at the federal level, since it had a "variety of means" of enforcing these regulations in its own courts.[185] Thus, the Court concluded these suits were "sufficiently removed from the spirit of necessity and careful limitation of district court jurisprudence" and declined to grant jurisdiction.[186]

Therefore, instead of conducting *Grable*'s inquiry of whether a question is "important" to federal law, *Franchise Tax Board* focused on the prudential, asking whether it was wise to decide an issue, as it arose in a particular case, in federal court. These are different tests: one is context-independent, focusing on the issue

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

181. *Franchise Tax Bd. v. Constr. Laborers Vacation Trust for S. Cal.*, 463 U.S. 1, 6-7 (1983)

182. *Id.* at 14.

183. *Id.* at 27.

184. *Id.* at 21. Note that this summary is a simplification. The case first held that *Skelly Oil* applied to state declaratory judgment actions, which held that a federal claim that would only arise as a defense to a state law cause of action cannot be the basis for jurisdiction in a declaratory judgment action. Thus, jurisdiction could only exist in this case if, had the action had been brought in federal court under the federal declaratory judgment statute, jurisdiction would have existed. The "good reasons" portion of the Court's opinion, then, is directed toward the question of whether jurisdiction would exist if a state brought a federal declaratory judgment action seeking a pronouncement that a state regulation was valid, despite a potential conflict with federal law.

185. *Id.* at 21.

186. *Id.*

itself and the general federal interests it implicates; the other is context-dependent, asking whether federal involvement is wise under the particular circumstances of the case. The latter was the test that the *Christianson* court understood itself to be adopting, and just because § 1331 continued to evolve does not mean that *Christianson* intended for § 1338 to do the same. Put simply, to blindly import the evolved conception of § 1331 substantiality into § 1338 is not consistent with historical doctrinal development.

2. Policy Suggests that Substantiality Under § 1331 and § 1338 are Different

Policy considerations counsel that § 1331 substantiality and § 1338 substantiality are two different things. First, the statutes effect two different divisions of labor. § 1331 concerns itself with the divide between state law and federal law. § 1338, on the other hand, governs the divide between patent law and other law, both federal and state. The former implicates a long history federalism concerns, and as such, counsels extreme caution and exacting precision when determining which cases are "substantial" enough to be taken away from the province of state courts. The later, however, does not necessarily invoke such weighty concerns; if anything, state courts and federal courts of general jurisdiction have been happy to relinquish jurisdiction over patent claims. This, of course, does not apply to all embedded patent issues: cases where the patent component of a state claim is small are still likely to raise federalism issues. Nevertheless, where a case would require any appreciable deliberation over patent issues, any overly aggressive conception of substantiality in the § 1338 context is more likely to be perceived as welcome relief rather than offensive intrusion. Thus, the concerns that animated a narrow reading of § 1331 substantiality do not necessarily apply in the context of § 1338.

Second, § 1338 grants exclusive jurisdiction, whereas § 1331 does not. Thus, § 1338 is more restrictive of party autonomy: if a federal issue is deemed substantial enough to trigger § 1331 jurisdiction, a plaintiff still has the option of litigating its case in either federal or state court. If a patent issue is deemed substantial under § 1338, however, a plaintiff has no choice but to go to federal court. As such, a more expansive view of § 1338 could have huge consequences for state court lawyers and plaintiffs. In some areas, the closest federal courthouse is hundreds of miles away. Thus, those who build their practice around malpractice

suits, contract disputes, and other traditionally state law areas may have to turn cases away or spend significantly more money to litigate the same case. Such restriction seems out of sync with refrains like "the plaintiff is the master of his complaint" and the legal system's generally high regard for party autonomy.[187] Expansive views of § 1331 would not trigger this same automatic restriction, which may counsel for a more restrict approach to jurisdiction in patent cases. Regardless, § 1331 and § 1338 carry different implications for the litigants they reach, which cautions against blind importation of substantiality from one context to the other.

3. Pragmatic Concerns: Features of § 1331 Substantiality may be Unworkable in the Patent Context

a. Law/Fact Distinction

Moreover, certain features of modern § 1331 substantiality analysis may prove unworkable in the patent context. One area where this is likely the case is *Empire Healthchoice*'s distinction between inquires that involve a "pure issue of law" and those that are "fact-bound and situation specific."[188] *Roof Technical*, *Genelink*, *Byrne*, and O'Malley's dissents all referenced this distinction in disapproving jurisdiction over hypothetical patent cases. However, it seems difficult to imagine an embedded patent law issue that is not situation-specific. Contract and tort cases that raise questions of infringement, invalidity, inventorship, or compliance with regulations all ask these questions with respect to a particular patent or a particular person.[189] Thus, these cases all flunk this aspect of § 1331 substantiality. It seems unreasonable to conclude, however, that all of these cases properly belong in a state court or a federal court of general jurisdiction. Suits to recover licensing fees, for example, will almost exclusively revolve around

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187. *See Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915) (stating "the plaintiff is absolute master of what jurisdiction he will appeal to").

188. *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699-701 (2006).

189. *See, e.g.*, *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 986 F.2d 476 (1993) (infringement is a substantial question); *Sign-A-Way, Inc. v. Mechtronics Corp.*, 232 F.3d 911, at *2 (Fed. Cir. 2000) (validity is a substantial question); *HIF Bio, Inc. v. Yung Shin Pharm. Indus. Co.*, 600 F.3d 1347, 1355 (Fed. Cir. 2010) (inventorship is a substantial question); *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1322 (Fed. Cir. 2010) (compliance with MPEP is a substantial question).

issues of patent scope and patent validity; just because the case involves a situation-specific inquiry should not be enough to defeat § 1338 jurisdiction. As such, § 1331's distinction between law and fact proves more unworkable in the patent context.

b. Application vs. Interpretation

Similar considerations also render § 1331's delineation between application of federal law and interpretation of federal law largely useless in the patent context. § 1331 cases declining to find substantiality where a case involves application and not interpretation of federal law involve relatively specific statutes or regulations. For example, in Adventure Outdoors, the federal statute prohibited buyers and sellers from participating in straw purchases of firearms.[190] Similarly, in Kalick, the federal regulation required airlines to provide passengers bumped off flights with "a written statement explaining the terms, conditions, and limitations of denied boarding compensation, and describing the carriers' boarding priority rules and criteria."[191] Patent law, by contrast, often involves generally phrased standards that are difficult to apply. What, for example, is meant by "laws of nature?" "Level of ordinary skill in the art?" "Scope and content of the prior art?" All of these standards require careful examination of relevant case law and the specific context of the disputed technology. Indeed, it is hard to imagine an embedded patent question that would not require some level of interpretation. Even hypothetical patent cases invoke these standards to some degree; thus, § 1331's distinction between applying federal law and interpreting federal law provides little guidance in the patent context.

c. Involvement of a Federal Agency

Some § 1331 cases emphasize the presence of a federal agency as an indicator of substantiality.[192] For example, the first prong of the Sixth Circuit's substantiality test asks "whether the case includes a federal agency, and particularly, whether that agency's compliance with the federal statute is in dispute."[193] While the

190. *Adventure Outdoors, Inc. v. Bloomberg*, 552 F.3d 1290, 1300 (11th Cir. 2008).

191. *Kalick v. Nw. Airlines Corp.*, 372 F. App'x 317, 320 (3rd Cir. 2010).

192. *See, e.g., United States v. City of Loveland*, 621 F.3d 465 (6th Cir. 2010); *Pet Quarters, Inc. v. Depository Trust & Clearing Corp.*, 559 F.3d 772 (8th Cir. 2009).

193. *Mikulski v. Centerior Energy Corp.*, 501 F.3d 555, 570 (6th Cir. 2007).

involvement of a federal agency is not dispositive in § 1331 substantiality, it does not serve as a workable basis for distinction in the patent context. All patent issues implicate PTO action, and cases like *Carter* and *Helfgott* directly bear on the on-going administration of PTO rules and programs. As such, the presence of an administrative agency factor in § 1331 cases ceases to be useful in the § 1338 context.

IV. A PROPOSAL FOR § 1338 SUBSTANTIALITY

While direct importation of § 1331 substantiality is inappropriate in the § 1338 context, a more restrictive approach to § 1338 jurisdiction promises less federal intrusion in traditional state law areas. It may also assuage concerns about the Federal Circuit's limited signaling ability,[194] as disagreement between state courts on embedded patent issues could function like circuit splits. The following section offers such a proposal.

A. Proposal for § 1338 Substantiality Generally

1. Begin with *Franchise Tax Board*'s Prudential and Context-Specific Inquiry

§ 1338 substantiality should start where *Christianson*'s conception of substantiality started: *Franchise Tax Board*. As such, the guiding inquiry should be prudential and context-specific, asking: in this case, is it wise from a policy perspective to decide this case, given its embedded patent issue, in federal court?[195] In cases where a substantial portion of the dispute will involve patent issues or the embedded patent issues are particularly complicated, courts are likely to answer this question in the affirmative. In cases where patent issues seem tangential or state regulation of an area of law is more critical, courts are likely to answer this question in the negative. Most hypothetical patent cases likely fall within this second category.

Not only is such an inquiry more true to the history of § 1338's substantiality doctrine, it also deters courts from falling back into a subject-specific approach to substantiality. A pure application of *Grable* would ask the context-independent question of whether a particular embedded patent issue was important to patent law as a

194. *See, e.g.*, John F. Duffy, *Comment: Experiments After the Federal Circuit*, 54 Case W. Res. L. Rev. 803, 808 (2004).

195. *See Franchise Tax Bd. v. Constr. Laborers Vacation Trust for S. Cal.*, 463 U.S. 1 (1983).

whole, "indicating a serious federal [patent law] interest in claiming the advantages thought to be inherent in a federal forum."[196] When answering this question in a vacuum, it is easier to answer this question in the affirmative. Infringement, validity, and inventorship all seem to be important patent questions and the advantages of uniform administration that one would presumably reap in a federal forum seem obvious.[197] The *Empire Healthchoice* law/fact distinction does not help rein in this tendency, since, as discussed above, the distinction is less meaningful in the patent context. Thus, *Grable* does not provide as helpful a basis for § 1338 substantiality as *Franchise Tax Board*.

2. Borrow Elements of § 1331 Substantiality and Draw on Policy Considerations to Define "Wise"

How, then, should courts determine when it is prudentially sound to decide a particular embedded patent case in federal court? To answer this question, § 1338 should borrow workable elements of § 1331 substantiality – serious federal interest and significant federal involvement – and draw on policy considerations for party autonomy.

a. Serious Federal Interest

Grable's idea that a substantial question should "indicate[] a serious federal interest in claiming the advantages thought to be inherent in a federal forum"[198] is useful in the patent context. The Federal Circuit has often cited uniform application of patent law as the primary interest relevant to this inquiry.[199] As long as this question is asked from a context-dependent perspective, this is a helpful consideration. For example, cases where the embedded patent issue implicates real patent rights (such as contract disputes for royalty fees or tort cases where the defendant asserted that plaintiff was infringing its patent), courts will likely find a serious federal interest exists. By contrast, cases where the embedded patent issue implicates only hypothetical rights (such as *Memorylink*, where the court considered whether improperly

196. *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308 (2005).

197. *See, e.g.*, *Air Measurement Techs., Inc. v. Akin Gump Strauss Hauer & Feld, L.L.P.*, 504 F.3d 1262 (Fed. Cir. 2007) (recognizing an important federal interest in the uniform application of patent law).

198. *Grable & Sons Metal Prods.*, 545 U.S. at 313.

199. *See, e.g., Air Measurement Techs.*, 504 F.3d 1262.

adding inventors to a patent application constituted negligence),[200] courts are less likely to find such an interest. In these cases, no actual patent exists; therefore inconsistent decisions about what the hypothetical patent rights would have been are less harmful. Moreover, these cases are speculative to begin with, so uniformity of right is a fiction in the first place. Thus, as long as uniformity of application of patent laws is assessed with an eye to individual litigants, this serious federal interest can provide a useful guidepost in substantiality analysis.

b. Significant Federal Involvement

§ 1331 cases finding jurisdiction in areas where there is significant federal involvement are also useful in the patent context. Some embedded patent issues will more closely involve the PTO than others. For example, cases like *Helfgott* that directly question actions by the Commissioner of the PTO will directly impact PTO procedures and are likely to impact administration of particular patent laws going forward.[201] By contrast, hypothetical patent cases do not directly involve the PTO at all; in fact, in hypothetical prosecution cases, the court itself plays PTO, asking itself whether it thinks a patent would have issued had the attorney not been negligent. Federal involvement thus provides a workable distinction in the patent context that courts can use moving forward.

c. Party Autonomy Concerns

§ 1338 cases should also recognize that decisions about whether an embedded patent law issue is "substantial" carry special implications in the patent context that are not necessarily invoked in the § 1331 context. A decision that a case falls within § 1338 means that parties must litigate their case in federal court. As such, in cases where the answer to the substantiality question is unclear, courts should err on the side of deciding a question is not substantial. Courts should also recognize that restriction on autonomy will vary from party to party: removal of a state claim that was brought against a large New York law firm in Manhattan Civil Court is much less burdensome than removal of a state claim

200. *Memorylink Corp. v. Motorola Inc.*, 676 F.3d 1051, 1053 (Fed. Cir. 2012).

201. *See Helfgott & Karas, P.C. v. Dickenson*, 209 F.3d 1328 (Fed. Cir. 2000).

that was brought in Aberdeen, South Dakota against a one-man private law practice.

3. Preserve *Grable*'s Final Step such that Substantiality does not End the § 1338 Inquiry

Finally, § 1338 jurisdictional inquiry should not end with whether a case raises a substantial question of patent law; instead, § 1338 cases should follow *Grable* in addressing federalism as a separate component of federal jurisdictional analysis. Under *Grable*, even after courts determine that a question is necessary and substantial under § 1331, they cannot award jurisdiction where it would "disturb[] any congressionally approved balance of federal and state judicial responsibilities."[202] This portion of *Grable* serves as a necessary stopgap against needless intrusions into state judicial competency. Treating it as a separate step in jurisdictional analysis is also valuable, because it keeps courts from conflating "substantial" with implicating federalism concerns. A case may present an important issue of federal law and implicate important federal interests, but it may still be wise for a court to decline jurisdiction because it would allow the federal courts to reach too far into areas of traditional state competency.

Addressing federalism concerns as a final and separate step should be carried over into § 1338 jurisdictional analysis, even though it is not directly stated in *Christianson*. This move is likely uncontroversial, as both *Roof Technical* and *Byrne* do this in arguing against jurisdiction in hypothetical patent cases.[203] Nevertheless, this move has important implications for the meaning of "substantial" under § 1338: a patent law issue may be considered substantial, even though awarding jurisdiction over it would allow an unwarranted intrusion into traditional state judicial competencies. As such, this frees the § 1338 substantiality analysis to decouple considerations of whether deciding an issue is prudentially sound from a federal interest perspective from whether the effect of granting § 1338 jurisdiction would effect an unwarranted intrusion into state judicial competencies.

B. Application to Hypothetical Patent Cases

202. *Grable & Sons Metal Prods.*, 545 U.S.at 314 (2005).

203. *See Byrne v. Wood, Herron & Evans*, 450 F. App'x 956 (Fed. Cir. 2011); *Roof Technical Servs., Inc. v. Hill*, 679 F. Supp. 2d 749 (N.D. Tex. 2010).

Applying this framework, it is clear that hypothetical patent cases would seldom raise substantial questions of patent law under § 1338. Under the context-specific and prudentially-focused approach of *Franchise Tax Board*, it is not wise to decide these cases in federal court. First, the federal interest in hypothetical patent cases is low: these cases involve hypothetical rights only. Thus, incorrect decisions about whether a hypothetical patent would have issued, for example, will not detract from the federal interest in the uniform application of patent law.[204] Second, federal involvement in these cases is not significant: because the patent rights in question are hypothetical, they implicate no direct action of the PTO. Decisions about these hypothetical rights will also have no impact on existing PTO programs. Finally, these decision are likely to restrict party autonomy in significant ways: some of the attorneys in these cases are local private practices – forcing them to litigate a case that involves predominantly state issues in federal court is likely to be incredibly restrictive. Thus, exercising jurisdiction in these cases does not seem sound from a prudential perspective.

However, even if one were to conclude that hypothetical patent cases do not present prudential problems from a *Franchise Tax Board* perspective and thus raise substantial questions of patent law, adoption of *Grable*'s final step would ensure that these cases do not fall under the purview of § 1338. As noted by the Federal Circuit in *Byrne*, these cases would "open[] the federal courthouse to an entire class of actions, thereby usurping state authority of the this traditionally state tort law."[205] As such, even if one could argue that hypothetical patent cases raise substantial issues of patent law, they would not trigger § 1338 jurisdiction under the proposed framework.

CONCLUSION

Hypothetical patent cases illustrate that § 1338's subject-specific approach to substantiality has diverged significantly from the modern understanding of § 1331 substantiality, as established by *Grable* and *Empire Healthchoice*. As dissatisfaction with hypothetical patent cases mounts, the Federal Circuit will likely need to reconsider application of § 1338 in this area, which will have important implications for § 1338 substantiality as a whole.

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204. *See Roof Technical Servs.*, 679 F. Supp. 2dat 753-54.

205. *Byrne*, 450 F. App'x at 961.

Several district courts and one panel of the Federal Circuit have called for a reintroduction of *Grable*'s substantiality into § 1338, but there are several problems with effectuating a direct import. History does not require that § 1338 adopt an identical conception of § 1331 and policy considerations counsel against this. § 1338 restricts party autonomy in a way that § 1331 does not, and several features of § 1331 substantiality, such as law/fact distinctions and application/interpretation delineations, are unworkable in the patent context. Thus, courts should instead adopt a context-specific and prudentially-focused approach to § 1338 substantiality. This approach asks "Is it wise from a policy perspective to decide this case, given its embedded patent issue, in federal court?" "Wise" here is informed by the following considerations: (1) the existence of a serious federal interest, (2) whether there is significant federal involvement, and (3) implications for party autonomy. This approach also anticipates preservation of *Grable*'s final step, the disruption of state/federal judicial responsibilities, as a separate prong in § 1338 analysis. Application of this approach to the hypothetical patent context makes it clear that hypothetical patent cases would not be considered substantial issues of patent law under § 1338.

From the establishment of the Federal Circuit to new developments in using patent clerks on the district court level, the law of the United States has long recognized that patent law cannot be treated as just another area of law. This wisdom should not be forgotten when considering the contours of § 1338 jurisdiction.