

Keywords: well-pleaded complaint; “arises under”; federal question jurisdiction

General: Federal Circuit held that it lacked jurisdiction over an appeal from U.S. District Court under 28 U.S.C. § 1338 via § 1295(a)(1) because [1] federal patent law did not create the cause of action; and [2] the plaintiff’s right to relief did not necessarily depend on resolution of a substantial question of federal patent law, in that patent law was not a necessary element of one of the well-pleaded complaints.

Robert D. Thompson v. Microsoft Corporation
471 F.3d 1288 (Fed. Cir. 2006)
Decided December 8, 2006

I. Facts

Mr. Thompson conceived and developed software in the early 1990’s that used object-oriented programming concepts to create programmable and extendible folders for improved data storage, which he called “SmartFolders.” In January of 1993, Thompson posted a question on a computer forum hoping for assistance on a bug he encountered when trying to incorporate Windows’ clipboard feature into SmartFolders. A Microsoft representative contacted Thompson to assist him, and Thompson sent part of his software to this representative. Shortly thereafter, Thompson was contacted by another Microsoft representative from the Developer Relations Group regarding co-marketing opportunities for SmartFolders at the Windows World trade show. In furtherance of this opportunity, Thompson developed a version of SmartFolders for Microsoft’s upcoming Windows NT operating software and sent that version to Microsoft in April of 1993. While Thompson did not enter a non-disclosure agreement or other formal relationship with Microsoft, he alleged that he shared the technology in confidence, with the understanding that Microsoft would not appropriate the technology for its own use.

Thompson claimed that a Microsoft presenter publicly discussed the SmartFolders technology at a conference and claimed it as a Microsoft product in May of 1993. In May of 1994, Microsoft filed a patent application for this programmable folder technology, disclosed Thompson’s software as prior art, and obtained US Patent Nos. 5,682,532 and 5,771,384.

In August of 2000, Thompson filed a complaint for unjust enrichment against Microsoft in Michigan state court based on Microsoft’s misappropriation, patenting, and use of Thompson’s intellectual property. Microsoft then removed the action to the United States District Court for the Eastern District of Michigan alleging diversity jurisdiction under 28 U.S.C. § 1332 and federal question jurisdiction under 28 U.S.C. § 1338(a). Thompson then amended his complaint to allege only the unjust enrichment claim under Michigan state law. Microsoft answered this complaint by saying that Thompson’s claim was preempted by federal patent law.

Microsoft moved for summary judgment in January of 2000, and the motion was denied. The District Court then stayed the case while the outcome of another case, *Ultra-Precision v. Ford Motor Co.*, No. 01-CV-70302 (E.D. Mich. Sept. 5, 2001), was pending. The *Ultra-Precision* case also involved the question of whether an unjust enrichment claim under Michigan state law was preempted by federal patent law.

Microsoft filed another motion for summary judgment, which was again stayed pending the outcome of the *Ultra-Precision* appeal. The Federal Circuit then held that the unjust enrichment claim, as pled in *Ultra Precision*, was preempted by federal patent law. The Federal Circuit came to this conclusion because the appellant’s complaint did not plead that the appellee received any

incremental benefit over and above the benefit that the general public received from ideas that had been placed in the public domain.

In light of the *Ultra Precision* holding, Thompson conceded in a supplemental brief that a substantial part of the original damages claim was preempted by federal patent law. During the hearing on Microsoft's motion, Thompson moved for the district court to treat the amended complaint as having included a request for the type of "incremental benefit" damages identified by the *Ultra-Precision* case. The district court granted this motion, but ultimately concluded, after much discussion, that the claim was preempted. Thus, the court granted Microsoft's motion for summary judgment and dismissed Thompson's unjust enrichment claim.

It is from this dismissal that Thompson appeals, alleging that his claim involves a substantial question of patent law according to 28 U.S.C. § 1338(a) and claiming that the Federal Circuit has jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

II. Issues

- A. Does the Federal Circuit have jurisdiction over an appeal from the U.S. District Court (E.D. Mich.), i.e., did the civil action arise under an Act of Congress relating to patents?

III. Discussion

- A. No. Federal Courts have only the power authorized by Article III of the Constitution and the statutes enacted by Congress pursuant thereto. Thus, every federal appellate court has a special obligation to satisfy itself of its own jurisdiction.

28 U.S.C. § 1295(a)(1) grants the Court of Appeals for the Federal Circuit exclusive jurisdiction over an appeal from a final decision of a district court of the U.S. if the jurisdiction of that court was based, in whole or in part, on 28 U.S.C. § 1338. Section 1338(a) provides that the district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. Therefore, the ultimate question is whether this was a case "arising under" federal patent law such that the jurisdiction of the district court was based at least "in part" on § 1338.

The Supreme Court held, in *Christianson v. Colt Industries*, that jurisdiction under § 1338(a) extends only to those cases in which a well-pleaded complaint establishes either:

- 1) that federal patent law creates the cause of action; or
 - 2) that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded complaints.
- 1) Michigan State law created the unjust enrichment claim.
 - 2) Even though Thompson alleged that Microsoft patented Thompson's invention without his approval, this fact was not a necessary element of Thompson's claim. The fact that Thompson's complaint also averred that Microsoft used the proprietary information without his authorization was enough in and of itself to support the count of unjust enrichment. Thus, the district court's jurisdiction did not arise under § 1338 and the Federal Circuit lacked jurisdiction under § 1295(a)(1).

IV. Conclusion

In order for a U.S. district court's jurisdiction to be based on 28 U.S.C. §1338(a), the complaint must establish either:

- (1) that federal patent law created the cause of action; or
- (2) the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded complaints.

The mere fact that the complaint alleges facts that are tangent to the subject matter of patents does not constitute a civil action "arising under" an Act of Congress relating to patents. Thus, jurisdiction of the Federal Circuit under § 1295(a)(1) did not exist.