Third Circuit Clarifies When a Case "Arises Under" Federal Patent Law

Client Advisories

03.08.2021

In most circumstances, if you want to appeal a decision after the end of a case in federal district court in New Jersey, your appeal would be heard in the Third Circuit Court of Appeals in Philadelphia, Pennsylvania. However, Congress has the power to give other courts exclusive jurisdiction for certain types of cases, and one such instance is appeals in patent cases.

Regardless of the district court in which the plaintiff in a patent case files suit, under federal law, the Federal Circuit Court of Appeals, in Washington, D.C., has exclusive jurisdiction over appeals if the case "arises under" any federal law related to patents [28 U.S.C. §1295(a)(1)]. In a Third Circuit case decided in the fall, the court clarified what it means for a lawsuit to "arise under" federal patent law.

In *FTC v. AbbVie Incorporated*, 976 F.3d 327 (3d Cir. 2020), the Federal Trade Commission ("FTC") sued four pharmaceutical companies over the multibillion dollar drug AndroGel, a testosterone replacement medication. The FTC alleged that the companies maintained a monopoly by, among other things, engaging in sham patent litigation, and that it restrained trade by entering into an anticompetitive reverse-payment agreement. After several pretrial decisions and a sixteen-day bench trial, the FTC obtained a $448 million verdict. Both the FTC and the defendants filed an appeal with the Third Circuit.

Before the Third Circuit could consider the merits of the appeal, it had to determine whether it had jurisdiction, or whether the claims "arose under" federal patent law, thus vesting the Federal Circuit with jurisdiction for the appeal. The test for determining whether the appeal meets the "arising under" standard is whether federal patent law is a "necessary" element of one of the plaintiff's claims, and whether the patent-law issues are "substantial."

The court determined that it did have jurisdiction to consider the appeal because federal antitrust law, rather than federal patent law, created the basis for the FTC's claim. First, federal patent law was not a "necessary" element of the FTC's claims. FTC's allegations were that the defendants engaged in sham litigation and an impermissible reverse-payment agreement. These claims alleged anticompetitive conduct, and thus patent law was not a "necessary" element.

In addition, the patent-law issues were not "substantial." Because adjudication of the claims are not important to the federal system as a whole and would have no binding effect on any court outside of the Third Circuit, the patent-law claims did not qualify as "substantial." Thus, the Federal Circuit did not have exclusive jurisdiction to consider this appeal, and the Third Circuit had the authority to consider the appeal's merits.

If you have any questions about this decision, or about any issue involving patent litigation, please contact Richard Gilly at 215-246-3112 or rgilly@archerlaw.com, or John Connell at 856-354-3074 or jconnell@archerlaw.com, or Anthony Fassano at 856-616-2618 or afassano@archerlaw.com, or any member of Archer's Intellectual Property Group.

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