Federal Circuit continues to narrow appellate jurisdiction

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21 Mar 2018

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The most recent case narrowing the Federal Circuit's appellate jurisdiction involved a *Walker Process* claim. In 1965 the Supreme Court held that a person sued for infringement could bring a claim for fraudulent procurement of the patent under Section 2 of the Sherman Act (*Walker Process Equipment, Inc v Food Machinery and Chemical Corporation,* 382 US 172, 177-78 (1965)).

According to the court, proof that a party "obtained the patent by knowingly and willfully misrepresenting facts to the Patent Office… would be sufficient to strip [the patentee] of its exemption from the antitrust laws" (*id* at 177). Antitrust claims based on the anti-competitive assertion of a patent have since become known as '*Walker Process* claims' and are typically brought as counterclaims in patent infringement suits (*in re DDAVP Direct Purchaser Antitrust Litigation*, 585 F3d 677, 689-90 (2d Cir 2009)).

To establish a *Walker Process* claim:

> "*the antitrust-plaintiff must show two things: first, that the antitrust-defendant obtained the patent by knowing and willful fraud on the patent office and maintained and enforced the patent with knowledge of the fraudulent procurement; and second, all the other elements necessary to establish a Sherman Act monopolization claim…* Walker Process *liability requires a higher, more specific showing of 'knowing and willful fraud' than the more inclusive inequitable conduct doctrine.*" (*TransWeb, LLC v 3M Innovative Properties Co*, 812 F3d 1295, 1306 (Fed Cir 2016).)

In *Nobelpharma*, the Federal Circuit held that "whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law" (*Nobelpharma AB v Implant Innovations, Inc*, 141 F3d 1059, 1068 (Fed Cir 1998)).

The court concluded that it was:

> "*in the best position to create a uniform body of federal law on this subject and thereby avoid the 'danger of confusion [that] might be enhanced if this court were to embark on an effort to interpret the laws' of the regional circuits*" (*id*, quoting *Forman v United States*, 767 F2d 875, 880 n6 (Fed Cir 1985)).

However, the Federal Circuit explained that it would:

> "*continue to apply the law of the appropriate regional circuit to issues involving other elements of antitrust law such as relevant market, market power, damages, etc., as those issues are not unique to patent law, which is subject to our exclusive jurisdiction*".

Recently, in *Ciprofloxacin Hydrochloride Antitrust Litigation*, the Federal Circuit explained that the *Walker Process* claim at issue in that case was:

> "*subject to exclusive federal court jurisdiction under 28 U.S.C. § 1338(a) because the determination of fraud before the PTO necessarily involves a substantial question of patent law*" (544 F3d 1323, 1330 n8 (Fed Cir 2008)).

Subsequently, the Supreme Court called into question the Federal Circuit's expansive jurisdiction in *Gunn v Minton* (568 US 251 (2013)). In *Gunn*, the Supreme Court determined that the federal courts did not have original jurisdiction over legal malpractice claims based on an alleged error in a patent infringement matter (*id* at 258-59). The court explained that:

> "*Although such cases may necessarily raise disputed questions of patent law, those cases are by their nature unlikely to have the sort of significance for the federal system necessary to establish jurisdiction.*" (*Id.*)

The court further reiterated that "[t]he Federal courts have exclusive jurisdiction of all cases arising under the patent laws, but not of all questions in which a patent may be the subject matter of the controversy" (*id* at

264, quoting *New Marshall Engine Co v Marshall Engine Co*, 223 US 473, 478 (1912)).

Following *Gunn*, circuit courts began questioning the scope of the Federal Circuit's jurisdiction under 28 USC Section 1295. Section 1295 provides that:

> "*The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction… of an appeal… in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection.*" (28 USC Section 1295(a)(1).)

For example, the Third Circuit explained that *Gunn* held that:

> "*hypothetical, backward-looking, case-within-a-case questions of patent law that do not change the real-world result of prior federal patent litigation do not present a substantial patent-law issue*" (*in re Lipitor Antitrust Litigation*, 855 F3d 126, 146 (3d Cir 2017)).

In turn, the Third Circuit held that whether *Walker Process* claims truly present substantial questions of patent law "may be open to debate following *Gunn*" (*id*). The Eleventh Circuit similarly held that:

> "*[A] contract claim within an underlying patent infringement issue did not implicate exclusive Federal Circuit jurisdiction due to the fact-bound nature of the question, the small likelihood that the issue would impact future cases, and the weak interest of the federal government in federal adjudication*." (*Xitronix Corporation v KLA-Tencor Corporation*, 882 F3d 1075, 1079-80 (Fed Cir 2018), citing *MDS (Can) Inc v Rad Source Techs, Inc*, 720 F3d 833, 943 (11th Cir 2013).)

Likewise, the Fifth Circuit has held that:

> "*it had appellate jurisdiction in a case involving a state law claim based on fraud on the [US Patent and Trademark Office] because the underlying fraud allegation 'd[id] not cause the underlying hypothetical patent issues to be of substantial importance to the federal system as a whole, as required by* Gunn" (*id*, quoting *USPPS, Ltd v Avery Dennison Corp*, 541 F Appendices 386 and 390 (5th Cir 2013)).

In light of *Gunn* and the opinions interpreting its impact, the Federal Circuit seemingly reversed its own interpretation of *Walker Process* claims as "involv[ing] a substantial question of patent law" in *Xitronix Corporation v KLA-Tencor Corporation* (882 F3d 1075 (Fed Cir 2018)).

In *Xitronix*, the appeal arose from a single cause of action filed in the district court: a *Walker Process* monopolisation claim under Section 2 of the Sherman Act and Sections 4 and 6 of the Clayton Act, based on the alleged fraudulent prosecution of a patent (*id* at 1076). The Federal Circuit determined that it had no jurisdiction to hear the appeal and transferred the case to the Fifth Circuit (*id* at 1077-78).

According to the Federal Circuit, "[t]he underlying patent issue… [did] not present a substantial issue of patent law" (*id* at 1078). The court explained further that "[t]here is nothing unique to patent law about allegations of false statements" (*id).*

The Federal Circuit attempted to reconcile this holding with its past decisions in *Nobelpharma* and *Cipro*, reasoning that:

> "*While [it] recognized in* Nobelpharma *that most* Walker Process *claims will be appealed to the Federal Circuit due to the natural connection of such claims to our exclusive jurisdiction over patent infringement claims, [it] did not hold that all* Walker Process *claims must be appealed to this court*." (*Id* at 1079.)

While *Xitronix* could be viewed as limited to the unlikely case when a *Walker Process* claim is asserted as a standalone claim, instead of a counterclaim in response to a claim of patent infringement, it will be interesting to see if the Federal Circuit will continue to constrict its own appellate jurisdiction following *Gunn* and what other claims might be deferred to circuit courts having jurisdiction under 28 USC Section 1291.

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