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NOTES

THE PRECLUSIVE EFFECT OF STATE COURT ADJUDICATION OF PATENT ISSUES AND THE FEDERAL COURTS' CHOICE OF PRECLUSION LAWS

Dutch D. Chung*

INTRODUCTION

When Congress enacted the Federal Courts Improvement Act of 1982 ("FCIA"),1 it created the Court of Appeals for the Federal Circuit ("CAFC") to instill greater uniformity in the application of the patent laws.2 State preclusion laws represent one of the thorniest examples of how the local rules of each state can impede the CAFC's ability to fulfill its function. Although most state law causes of action, which collaterally implicate patent law issues, are brought to federal court after asserting federal jurisdiction based on diversity or federal question, some plaintiffs may find state court to be a more favorable and convenient forum.3 Because the plaintiff is "the master of the

* Dutch Chung is a technical advisor at the law firm of Fish & Neave. He received a B.S. in chemistry from the University of Chicago in 1992; a Ph.D. in physical chemistry from the Massachusetts Institute of Technology in 1998; and will receive a J.D. from Fordham University School of Law in 2001. The author would like to thank Eric Woglom, Esq., Partner at Fish & Neave, for helping to direct him towards this interesting and unsettled area of law, Professor Tracy Higgins for her thoughtful comments and suggestions, and most importantly, Shawn-Marie Mayrand for her support and encouragement. The views expressed in this Note are entirely those of the author.

3. A random sampling of civil cases brought in five federal district courts and at least one state court in each federal district showed that plaintiffs prevailed more often in state court than in federal court. See David M. Trubek, Austin Sarat, William L. F. Felstiner, Herbert M. Kritzer, and Joel B. Grossman, The Costs of Ordinary
claim,” these plaintiffs may “avoid federal jurisdiction by exclusive reliance on state law” to establish a cause of action.\textsuperscript{4} If there is no diversity among parties or if the case is filed in the defendant’s home state, the plaintiff could foreclose the defendant from removing the case to federal district court,\textsuperscript{5} and thereby deprive the defendant of a more defendant-friendly forum.\textsuperscript{6} In view of the potential advantages of litigating in state court, a plaintiff wishing to collaterally attack the validity and enforceability of a patent may find it more convenient to sue in state court on a business tort claim. The plaintiff may allege inequitable conduct in the complaint and at least one non-patent law theory under which it could prevail, even though it may have no evidence to support that theory.\textsuperscript{7}

Once in state court, a plaintiff, conceding that he has insufficient evidence to try the non-patent theory, could then rely solely on the patent issue to establish a state law claim. The case would not arise under the patent laws, and thus, would not be removable to federal court.\textsuperscript{8} Assuming the plaintiff does not submit any evidence to try the non-patent law theory and prevails, the state court would have necessarily decided the patent law issue against the defendant.\textsuperscript{9} Most disturbingly, if the state’s preclusion laws gave preclusive effect to the state court findings on the patent law issue, the plaintiff could arguably assert that the full faith and credit statute requires that the state court’s adverse decision against the defendant’s patent be given nationwide preclusive effect.\textsuperscript{10} The decision would not be reviewable

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\textsuperscript{4} Caterpillar Inc. v. Williams, 482 U.S. 386, 392 (1987).

\textsuperscript{5} See supra note 3 and accompanying text.

\textsuperscript{6} See infra notes 161-72 and accompanying text (discussing the legal basis for this strategy of avoiding federal court jurisdiction through artful pleading).

\textsuperscript{7} See infra notes 131-35 and accompanying text; 28 U.S.C. § 1441(a) (1994).


\textsuperscript{9} See infra note 483 and accompanying text ("For claim and issue preclusion (res judicata) purposes ... the judgment of the rendering State gains
by the CAFC, the very court that Congress created to ensure uniformity in the application of the patent laws.\textsuperscript{11}

The full faith and credit statute, codified under 28 U.S.C. § 1738, mandates that the preclusive effect of state court findings in federal court should be governed by the choice of preclusion laws of the state from which the judgment was rendered.\textsuperscript{12} If § 1738 is applied strictly, it may be quite possible to have essentially the same facts in cases from different states, but the federal courts, including the CAFC, may be compelled to reach contradictory conclusions solely because of each state's preclusion laws.\textsuperscript{13} Whether there is sufficient authority to insulate federal courts from the effect of state court judgments on patent issues has not been decided or fully explored.

To answer this question, Part I of this Note will present an overview of the United States patent system. To help explain the underlying bases of the modern Congressional goals for placing patent law within exclusive federal jurisdiction and creating the CAFC, Part II will explore the history of the jurisdictional exclusivity of the patent laws and the context for the formation of the CAFC. Part II will then examine the circumstances under which a complainant may assert a cause of action based on rights granted by a patent. Lastly, Part II will discuss the relevance of patent law questions to the jurisdiction of state courts. Part III will review the function and goals of the full faith and credit statute. In view of the requirements of the full faith and credit statute, Part IV will examine the potential implications of a state court decision on a patent law issue by reviewing the opinions expressed by the Supreme Court and CAFC. In addition, Part IV will examine the test enunciated by the Supreme Court to determine when the full faith and credit statute should apply. Upon analyzing the deficiencies of the Court's test, a balancing test that more properly weighs the competing interests at stake in resolving this question is suggested. Part V will first argue that giving federal courts freedom to develop and follow federal common law is more desirable than binding them to the laws of each state on patent questions decided by the state courts. Part V will then argue that federal courts have the power to formulate and adopt federalized choice of preclusion laws nationwide force [under the full faith and credit obligation]."

\textsuperscript{11} See infra Part II.B.


\textsuperscript{13} While the essential elements of both claim preclusion and issue preclusion may be quite similar across jurisdictions, differences exist that can lead to contrary outcomes depending on which jurisdiction's preclusion laws are applied. See Howard M. Erichson, \textit{Interjurisdictional Preclusion}, 96 Mich. L. Rev. 945, 963-83 (1998) (discussing divergences in the preclusion laws of different jurisdictions).
when faced with patent questions adjudicated by state courts. This Note concludes that federal courts have sufficient authority to determine their own preclusion laws, and that they must not be hamstrung by the full faith and credit statute if they are to comply with Congress’ goal of making the patent laws more uniform, predictable, and stable.

I. OVERVIEW OF THE PATENT LAWS

A patent is often viewed as a form of a social contract between an inventor and society. In exchange for disclosing the inventor's discovery, society grants the inventor a monopoly for a limited time on the disclosed invention. Specifically, society provides the owner of a patent an exclusive right for a limited time to exclude others from making, using, or selling the patented invention.

Although the Constitution gives Congress the broad power to “secure for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries,” its power to grant patents is constitutionally limited to inventions that “promote the Progress of ... useful Arts.” Pursuant to its early power to grant

14. See infra notes 120-29 and accompanying text; see also Rochelle Cooper Dreyfuss, The Federal Circuit: A Case Study in Specialized Courts, 64 N.Y.U. L. Rev. 1, 63 n.324 (1989) (noting that the CAFC must possess the authority to develop its own procedural rules to address the unique problems it faces as a court with specialized jurisdiction).


17. 35 U.S.C. § 154(a)(1) (1994); 35 U.S.C. 271(a) (1994 & Supp. 1998) (“Whoever without authority makes, uses, offers to sell, or sells any patented invention ... during the term of the patent therefor, infringes the patent.”); 35 U.S.C. § 281 (1994) (“A patentee shall have remedy by civil action for infringement of his patent.”); 35 U.S.C. § 154(a)(2)(1994) (stating that a patent “shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States ...”).

18. U.S. Const. art. I, § 8 cl. 8. The Supreme Court further explained in Graham v. John Deere Co. that:

The Congress in the exercise of the patent power may not overreach the restraints imposed by the stated constitutional purpose. Nor may it enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby. Moreover, Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.

Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must “promote the Progress of ... useful Arts.” This is the standard expressed in the Constitution and it may not be ignored.
patents, Congress enacted the Patent Act of 1790,19 which provided that the patentability of an invention was to be determined by review of a patent application submitted to three high-level government officials.20

The review is performed presently by professional examiners working for the United States Patent and Trademark Office ("PTO").21 Under the current patent statutory provisions, the patent application must contain sufficient description to teach one of ordinary skill in the art how to best make and use a useful, new, and non-obvious invention.22 This part first reviews the statutory requirements to obtain a patent for an invention, and then discusses how the patentee may exploit his patent, once granted. Lastly, this part explains why the statutory requirements for obtaining a patent and the requirement of candor often remain an important consideration in patent litigation, long after the patent is granted.

A. Statutory Requirements for Obtaining a Patent

An applicant seeking to obtain a patent must submit to the PTO a patent application that meets the requirements of the patent statutes.23 In particular, the application must include a written description of the invention (sometimes referred to as the "specification") and claims.24 The claims specifically define the scope of the invention that the applicant seeks to protect with a patent.25 Once an application is submitted to the PTO, an examiner reviews the application and determines whether (1) the invention, as claimed, meets the statutory provisions for patentability, and (2) the written description conforms

standard is basically constitutional,"


[20. Merges, supra note 19, at 10.]

[21. See id. at 35.]


to the statutory written description requirements. If the examiner finds that the application fails to meet the patent statute requirements, the examiner can reject the application and request that the applicant amend the application. Once the examiner finds that the application complies with the patent statutes, the examiner may allow the application to issue as a patent. This process of obtaining a patent is called patent "prosecution.”

Whether a claimed invention meets the statutory requirements of patentability depends upon three conditions. The claimed invention must be: useful, new, and non-obvious. These requirements are embodied respectively in three sections of the United States Code. Section 101 requires that the claimed invention be useful and fall within at least one of the four statutory classes of subject matter—processes, machines, manufactures, and compositions of matter. While some have questioned and opposed allowing man-made creations such as genetically engineered living organisms or financial instruments to come under any of the statutory classes of subject matter, the process of obtaining a patent is called patent "prosecution.”


28. See 37 C.F.R. § 1.311 (1998); Schwartz, supra note 26, at 17.

29. Merges, supra note 19, at 35.

30. Schwartz, supra note 26, at 49.


32. Section 101 states that "[w]hoever invents or discovers any new and useful process, machines, manufacture, or composition of matter, or a new and useful improvement thereof, may obtain a patent... subject to the conditions and requirement of [Title 35].” 35 U.S.C. § 101.

matter, the courts have consistently construed the statutory classes to include virtually “anything under the sun that is made by man.”

Because § 101 has been so broadly construed to encompass virtually everything man-made, it essentially devolves into a utility requirement. This requirement is generally met if the invention solves a problem it was designed to solve.

To be consistent with the constitutional goal of promoting the useful arts, a patentable invention must not only be useful, but also new. Section 102 indicates that a person is not entitled to a patent for an invention if all the elements of the invention are present in a single piece of relevant “prior art.” This requirement that the invention be novel is consistent with the notion that a patent is a contract between society and the inventor; the inventor’s disclosure of something new is part of the necessary consideration for the grant of a patent. Section 102 further enumerates the documents and acts that constitute “prior art.” Prior art may include, for example, printed publications describing the invention before the inventor’s date of invention, or public use of the same invention by another before the inventor’s application filing date.

Unlike § 102, which demands that a single piece of “prior art” contain all the features of the claimed invention to render it unpatentable, § 103 indicates that a patent may be denied for an invention if it is obvious to one of ordinary skill in the art in view of one or more pieces of “prior art.” Thus, even if an invention is new,

37. Diamond, 447 U.S. at 309. The Court noted that “[t]his is not to suggest that § 101 has no limits or that it embraces every discovery.” Id. For example, “[t]he laws of nature, physical phenomena, and abstract ideas” are not patentable because such discoveries are merely manifestations of nature. Id.
38. See Merges, supra note 19, at 189. But see Schwartz, supra note 26, at 51 (noting that inventions that can only be used for immoral or illegal purposes, or that are unsafe or result in only useless products are not considered useful).
41. See Robinson, supra note 15, § 221.
43. Id. § 102(b). See Sections 102(a) through 102(g) for a complete categorized list of references that can constitute “prior art.” Id. §§ 102(a)-102(g) (1994 & Supp. 1998).
44. Shatterproof Glass, 758 F.2d at 619; RCA, 730 F.2d at 1449; Schwartz, supra note 26, at 52.
45. Section 103(a) states in part that:
A patent may not be obtained... if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter
the advance may be so trivial that the invention would have been obvious to one of ordinary skill in the art in view of the pertinent prior art. In such cases, the invention lacks sufficient merit to warrant granting protection to the patent applicant. Determining when an invention sufficiently "promote[s] the progress of . . . useful Arts" to merit a patent, however, sometimes can be elusive.

In *Graham v. John Deere Co.*, the Supreme Court provided a four-step inquiry to aid with this determination. The inquiry comprises (1) determining the scope and content of the relevant prior art, (2) discerning the differences between the claimed invention and the prior art, (3) resolving the level of skill required to be a person of ordinary skill in the pertinent art, and (4) evaluating the obviousness of the claimed invention against the background of the first three steps. The *Graham* Court further indicated that "[s]uch secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the [invention] sought to be patented." While some courts interpreted *Graham* to mean that secondary considerations should be used only in close cases, the CAFC has indicated that, provided a nexus exists between the secondary considerations and the invention, the secondary considerations should be considered before deciding whether an invention is obvious.

In addition to the three basic requirements for patentability of an invention, 35 U.S.C. § 112 sets forth additional requirements for the
written disclosure, which describes and defines the invention for which the patent applicant seeks protection.\(^\text{55}\) The most prominent requirements concern the adequacy of the written description, enablement, best-mode, and claim definiteness.\(^\text{56}\) To be an “adequate written description,” the specification must clearly describe the claimed invention.\(^\text{57}\) In addition, the specification must enable one of ordinary skill in the pertinent art to practice the invention as claimed without undue experimentation.\(^\text{58}\) Furthermore, the specification must disclose the best mode of making or carrying out the claimed invention known to the inventor at the time the application was filed.\(^\text{59}\)

Lastly, the claims, which define the metes and bounds of the patent, must be sufficiently definite to teach those skilled in the pertinent art the scope of the invention to be protected by the patent.\(^\text{60}\) These requirements arise from the quid pro quo precept that to grant an inventor a right to exclude others from use of the invention for a period of time, the invention must be disclosed in such full and clear terms to ensure that others skilled in the art may learn how to make or carry out the invention and perhaps build upon this invention to further advance the state of the art.\(^\text{61}\)

**B. Exploitation of Patent Rights**

A patent, once granted, provides a patent owner with a right to exclude others from making, using, offering for sale, or selling the invention in the United States for twenty years from the date the patent is issued, or the earliest application filing date from which the issued patent claims priority.\(^\text{62}\) The exclusionary property right

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\(^{55}\) 35 U.S.C. § 112 (1994). Section 112 provides in part:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

_Id._

\(^{56}\) See id.

\(^{57}\) Regents of the Univ. of Cal. v. Eli Lilly & Co., 119 F.3d 1559, 1567 (Fed. Cir. 1997), cert. denied, 523 U.S. 1089 (1998); Schwartz, supra note 26, at 70.


\(^{59}\) Chemcast Corp. v. Arco Indus. Corp., 913 F.2d 923, 926-28 (Fed. Cir. 1990); Schwartz, supra note 26, at 72.


granted by a patent provides the owner with the exclusive ability for a limited term to exploit the patented invention for commercial advantage. For example, patent owners have the option to develop their own commercial product based on the patented invention and/or license others to use their patented invention in return for royalties.

If someone makes, uses, imports, offers for sale, or sells a patented invention in the United States without the patent owner's authorization, it is an act of direct infringement that is actionable under the federal patent laws. Alternatively, one can be liable for indirect infringement if he or she knowingly aids or facilitates another in committing an act of direct infringement. Courts apply a two-step test to determine whether someone infringes a patent. First, a court construes the meaning and scope of the claims at issue. Second, the court compares the allegedly infringing activity to the construed claims. In *Markman v. Westview Instruments, Inc.*, the Supreme Court held that the interpretation of the claims at issue is a matter of

Every patent shall... grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States... products made by that process... for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, or 365(c) of this title, from the date on which the earliest such application was filed.

Id.

63. Although the patent laws enable a patent owner to commercially exploit his or her invention, it "does not create an affirmative right to make, use or sell anything." Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1327 (Fed. Cir. 1998) (quoting Leatherman Tool Group Inc. v. Cooper Indus., Inc., 131 F.3d 1011, 1015 (Fed. Cir. 1997)).


65. 35 U.S.C. § 271(a) (1994); 6 Walker on Patents, supra note 64, § 22:3, at 416. Not every unauthorized use or manufacture of an invention constitutes an infringement per se. *Id.* For example, use or construction of an invention solely for experimental purposes, for gratifying philosophical taste or curiosity, or for instruction or amusement are not actionable infringements. *Id.* at 417; Ruth v. Stearns-Roger Mfg. Co., 13 F. Supp. 697, 713 (D. Colo. 1935); Schlicher, supra note 61, § 1.20[8]. See Schwartz, supra note 26, at 87 and Brett G. Alten, *Left to One's Devices: Congress Limits Patents on Medical Procedures*, 8 Fordham Intell. Prop., Media & Ent. L.J. 837 (1998), for other examples of non-infringing but unauthorized use of another's patented invention.


68. *Id.*

69. *Id.*

law that is to be determined by a judge and not by a jury. In response to that decision, trial courts now employ what is often called a "Markman hearing" to determine the meaning of a patent's claims. Because neither the Supreme Court nor the CAFC provided any guidance regarding when during a patent trial the patent claims should be construed, trial courts have struggled to find the most efficient and effective procedure for conducting the Markman hearing. The Markman hearing is significant because the interpretation of a patent's claims may determine which party will prevail at trial. If the plaintiff prevails at trial, he or she has a right to a remedy for patent infringement, which may include an injunction to prevent further violation of the patent owner's rights, money damages, and attorney fees in exceptional cases.

C. Implications of the Candor Requirement on a Patent

Because patent prosecution relies exclusively on the applicant and patent examiner to determine the patentability of the claimed invention, applicants may be sorely tempted to conceal information that may be harmful to their filed patent application. Under 37 C.F.R. § 1.56 ("Rule 56"), the applicant and anyone else responsible for filing and prosecuting the patent application has a "duty of candor and good faith" in dealing with the PTO to disclose any known information that is material to the patentability of the invention. To discourage applicants from engaging in "fraud on the Patent Office" by concealing information, such as potentially damaging pieces of prior art that should be disclosed, federal courts have exercised their power to render an entire patent invalid and unenforceable if such "inequitable conduct" is discovered. An invalid and unenforceable patent is essentially dead and cannot be asserted against patent infringers.

A party alleging that a patent is unenforceable because of inequitable conduct must show by clear and convincing evidence that (1) the individuals involved in the prosecution of a patent application

71. Id. at 391.
74. Gasparo, supra note 72, at 724 n.4, 764-65 n.167-70.
76. Id. § 283.
77. Id. § 284.
78. Id. § 285.
79. 37 C.F.R. § 1.56 (1994).
failed to disclose to the PTO information material to patentability of the invention, and that (2) such individuals intended to mislead the PTO. The failure to disclose material information must arise from a specific intent to mislead, not merely from carelessness in the performance of their duty. Because inequitable conduct is an equitable issue, the matter is committed to the discretion of the trial court and is reviewed by the CAFC under an abuse of discretion standard. To overturn a determination of inequitable conduct, "the appellant must establish that the ruling is based upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law or that the ruling evidences a clear error of judgment on the part of the... court."

Despite the heavy burden required to prove inequitable conduct, the doctrine is routinely asserted as a defense to patent infringement on even the slightest evidence. As observed by one CAFC panel, the doctrine has been asserted so often that it has become "an absolute plague" in almost any major case in which a patent is asserted. In addition to serving as a shield against a patent owner's claims, inequitable conduct may also serve as a sword in the hands of a plaintiff wishing to invalidate a patent. Because the severity of the penalty often outweighs the penalty of falsely asserting inequitable conduct, this doctrine has become an overused and potent weapon in the hands of competitors seeking to quash a patent in court.

Thus, in addition to requiring the applicant to demonstrate that the invention, as described by the patent application, meets all of the

83. Molins, 48 F.3d at 1181.
84. Kingsdown, 863 F.2d at 876.
85. Id. (quoting PPG Indus. v. Celanese Polymer Specialties Co., 840 F.2d 1565, 1572 (Fed. Cir. 1988)).
87. Kingsdown, 863 F.2d at 876 n.15 (quoting Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988)). In Kingsdown, the lower court found that the patentee had obtained its patent by inequitable conduct based on the defendant's argument that the patentee's failure to disclaim or reissue a patent after being charged with inequitable conduct was proof of bad faith in the prosecution of the patent-at-issue. Id. at 874. The CAFC found the defendant's argument "nothing short of ridiculous" and held that "the district court's finding of deceitful intent" for the inequitable conduct charge "was clearly erroneous." Id. at 875-76. The court commented that requiring a disclaimer or reissue to avoid the adverse inference of inequitable conduct would have a chilling effect on the patentee's efforts to enforce its patent rights, and would further encourage the already widespread proliferation of inequitable conduct charges. Id.
88. For an example of a plaintiff using inequitable conduct as a sword to attempt to invalidate a patent, see Dow Chem. Co. v. Exxon Corp., 139 F.3d 1470 (Fed. Cir. 1998).
89. See id.; Von Tersch, supra note 86, at 426-27.
statutory requirements for patentability, the applicant and anyone else responsible for the patent prosecution has a duty of candor to the PTO.\(^9\) Fulfillment of the candor requirement, as well as the other conditions of patentability, can present a minefield of problems. Even after the patent issues, the patent claims, which define the scope of protection extended to the patentee's invention, and the examination process can remain subject to scrutiny by (1) the PTO through reexamination\(^9\) and reissue\(^2\) and (2) the courts through lawsuits.\(^3\) Because the PTO currently limits the extent to which a third party may participate in the reexamination\(^9\) and reissue\(^2\) processes, a party may find the courts a more amenable forum in which to try to defeat a patent. Depending on the nature of the controversy, certain courts may be precluded from exercising jurisdiction over the lawsuit.\(^9\) The boundaries on the ability of courts to adjudicate patent questions in a lawsuit is discussed in the next part.

II. ADJUDICATION OF PATENT RIGHTS IN STATE AND FEDERAL COURTS

When a complainant seeks to bring a lawsuit that directly raises issues pertaining to the patent laws, such as an action for patent infringement, the lawsuit "arises under" the patent laws of the United States.\(^7\) If a lawsuit arises under the patent laws, then state courts are excluded from exercising jurisdiction over the suit.\(^8\) Section 1338(a)

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90. See supra Part I.A.
91. See 35 U.S.C. § 305 (1994) (describing the ex parte reexamination procedure); 35 U.S.C.A. § 314 (West Supp. 2000) (describing the inter partes reexamination procedure); see also Merges, supra note 19, at 1123-26 (describing reexamination). Reexamination is a process by which the patentability of an issued patent is reexamined by the PTO in light of printed publications that raise substantial new questions of patentability. Merges, supra note 19, at 1124. It can be requested by anyone, including the patentee. Id.
93. See generally Chisum on Patents, supra note 27, § 19 (discussing defenses against lawsuits to enforce a patent for alleged infringing activity).
95. See Eastman Kodak Co. v. Mossinghoff, 704 F.2d 1319, 1321 (4th Cir. 1983) (noting that third parties cannot participate in the reissue examination, and that they are limited to merely filing a protest with the Commissioner of Patents against the reissue); Te Pas v. Geldhof, 112 F.2d 800, 804 (C.C.P.A. 1940) (commenting that a right to reissue is an ex parte consideration for the Patent Office to decide).
96. See infra Parts II.C-D.
98. See Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255, 259 (1897); see also Claffin v. Houseman, 93 U.S. 130, 136-37 (1876) (stating that the rights under the laws of the United States may be prosecuted in state courts unless Congress confers exclusive jurisdiction on the subject matter); Note, Exclusive Jurisdiction of the
of Title 28 confers exclusive and original jurisdiction to federal district courts to hear all cases arising under the patent laws.\textsuperscript{99} Section 1295(a)(1), which is the appellate counterpart to \textsection \textsection 1338(a), confers exclusive jurisdiction to the CAFC to hear appeals from all district courts.\textsuperscript{100} To help understand the bases of the modern goals sought by conferring exclusive jurisdiction on federal courts, this part will first explore the history of the jurisdictional boundaries set by Congress for causes of action relating to the patent laws, and second, examine the context for the creation of the CAFC.\textsuperscript{101} Although state courts may not exercise jurisdiction over cases arising under the patent laws, they may, in certain circumstances, address patent questions when they arise under a state law question.\textsuperscript{102} The last section of this part will describe the context in which state courts may exercise jurisdiction over a controversy involving patent questions.

**A. History Behind the Exclusivity of the Patent Laws**

The exclusive federal jurisdiction of the patent laws can be traced back at least to the Patent Act of 1800 ("1800 Act").\textsuperscript{103} Although Congress did not expressly give "exclusive jurisdiction" over the patent laws to federal courts in the 1800 Act, it has been construed by commentators to signal Congress' shift away from the belief that state courts should have concurrent jurisdiction over all patent law issues.\textsuperscript{104} Under the prior Patent Act, passed in 1793, an action for patent infringement could be brought "in the circuit court of the United States, or any other court having competent jurisdiction."\textsuperscript{105} It may be presumed that courts of "competent jurisdiction" included state courts.\textsuperscript{106} In view of the fact that Congress expressly omitted from the

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\textsuperscript{99} See 28 U.S.C. \textsection 1338(a).
\textsuperscript{100} 28 U.S.C. \textsection 1295(a)(1) (1994).
\textsuperscript{101} See infra Part II.B.
\textsuperscript{102} See Pratt, 168 U.S. at 259.
\textsuperscript{103} Act of April 17, 1800, ch. 25, \textsection 3, 2 Stat. 37.
\textsuperscript{105} Act of February 21, 1793, ch. 11, \textsection 5, 1 Stat. 318.
\textsuperscript{106} The presumption derives from the generally accepted view of the consequences flowing from the Madisonian Compromise. Under the Compromise, the Constitutional Convention "left the creation of lower federal courts to [the discretion of] Congress rather than require them in the Constitution." Michael G. Collins, \textit{Article III Cases, State Court Duties, and the Madisonian Compromise}, 1995 Wis. L. Rev. 39, 39 (1995). It has generally been accepted that had Congress chosen not to create the lower federal courts, state courts would necessarily have had the duty to adjudicate federal law causes of action because the Supreme Court alone would not have been able to hear all the federal cases throughout the United States.
1800 Act the phrase "or any other court having competent jurisdiction," commentators have inferred that omission to indicate Congress' intent to vest in federal courts exclusive jurisdiction over infringement cases. Whether the rest of the patent laws were within exclusive federal jurisdiction remained unclear until the Revised Statutes of 1874, which expressly made "all cases arising under the patent ... laws of the United States" the exclusive jurisdiction of federal courts.

The original rationale behind giving federal courts exclusive jurisdiction first over patent infringement actions and then over all cases arising under the patent laws is not clear because the legislative history behind the enactment of the 1800 Act and the Revised Statutes of 1874 is scarce. One commentator has postulated that federal courts were perhaps given exclusive jurisdiction because federal officials perceived it improper to allow "a state court to annul the act of a high federal officer." Because patent invalidity could be raised as a statutory defense to infringement, if a patent were found invalid by a state court, it would necessarily impugn the action of the federal officer who was responsible for granting the patent. The more commonly accepted explanation is that Congress conferred exclusive federal jurisdiction to areas of law such as patent law, because it had determined that those areas of law have "special needs that [could not] be met by concurrent state court jurisdiction." While the specific reason why Congress granted exclusive jurisdiction to patent law is difficult to ascertain because of the lack of legislative history, the need for national uniformity of decisions and a heightened need for expertise to decide technical issues that are often raised in patent cases are among the two most common currently cited reasons.


109. Title XIII, ch. 12, § 711(5), 18 Stat. 134-35 (1874); Exclusive Jurisdiction of Federal Courts, supra note 98, at 510 n.2; cf. Chisum, Allocation of Jurisdiction, supra note 104, at 638 (indicating that "the language of express exclusivity was thought to be declaratory of existing law").
110. Chisum, Allocation of Jurisdiction, supra note 104, at 637 (emphasis omitted).
111. See Act of April 10, 1790, ch. 7, § 6, 1 Stat. 109, 111-12.
113. See Exclusive Jurisdiction of Federal Courts, supra note 98, at 512; Chisum, Allocation of Jurisdiction, supra note 104, at 636. Interestingly, prior to the Revised Statutes of 1874, which explicitly made the patent laws the exclusive jurisdiction of federal courts, some state courts had adopted the view that the patent laws are under
Until the recent creation of the CAFC, uniformity in the application of the patent laws clearly was not achieved because the circuit courts often held widely different views toward the patent laws. The lack of uniformity was exacerbated by the substantial number of other types of cases that the Supreme Court had to confront each year, which prevented it from providing adequate review of patent cases to ensure national uniformity in the application of the patent laws. As discussed more fully below, the impetus behind the CAFC was driven in part by a desire to address this very problem.

B. Establishment of the CAFC

On October 1, 1982, the Federal Courts Improvement Act of 1982 ("FCIA") added a new court of appeals by establishing the CAFC. Prior to the creation of the CAFC, forum shopping in patent cases was rampant because of the very uneven application of the patent laws in different regions of the country. For example, between 1945 and 1957, "a patent was twice as likely to be held valid and infringed in the Fifth Circuit than in the Seventh Circuit, and almost four times more likely to be enforced in the Seventh Circuit than in the Second Circuit." Based on the findings of the Hruska Commission, which Congress commissioned to study the problems arising from the growing caseload facing the Supreme Court, Congress observed that the Court appeared to be working at close to full capacity, and that it lacked the resources to hear enough patent cases to ensure the uniform application of the United States patent laws. In response, Congress established the CAFC to serve as a circuit appellate court to help guide district courts in the application of the patent laws.

the exclusive jurisdiction of federal courts for reasons "which do not suggest any clear thought that the federal courts had any particular expertise, ability to develop uniformity of doctrine, or position to protect the public interest." Cooper, supra note 108, at 317.

114. See Dreyfuss, supra note 14, at 6-7; see also Exclusive Jurisdiction of Federal Courts, supra note 98, at 511.


119. See S. Rep. No. 275, supra note 2, at 3; Recommendations for Change, supra note 118, at 216-17.

120. See S. Rep. No. 275, supra note 2, at 3; Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1573 (Fed. Cir. 1984) (stating that a district court exercising jurisdiction over a case under the patent laws must follow CAFC precedent).
Although the CAFC's jurisdiction is not limited to the patent laws,\(^\text{121}\) Congress clearly intended to make handling patent appeal cases one of the principal functions of that court.\(^\text{122}\) In particular, Congress noted that establishment of this court should "increase doctrinal stability in the field of patent law" and reduce the amount of forum shopping.\(^\text{123}\) Congress reiterated the conclusion reported by the Hruska Commission that forum shopping not only increases the cost of litigation, but also "demeans the entire judicial process and the patent system as well."\(^\text{124}\) The uniform application of the national patent laws helps to reduce the number of appeals and makes that area of law more certain for judges to make more reliable decisions and lawyers to litigate their cases.\(^\text{125}\) Perhaps most importantly, Congress noted that by making the patent laws more uniform, stable, and predictable, it would make business planning easier and foster economic growth and technological innovation.\(^\text{126}\) Indeed, it was perhaps the economic difficulties facing the nation at the time the legislation was being considered that helped fuel its passage.\(^\text{127}\)

During the period prior to the passage of the FCIA, the budget deficit was spiraling out of control, economic growth was stagnant, inflation was hitting double-digits, and unemployment was high.\(^\text{128}\) Both political and business leaders came to embrace the legislation as a means to instill greater certainty in the patent laws and thereby spur economic recovery through technical innovation.\(^\text{129}\) With those objectives in mind, Congress created the CAFC by merging the Court of Customs and Patent Appeals with the appellate division of the Court of Claims.\(^\text{130}\)

\section*{C. Contours of the Patent Jurisdiction of Federal Courts}

Jurisdictional preclusion and federal preemption principles circumscribe the ability of state courts to exercise jurisdiction over cases that are based on state law, but which implicate patent law issues. More specifically, 28 U.S.C. § 1338(a) precludes state courts from obtaining jurisdiction over cases "arising under" the patent

\begin{references}
\item \text{123.} S. Rep. No. 275, \textit{supra} note 2, at 5.
\item \text{124.} \textit{Id.} (quoting Donald R. Gruner, one of the Hruska Commission's patent law consultants).
\item \text{129.} See \textit{id.; Recommendations for Change, supra} note 118, at 217.
\item \text{125.} See \textit{id.}; \textit{Recommendations for Change, supra} note 118, at 217.
\item \text{126.} \textit{See S. Rep. No. 275, supra} note 2, at 6.
\item \text{128.} \textit{Id.}
\item \text{129.} \textit{See id. at 6, 8-9.}
\item \text{130.} \textit{See S. Rep. No. 275, supra} note 2, at 2.
\end{references}
To construe the meaning of "arising under" in § 1338(a), the Supreme Court in *Christianson v. Colt Industries Operating Corp.* recognized that 28 U.S.C. § 1331, which was enacted before § 1338(a), also employs the term "arising under" to delineate the reach of federal jurisdiction. Out of respect for "[linguistic consistency," the Court grafted § 1331 precedent onto § 1338(a) and construed the term to have the same meaning under both sections. Thus, both sections give federal district 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."

Determining whether a "complaint establishes... that federal law creates the cause of action" requires a two-prong test. The first prong is trivial — determine whether state or federal law creates the cause of action. In most cases, "[a] suit arises under the law that creates the cause of action." If the suit appears to arise under state laws, however, the cause of action must be further examined to ensure that federal law does not preempt the state law cause of action.

131. 28 U.S.C. § 1338(a) (1994). Section 1338(a) provides:

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

Id.


133. See id. at 808 n.2.

134. See id. at 807-09.

135. Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 27-28 (1983). In addition, although it is less acknowledged, the Supreme Court proclaimed that a plaintiff may not defeat jurisdiction under either §§ 1338(a) or 1331 "by omitting to plead necessary federal patent-law questions." *Christianson*, 486 U.S. at 809 n.3 (citing *Franchise Tax Bd.*, 463 U.S. at 22); Federated Dept. Stores, Inc. v. Moitie, 452 U.S. 394, 397 n.2 (1981) (noting that even if a plaintiff pleads his claim solely in terms of state law, if it has "sufficient federal character to support removal... [the courts] will not permit plaintiff to use artful pleading to close off defendant's right to a federal forum" (citation omitted)). Artful pleading most often arises in areas where federal law preempts state law. See Salveson v. Western States Bankcard Ass’n, 525 F. Supp. 566, 574 (N.D. Cal. 1981), aff’d in part and rev’d in part, 731 F.2d 1423 (9th Cir. 1984) (“The artful pleading doctrine has its principal application in cases in which Congress has preempted authority over the subject matter...”); see generally Stanley Blumenfeld, Jr., *Artful Pleading and Removal Jurisdiction: Ferreting Out the True Nature of a Claim*, 35 UCLA L. Rev. 315 (1987).


following types of federal preemption can render a state cause of action invalid:

(1) *Explicit pre-emption*, whereby Congress explicitly provided for pre-emption of state law in the federal statute; (2) *Field pre-emption*, wherein "the scheme of federal regulation is so pervasive as to make reasonable the inference that Congress left no room for the States to supplement it;" and (3) *Conflict pre-emption*, "where 'compliance with both federal and state regulations is a physical impossibility,'... or where state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"\(^{139}\)

For example, states are conflict preempted from extending "patent-like protection" to items "which would otherwise remain unprotected as a matter of federal law."\(^{140}\)

Determining whether the asserted cause of action necessarily requires resolution of a substantial question of patent law to provide § 1338(a) jurisdiction is more difficult and poses a greater "litigation-provoking problem."\(^{141}\) A state law cause of action will not lie in state court if § 1338(a) jurisdiction is present. Because of the ambiguity associated with determining when relief "necessarily depends on resolution of a substantial question of federal [patent] law," it can be sometimes difficult to understand when a cause of action arises under

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139. Cover v. Hydramatic Packing Co., Inc., 83 F.3d 1390, 1393 (Fed. Cir. 1996) (citations omitted); see, e.g., Shaw v. Delta Air Lines, Inc. 463 U.S. 85, 95 (1983) (noting that state law may be preempted by federal law expressly or by implication); Pacific Gas & Elec. Co. v. State Energy Res. Conservation & Dev. Comm'n, 461 U.S. 190, 204 (1983) (stating that state law may be preempted by implication if the "scheme of Federal regulation..."so pervasive as to make reasonable the inference that Congress left no room for the states to supplement it...") (citations omitted); Hines v. Davidowitz, 312 U.S. 52, 67 (1941) (stating that when a federal law addresses the same subject matter as a state law, the validity of the state law rests on determining whether it "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress"); see also Nimmer, supra note 138, at 99-103 (exploring the various types of federal preemption of state law claims).

140. Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 156 (1989). In *Bonito Boats*, Florida had enacted a state statute that prohibited the use of molding processes to duplicate unpatented boat hulls. *Id.* at 144-45. The statute effectively conferred a monopoly on boat manufacturers to prevent others from making their unpatented boat hulls. The Supreme Court struck down the statute on the ground that it was conflict preempted because once knowledge of the hull shape was "placed before the public without the protection of a valid patent [it is] subject to appropriation without significant restraint." *Id.* at 156; see also Compeco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 237 (1964) (holding that an injunction, based on state unfair competition law, against the copying of an unpatented article that was freely available to the public is preempted by federal patent law); Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 232-33 (1964) (finding that the unlimited protection extended by state statute against copying of an article, which was held to be protected by an invalid patent, conflicted with the federal policy embodied in the patent laws).

the patent laws. In Hunter Douglas, Inc. v. Harmonic Design, Inc., for instance, the plaintiff had asserted, inter alia, a state law claim for injurious falsehood. Even though the asserted cause of action was created by state law and was deemed not preempted by federal law, the CAFC held surprisingly that the state claim arose under the federal patent laws. Accordingly, the asserted state law cause of action had to be brought in federal district court.

To clarify when a case "arises under" the patent laws, triggering field preemption, the Supreme Court in Christianson enunciated that "[i]f 'on the face of a well-pleaded complaint there are... reasons completely unrelated to the provisions and purposes of [the patent laws] why the [plaintiff] may or may not be entitled to the relief it seeks,' then the claim does not 'arise under' those laws." A complaint will not "necessarily" depend on resolution of a substantial question of federal patent law unless patent law is essential to every theory supporting the plaintiff's claim.

Because the plaintiff in Hunter Douglas relied solely on patent law issues to make out the falsity element of its injurious falsehood claim, the CAFC found that the plaintiff's claim necessarily depended upon the resolution of a patent law question, and thus was sufficient to provide federal jurisdiction under §1338(a). In dicta, the CAFC added that at least the following patent issues were also "substantial" enough for purposes of §1338(a) jurisdiction: infringement; validity; enforceability; inventorship under 35 U.S.C. §§116, 256; attorney fees under 35 U.S.C. §285; revival of an unintentionally abandoned patent application; and the right to file a continuation application.

D. Relevance of State Courts to Adjudication of Patent Issues

While state courts are precluded from exercising jurisdiction over cases arising under the patent laws, they are not completely excluded

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143. 153 F.3d 1318 (Fed. Cir. 1998), cert. denied, 119 S. Ct. 1037 (1999), overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999) (overruling the court's choice of regional circuit law to determine whether a state law cause of action is preempted).
144. Id. at 1328-29.
145. See id. at 1329.
147. See Christianson, 486 U.S. at 810. The Court reiterated this point by stating that "just because an element that is essential to a particular theory might be governed by federal patent law does not mean that the entire... claim 'arises under' patent law." Id. at 811.
148. See Hunter Douglas, 153 F.3d at 1329.
149. See id. at 1329-30.
from addressing patent questions.\footnote{150} It is well settled that state courts may adjudicate patent law issues provided that they collaterally arise under a cause of action over which the state court has subject matter jurisdiction.\footnote{151} As summarized by the Supreme Court:

\begin{quote}
Where a patentee complainant makes his suit one for recovery of royalties under a contract of license or assignment, or for damages for a breach of its covenants, or for a specific performance thereof, or asks the aid of the Court in declaring a forfeiture of the license or in restoring an unclouded title to the patent, he does not give the federal district court jurisdiction of the cause as one arising under the patent laws.\footnote{152}
\end{quote}

A patent owner, for example, may assert, instead of a patent infringement claim, which would be within exclusive federal jurisdiction, a claim under state contract law.\footnote{153} Even if the defendant asserted that the patent were invalid or not infringed, the asserted defenses would not provide a basis for § 1338(a) jurisdiction.\footnote{154}


151. See Hathorn v. Lovorn, 457 U.S. 255, 266 n.18 (1982) ("We frequently permit state courts to decide 'collaterally' issues that would be reserved for the federal courts if the cause of action arose directly under federal law. For example, the state courts may decide a variety of questions involving the federal patent laws."); see also Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255, 259 (1897) (holding that determination of patent issues by a state court, which are implicated in a cognizable state law cause of action, "is not beyond the competency of the state tribunals"); Jacobs Wind Elec. Co. v. Fla. Dep't of Transp., 519 F.2d 726, 728 (Fed. Cir. 1979) (ruling that petitioner's assertion that a Florida state "court cannot pass on the validity of a patent" was wrong); Vanderveer v. Erie Malleable Iron Co., 238 F.2d 510, 512 (3d Cir. 1956) (stating that the state court is "one of competent jurisdiction with power to determine in a case within its jurisdiction questions arising under the patent laws"), cert. denied, 353 U.S. 937 (1957). For a review of various state law claims that may be asserted to exploit rights enabled by ownership of a patent, see Ted D. Lee & Ann Livingston, The Road Less Traveled: State Court Resolution of Patent, Trademark, or Copyright Disputes, 19 St. Mary's L.J. 703 (1988) and Cooper, supra note 108.


153. See Cooper, supra note 108, at 323. Care must be taken in the pleading though, to ensure that the state law claim is not interpreted to arise under the patent laws. See, e.g., Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1329 (Fed. Cir. 1998) (finding that Hunter Douglas' state law tort claim of injurious falsehood involves a substantial question of federal patent law, thereby providing a basis for federal question jurisdiction).

154. See Am. Well Works v. Layne & Bowler Co., 241 U.S. 278, 280 (1916) (stating that "[t]he fact that the justification [for the complained of conduct] may involve the validity and infringement of a patent is no more material to the question under what law the suit is brought than it would be in an action of contract"); 7 Walker on Patents, supra note 150, § 23:5, at 25. Although the CAFC held in Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd. that compulsory counterclaims filed in district court may provide the CAFC with appellate jurisdiction to hear the
Provided the cause of action does not arise under the patent laws, a state court can generally pass upon the meaning, scope, validity, or infringement of a patent implicated in a state cause of action. ¹⁵⁵

Attention should be taken when drafting a complaint. Depending on how the complaint is drafted, a plaintiff may be confined to state court despite the existence of patent law questions that may have to be resolved to decide the asserted cause of action. In Luckett v. Delpark, Inc.,¹⁵⁶ for example, Luckett filed a suit in federal district court contending that the defendants were infringing Luckett’s patents, and requesting relief for the defendants’ failure to pay royalties owed under a license.¹⁵⁷ The defendants filed a motion to dismiss, which the district court granted on the basis that it did not have jurisdiction to hear the case.¹⁵⁸ Certainly in this case, had a state court reached the question of whether the defendants were infringing Luckett’s patents, and decided that their activities did not fall within the scope of the patent claims, Luckett would not have had a right to recover royalties under the patent license. More notably, the state court would have necessarily determined that the defendants’ activities were non-infringing. Although infringement is normally an issue reserved to federal district court,¹⁵⁹ the Supreme Court, nonetheless, affirmed the lower court’s ruling and maintained that Luckett’s suit involved a contract right that did not arise under the patent laws because “[i]ts main and declared purpose is to enforce the rights of the plaintiff under his contracts with defendants for royalties . . . .”¹⁶⁰

Through careful pleading, there also are ways a plaintiff could bring a state law cause of action attacking the validity or enforceability of another person’s patent, which do not arise under the patent laws. As an example of one of the more troubling possibilities, a complainant case, regardless of whether the well-pleaded complaint arises under patent law, it limited its holding to district court cases, and left the principles governing removal actions from state to federal court intact. 895 F.2d 736, 739 (Fed. Cir. 1990).

¹⁵⁵. See Lear Siegler, Inc. v. Adkins, 330 F.2d 595, 600 (9th Cir. 1964); see also Am. Harley Corp. v. Irvin Indus., Inc., 263 N.E.2d 552 (N.Y. 1970) (holding that New York state court had jurisdiction to entertain a suit brought by a licensee for tortious interference with a licensing contract, notwithstanding the defendant’s contention that federal courts had exclusive jurisdiction over the suit because it allegedly was really a patent infringement suit), cert. denied, 401 U.S. 976 (1971); Consolidated Kinetics Corp. v. Marshall, Neil & Pauley, Inc., 521 P.2d 1209 (Wash. Ct. App. 1974) (holding that the state trial court had jurisdiction to consider the patent’s validity in the course of determining whether a breach of contract had occurred); Lee & Livingston, supra note 151 (examining state law causes of action that may be asserted to resolve disputes related to intellectual property).

¹⁵⁶. 270 U.S. 496 (1926).

¹⁵⁷. Id. at 501-02.

¹⁵⁸. Id. at 499.


could assert a state unfair competition claim essentially based on inequitable conduct in state court. The CAFC in Dow Chemical Co. v. Exxon Corp.\textsuperscript{161} opened this possibility when it impliedly ruled that Dow's suit, which alleged that Exxon knowingly engaged in market misconduct by attempting to enforce its patent purportedly obtained by inequitable conduct, did not arise under the patent laws.\textsuperscript{162} Unlike in Hunter Douglas, the CAFC found in Dow that the plaintiff's state unfair competition claim did not turn solely on patent law issues, but rather it depended on elements outside the patent laws.\textsuperscript{163} Thus, under the test set forth in Christianson, Dow's state law cause of action does not "arise under" the patent laws because there may be "reasons completely unrelated to the provisions and purposes of [the patent laws] why the [plaintiff] may or may not be entitled to the relief it seeks."\textsuperscript{164}

The CAFC's unfortunate refusal to acknowledge that Dow's case "necessarily" depends on inequitable conduct flies in the face of common sense. First, Dow admitted, after discovery progressed, that its allegation of Exxon's bad faith turned solely on Exxon's alleged inequitable conduct before the PTO.\textsuperscript{165} Second, the CAFC conceded that "without the alleged inequitable conduct before the PTO there would likely be inadequate proof of bad faith."\textsuperscript{166} Nevertheless, the CAFC chose to cling to the well-pleaded complaint rule while turning a blind eye to the case that would actually be litigated. Through its decision, the court effectively sanctioned a means for plaintiffs to easily side-step § 1338(a) jurisdiction and force state courts to adjudicate cases when the plaintiff's right to relief, in fact, "necessarily depends on resolution of a substantial question of federal patent law."\textsuperscript{167}

Judge Clevenger, in his concurring opinion, argued that the fears expressed in Judge Lourie's dissent are unwarranted.\textsuperscript{168} He failed to appreciate, however, that a plaintiff can side-step federal jurisdiction by merely wording its complaint to encompass both a patent and non-patent law theory upon which the plaintiff could prevail, and then proceed to actually try the patent law issue in state court.\textsuperscript{169} As noted

\textsuperscript{161} 139 F.3d 1470 (Fed. Cir. 1998).
\textsuperscript{162} See id. at 1476-77.
\textsuperscript{163} Id.
\textsuperscript{166} Dow, 139 F.3d at 1478.
\textsuperscript{167} Christianson, 486 U.S. at 809.
\textsuperscript{168} See Dow Chem. Co. v. Exxon Corp., 144 F.3d 1478, 1479 (Fed. Cir. 1998) (Clevenger, J., concurring).
\textsuperscript{169} The CAFC could have closed the loophole by embracing the principle that § 1338(a) jurisdiction should be determined by reference to the case actually litigated (e.g., "well-tried case"). Even the Supreme Court in Christianson conceded that
above, the Supreme Court has already stated that "a claim supported by alternative theories in the complaint may not form the basis of § 1338(a) jurisdiction unless patent law is essential to each of those theories." Thus, contrary to Judge Clevenger's belief, Judge Lourie may be correct in his assessment that the Dow decision may well spawn the "generation of a staple state tort of interference with contract essentially based on conduct in the patent office" that can always be brought into state court, thereby spreading the "plague" of inequitable conduct that has already infected federal courts.

It is generally accepted today that patent law is an area of law of national importance. It was important enough that Congress created the CAFC to help instill greater national uniformity of decisions and to bring to bear the greater skill and expertise of federal court judges to decide technical issues that are often raised in patent cases. While the principle—if a case arises under the patent laws, then state courts are divested of jurisdiction from hearing the case—is easy to grasp in theory, discerning, in practice, when a case "arises under" the patent laws represents "one of the darkest corridors of the law of federal courts." Through a strategically

"Congress' goals [might] be better served if the Federal Circuit's jurisdiction were to be fixed 'by reference to the case actually litigated,' rather than by an ex ante hypothetical assessment of the elements of the complaint that might have been dispositive." Christianson, 486 U.S. at 813. The CAFC could have, for example, suggested allowing for removal of the state law cause of action from state court if, in fact, the state court found that the plaintiff's relief necessarily embraces a substantial question of patent law. The Supreme Court noted in Franchise Tax Bd. that:

It is possible to conceive of a rational jurisdictional system in which ... original and removal jurisdiction [are] not coextensive. Indeed, until the 1887 amendments to the 1875 Act, the well-pleaded complaint rule was not applied in full force to cases removed from state court; the defendant's petition for removal could furnish the necessary guarantee that the case necessarily presented a substantial question of federal law. 463 U.S. at 10-11 n.9 (citations omitted) (emphasis added). The Court warned in Christianson, however, that "merely because a claim makes no reference to federal patent law does not necessarily mean the claim does not 'arise under' under patent law." 486 U.S. at 809 n.3. The Court explained that "'a plaintiff may not defeat removal by omitting to plead necessary federal questions in a complaint.'" Id. at 809-10 n.3 (quoting Franchise Tax Bd., 463 U.S. at 22). Plainly, the Court is admonishing potential litigants from attempting to engage in forum shopping by "artful pleading" to avoid federal jurisdiction. Yet, that is what Dow essentially sanctions by allowing plaintiffs to avoid § 1338(a) jurisdiction simply by bringing a state law claim implicating a patent law issue, and alleging in the complaint at least one non-patent law theory under which it could prevail even though it may have no evidence to later support that theory.

170. Christianson, 486 U.S. at 810 (emphasis added).
171. Dow, 139 F.3d at 1481 (Lourie, J., dissenting).
172. See Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988).
pleaded complaint, a litigant can force state courts to adjudicate patent questions, notwithstanding Congress' intent to have controversies involving patent laws decided in federal court. Moreover, if a state's preclusion laws would give preclusive effect to the state court decision on the raised patent questions, a litigant could potentially assert that the full faith and credit statute requires that the state court's decision be given nationwide preclusive effect. The next part will examine the full faith and credit statute, and the position that courts have taken towards the view that a state court's adjudication on patent questions should be given nationwide preclusive effect under the statute.

III. FULL FAITH AND CREDIT STATUTE

It is generally agreed that 28 U.S.C. § 1738, the full faith and credit statute, functions as an interjurisdictional choice of preclusion law provision in the state-federal context (wherein a state court proceeding has a preclusive effect on a later federal court suit). Section 1738 mandates that federal courts accord state court findings the same preclusive effect as would have been given by courts of the state from where the judgment was rendered.

The preclusive effect may be in the form of either issue preclusion or claim preclusion. Issue preclusion bars relitigation of issues that have been actually and necessarily determined in a prior proceeding. While anyone may assert issue preclusion, it can be

176. 28 U.S.C. § 1738 (1994). Section 1738 of Title 28 states:

The records and judicial proceedings of any court of any such State, Territory, or Possession, or copies thereof, shall be proved or admitted in other courts within the United States and its Territories and Possessions.... Such Acts, records and judicial proceedings or copies thereof, so authenticated, shall have the same full faith and credit in every court within the United States and its Territories and Possessions as they have by law or usage in the Courts of such State, Territory or Possession from which they are taken.

Id.

177. See Allen v. McCurry, 449 U.S. 90, 96 (1980); Barbara Ann Atwood, State Court Judgments in Federal Litigation: Mapping the Contours of Full Faith and Credit, 58 Ind. L.J. 59, 67 (1982); Erickson, supra note 13, at 984-85.

178. Marrese v. Am. Acad. of Orthopaedic Surgeons, 470 U.S. 373, 380 (1985); MGA, Inc. v. General Motors Corp., 827 F.2d 729, 732 (Fed. Cir. 1987); Stephen B. Burbank, Interjurisdictional Preclusion, Full Faith and Credit and Federal Common Law: A General Approach, 71 Cornell L. Rev. 733, 797-800 (1986) (demonstrating that the full faith and credit statute requires federal courts to administer whatever preclusion law the rendering state would itself use to determine the effect of the state court judgment). Although the source of interjurisdictional obligation is easily identifiable, determining the content of the obligation has been more problematic. See Erickson, supra note 13, at 989-1008 (exploring alternative choice preclusion laws that might be applied, notwithstanding the full faith and credit statute).


180. Wright, supra note 9, at 724-25.
held against only those who were a party to the prior proceeding.\textsuperscript{181} Claim preclusion, in contrast, applies "not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose."\textsuperscript{182} So long as the identity of the party from the first action remains the same in a subsequent action, claim preclusion bars any claims previously available to that party, regardless of whether the claim was asserted or determined.\textsuperscript{183} Although the scope of each form of preclusion is different, the principal purpose behind both doctrines is to ensure the conclusive resolution of a dispute.\textsuperscript{184} Some of the more specific goals, namely economy and fairness, as well as federalism and comity, sought by the doctrine of preclusion are further discussed below.

A. Economy and Fairness

As noted by one commentator, "finality in judicial decisions is desirable not because courts are infallible but because they are fallible."\textsuperscript{185} Without preclusion, legal disputes would continue indefinitely through successive litigation. The finality of decisions promotes judicial economy and fairness to all parties by preventing repetitive and vexatious litigation and encouraging litigants to resolve all of their disputes within a single litigation.\textsuperscript{186} Moreover, ensuring conclusive resolution of disputes helps foster more efficient allocation of judicial resources by minimizing the possibility of inconsistent judgments,\textsuperscript{187} which can lead to additional unnecessary litigation to reconcile the inconsistencies. Lastly, the finality of disputes helps promote greater trust in and reliance on judicial proceedings and the judicial system.\textsuperscript{188}

\textsuperscript{182} Cromwell v. County of Sac., 94 U.S. 351, 352 (1876); Restatement (Second) of Judgments § 24 (1982); Wright, supra note 9, at 723.
\textsuperscript{183} Wright, supra note 9, at 723-24.
\textsuperscript{185} Atwood, supra note 177, at 63.
\textsuperscript{187} See Marrese, 470 U.S. at 384-85; Montana, 440 U.S. at 153-54; Vestal, supra note 186, at 858.
\textsuperscript{188} See Allen, 449 U.S. at 94.
B. Federalism and Comity

In addition to encouraging economy and fairness, preclusion also promotes federalism and comity between jurisdictions.\(^\text{169}\) To safeguard the judicial vindication of each citizen's state rights in his respective state, the Constitutional Convention in 1787 incorporated the full faith and credit clause into the Constitution.\(^\text{190}\) The clause mandates that each state court must afford the same full faith and credit to another state's judicial proceeding as would be afforded in the state where the judgment issued.\(^\text{191}\) In effect, the clause acts as a state choice of preclusion law provision.\(^\text{192}\) In order to create a "more perfect union,"\(^\text{193}\) this clause was incorporated "to alter the status of the several states as independent foreign sovereignties... and to make them integral parts of a single nation"\(^\text{194}\) by resolving and coordinating the effect of judgments from the plurality of state judicial systems.\(^\text{195}\)

Pursuant to the unifying purpose of the full faith and credit clause, Congress enacted the full faith and credit statute.\(^\text{196}\) Although the legislative history behind the enactment of the statute, which is now 28 U.S.C. § 1738, is scant, it is believed that the statute reflects Congress' intent to "specifically require[] all federal courts to give preclusive effect to state-court judgments whenever the courts of the State from which the judgments emerged would do so."\(^\text{197}\) In *Kremer v. Chemical Construction Corp.*,\(^\text{198}\) the Supreme Court observed that:

> It has long been established that § 1738 does not allow federal courts to employ their own rules of res judicata in determining the effect of

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189. Id. at 95-96; Younger v. Harris, 401 U.S. 37, 43-45 (1971).
191. The clause provides that "Full Faith and Credit shall be given in each State to the public Acts, Records, and judicial Proceedings of every other State." U.S. Const. art. IV, § 1.
193. U.S. Const. pmbl.
197. Allen v. McCurry, 449 U.S. 90, 96 (1980); see also Gene R. Shreve, *Preclusion and Federal Choice of Law*, 64 Tex. L. Rev. 1209, 1219 (1986) (concluding that "Congress intended to impose upon federal courts an obligation to recognize and enforce the judgments of states equivalent to the obligation imposed on sister states by the Constitution's full faith and credit clause"); Atwood, *supra* note 177, at 66-67 (sharing the observation that the Supreme Court has concluded that Congress, in enacting the full faith and credit statute, intended that federal courts give full faith and credit to state court judgments).
state judgments. Rather it goes beyond the common law and commands a federal court to accept the rules chosen by the State from which the judgment is taken.199

Underlying this restraint upon federal courts is the need for comity. As the Supreme Court explained in Younger v. Harris,200 comity entails:

a proper respect for state functions, a recognition of the fact that the entire country is made up of a Union of separate state governments, and a continuance of the belief that the National Government will fare best if the States and their institutions are left free to perform their separate functions in their separate ways.201

Comity in the state-federal context helps fulfill the important function of preserving respect for states by the federal government and preventing the potential erosion of state rights in the face of federal interests. Because the determination of exclusive federal jurisdiction issues in a state law cause of action "is not beyond the competency of the state tribunals,"202 the suggestion that preclusive effect should not be given to such determinations could constitute an affront to state court judges203 by undermining their apparent authority and refuting their competence to determine these issues.204

If a state would accord preclusive effect to state court findings within exclusive federal jurisdiction, a federal court's failure to give it the same full faith and credit arguably diminishes our system of federalism. As the Court explained in Younger, federalism represents:

a system in which there is sensitivity to the legitimate interests of both State and National Governments, and ... anxious though [the National Government] may be to vindicate and protect federal rights and federal interests, [it] always endeavors to do so in ways that will not unduly interfere with the legitimate activities of the States.205

A state court's adjudication of a case or controversy implies some binding effect.206 In view of some commentators' opinions, if state

199. Id. at 481-82.
201. Id. at 44.
202. Pratt v. Paris Gas Light & Coke Co., 168 U.S. 255, 259 (1897); see also supra notes 150-55 and accompanying text (describing circumstances when state tribunals may address patent questions).
204. Id.
205. Younger, 401 U.S. at 44.
206. See Wright, supra note 9, at 736. While Professor Ronan E. Degnan also makes this comment in the context of state courts respecting federal court judgments, the argument is equally applicable in the context of federal courts respecting state court judgments. See Ronan E. Degnan, Federalized Res Judicata, 85 Yale L.J. 741,
court proceedings were not accorded "at least the potential effect of precluding later relitigation of the same claims and issues[, it] would constitute something other than the exercise of the judicial power."\(^{207}\)

Consider, for instance, a state court that held that Company X owed patent royalties to Company Y. And, assume the court rejected Company X's contention that Company Y's patent was invalid and unenforceable. According to the Supreme Court in *Baker v. General Motors Corp.*, \(^{208}\) "[r]egarding judgments . . . the full faith and credit obligation is exacting. A final judgment in one State, if rendered by a court with adjudicatory authority over the subject matter and persons governed by the judgment, qualifies for recognition throughout the land."\(^{209}\) Although state courts may not have direct jurisdictional authority over patent validity, they have indirect adjudicatory authority over that subject matter provided it is raised collaterally in a state cause of action over which they do have jurisdiction. Arguably, a federal court should not then be allowed to subsequently reevaluate the patent and potentially hold the patent invalid because to do so would eviscerate the force behind the state court judgment, which is grounded on the principle that the court is providing relief to Company Y for royalties owed on a supposedly good patent.

Considerations of judicial economy, fairness to all parties by preventing repetitive and vexatious litigation, and the ideals of federalism and comity suggest that federal courts should strictly adhere to the full faith and credit statute. However, countervailing considerations, including the Congressional goals sought by making the patent laws the exclusive jurisdiction of federal courts, and creating the CAFC, suggest that state courts should not have the final say on patent questions raised in a litigation. These conflicting considerations have made it difficult for courts to develop a coherent body of law on this issue.\(^{210}\) The few cases before the Supreme Court and CAFC that have broached this issue are discussed in the next part.

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768-69 (1976).
207. Wright, *supra* note 9, at 736.
209. *Id.* at 233.
IV. THE PRECLUSIVE EFFECT OF A STATE COURT JUDGMENT ON PATENT ISSUES IN FEDERAL COURT: OPINIONS OF THE SUPREME COURT AND THE CAFC

A strict application of the full faith and credit statute suggests that a final judgment about patent issues decided in a state court suit may later preclude the losing party from litigating the same issues in federal court. In addition, a patent issue that could have been raised as a defense against a state law cause of action, but which was not asserted, may also potentially later bar a federal claim premised on the unraised issue.211 Furthermore, strict adherence to the full faith and credit statute could open the door for state courts to render legal judgments on patents without an appropriate avenue for an appellant to seek review of the decision by the CAFC.212 Unfortunately, the implications of the full faith and credit statute for state court adjudication of patent issues remains largely unexplored by courts. Consequently, great uncertainty remains regarding the consequences of a state court adjudication on patent questions. Because neither the Supreme Court nor the CAFC have clearly articulated the preclusive scope that federal courts should give to state court findings on patent law issues, courts have not been able to develop a coherent or principled body of law in this area.213 This part will first review the opinions offered by the CAFC and Supreme Court on this subject. Although the Supreme Court suggested in Becher v. Contoure Laboratories, Inc.214 that full faith and credit ought to be given to a state court adjudication of patent questions, this part will demonstrate that Becher should not be considered controlling precedent. In addition, this part will review the test that the Court has set forth to determine when full faith and credit should be given to a state court decision, and will examine why a different test should be applied.

211. Consider, for example, that Company X sued Company Y in Illinois state court for royalties allegedly owed on a patent. Company Y asserts that royalties are not owed, because its activities do not fall within the scope of the asserted patent (e.g., it is engaging in non-infringing activity). The state court finds for Company X. After final judgment, Company Y realizes that grounds may exist to claim that the assignment to Company X of the asserted patent is invalid, and wishes to bring a declaratory judgment action in federal court to invalidate the assignment. The validity of the patent assignment is a question arising under the patent laws. Crown Die & Tool Co. v. Nye Tool & Mach. Works, 261 U.S. 24, 33 (1923). Potentially, Company X may be estopped from asserting the claim in federal court since it could have asserted that claim in the earlier state court proceeding. Whether Company X would be estopped remains unclear. See infra notes 265-68 and accompanying text (discussing the ambiguity of Illinois' doctrine of preclusion).


213. See Atwood, supra note 177, at 71-72, 101.

214. 279 U.S. 388 (1929) (holding that a state court judgment on a patent issue should be given preclusive effect in a subsequent patent suit).
A. CAFC Opinions

The CAFC has yet to decide whether it would adhere to the full faith and credit statute for state court findings on all patent law issues.\(^{215}\) This stems in part from the relatively few cases that have come before the CAFC, in which this issue is implicated. Furthermore, as one critic noted, "significant procedural issues remain unresolved" because the CAFC has been slow to delineate the scope of its judicial power.\(^{216}\)

While the CAFC acknowledged in \textit{MGA, Inc. v. General Motors Corp.}\(^{217}\) that § 1738 generally does not permit federal courts to employ their own preclusion rules when determining the effect of state court judgments,\(^{218}\) it embraced the full faith and credit statute only in the context of state court determinations of patent infringement.\(^{219}\) It declined to decide whether it would approve of adhering to the full faith and credit statute for state court findings on other patent issues, such as patent validity and enforceability.\(^{220}\) This perhaps reflects the CAFC's reluctance to allow a state court to destroy, in effect, a patent via its ruling and the full faith and credit statute. Notably, the CAFC cautioned that while "there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding,"\(^{221}\) "a state court is without power to invalidate an issued patent"\(^{222}\) because "a state court cannot decide a federal right created by federal statute."\(^{223}\)

B. Supreme Court Opinions

The Supreme Court's opinions are equally unhelpful toward resolving whether federal courts are presently bound by the full faith and credit statute on patent questions decided in state court. While the Court has implied that \textit{Becher v. Contoure Laboratories, Inc.}\(^{224}\)
offers precedent for holding that a state court judgment on patent issues is subject to § 1738.\textsuperscript{225} Becher arguably should not be considered controlling, much less persuasive, because it does not account for the legislative and judicial developments that have occurred since the decision was rendered. In fact, a closer reading of Becher reveals that the Court’s reliance on that decision for the proposition that § 1738 applies to state court findings on issues within exclusive federal jurisdiction is faulty because Becher does not adhere to the full faith and credit statute.\textsuperscript{226}

In Becher, Contoure alleged that Becher violated his employment contract when he applied for a patent on an invention that he had agreed to construct for his employer.\textsuperscript{227} After Contoure sued in state court to enjoin Becher from using, manufacturing, or selling the invention, and from transferring rights under the patent, the state court found that the machine, which Becher had patented for himself, was actually invented by his employer.\textsuperscript{228} Before final judgment was rendered by the state court, Becher attempted to then sue Contoure for patent infringement in district court and asked for a preliminary injunction against the state court proceeding.\textsuperscript{229} The district court denied his request for a preliminary injunction.\textsuperscript{230} After his appeal for preliminary injunction was denied, his suit was dismissed.\textsuperscript{231} Becher eventually appealed to the Supreme Court, which affirmed the lower court’s denial for preliminary injunction.\textsuperscript{232}

The Supreme Court held that preclusive effect should be given to state court determinations of patent issues.\textsuperscript{233} The Court concluded that just as “[a] party may go into a suit estopped as to a vital fact by a covenant . . . [the Court saw] no sufficient reason for denying that [the party] may be equally estopped by a judgment.”\textsuperscript{234} At one time, the doctrine of mutuality\textsuperscript{235} would have made the Court’s analogy between the binding effect of covenants and judgments reasonable. Under the doctrine, the scope of people affected by a covenant would be essentially the same as in a court judgment.\textsuperscript{236} Most courts today,
however, no longer observe the doctrine of mutuality.\footnote{237} Consequently, there is a significant difference between the scope of a covenant, which only binds parties to the agreement, and a court judgment, which potentially binds the nation because of the full faith and credit statute. Because of the magnitude of the binding effect in the latter situation, it requires greater consideration of public policy, which the Court does not appear to give in the terse \textit{Becher} decision. For example, while it is unclear whether the rampant forum shopping observed by the Hruska Commission\footnote{238} was prevalent at the time of \textit{Becher}, there is little evidence that the \textit{Becher} Court either appreciated the need for national uniformity in the patent laws to the degree that Congress did when it created the CAFC, or recognized the possible splintering effect on the patent laws that might result from following each state's preclusion laws.

Ironically, the \textit{Marrese} Court noted, but inexplicably dismissed as though it was unimportant, that \textit{Becher} failed to even acknowledge §1738.\footnote{239} After drawing a distinction between "[e]stablishing a fact" and "giving a specific effect to it by judgment," the \textit{Becher} Court declared, without any hint of qualification, that the judgment "binds all the world," i.e., the judgment should be given full faith and credit by all other courts under all circumstances.\footnote{240} By contrast, the Court asserted that "facts on which [the judgment] necessarily proceeds are not established against all the world."\footnote{241} In the absence of any presumptions, a plain reading of \textit{Becher} suggests that the determined facts that emerge from a judicial proceeding do not enjoy full faith and credit, and may be relitigated in another court by the losing party. This is clearly inconsistent with §1738 and recent Supreme Court opinions.\footnote{242}

Presuming the Court meant to qualify its statement to apply only to facts that a litigant has a full and fair opportunity to litigate, \textit{Becher} still remains inconsistent with the current Supreme Court stand on the full faith and credit statute.\footnote{243} In \textit{Blonder-Tongue Laboratories, Inc. v.}
University of Illinois Foundation, the Court indicated that a “patentee-plaintiff must be permitted to demonstrate, if he can, that he did not have ‘a fair opportunity procedurally, substantively, and evidentially to pursue his claim the first time’” before the results of a prior judicial proceeding can be given preclusive effect. As the Kremer court further explained,

[a] State must . . . satisfy the applicable requirements of the Due Process Clause. A State may not grant preclusive effect in its own courts to a constitutionally infirm judgment, and other state and federal courts are not required to accord full faith and credit to such a judgment. Section 1738 does not suggest otherwise.

In view of the distinction drawn by the Becher Court between facts, which may not necessarily have preclusive effect, and a judgment, which “binds all the world” without qualification, Becher implies a result contrary to the current Supreme Court stance toward § 1738. In light of this dissonance, Becher does not accurately represent the current state of preclusion principles and it arguably should not be treated as persuasive precedent for establishing that federal courts are constrained by § 1738 in regards to state court judgments on patent questions.

C. Test to Determine When the Full Faith and Credit Statute Applies

Although the full faith and credit statute mandates that federal courts employ the choice of preclusion rules of the state where judgment was rendered, the Supreme Court has acknowledged that there may be circumstances where an exception to the statute should exist. The Court in Kremer provided a two-step analysis to determine whether an earlier state court action should be given preclusive effect in a later federal suit. This test was clarified and reiterated in Marrese. The Court specified first that the full faith and credit statute directs federal courts to determine the applicable preclusion law of the state in which judgment was rendered. Second, if the preclusion law would bar re-litigation of issues decided in the state proceeding, the federal court must then determine

244. 402 U.S. 313 (1971).
245. Id. at 333 (quoting Eisel v. Columbia Packing Co., 181 F. Supp. 298, 301 (D. Mass. 1960)).
246. Kremer, 456 U.S. at 482.
247. 279 U.S. at 391.
250. See id. at 480-83.
251. 470 U.S. at 380-81.
252. Id.
whether support for an exception can be found to exempt it from the provisions of § 1738.253

The Supreme Court indicated at least two circumstances where state court proceedings should not receive full faith and credit in federal court. In Kremer, the Court noted that "state and federal courts are not required to accord full faith and credit to [constitutionally infirm judgments]."254 For instance, where "there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation," re-determination of issues is warranted.255 The Court further indicated that an exception to § 1738 may be recognized if "a later statute contains an express or implied partial repeal [of the full faith and credit statute]."256 The Marrese Court summarily concluded that state court findings extending to issues within exclusive federal jurisdiction do not invariably make § 1738 inapplicable.257 The Court maintained that the "basic approach adopted in Kremer applies in a lawsuit involving a claim within the exclusive jurisdiction of the federal courts."258

As straightforward as the test enumerated in Marrese may sound, it is arguably not without significant problems, which the Court failed to address. As to the first prong of the test, the Court failed to provide any guidance when a state's preclusion laws are "silent or indeterminate."259 The Court disposed of this problem by arguing that state court judgments will usually not have claim preclusive effect because most state preclusion laws purportedly include a requirement of jurisdictional competency.260

The argument the Court used to dispose of the problem posed by the first prong of its test is troubling.261 First, the Court relied on the provisions of the Restatement (Second) of Judgments to support its conclusion that jurisdictional competency would dissolve most state

253. Id. at 381.
254. Kremer, 456 U.S. at 482.
255. Id. at 481 (citing Montana v. United States, 440 U.S. 147, 164 n.11 (1979)). According to the Court, "what a full and fair opportunity to litigate entails is the procedural requirements of due process." Id. at 483 n.24. The Court added that "state proceedings need do no more than satisfy the minimum procedural requirements of the Fourteenth Amendment’s Due Process Clause in order to qualify for the full faith and credit guaranteed by federal law.” Id. at 481.
256. Id. at 468; see also infra notes 307-14 and accompanying text (discussing a circumstance where the Court found an implied repeal of the full faith and credit statute).
257. Marrese, 470 U.S. at 380-81.
258. Id. at 381.
259. Id. at 388.
260. Id. at 382.
preclusion questions in federal court.\textsuperscript{262} The provisions, however, are neither the law of any state nor are they based on the law of any state.\textsuperscript{263} Second, as Chief Justice Burger noticed, the Court’s view of state laws is too simplistic because “states that recognize the jurisdictional competency requirement do not all define it in the same terms.”\textsuperscript{264} For example, in Illinois, the doctrine of preclusion “extends not only to questions which were actually litigated but also to all questions which could have been raised or determined.”\textsuperscript{265} Illinois courts, however, have not addressed whether “questions which could have been raised’ should be applied narrowly or broadly.”\textsuperscript{266} Their stance is indeterminate because, like most state courts, they have not had occasion to address the preclusive effect to be given to their findings on matters within the exclusive jurisdiction of federal courts.\textsuperscript{267} Consequently, federal courts are faced with the difficult task of forecasting how a state court would rule, while handicapped by the virtual absence of any state court pronouncements to provide guidance on this matter.\textsuperscript{268} Chief Justice Burger suggested that in such situations, where state law does not provide any clear guidance to the preclusion question, “concerns of comity and federalism underlying § 1738 do not come into play.”\textsuperscript{269}

In addition, as recognized by commentators,\textsuperscript{270} the test enunciated in \textit{Marrese} may yield the absurd result that in some areas of law, such as antitrust, where the state and federal law can be virtually identical, a party could assert that the state court adjudication of issues vital to both causes of action should not have preclusive effect in federal court solely because of the jurisdictional competency requirement.\textsuperscript{271}

\begin{footnotesize}
\begin{enumerate}
\item[262.] See \textit{Marrese}, 470 U.S. at 382.
\item[263.] See \textit{Burbank}, supra note 261, at 663; see also \textit{Bailey}, \textit{infra} note 261, at 592 (observing that the Court failed to cite even one state that has purportedly adopted the “jurisdictional competency” requirement).
\item[264.] \textit{Marrese}, 470 U.S. at 388.
\item[266.] \textit{Marrese}, 470 U.S. at 389.
\item[267.] See \textit{id.} at 381-82.
\item[268.] On remand in the \textit{Marrese} case, Judge Plunkett observed that “[o]ur task is an exercise in extrapolation because, of course, the Illinois courts never address issues pertaining to exclusively federal lawsuits.” \textit{Marrese v. Am. Acad. Of Orthopaedic Surgeons}, 628 F. Supp. 918, 919 (N.D. Ill. 1986).
\item[269.] \textit{Marrese}, 470 U.S. at 390 (Burger, C.J., concurring).
\item[270.] See, e.g., \textit{Bailey}, \textit{infra} note 261, at 592-93 (observing that under the majority's opinion, “the similarity of the state and federal antitrust statutes would be irrelevant” to state preclusion laws, and that the jurisdictional competency requirement would generally lead to the conclusion that no res judicata should be accorded the state court decision); Robert M. Denicola, \textit{The Res Judicata Effect of Prior State Court Judgments in Sherman Act Suits: Exalting Substance Over Form}, 51 Fordham L. Rev. 1374, 1378-79 (1983) (observing that prevalent state antitrust statutes and federal statutes are substantively identical, and thus federal courts should not refuse to apply res judicata to bar a Sherman Act suit merely because it is within the exclusive jurisdiction of federal courts).
\item[271.] See Eichman v. Fotomat Corp., 759 F.2d 1434, 1439 (9th Cir. 1985) (Kennedy,
the majority's view in Marrese, the similarity of the state and federal antitrust statutes is not relevant.272 If the principles underlying exclusive jurisdiction were balanced against the principles of preclusion, as done by the Ninth Circuit in Derish v. San Mateo-Burlingame Board of Realtors,273 there may be little reason to deny the preclusive effect of a state court adjudication under certain circumstances, which Marrese fails to appreciate.274 Ultimately, the Marrese test is arguably flawed because, inter alia, it fails to be sensitive to such situations where a party should not be given a second "bite at the apple."275

The second prong of the test also is problematic because the Court failed to provide any guidance to determine when a "particular grant of exclusive jurisdiction justif[ies] a finding of an implied partial repeal of § 1738."276 Because the Marrese Court remanded the case to district court to determine whether Illinois would bar relitigation of claims in federal court,277 it found it unnecessary to elaborate what circumstances would suffice to support an implied exception to the full faith and credit statute under the second prong of its test.278 Relying on Allen and Kremer, the Marrese Court simply stated that "[r]esolution of this question will depend on the particular federal statute as well as the nature of the claim or issue involved in the subsequent federal action. Our previous decisions indicate that the primary consideration must be the intent of Congress."279

When Congress gave federal courts exclusive jurisdiction over the patent laws, it deemed state courts to be no longer jurisdictionally competent to adjudicate claims arising under that area of law.280 Congress' conferral of exclusive federal jurisdiction suggests that it

J., concurring) (stating that under the general principle announced by the Marrese Court, it may be an "almost automatic rule" that a federal antitrust action would not be foreclosed by a prior state court adjudication).

272. See Marrese, 470 U.S. at 388 (Burger, C.J., concurring) (criticizing the majority's opinion that state courts are not jurisdictionally competent to render judgments on federal antitrust questions despite the fact that the asserted state and federal antitrust actions are virtually identical).

273. 724 F.2d 1347, 1349 (9th Cir. 1983). This case was overruled by Eichman in light of the decision in Marrese. Eichman, 759 F.2d at 1437.

274. See Bailey, supra note 261, at 598 (recommending that a balancing of factors, which are implicated by the potential res judicata effect of a state court decision on antitrust actions, should be considered); Denicola, supra note 270, at 1398-1402 (arguing that a balancing test should be applied to determine whether res judicata ought to be given to prior state antitrust actions).

275. Perkin-Elmer Corp. v. Computervision Corp., 732 F.2d 888, 900 (Fed. Cir. 1984) (stating that as a matter of "elementary fairness—a litigant given one good bite at the apple should not have a second").

276. Marrese, 470 U.S. at 386 (emphasis added); Bailey, supra note 261, at 598.

277. Id. at 387.

278. See id.

279. Id. at 386.

280. Wright, supra note 9, at 43-44.
had compelling reasons to shift the boundary of jurisdictional power between state and federal courts. Nevertheless, according to Marrese, the conferral of exclusive federal jurisdiction alone is not sufficient to support an implied exception to § 1738. In fact, the Court in Kremer noted that it is “a cardinal principle of statutory construction that repeals by implication are not favored.” According to Allen and Kremer, Congress must “clearly manifest its intent to depart from § 1738.” It is not clear, however, whether the “clear manifestation” must be explicit or whether this burden of proof applies with equal force to laws within the exclusive jurisdiction of federal courts. Certainly, most areas of law given to exclusive federal jurisdiction generally do not contain explicit expressions of intent toward § 1738. If one applies the stringent standard implied by Allen and Kremer to laws within exclusive federal jurisdiction, the test outlined by Marrese effectively devolves into a one-prong test, dependent on a federal court’s “best guess” of a state’s position on an area of law that the state probably will not have had occasion to consider.

In summary, although some of the decisions by the CAFC and Supreme Court suggest that full faith and credit should be given to a state court adjudication of patent questions, neither court has provided a principled explanation to justify their conclusion. As demonstrated by the foregoing discussion, the Marrese test proposed by the Supreme Court is too clumsy to determine when state court proceedings should properly have preclusive effect in federal court. The Derish court’s approach of analyzing and balancing the competing interests that are implicated provides a more sensitive and reasonable approach to this determination. Using this balancing approach, the next part will show that allowing federal courts to choose their own preclusion laws, rather than binding them to the

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281. See Exclusive Jurisdiction of the Federal Courts, supra note 98, at 511-15; supra notes 121-29 and accompanying text.
282. Marrese, 470 U.S. at 381.
285. See Brown v. Felsen, 442 U.S. 127 (1979) (finding an implied exception to the full faith and credit statute for federal bankruptcy law, which is within the exclusive jurisdiction of bankruptcy courts).
286. See, e.g., Shreve, supra note 197, at 1239 (noting that “federal antitrust statutes are silent concerning the possible... preclusive effects of state judgments on subsequent federal antitrust cases”); Comment, Exclusive Federal Jurisdiction: The Effect of State Court Findings, 8 Stan. L. Rev. 439, 447 (1956) (finding that legislative history did not give much indication whether Congress' conferral of exclusive jurisdiction to antitrust law rests upon a strong enough policy “to immunize the federal courts from the effect of state court judgments”).
laws of each state under the full faith and credit statute, could allow them to attain most of the goals of preclusion while satisfying the congressional intent behind the exclusivity of the patent laws and the creation of the CAFC.

V. FEDERALIZING THE CHOICE OF PRECLUSION LAWS ON PATENT QUESTIONS DECIDED BY STATE COURT

This part will first demonstrate, based on a consideration of the goals advanced by preclusion and the objectives underlying the exclusivity of the patent laws and the establishment of the CAFC, that federal courts should not be bound by the choice of preclusion laws of each state. Rather, most of the goals and objectives may be accomplished by allowing federal courts to choose their own preclusion laws. This part concludes by examining the grounds that federal courts may assert to escape the requirement that they follow the choice of preclusion laws of the state where the state court rendered a decision on a patent question.

A. Rethinking the Boundaries of the Full Faith and Credit Statute

Currently, no Supreme Court case either applies the Marrese test to the patent laws or adequately weighs the interests underlying the purposes of preclusion vis-à-vis Congress' intent to make the patent laws within exclusive federal jurisdiction and to create the CAFC. Abeyance of § 1738 could, in fact, satisfy most of the goals sought by preclusion and Congress. As Chief Justice Burger keenly discerned, it may be more "consistent with § 1738 for a federal court to formulate a federal rule"\(^{287}\) rather than relying on the "creative interpretation of ambiguous state law."\(^{288}\)

Allowing federal courts to formulate their own clear federal preclusion rules, rather than forcing them to extrapolate from silent or indeterminate state law would more effectively promote the goals of economy and fairness sought by the preclusion rules. Furthermore, it would enable the CAFC to satisfy Congress' principal purpose for creating the court: to promote uniformity in application of the patent laws.\(^{290}\) Indeed, where

\(^{287}\) Marrese, 470 U.S. at 390 (Burger, C.J., concurring).

\(^{288}\) Id.

\(^{289}\) Id. (quoting 18 Charles Alan Wright et al., Federal Practice and Procedure § 4407, at 49 (1981)).

\(^{290}\) See supra notes 116-30 and accompanying text; cf. Marrese, 470 U.S. at 388-90 (acknowledging that all states that recognize the jurisdictional competency "do not all
uniformity is a goal, a neutral experienced federal authority seems better than fifty inexperienced authorities.291

While it has been said that giving full recognition to state judicial proceedings by federal courts is "an essential component of federalism and comity,"292 it seems inappropriate that state courts should possess the ultimate authority to decide the preclusive effect their judgments have on subject matter that lies within the exclusive jurisdiction of federal courts. It is fundamentally unsound to place in the hands of states the responsibility of deciding when local rules and policies should yield to competing federal rules and policies, particularly in areas of exclusive federal jurisdiction, which Congress has deemed beyond the provincial competence of state courts.293

Under the current statutory scheme, the relaxation of the full faith and credit statute is necessary to effectuate the constitutional goal of "promot[ing] the Progress of . . . useful Arts"294 by ensuring the uniform application of the patent laws, as Congress intended when it conferred exclusive jurisdiction on the patent laws and created the CAFC. Requiring federal courts to adhere strictly to the preclusion laws of each state would force federal courts to be subject to the prejudgment of state courts on patent issues, and effectively allow the state courts to infringe on the power given to federal courts, contrary to Congress' intent. In addition, federalizing the choice of preclusion law in the context of patent questions decided by state courts would provide an institutional advantage of ensuring that the "talents of the lower federal courts [are brought] more fully to bear on the problem."295 This resource would be wasted if federal courts were bound by the choice of preclusion laws of the state where the judgment was rendered.

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292. Atwood, supra note 177, at 60.
293. See William F. Baxter, Choice of Law and the Federal System, 16 Stan. L. Rev. 1, 23 (1963) (arguing that "[r]esponsibility for allocating spheres of legal control among member states of a federal system cannot sensibly be placed elsewhere than with the federal government").
295. Laycock, supra note 291, at 335-36.
B. Authority Supporting the Power of Federal Courts to Choose Their Preclusion Laws

Discussed below are the grounds on which one may argue that the federal courts possess sufficient judicial authority to decide their choice of preclusion laws with respect to patent issues decided by state courts. First, one possible statutory basis for an exception to the general rule on the effect of a state court judgement in a subsequent federal action may be found in the Rules of Decision Act. It provides that “[t]he laws of the several states, except where the Constitution or treaties of the United States or Acts of Congress otherwise require or provide, shall be regarded as rules of decision in civil actions in the courts of the United States, in cases where they apply.” In view of the exclusive jurisdiction of patent law, a state court should not be able to decide a matter indirectly by enforcement of the full faith and credit statute when it would not have been able to decide the matter directly. When a state action implicates patent questions, the action represents a case where the preclusion laws of that state should not be regarded as the applicable rules of decision for deciding the preclusive effect of the decided patent questions. Rather, federal common law should be consulted to determine what rule should be applied to the problem.

Second, past cases decided by the Supreme Court suggest that federal policy may support an exception to the full faith and credit statute. Although the Supreme Court in *Baker v. General Motors Corp.* decried the use of local policy to support an exception to the full faith and credit obligation, the Court embraced exceptions to the obligation when faced with an “irreconcilable conflict” between federal policy or statute and the consequence of giving preclusive effect to a state court judgment. In *Blonder-Tongue*, for example,
the Court attached no importance to the preclusion laws of the state in which the action was brought, and instead, adopted a federally formulated rule of preclusion that was based solely on federal policy.\textsuperscript{305} Certainly, this practice of attaching overriding importance to federal policy by federal courts is consistent with the shift in the federal court's conception of "res judicata as a distinctly federal problem, not in any way dependent upon the law of the state in which the federal court sat."\textsuperscript{306}

Third, the reasoning provided by the Court in \textit{Brown v. Felsen}\textsuperscript{307} holds open the prospect that \$ 1738 may be defeated by implied repeal based on the policies for the jurisdictional exclusivity of the patent laws. In \textit{Brown}, the Court held that the doctrine of res judicata does not preclude a creditor from offering additional evidence in bankruptcy court on issues which were decided in a prior state court proceeding and that are related to \$ 17 of the Bankruptcy Act.\textsuperscript{308} The Court reasoned that giving finality to state court rulings on questions within the exclusive jurisdiction of bankruptcy court would undercut Congress' intent to commit those questions to the jurisdiction of the bankruptcy court.\textsuperscript{309} Congress had amended \$ 17 in 1970 to require creditors to apply to the bankruptcy court for "adjudication of certain dischargeability questions."\textsuperscript{310} The Court noted that through this amendment Congress sought, inter alia, "to take these \$ 17 claims away from state courts that seldom dealt with the federal bankruptcy laws and to give those claims to the bankruptcy court so that it could develop expertise in handling them."\textsuperscript{311} The Court expressly rejected the respondent's argument that a state court collection suit is the "appropriate forum for resolving all debtor-creditor disputes," including \$ 17 questions, stating that it would "force state courts to decide these questions at a stage when they are not directly in issue and neither party has a full incentive to litigate them" because the debtor's bankruptcy is still hypothetical.\textsuperscript{312} Notwithstanding that Congress did not expressly address the preclusion problem created by pre-bankruptcy state-court adjudications, the Court concluded that "it would be inconsistent with the philosophy of the 1970 amendments to adopt a policy of res judicata which takes these \$ 17 questions [e.g.,

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\item \textsuperscript{305} See id. at 349-50 (finding that the "uncritical acceptance of the principle of mutuality of estoppel ... is today out of place" and should be abrogated in view of judicial developments and the federal policy "presented in \textit{Lear, Inc. v. Adkins}—that the holder of a patent should not be insulated from the assertion of defenses and thus allowed to exact royalties for the use of an idea that is not in fact patentable"); Degnan, \textit{supra} note 206, at 760.
\item \textsuperscript{306} Degnan, \textit{supra} note 206, at 760.
\item \textsuperscript{307} 442 U.S. 127 (1979).
\item \textsuperscript{308} Id. at 138-39.
\item \textsuperscript{309} Id. at 138.
\item \textsuperscript{310} Id. at 129-30.
\item \textsuperscript{311} Id. at 136.
\item \textsuperscript{312} Id. at 134.
\end{itemize}
questions that are within the exclusive jurisdiction of bankruptcy court] away from bankruptcy court and forces them back into state courts.\textsuperscript{313} Considering that Congress chose to remove patent law cases from the jurisdiction of state courts,\textsuperscript{314} it similarly would undercut Congress' intent by taking patent law questions away from district courts and forcing them into state courts to prevent a litigant from losing the right to contest possible patent law issues (i.e., as defenses).

One might argue that the vitality of the reasoning in \textit{Brown} may be subject to question in view of \textit{Kremer}, where the Court announced that:

In our system of jurisprudence the usual rule is that merits of a legal claim once decided in a court of competent jurisdiction are not subject to redetermination in another forum. Such a fundamental departure from traditional rules of preclusion, enacted into federal law, can be justified only if \textit{plainly stated} by Congress.\textsuperscript{315}

It is worth noting, however, that this statement was made in the context of federal law that lay within the concurrent jurisdiction of state courts. \textit{Marrese}, which dealt separately with law within the exclusive jurisdiction of federal courts, seems to affirm \textit{Brown}'s recognition that a partial repeal of § 1738 may be implied if adhering to the statute would frustrate the purposes sought by Congress' conferral of exclusive jurisdiction.\textsuperscript{316}

Fourth, a review of the CAFC's opinions toward its choice of law rules further supports the conclusion that it has the authority to choose its own preclusion rules, rather than be required to adopt the patchwork preclusion laws of all fifty states, as § 1738 demands. In the federal-federal context, the CAFC stated in \textit{Biodex Corp. v. Loredan Biomedical, Inc.},\textsuperscript{317} that as a matter of general policy, it "shall review procedural matters, that are not unique to patent issues, under the law of the particular regional circuit court where appeals from the district court would normally lie."\textsuperscript{318} It explained that this policy arises from the "intent and spirit of not only our enabling statute but also the general desire of the federal judicial system to minimize confusion and conflicts[;] . . . our mandate is to eliminate conflicts and uncertainties in the area of patent law."\textsuperscript{319} The CAFC clarified that:

Where there is an essential relationship between our exclusive statutory mandate or our functions as an appellate court and the

\textsuperscript{313} Id. at 136.
\textsuperscript{317} 946 F.2d 850 (Fed. Cir. 1991).
\textsuperscript{318} Id. at 856 (quoting Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1574-75 (Fed. Cir. 1984)).
\textsuperscript{319} Id. (quoting Panduit, 744 F.2d at 1574-75).
relevant procedural issue, that relationship provides an additional reason why resolution of the procedural issue may be committed to our jurisprudence .... Uniformity in the review of patent trials is enhanced, rather than hindered, by our adoption of a single position, rather than applying varying regional law to the issue before us. Indeed, an opposite rule would be confusing, as the same patent, asserted in different district court jurisdictions, might have the same dispositive factual finding reviewed or not depending upon which of differing regional circuit laws was applicable.\textsuperscript{320}

Although the court focused primarily on the choice of law rules in the federal-federal context, its reasoning is arguably more compelling in the context of state preclusion laws and patent law adjudication by state courts. Because each state has its own preclusion laws, the possibility of non-uniformity in decisions by the CAFC is even greater than with the regional circuits, which rank fewer in number.

Certainly, the CAFC is not without power to reverse the position it stated in \textit{MGA, Inc. v. General Motors Corp.}\textsuperscript{321} As the court has developed greater appreciation of how “procedural” rules of other jurisdictions may debilitate its ability to ensure national uniformity in the application of the patent laws, it has modified its choice of law rules. For example, before \textit{Midwest Industries, Inc. v. Karavan Trailers, Inc.}\textsuperscript{322} the CAFC followed the preemption laws of the regional circuit from which the case originated.\textsuperscript{323} It declared in \textit{Midwest Industries} that it would abandon this practice and that it would henceforth apply its own law.\textsuperscript{324} It chose to change its choice of law rules, inter alia, “in order to serve one of the principal purposes for the creation of this court: to promote uniformity in the law with regard to subject matter within our exclusive appellate jurisdiction.”\textsuperscript{325} The CAFC added that this step was taken also “to minimize the incentive for forum-shopping by parties who are in a position to determine, by their selection of claims, the court to which an appeal will go.”\textsuperscript{326} Clearly, many of the very same reasons cited by the court to support the choice of its own procedural rules in the federal-federal context apply with equal or greater force in the federal-state context.

Lastly, the Supreme Court in \textit{Baker v. General Motors Corp.}\textsuperscript{327} articulated a distinction between the obligation to give credit to a state

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\item 320. \textit{Id.} at 858-59 (emphasis added).
\item 321. 827 F.2d 729 (Fed. Cir. 1987) (holding that § 1738 mandates federal courts to respect a state court judgment on patent infringement); see also \textit{Midwest Indus., Inc. v. Karavan Trailers, Inc.}, 175 F.3d 1356, 1359 (Fed. Cir. 1999) (overruling by an en banc panel its prior decision “to apply regional circuit law to conflicts between patent law and other legal rights”).
\item 322. 175 F.3d 1356 (Fed. Cir. 1999).
\item 323. \textit{Id.} at 1360-61.
\item 324. \textit{Id.} at 1358-61.
\item 325. \textit{Id.} at 1359.
\item 326. \textit{Id.}
\item 327. 522 U.S. 222 (1998).
\end{itemize}
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court judgment and non-obligation to enforce the judgment, which could provide an alternative basis for justifying the conclusion that the full faith and credit statute does not bind federal courts to give preclusive effect to state court findings on patent questions. Drawing upon examples from past cases, the Court noted that "[o]rders commanding action or inaction have been denied enforcement in a [foreign forum] when they purported to accomplish an official act within the exclusive province of [the foreign forum] or interfered with litigation over which the ordering [forum] had no authority." For example, although a decree concerning ownership of land in a sister state "may indeed preclusively adjudicate the rights and obligations running between the parties," the rendering forum's decree is ineffective to transfer title. As the Court explained in Fall v. Eastin, a "judgment rendered conclusive on the merits of the claim or subject matter of the suit... 'does not carry with it into a [foreign forum] the efficacy of a judgment upon property or persons.'"

While the Baker Court indicated that the full faith and credit obligation can claim-preclude litigants who are parties to the original state action in a foreign forum, it affirmed the Fall Court's position that "the mechanisms for enforcing a judgment do not travel with the judgment itself for purposes of full faith and credit." In response to Justice Kennedy's criticism in Baker that the declared rule was in fact a broad exception to the full faith and credit obligation, which generally forbids questioning a forum's judgment based on public policy, Justice Ginsburg emphasized that "[t]his [rule] creates no general exception to the full faith and credit command, and surely does not permit a [forum] to refuse to honor a... state judgment based on the forum's choice of law or policy preferences."

Following Justice Ginsburg's reasoning, it becomes easier to understand the theoretical basis for the CAFC's conclusion that while "a state court is without power to invalidate an issued patent, there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding." Although a state court may have the power to decide patent questions, such as validity, when raised collaterally under a state law cause of action, its determination cannot "accomplish an official act within the exclusive province of [the foreign forum] or interfere[] with

328. Id. at 235-36.
329. Id. at 235.
330. Id. (citation omitted).
332. Id. at 12 (citation omitted).
333. Baker, 522 U.S. at 239.
334. Id. at 244 (Kennedy, J., concurring).
335. Id. at 239.
litigation over which the ordering State ha[s] no authority."

Because the power to invalidate a patent lies within the exclusive jurisdiction of federal courts, a state court cannot, through its decision, reach beyond its jurisdictional power to invalidate a patent. Moreover, it may not estop litigation in federal court on patent questions, such as patent validity, over which it clearly has no authority. If a litigant seeks to give a state court decision "the force of a judgment in another State [or forum], it must be made a judgment there; and can only be executed in the latter as its laws may permit."338

At the very least, based on Justice Ginsburg's argument, the choice of preclusion laws of a state do not necessarily, via the full faith and credit statute, control the collateral consequences of a state judgment in federal court.339 Thus, for instance, merely because a state court has denied a claim for royalties owed to a patent owner, because it found the asserted patent invalid, does not, as a collateral consequence, necessarily render the patent invalid in federal court. Arguably, federal courts, out of considerations of economy and fairness to the litigants,340 could nevertheless accord preclusive effect to a state court determination of a patent issue provided that the state court had jurisdiction over a state law cause of action that necessarily required resolution of patent law questions, and that the litigants had a full and fair opportunity to litigate the patent matter at issue. Attention must be given, however, to other factors which argue against giving preclusive effect to the state court determination, including the "special public interest" in ensuring that good patents are upheld and bad patents are stricken,341 and that the questions being addressed in the state and federal courts are arguably different.

Differences in the competence of tribunals may properly lead a court to limit the preclusive effect accorded a judicial decision.342 For example, in In re Convertible Rowing Exerciser Patent Litigation,343 the district court held that it could not accord preclusive effect to an

338. Id. at 242 (Scalia, J., concurring) (quoting McElmoyle v. Cohen, 38 U.S. 312 (1839)).
339. See also 18 Charles Alan Wright et al., Federal Practice and Procedure § 4469, at 608 (Supp. 2000) (stating that the full faith and credit to a state judgment does not necessarily control the collateral consequences that flow from a state court judgment). Professor Wright notes that "[f]ederal law, for example, may treat a state nolo contendere plea as a 'conviction' for federal purposes even if state law expunges the conviction for all purposes." Id.
340. See supra notes 185-88 and accompanying text.
International Trade Commission ("ITC") judicial determination of a patent issue, even when affirmed by the CAFC. In the instant case, the court found that (1) the plaintiffs had a "full and fair opportunity" to adjudicate the matter before the ITC; (2) the ITC followed rules of procedure that were very similar to the Federal Rules of Civil Procedure and adhered to basic fundamental evidentiary principles; and (3) the ITC made adequate findings of fact to demonstrate that it understood the technical issues and substance of the suit. Despite these numerous factors, which suggest as a matter of equity that the plaintiff should not be allowed to relitigate the patent question in federal court, the court concluded that because an ITC proceeding involves a question of unfair trade practice, the nature of the proceeding is "distinct[ly different] in both form and substance from the question before a federal District Court under section 1338; [and] therefore, administrative res judicata is inappropriate."" 

Unlike the situation where state and federal antitrust statutes may be virtually identical, which might justify giving preclusive effect to the state court determination, state law claims that collaterally implicate patent questions are not identical to federal causes of action arising under the patent laws. The nature of a state court proceeding on a state law cause of action, such as a contract claim for royalties owed under a patent license or a business tort claim predicated on the defendant's assertion of an unenforceable and invalid patent, is quite different in form and substance from a federal cause of action arising under the patent laws. Accordingly, notwithstanding the state court's determination, a litigant should be allowed to relitigate questions involving the application of the patent laws in federal court, the forum where Congress intended those questions to be properly litigated.

CONCLUSION

In general, since most state laws are directed toward an intra-state setting, it can hardly be expected that the problems posed by exclusive federal jurisdiction would be adequately addressed by either state

344. Id. at 602. The controversy leading to In re Convertible Rowing Exerciser Patent Litigation began at the ITC. Id. at 597. The plaintiff, Diversified Products Corp. filed a complaint with the ITC, alleging that the defendant, Weslo Inc., had committed "acts of unfair trade practice" by importing goods that infringed its patent. Id. at 597-98. In its defense, Weslo responded that the asserted patent was invalid. Id. at 598. The administrative law judge for the ITC held that the invention was invalid because it was "anticipated and obvious in view of the prior art." Id. After the CAFC upheld the ITC's determination that the asserted patent was invalid, the plaintiff attempted to sue the defendant and others for infringement of the same patent that had been earlier held invalid. Id. at 597.

345. Id. at 600.

346. Id. at 603.

347. See supra notes 270-72 and accompanying text.

348. See supra notes 103-30 and accompanying text.
courts or state legislatures. Federal courts need to assume responsibility for determining the balance between deference to state autonomy and federal interests and to develop federal common law to spell out the preclusive effect state court findings on patent questions should have in federal court. As Justice Jackson wisely noted in a law review article, it "seems productive of confusion [to leave choice-of-law rules to the local policy of the state], for it means that the choice... depends only upon which state happens to have the last word."  

To ensure that the patent laws are correctly and uniformly applied, it seems prudent that we should "lift these questions above the control of local interest and... govern conflict in these cases by the wider considerations arising out of the federal order."  

Because of the ease with which a litigant could avoid federal jurisdiction through artful pleading, as illustrated in the discussion above, there exists the very real danger that the plague of inequitable conduct will infect state courts and open a whole new field of litigation in state court. If this occurred, the lack of expertise among state judges in interpreting the patent laws will surely splinter patent law, and reincarnate the rampant forum shopping that Congress had hoped to stamp out with the creation of the CAFC. Because all cases arising under the patent laws are subject on appeal to review by the CAFC, a means exists to correct mistaken applications of the patent laws by federal district courts and thereby ensure their uniform application. No such centralized safety net currently exists, however, for state court determinations of patent law issues. At best, a litigant could attempt to relitigate the patent question in district court (assuming a favorable district court interpretation of non-preclusion was obtained) and then subsequently appeal, if necessary, to the CAFC.  

Because most cases implicating patent issues are generally brought in district court, district court judges theoretically should possess greater expertise and ability to apply correctly the patent laws than state court judges.  

350. Id. at 28.
351. See supra notes 161-72 and accompanying text.
353. While the Supreme Court could serve as that centralized safety net, the huge docket the Court faces effectively makes it unlikely that it would review a state court’s decision on a patent law issue. See Recommendations for Change, supra note 118, at 209-14 (demonstrating that the Court has insufficient resources to adjudicate adequately areas of national law to ensure national uniformity). In addition, the CAFC has jurisdiction only over appeals from district court cases arising under patent law, and hence, has no jurisdiction to hear an appeal from a state court. See 28 U.S.C. § 1295(a)(1) (1994).
354. See Lee & Livingston, supra note 151, at 704 (noting that most litigation regarding intellectual property disputes, including patent questions, is resolved in
from 1997, almost forty percent of all patent claim constructions by district courts since *Markman v. Westview Instruments*\(^{355}\) have been overturned in whole or in part by the CAFC.\(^{356}\) Almost certainly, the percentage of incorrectly decided state court judgments on patent law issues will be higher. Binding the CAFC and district courts to follow the preclusion laws of each state and the potentially shaky interpretation of state court judges on patent issues will surely frustrate Congress’ intent to remove incentives for forum shopping that had plagued the nation prior to the creation of the CAFC.\(^{357}\) More importantly, it would debilitate the CAFC’s ability to instill national uniformity in the interpretation and application of the patent laws.\(^{358}\)

The policy reasons underlying the exclusivity of the patent laws and the creation of the CAFC strongly support an implied exception to the statute. By allowing federal courts to adopt a single certain position, federal common law could provide the additional advantage of advancing the economic and fairness goals sought by preclusion principles. All of these factors endorse the position that deference to the laws of other jurisdictions is not applicable when “called upon to resolve either procedural or substantive matters that [are] essential to the exercise of [the federal courts’] exclusive statutory jurisdiction.”\(^{359}\)

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\(355\). 52 F.3d 967 (Fed. Cir. 1995).
\(356\). See *Cybor Corp. v. FAS Tech.*, Inc., 138 F.3d 1448, 1476 (Fed. Cir. 1998).
\(357\). See supra notes 117-18, 123-24 and accompanying text.
\(358\). See supra notes 119-20, 125-26 and accompanying text discussing Congress’ goal of instilling national uniformity in the application of patent law by the establishment of the CAFC.
Notes & Observations