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THE TROJAN HORSE: HOW THE DECLARATORY JUDGMENT ACT CREATED A CAUSE OF ACTION AND EXPANDED FEDERAL JURISDICTION WHILE THE SUPREME COURT WASN'T LOOKING

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INTRODUCTION

The scope of federal judicial power has commanded great attention from both the federal courts¹ and commentators.² One

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1. In *Osborn v. Bank of the United States*, 22 U.S. (9 Wheat.) 739 (1824), the Court first considered the scope of the federal question jurisdiction conferred by the Constitution, an issue reexamined in *Verlinden B.V. v. Central Bank*, 461 U.S. 480 (1983).

On the statutory side, but for a temporary grant in 1801, Act of Feb. 13, 1801, ch. 4, § 11, 2 Stat. 89, 92, *repealed by* Act of Mar. 8, 1802, ch. 8, § 1, 2 Stat. 132, Congress conferred no federal question jurisdiction on the district courts until 1875. *See* Act of Mar. 3, 1875, ch. 137, § 1, 18 Stat. 470. By 1878, the Supreme Court was involved in interpreting the statute, *see Gold-Washing & Water Co. v. Keyes*, 96 U.S. 199 (1878), and the Court's involvement continues, on a frequent basis, to this day. *See, e.g., Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. 804 (1986); *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983); *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667 (1950); *Gully v. First Nat'l Bank*, 299 U.S. 109 (1936); *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921); *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916); *Louisville & N.R.R. v. Mottley*, 211 U.S. 149 (1908); *Tennessee v. Union & Planters' Bank*, 152 U.S. 454 (1894).

The Judiciary Act of 1789 conferred diversity jurisdiction upon the inferior federal courts. Act of Sept. 24, 1789, ch. 20, § 11, 1 Stat. 20, 78 (current version at 28 U.S.C.

commentator called the broadening of federal judicial power during and after the Civil War the greatest expansion in our history and highlighted its importance: "[I]n crabbed and obscure jurisdictional statutes a hundred years old we may trace out great shifts of power, shifts that left the nation supreme over the states in 1876"³ The power is exercised pursuant to a two-tier authorization. Article III of the Constitution⁴ describes its outer limits, and Congress has effectuated the constitutional grant in various statutes.⁵ The constitutional and statutory grants are not co-extensive; in some areas, the Constitution is less restrictive than Congress.⁶

§ 1332 (1982)). The Supreme Court limited the scope of that jurisdiction early by creating the complete diversity rule, *Strawbridge v. Curtiss*, 7 U.S. (3 Cranch) 267 (1806), but has also made clear that the rule is not constitutionally required. *State Farm Fire & Casualty Co. v. Tashire*, 386 U.S. 523 (1967).

2. See, e.g., AMERICAN LAW INSTITUTE, *STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS* (1969); Chadbourn & Levin, *Original Jurisdiction of Federal Questions*, 90 U. PA. L. REV. 639 (1942); Hirschman, *Whose Law Is It Anyway? A Reconsideration of Federal Question Jurisdiction Over Cases of Mixed State and Federal Law*, 60 IND. L.J. 17 (1984); Mishkin, *The Federal "Question" in the District Courts*, 53 COLUM. L. REV. 157 (1953) (all concerning federal question jurisdiction); Frank, *An Idea Whose Time Is Still Here*, 70 A.B.A. J., June 1984, at 17; Friendly, *The Historic Basis of Diversity Jurisdiction*, 41 HARV. L. REV. 483 (1928); Marsh, *Diversity Jurisdiction: Scapegoat of Overcrowded Federal Courts*, 48 BROOKLYN L. REV. 197 (1982); Rowe, *Abolishing Diversity Jurisdiction: Positive Side Effects and Potential for Further Reforms*, 92 HARV. L. REV. 963 (1979); Rowe & Sibley, *Beyond Diversity: Federal Multiparty, Multiform Jurisdiction*, 135 U. PA. L. REV. 7 (1986); Rubin, *An Idea Whose Time Has Gone*, 70 A.B.A. J., June 1984, at 16 (all concerning diversity jurisdiction).

3. Wiecek, *The Reconstruction of Federal Judicial Power, 1863-1875*, 13 AM. J. LEGAL HIST. 333, 333 (1969).

4. U.S. CONST. art. III, § 2 provides:

The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority; to all cases affecting Ambassadors, or other Public Ministers and Consuls; to all Cases of admiralty and maritime Jurisdiction; to Controversies to which the United States shall be a Party; to Controversies between two or more States; between a State and Citizens of another State; between Citizens of different States, between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

5. See 28 U.S.C. §§ 1330-1345 (1982). Cases invoking federal jurisdiction pursuant to 28 U.S.C. § 1331 (conferring original jurisdiction on the district courts for "civil actions arising under the Constitution, laws, or treaties of the United States") are commonly referred to as "federal question cases." See, e.g., *Merrell Dow*, 478 U.S. at 807; *Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 673 (1986).

6. For example, Congress allows district courts to hear diversity cases only if the amount in controversy exceeds \$10,000. 28 U.S.C. § 1332 (1982). A similar limitation applied to cases arising under federal law within the meaning of 28 U.S.C. § 1331 (1982), but Congress removed the monetary floor in 1980. Federal Question Jurisdictional Amendments Act of 1980, 15 U.S.C. § 2072 (1982); 28 U.S.C. § 1331 (1982).

Federal question and diversity cases constitute the largest part of federal district courts' workloads, other than actions by or against the federal government.⁷ Perhaps partially for that reason, the Supreme Court moved early to limit the cases inferior courts may hear under statutes governing federal question and diversity jurisdiction. *Strawbridge v. Curtiss*⁸ held that in diversity cases it is insufficient for merely some of the opposing parties to be from different states; instead, no plaintiff may be from the same state as any defendant. In the area of federal question jurisdiction, the Court has made clear that a case does not arise under federal law unless a federal issue of substantial importance appears on the face of the plaintiff's well-pleaded complaint.⁹ Thus, federal issues arising in an answer or reply, no matter how central to the case or how substantial, do not suffice to permit a case to be heard in federal court. This short summary is deceptively simple, however; as one commentator has observed:

Though the meaning of this phrase ["arising under"] has attracted the interest of such giants of the bench as Marshall, Waite, Bradley, the first Harlan, Holmes, Cardozo, and Frankfurter, and has been the subject of voluminous scholarly writing, it cannot be said that any clear test has yet been developed to determine which cases "arise under" the Constitution, laws, or treaties of the United States.¹⁰

Particularly vexing problems about federal question jurisdiction arise in cases pleaded under the federal Declaratory Judgment Act.¹¹ A declaratory judgment action is designed to permit a party to obtain an "authoritative judicial statement of the legal relation-

7. In the year ending June 30, 1986, for example, 254,828 cases were filed in the district courts. Cases involving the federal government accounted for 91,830 of those. There were 98,747 private party federal question cases and 63,672 diversity cases filed. L. MECHAM, ANNUAL REPORT OF THE DIRECTOR OF THE ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS 1986, at 8, 175 (1986). Of those, only 11,698 were brought under the fonts of specialized jurisdiction in 28 U.S.C. §§ 1334, 1337, 1338 (1982). L. MECHAM, *supra*, at 175-77.

8. 7 U.S. (3 Cranch) 267 (1806).

9. *Merrell Dow*, 478 U.S. at 804. The well-pleaded complaint rule originated in the nineteenth century. See generally Doernberg, *There's No Reason for It; It's Just Our Policy: Why the Well-Pleaded Complaint Rule Sabotages the Purposes of Federal Question Jurisdiction*, 38 HASTINGS L.J. 597 (1987). The case most commonly cited for the proposition is *Louisville & N.R.R. v. Mottley*, 211 U.S. 149 (1908). Doernberg, *supra*, at 598 n.7.

10. C. WRIGHT, THE LAW OF FEDERAL COURTS 91 (4th ed. 1983) (footnote omitted).

11. 28 U.S.C. §§ 2201-2202 (1982); see also *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667 (1950); *infra* notes 61-65 and accompanying text.

ships,"¹² regardless of whether a coercive legal or equitable remedy is sought. Once obtained, the judgment has *res judicata* effect.¹³ Declaratory judgment actions, a comparatively recent development in the United States,¹⁴ are now routine in the federal courts.¹⁵ Despite their prevalence, however, the Supreme Court's efforts to define the contours of federal question jurisdiction in these cases have been neither successful nor coherent.¹⁶ Parties seeking a federal declaratory judgment may present a substantial federal question in their complaints, only to find that the federal courts will refuse jurisdiction. The Supreme Court has interpreted the federal Declaratory Judgment Act to be "procedural only," and therefore without jurisdictional effect.¹⁷ Taken literally, this approach removes from federal jurisdiction three important categories of federal question cases otherwise proper under the Declaratory Judgment Act: (1) "mirror-image" cases, in which a potential defendant to a federally created cause of action brings a declaratory judgment case to precipitate judicial resolution of the dispute, rather than waiting on tenterhooks for the other disputant to sue, (2) "federal defense," and (3) "federal reply" cases, in both of which the declaratory judgment action raises federal issues that otherwise would be pleaded responsively to a state-created cause of action.¹⁸

This Article examines the Court's treatment of declaratory judgment actions. It demonstrates that the Court's "procedural-only" view of the Act frustrates congressional intent and is neither analytically sound nor practical.¹⁹ Part I discusses the general rules

12. Note, *Federal Question Jurisdiction of Federal Courts and the Declaratory Judgment Act*, 4 VAND. L. REV. 827, 830 (1951).

13. RESTATEMENT (SECOND) OF JUDGMENTS § 33 (1982).

14. See *infra* notes 148-50 and accompanying text.

15. Statistics on the number of federal declaratory judgment filings per year are not kept. However, the annotations of cases decided under the federal Declaratory Judgment Act fill nearly 500 pages of the United States Code Annotated. See 28 U.S.C.A. §§ 2201-2202 (1982 & Supp. 1988).

16. Indeed, the American Law Institute declared that "[i]f no other changes were to be made in federal question jurisdiction . . . [the analysis prescribed by the Supreme Court] should be repudiated." AMERICAN LAW INSTITUTE, *supra* note 2, at 171.

17. See *infra* notes 62-63, 78, and accompanying text.

18. For a discussion of these categories, see *infra* notes 82-84, 97-111, and accompanying text.

19. Others made similar suggestions decades ago, but none closely examined the legislative history of the Act. Moreover, because the Court's doctrine was not well established when they wrote, none had the opportunity to observe the full extent of the anomalies and inconsistencies created by the Court's jurisdictional approach. See, e.g., Trautman, *Federal Right Jurisdiction and the Declaratory Remedy*, 7 VAND. L. REV. 445 (1954); Note, *Federal Question Jurisdiction and the Declaratory Judgment Act*, 55 KY. L.J. 150 (1966); Note, *supra* note 12, at 82.

governing federal question jurisdiction and the Court's method for dealing with declaratory judgment cases. Part II explores the history and purpose of the Declaratory Judgment Act and its relationship to federal question jurisdiction. This study demonstrates that the Supreme Court's assumptions about the jurisdictional import of the Declaratory Judgment Act find no support in the legislative history. Further, it shows that the Court's stated approach to subject matter jurisdiction questions in declaratory judgment cases is directly in conflict with Congress's intentions. Part III examines the Court's confused treatment of declaratory judgment cases. It shows that, while professing to allow the Declaratory Judgment Act no jurisdictional effect,²⁰ the Court has endorsed cases and procedures that permit the Act to expand federal question jurisdiction. Thus, in limited situations the Court has given effect to congressional intent, albeit unintentionally. Part IV shows that the anomaly created by the Court can only be reconciled with congressional intent by giving the Act the full jurisdictional effect Congress clearly contemplated. This solution is contrary to the Court's express position, but is the only way in which the true purpose of the Declaratory Judgment Act can be served.

I. THE RULES OF FEDERAL QUESTION JURISDICTION AND THE SUPREME COURT'S TREATMENT OF DECLARATORY JUDGMENT CASES

Congress made no enduring grant of federal question jurisdiction to federal trial courts until 1875.²¹ The 1875 Act²² amended and recodified,²³ remains the basis for such jurisdiction today. The statute's language has always paralleled the constitutional grant.²⁴ In its present version, the statute provides that "[t]he district courts shall have original jurisdiction of all civil actions arising under the

20. See *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983); *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667 (1950).

21. In 1801, in the "Midnight Judges Act," Congress created federal question jurisdiction, but the grant survived President Adams's Federalist administration by barely a year before the Jeffersonian Republicans repealed it. Act of Feb. 13, 1801, ch. 4, § 11, 2 Stat. 89, 92, *repealed by* Act of Mar. 8, 1802, ch. 8, § 1, 2 Stat. 132.

22. Act of Mar. 3, 1875, ch. 137, § 1, 18 Stat. 470.

23. See Act of Oct. 21, 1976, Pub. L. No. 94-754, § 703(2), 90 Stat. 2721 (current version at 28 U.S.C. § 1331 (1982)); Act of July 25, 1958, Pub. L. No. 85-554, § 1331(a), 72 Stat. 415; Act of June 25, 1948, ch. 646, § 1331, 62 Stat. 869, 930; Act of Mar. 3, 1911, ch. 231, § 24, 36 Stat. 1087, 1091; Act of Aug. 13, 1888, ch. 866, § 1, 25 Stat. 433, 434; Act of Mar. 3, 1887, ch. 373, § 2, 24 Stat. 552, 553.

24. See *supra* note 4.

Constitution, laws, or treaties of the United States."²⁵ Nonetheless, this simple wording has given rise to a remarkable amount of litigation in the Supreme Court, as the Court has struggled to give consistent and principled meaning to the phrase "arising under."²⁶ Some have despaired.²⁷ Review of the Court's efforts in this area demonstrates why.

25. 28 U.S.C. § 1331 (1982). Federal question cases can also reach the district courts after removal from the state courts, pursuant to 28 U.S.C. § 1441 (1982). Since 1875, Congress has allowed cases to be removed to the federal courts from the state courts if, *inter alia*, a federal question is presented. See Act of June 25, 1948, ch. 646, § 1441, 62 Stat. 869, 937-38 (current version at 28 U.S.C. § 1441 (1982)); Act of Mar. 3, 1911, ch. 231, § 24, 36 Stat. 1087, 1091; Act of Aug. 13, 1888, ch. 866, § 1-2, 25 Stat. 433, 433-34; Act of Mar. 3, 1887, ch. 373, § 2, 24 Stat. 552, 553; Act of Mar. 3, 1875, ch. 137, § 2, 18 Stat. 470, 470-71.

Prior to 1887, either the plaintiff or the defendant could remove a case to the federal courts if it arose under federal law within the meaning of the predecessor of 28 U.S.C. § 1331. Act of Mar. 3, 1875, ch. 137, § 2, 18 Stat. 470, 470-71. In 1887, however, Congress amended the statute and eliminated the plaintiff's power to remove. Act of Mar. 3, 1887, ch. 373, § 2, 24 Stat. 552, 553. Although the Court continued to treat removal cases as analytically distinct from the original jurisdiction cases, by 1894 the two lines of cases had merged. The standards for removal jurisdiction in federal question cases became the same as those for original jurisdiction. See Doernberg, *supra* note 9, at 626. We will therefore discuss the cases only in terms of the evolving standards of when a federal question exists for jurisdictional purposes, rather than artificially distinguishing between original and removal cases.

26. The United States Court of Appeals for the District of Columbia Circuit, after briefly tracing the development of statutory federal question jurisdiction, notes why the Court has had to struggle so hard:

Although the language of section 1331 mirrors the language of Article III of the Constitution, it has long been settled that the statutory grant of "arising under" jurisdiction does not extend to the full limits of the Constitution. . . . Its exact reach, however, has perplexed both scholars and the federal judiciary almost as long—perhaps inevitably, because there is scant indication that Congress actually intended to draw a narrower boundary. . . . Apparently, the Supreme Court, reluctant to treat every "arising under" case as a constitutional question and sobered at the implication for diminished state court jurisdiction if the statutory grant were interpreted as coextensive with the Constitution, simply indulged the fiction that Congress, even though using the same language as the Constitution, had not intended the same meaning. . . . Cut loose from actual congressional intent, the federal courts have struggled to find principled boundaries to the 1875 Act.

Rogers v. Platt, 814 F.2d 683, 687 (D.C. Cir. 1987) (citations omitted). Thus, the District of Columbia Circuit apparently credits the only piece of legislative history available for this provision of the 1875 Act. "This bill gives precisely the power which the Constitution confers—nothing more, nothing less." 2 CONG. REC. 4986 (1874) (statement of Sen. Carpenter). "Senator Carpenter (R. Wis.) was president pro tempore of the Senate and apparently the only legislator to comment on the 1875 Act on the Senate floor." Doernberg, *supra* note 9, at 603 n.26.

27. See *supra* text accompanying note 10.

Despair is nowhere more justified than in declaratory judgment cases. There the Court, in service of misperceived congressional intent, has constructed an analytical system that cannot withstand close scrutiny. The Court's jurisdictional inquiry turns upon analysis of nonexistent documents. This imports a certain air of unreality to the task and produces circumstances in which the same question may be either federal or nonfederal depending on which party brings it to the court's attention. A brief review of general federal question jurisdiction principles is necessary to understand the cases dealing with jurisdiction in the declaratory judgment area.

Federal question jurisdiction cases confront a two-branch inquiry. First, how important must the federal issue be to justify the case being heard in federal court? Second, in what part of the case must the federal issue appear? Need it be part of the plaintiff's claim, or does raising a federal defense or interposing a federal reply also invoke the power of the federal courts? Unfortunately, the Court has not always distinguished cases concerning the importance branch of the jurisdictional inquiry from those involving the placement branch. Some cases are complicated by the presence of both problems. Moreover, the Court's treatment of the first inquiry has been inconsistent.

A. *The Importance of the Federal Issue*

Few cases have dealt explicitly with the importance of the federal issue as a factor in the jurisdictional inquiry, and in the early years of statutory federal question jurisdiction none did.²⁸ The Court merely defined federal question jurisdiction negatively on a case-by-case basis by identifying individual situations that were not sufficient for its exercise, rather than by affirmatively delineating the characteristics of a federal question case.²⁹ The Court did, how-

28. In *Provident Sav. Life Assurance Soc'y v. Ford*, 114 U.S. 635 (1885), the Court dealt obliquely with the question. Ford sued in a New York court on a federal judgment against Provident Savings. Provident Savings sought to remove the case. Removal was denied, so the defendant sought Supreme Court review. The Court held that the case was not removable, since the judgment's federal character was irrelevant. The Court saw the judgment as evidence of a debt, and thus viewed it as a piece of property. The fact that the property was created by federal law did not, by itself, make a case involving the property a federal question case. *Id.* at 641-42.

29. In *Shoshone Mining Co. v. Rutter*, 177 U.S. 505 (1900), plaintiff and defendant disputed ownership of a piece of land, and plaintiff brought an adverse suit. A federal statute authorized the action. Act of May 10, 1872, ch. 152, § 7, 17 Stat. 91, 93. Nonetheless, the Court held that the case did not arise under federal law. Federal law merely permitted an adverse state action to be brought, functioning essentially as an enabling act. The Court noted that

ever, articulate a distinction that ultimately is critical to understanding the proper role of the Declaratory Judgment Act in the jurisprudence of federal question jurisdiction:

A statute authorizing an action to establish a right is very different from one which creates a right to be established. An action brought under the one may involve no controversy as to the scope and effect of the statute, while in the other case it necessarily involves such a controversy, for the thing to be decided is the extent of the right given by the statute.³⁰

Thus, the Court recognized that a federal statute might create a procedural right to sue without creating or altering substantive rights.

The first explicit definition of statutory federal question jurisdiction came in *American Well Works Co. v. Layne & Bowler Co.*³¹ There, the Court suggested that "[a] suit arises under the law that creates the cause of action."³² Although the Court did not directly discuss the importance branch of the jurisdictional inquiry,³³ the case may imply that a federal issue involved in a case is not sufficiently important to justify federal question jurisdiction unless fed-

a suit to enforce a right which takes its origin in the laws of the United States is not necessarily one arising under the Constitution or laws of the United States, within the meaning of the jurisdiction clauses, for if it did [sic] every action to establish title to real estate (at least in the newer States) would be such a one.

Shoshone, 177 U.S. at 507. Federal jurisdiction is only appropriate if a case "really and substantially" involves a dispute of federal law that would be outcome-determinative. *Id.* The Court later announced that the law creating the cause of action was the law under which the action arose, but it did so without disapproving *Shoshone*. See *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916).

30. *Shoshone*, 177 U.S. at 510.

31. 241 U.S. at 257.

32. *Id.* at 260. In *American Well Works*, an alleged patent infringer sued the patentee for damages resulting from the patentee's threats to sue plaintiff and its customers. The Court found no federal jurisdiction, even though it was clear that patent questions would predominate in the case. *American Well Works*, the alleged infringer, pleaded that it had or would soon apply for a patent on the disputed invention. Layne & Bowler clearly would plead that its threats and representations to plaintiff's customers and prospective customers were justified by its own patent and the fact that plaintiff's invention infringed the patent. Thus, substantial questions of patent law would determine the outcome of the litigation. But Justice Holmes, writing for the majority, announced that since *American Well Works*'s cause of action was essentially an action for trade libel, a state claim, no federal question jurisdiction existed. *Id.*

33. Indeed, Justice Holmes's majority opinion also did not directly discuss the placement branch of the test. We suggest that *American Well Works* can also be interpreted as a placement case, without the announcement of a new standard for federal question jurisdiction. See *infra* note 37; see also Doernberg, *supra* note 9, at 627, 630.

eral law creates the cause of action.³⁴ In any event, the Court finally announced a general test that defined cases included within the federal question jurisdiction statute, rather than one that merely defined such jurisdiction by exclusion.

Five years later, the Court announced a different standard, upholding federal jurisdiction in a case in which state law created the cause of action.³⁵

The general rule is that where it appears from the bill or statement of the plaintiff that the right to relief depends upon the construction or application of the Constitution or laws of the United States, and that such federal claim is not merely colorable, and rests upon a reasonable foundation, the District Court has jurisdiction³⁶

Thus, if a federal issue was outcome-determinative, the case qualified for federal jurisdiction. The Court appeared unconcerned about whether federal or state law created the cause of action.³⁷

The Court's explicit treatment of the importance branch of the jurisdictional inquiry continues to shift. In *Gully v. First National*

34. This implication is far from clear, however. Because Justice Holmes clearly recognized that the case might well turn on issues of patent law, *American Well Works*, 241 U.S. at 260, the characterization is at least questionable.

35. See *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921).

36. *Id.* at 199. Smith brought a shareholder's derivative action complaining of the defendant's directors' proposed investment in some federal bonds that Smith claimed were unconstitutional. The state law under which the corporation was created permitted corporate investment only in lawful securities. *Id.* The Court upheld federal jurisdiction because the dispositive question of the securities' lawfulness was a question of federal law.

The quoted language also refers to the placement issue, so *Smith* may be viewed as a hybrid case involving both issues. Its primary significance, however, is its implicit repudiation of Justice Holmes's law-that-creates-the-cause-of-action test in *American Well Works*.

37. However, the Court may simply have viewed *American Well Works* as a placement case, not an importance case. The patent issues there would arise in the defense; plaintiff could plead its trade libel claim without necessarily asserting the patent claim. Thus, the Court's apparent sudden shift of position may be merely a reflection of that view of the case, suggesting that the announcement of the new test was unnecessary. See Doernberg, *supra* note 9, at 630.

Bank,³⁸ the Court declined to find federal jurisdiction because no federal question was actually in dispute:³⁹

The most one can say is that a question of federal law is lurking in the background, just as farther in the background there lurks a question of constitutional law, the question of state power in our federal form of government. A dispute so doubtful and conjectural, so far removed from plain necessity, is unavailing to extinguish the jurisdiction of the states.⁴⁰

38. 299 U.S. 109 (1936). The Mississippi Collector of Taxes sued to collect a delinquent tax. He brought the action in state court, but the bank removed to federal court, which retained the case over Gully's objection and dismissed the complaint. Justice Cardozo noted that the federal issue thought by the lower courts to justify federal question jurisdiction was that the state was only permitted to tax a national bank by virtue of a federal enabling act, Act of Mar. 4, 1923, ch. 267, § 5219, 42 Stat. 1499 (current version at 12 U.S.C. § 548 (1982)). The enabling act was necessary to overcome the Supreme Court's decision in *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316 (1819), which had declared a state attempt to tax a national bank unconstitutional under the Supremacy Clause. U.S. CONST. art. VI, § 2.

39. The defendant did not claim the state tax was unauthorized, as it might have done by challenging the constitutionality of the enabling act. The plaintiff tax collector obviously would not raise such an issue. Even if one of the parties had sought to litigate the constitutionality of the enabling act, federal jurisdiction would have failed because the issue would have arisen in the defense, not the complaint. See *infra* note 59. The only other way the federal matter might have arisen in the case was if the plaintiff pleaded the existence of the enabling act as a sort of condition precedent to its right to sue for the tax. But the plaintiff did not, and the Court ruled that the mere fact that a provision of federal law was antecedent to the plaintiff's right to sue did not make it important enough to support federal question jurisdiction. *Shoshone* was among the cases cited for this proposition. See *supra* notes 29-30 and accompanying text.

In *Gully*, Justice Cardozo recited the test for federal question jurisdiction that the Court then recognized:

To bring a case within the statute, a right or immunity created by the Constitution or laws of the United States must be an element, and an essential one, of the plaintiff's cause of action. . . . The right or immunity must be such that it will be supported if the Constitution or laws of the United States are given one construction or effect, and defeated if they receive another. . . . A genuine and present controversy, not merely a possible or conjectural one, must exist with reference thereto, . . . and the controversy must be disclosed upon the face of the complaint, unaided by the answer or by the petition for removal.

Gully, 299 U.S. at 112-13 (citations omitted). Note that the first part of this discussion might be seen to refer indirectly to Justice Holmes's test in *American Well Works*, though Justice Cardozo did not cite that case. The second part clearly refers to the outcome-determinative test from *Smith*, though curiously that case, too, is not cited. The final part acknowledges the importance of the placement of the issue in the case, a bow to the rule articulated in *Louisville & N.R.R. v. Mottley*, 211 U.S. 149 (1908). See *infra* notes 53-57 and accompanying text. The third part of the test is *Gully*'s contribution to the law of statutory federal question jurisdiction.

40. *Gully*, 299 U.S. at 117. Of course, extinguishing the jurisdiction of the states is not quite an accurate concept, since the federal jurisdiction asserted by defendant was concurrent with state jurisdiction. On the other hand, state jurisdiction was being extin-

Thus, a potential dispute over federal law, even if outcome-determinative, is unavailing to establish jurisdiction unless the parties actually contest the issue.

The Court's newest case concerning the importance branch of the jurisdictional inquiry is difficult to evaluate. In *Merrell Dow Pharmaceuticals, Inc. v. Thompson*,⁴¹ a state cause of action depended on an interpretation of federal law, similar to the plaintiff's claim in *Smith v. Kansas City Title & Trust Co.*, which justified federal jurisdiction.⁴² In *Merrell Dow*, however, the Court refused to find federal question jurisdiction, noting that the federal issue, even though hotly disputed, was not sufficiently important.⁴³ The majority did not deny that the federal issue was contested or that it might be outcome-determinative; it merely found the federal issue insufficiently substantial to support federal question jurisdiction.⁴⁴

The Court also based its decision on the absence of a federal cause of action. The majority noted that Congress did not provide a private cause of action to individuals aggrieved by violations of the relevant federal law.⁴⁵ From this, the majority concluded that congressional intent also proscribed federal jurisdiction of state law claims based in part on violations of the federal act.⁴⁶

One might construe the Court's opinion to overrule the outcome-determinative test,⁴⁷ but the majority denied that intention.⁴⁸

guished in the sense that the case was removed from the state courts, which would thereafter not have an opportunity to affect it.

41. 478 U.S. 804 (1986). In *Merrell Dow*, plaintiffs sought damages because of the allegedly deleterious effect of a drug on plaintiffs' unborn children. Plaintiffs pleaded several causes of action, including common law negligence, breach of warranty, strict liability, fraud, and gross negligence. *Id.* at 807. In a negligence count, plaintiffs alleged that defendants had misbranded the drug within the meaning of the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301-391 (1982), and that such mislabeling constituted negligence under state law.

42. *See supra* notes 36-37 and accompanying text.

43. *Merrell Dow*, 478 U.S. at 813-14.

44. *Id.*

45. *Id.* at 811.

46. As Justice Brennan pointed out in dissent, it is not clear why the Court's conclusion follows from its premise. *Id.* at 825. Congress's determination not to provide a federal cause of action does not compel the conclusion that Congress opposed states permitting state actions based on violation of federal standards or that Congress was unwilling for federal courts to be open to such actions. Indeed, the majority's emphasis on the congressional intent underlying the absence of a federal cause of action seems to support an argument that all such actions, state or federal, were preempted by the Food, Drug and Cosmetic Act, rather than that such cases were jurisdictionally ineligible for the federal forum.

47. *See supra* notes 36-37 and accompanying text.

48. *See Merrell Dow*, 478 U.S. at 814 n.12. *Smith* may be distinguishable. In *Merrell Dow*, the Court explored whether Congress intended a private right of action to

At the same time, the Court praised the cause-of-action test.⁴⁹ Perhaps the Court agrees with Justice Holmes⁵⁰ that an outcome-determinative federal issue is only likely to be sufficiently important to support jurisdiction if it arises in a federally created cause of action. However, the Court certainly did not say so explicitly, so *Merrell Dow*'s impact on the importance branch of the jurisdictional inquiry is not yet clear. The Court focused on the importance of the federal issue but did not indicate what factors make a federal issue important for jurisdictional purposes.

The case does, however, represent a view of the importance factor different from the outcome-determinative test. Under the outcome-determinative test, the question is whether the federal issue is important—or substantial—with respect to the particular case. In contrast, the *Merrell Dow* majority seemed to be more concerned about the federal issue's general importance outside the context of the individual case.⁵¹ Apart from *Merrell Dow*'s ultimate effect on the importance inquiry, however, the decision also reaffirmed the jurisdictional rule concerning a federal issue's placement in a case, the other branch of the federal question jurisdiction inquiry that must now be considered.

B. *Placement of the Federal Issue in the Case*

The Court has consistently insisted that the federal issue appear on the face of the plaintiff's well-pleaded complaint. This requirement is known as the "well-pleaded complaint rule." The rule is the placement branch of the jurisdictional inquiry. The development of the rule spanned two decades,⁵² but the most familiar formulation of the rule is found in *Louisville & Nashville Railroad v.*

exist under the Food, Drug, and Cosmetic Act. In *Smith*, the plaintiff relied upon the Constitution, not upon a federal statute, so the *Merrell Dow* analysis loses some force. On the other hand, the Court's approach in *Merrell Dow* suggests that in a *Smith* situation, one should ask whether the Constitution's architects intended a private right of action to exist. Although the Court frequently makes that sort of inquiry regarding congressional intent in statutory implication cases, *see, e.g.,* *California v. Sierra Club*, 451 U.S. 287 (1981); *Cannon v. University of Chicago*, 441 U.S. 677 (1979); *Cort v. Ash*, 422 U.S. 66 (1975), it does not ask the cognate question in constitutional cases. *See Davis v. Passman*, 442 U.S. 228 (1979); *Bivens v. Six Unknown Fed. Narcotics Agents*, 403 U.S. 388 (1971).

49. *See supra* notes 32–34 and accompanying text.

50. *See supra* note 34 and accompanying text.

51. It is fair to say at this point that *Merrell Dow* created more confusion than it dispelled. *See Doernberg, supra* note 9, at 636–40.

52. *See Third St. & Suburban Ry. v. Lewis*, 173 U.S. 457 (1899); *Chappell v. Waterworth*, 155 U.S. 102 (1894); *Tennessee v. Union & Planters' Bank*, 152 U.S. 454 (1894); *City of Shreveport v. Cole*, 129 U.S. 36 (1889); *Metcalf v. Watertown*, 128 U.S.

Mottley.⁵³ In that case, the Court sua sponte ruled that it lacked subject matter jurisdiction because the federal issues did not appear on the face of the well-pleaded complaint:

It is the settled interpretation of [the federal question jurisdiction statute] that a suit arises under the Constitution and laws of the United States only when the plaintiff's statement of his own cause of action shows that it is based upon those laws or that Constitution. It is not enough that the plaintiff alleges some anticipated defense to his cause of action and asserts that the defense is invalidated by some provision of the Constitution of the United States. Although such allegations show that very likely, in the course of the litigation, a question under the Constitution would arise, they do not show that the suit, that is, the plaintiff's original cause of action, arises under the Constitution.⁵⁴

The Mottleys could have pleaded their action for breach of contract without reference to federal law; allegations concerning federal law were surplusage.⁵⁵

An analytical technique shows whether a complaint containing allegations of federal issues is well-pleaded. First, examine the complaint, with the federal issues included, to insure that it states a cause of action or, in the words of the Federal Rules, "a claim upon which relief can be granted."⁵⁶ If it does, remove the federal allegations and examine the remaining nonfederal allegations to see whether the complaint continues to state a claim. If it does, the federal matter is not an essential part of the well-pleaded complaint,

586 (1888). For a detailed, if hostile, treatment of the development of the well-pleaded complaint rule, see Doernberg, *supra* note 9.

53. 211 U.S. 149 (1908). In 1871, the Mottleys released a claim against the railroad in exchange for lifetime free passes. In 1906, Congress passed a statute forbidding railroads from furnishing free transportation. As a result, the railroad refused to renew the Mottleys' passes for 1907. See Hepburn Interstate Commerce Act of June 20, 1906, ch. 3591, § 1, 34 Stat. 584, *repealed by* Act of Oct. 17, 1978, Pub. L. No. 95-473, § 4, 92 Stat. 1466. The Mottleys sued to obtain their passes, and pleaded that the railroad would assert that the new statute forbade its continued performance of the settlement contract. The Mottleys argued alternatively that the statute did not apply to preexisting agreements for free transportation, or that if it did, it was unconstitutional.

54. *Mottley*, 211 U.S. at 152.

55. Reduced to its bare bones, the Mottleys' complaint would have alleged, in essence, that they had a contract with the defendant under which the defendant was obligated to supply them with annual free passes, and that the defendant had refused to do so for 1907, thus breaching the contract. The defendant railroad, in turn, would have alleged the existence of the statute as an excuse for its nonperformance (interjecting a federal issue), and the Mottleys would have replied that the statute did not apply to them (interjecting another federal issue), or that if it did, it was unconstitutional (interjecting yet a third federal issue). But none of these federal issues would appear in the original complaint.

56. FED. R. CIV. P. 12(b)(6).

and the case does not qualify for federal question jurisdiction. On the other hand, if the complaint fails to state a claim without the federal allegations, the federal issue is well pleaded and the complaint states a federal question case.⁵⁷

The well-pleaded complaint rule has reigned unchallenged in the courts.⁵⁸ Justice Cardozo paid it homage in *Gully v. First National Bank*,⁵⁹ and in 1986, the Court noted that it is still an important component of the federal question inquiry.⁶⁰ Moreover, in the two cases prescribing the Court's method for dealing with jurisdictional problems presented by the Declaratory Judgment Act, the well-pleaded complaint rule was the sole ground for the Court's refusal to find jurisdiction. The Court's application of the well-pleaded complaint rule to declaratory judgment cases has, in fact, created the problem to which this Article is addressed. It is to those cases that we now turn.

57. None of the cases discussing the well-pleaded complaint rule articulates this method of determining whether a particular complaint is well pleaded. We suggest that the technique described is, in fact, suited to determining whether the federal issue on which jurisdiction depends is appropriately included.

58. Many commentators have argued that the rule ought to be abandoned or substantially modified. See, e.g., AMERICAN LAW INSTITUTE, *supra* note 2, at 169-72; Chadbourn & Levin, *supra* note 2; Doernberg, *supra* note 9; Forrester, *The Nature of a "Federal Question,"* 16 TUL. L. REV. 362 (1944); *McCorkle v. First Pa. Banking & Trust Co.*, 459 F.2d 243, 251 (4th Cir. 1972). ("It is a frustration to dismiss a case which so obviously hinges on federal law and involves federal, rather than state, policies."). Others, though fewer, have supported the rule. See, e.g., Bergman, *Reappraisal of Federal Question Jurisdiction*, 46 MICH. L. REV. 17 (1947); Mishkin, *supra* note 2.

59. 299 U.S. 109 (1936); see also *supra* notes 38-40 and accompanying text. In fact, the well-pleaded complaint rule can itself explain the result in *Gully*. It was unnecessary for Gully, the tax collector, to plead any federal matter in his complaint. He needed only to plead the existence of the contract and the Mississippi taxing statutes. The defendant bank might then have countered that Gully had no authority to tax the bank, citing *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316 (1819), thus injecting a federal issue. Gully would have responded by arguing that the enabling act had overruled the result of *McCulloch*, injecting another federal issue. Neither federal matter, however, could properly appear in the complaint within the meaning of the well-pleaded complaint rule.

60. *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 808 (1986). However, the Court has explicitly refused to apply the rule to the Constitution's "arising-under" provision. *Verlinden B.V. v. Central Bank*, 461 U.S. 480 (1983). Thus, the rule applies only to the district court's exercise of original or removal jurisdiction, not to appellate jurisdiction that does not derive from 28 U.S.C. § 1331 (1982). Were this not the case, the Supreme Court could never hear federal issues arising by way of defense or reply in cases heard in the state courts. The states might thus have the final word on important federal issues.

C. *Declaratory Judgment Cases: The Method*

The Court first confronted the jurisdictional problems raised by declaratory judgment cases in *Skelly Oil Co. v. Phillips Petroleum Co.*⁶¹ Skelly and Phillips contracted for Skelly to supply natural gas to Phillips. The obligation to supply the gas was contingent upon Phillips's obtaining a federal certificate before a certain date, failing which Skelly had an option to cancel the contract. The certificate was approved before the deadline, but was not issued until after the deadline. In between, Skelly repudiated the contract. Phillips brought an action seeking a declaration that the certificate had been timely issued and that the contract was in force.

The Court found no jurisdiction. Justice Frankfurter reasoned that Congress did not intend the Declaratory Judgment Act to have any jurisdictional effect and that its purpose was merely to provide an additional remedy to federal litigants.⁶² Therefore, he said, no case can be brought in the federal courts under the Act that could not have been brought there without it.⁶³ In *Skelly*, without the declaratory judgment remedy, Phillips's remedy would have been an action for damages, or perhaps specific performance, upon Skelly's failure to supply natural gas under the contract. The well-pleaded complaint in such an action would merely have pleaded the existence of the contract and Skelly's breach; no allegations concerning the issuance of the certificate would have been necessary to state the contract claim.⁶⁴ The only federal issue in the case, when the federal certificate was effectively issued, would have arisen when the defendant Skelly pleaded the cancellation of the contract and the plaintiff Phillips replied that the cancellation option under the contract was terminated by the timely issuance of the federal certifi-

61. 339 U.S. 667 (1950).

62. The lack of historical basis for these assertions is discussed in Part II *infra*.

63. This assertion, unquestionably present in *Skelly*, has been vigorously attacked:

The proposition that a suit can be maintained in federal rather than state court only by virtue of the Declaratory Judgment Act may seem to contradict the statement found in many decisions, notably *Skelly*. . . , that the Act "did not extend the [federal courts'] jurisdiction." But the statement cannot have been intended literally. The Act accomplished nothing if it did not allow some suits to be brought in federal court that could not have been brought there previously, . . . suits that otherwise would have been brought, if at all, in state court.

Illinois *ex rel. Barra v. Archer Daniels Midland Co.*, 704 F.2d 935, 939 (7th Cir. 1983) (quoting *Skelly*, 339 U.S. at 671, and citing E. BORCHARD, *DECLARATORY JUDGMENTS* 232-33 (2d ed. 1941)).

64. See *supra* notes 56-57 and accompanying text.

cate.⁶⁵ The federal issue, rather than surfacing in the well-pleaded complaint, would have arisen as a response to the answer.

The *Skelly* Court created the method of jurisdictional analysis for complaints seeking declaratory relief. To insure that the Declaratory Judgment Act is not permitting any cases to come into federal court that could not have done so without it, courts must pretend that the plaintiff filed a coercive action—one seeking damages or injunctive relief. If the hypothetical coercive complaint would arise under federal law, then the declaratory judgment action arises under federal law. But if the hypothetical coercive complaint lacks federal question jurisdiction, then the declaratory action must be dismissed. To do otherwise, according to Justice Frankfurter, would extend Congress's intended scope of the Declaratory Judgment Act by enabling it to thrust into the federal courts cases that otherwise could not be entertained there. *Skelly* gave federal courts the technique for analyzing for declaratory judgment actions. But *Skelly* is not without its problems, as the Court's next foray into this area made clear.

D. Declaratory Judgment Cases: *The Madness*

*Franchise Tax Board v. Construction Laborers Vacation Trust*⁶⁶ forcefully demonstrated the difficulties engendered by *Skelly*'s attempt to be faithful both to the well-pleaded complaint rule and to the Court's perception of the Declaratory Judgment Act's limited mission. The Franchise Tax Board attempted to collect taxes owed by beneficiaries of the Construction Laborers Vacation Trust by commencing a two-count action in the California courts. One count sought a declaration under the California declaratory judgment provision that the Employee Retirement Income Security Act⁶⁷ (ERISA) did not preempt a state tax levy on the Trust's funds. The other count sought to compel payment of the taxes by the Trust from the individuals' accrued benefits. The defendant Trust removed the action to the federal district court.

The Supreme Court, relying upon the *Skelly* analysis, unanimously ruled that there was no jurisdiction.⁶⁸ The Franchise Tax

65. Therefore, the issuance of the federal certificate was not a condition precedent to *Skelly*'s obligation to perform. It was a condition subsequent that cut off *Skelly*'s right to cancel the contract.

66. 463 U.S. 1 (1983).

67. Employee Retirement Security Income Act of 1974, 29 U.S.C. §§ 1001-1461 (1982 & Supp. IV 1986).

68. The Court recognized that the California declaratory judgment provisions under which the case was brought might not have been the product of the same under-

Board's claim for declaratory relief was analogized to an action for coercive relief. The Court did not need to draft the hypothetical complaint for the coercive action, as in *Skelly*, since the Franchise Tax Board's second cause of action seeking damages was the corresponding coercive action. That claim contained no federal issue in its well-pleaded complaint.⁶⁹ The Court held that the declaratory judgment action, as in *Skelly*, was not a federal question case.

Franchise Tax Board is complicated, however, by two factors. First, ERISA permits the trustee of a qualifying fund to bring an affirmative action for injunctive relief when ERISA rights and duties are at issue, and such an action *must* be brought in the federal courts.⁷⁰ If the trustees had commenced an action against the Franchise Tax Board to recover the levy or to enjoin any attempt to collect it, the action clearly would have been federal. If the trustees had instead commenced a declaratory judgment action, *Skelly* analysis would recognize that action as a proper federal case because the analogous coercive action is the Trust's action for an injunction. This presents the curious, and intellectually unsupportable, result that the Franchise Tax Board's declaratory action seeking an answer to the question "Does ERISA preempt?" is not a federal question case, whereas the Trust's declaratory action seeking an answer to the same question is. This is an unacceptable dichotomy.⁷¹ The

lying legislative intention as the federal act. Nonetheless, Justice Brennan noted that "fidelity to [*Skelly*'s] spirit" demanded that state declaratory judgment actions be analyzed in the same way as federal actions. *Franchise Tax Bd.*, 463 U.S. at 17-18.

69. The Franchise Tax Board's complaint alleged, in essence, that the tax was owed, that the Trust held assets belonging to the delinquent taxpayers, and that the Board's levy on the Trust's assets had been refused, entitling the Board to coercive relief. *See id.* at 5-7. The Trust's answer pleaded ERISA preemption, injecting a dispositive federal issue into the case but failing to satisfy the well-pleaded complaint rule. *See id.* at 24.

70. 29 U.S.C. § 1132(a)(3), (e)(1) (1982); *see also Franchise Tax Bd.*, 463 U.S. at 19-20.

71. One might attempt to explain this problem by reference to general principles. "[I]t is well established that a declaratory judgment action seeking to establish the invalidity of a threatened claim based on federal law 'arises under' federal law, while a declaratory judgment action seeking to establish a federal defense to a threatened proceeding based on state law does not." *Arden-Mayfair, Inc. v. Louart Corp.*, 434 F. Supp. 580, 584 (D. Del. 1977) (footnotes omitted). However, viewing *Franchise Tax Board* in that light presents two problems.

First, one can view the case from two perspectives. The Franchise Tax Board's action for declaratory judgment can be seen as an attempt to establish the invalidity of the Trust's federal claim for injunctive relief. *See supra* text accompanying note 70. Under that view, the Board's action would qualify for federal question jurisdiction under the Delaware district court's formulation. But the action can also be seen as the Franchise Tax Board's attempt to establish the invalidity of a federal defense to a state action, and then it would not qualify as a federal question case. *See, e.g., Louisville &*

Court previously made the same suggestion, indirectly: "It is the nature of the controversy, not the method of its presentation or the particular party who presents it, that is determinative."⁷² That pronouncement, however much good sense it might make, seems to have lost its vitality in light of *Franchise Tax Board*.

Second, in some declaratory judgment cases,⁷³ the courts have looked to the defendant's underlying coercive action rather than the

N.R.R. v. Mottley, 211 U.S. 149 (1908); *supra* notes 53-55 and accompanying text. Thus, the Board's declaratory judgment action, for purposes of jurisdictional analysis, resembles a *trompe l'oeil* whose contours seem to shift as the viewer stares at them.

Second, the resolution of the problem presented by the dual nature of the Franchise Tax Board's declaratory judgment action may depend upon whether the Trust's preemption argument is viewed as a claim or as a defense. This requires more general attention to the jurisdictional significance of federal preemption. For jurisdictional purposes, the Supreme Court divides preemption into two categories:

Federal pre-emption is ordinarily a federal defense to the plaintiff's suit. As a defense, it does not appear on the face of a well-pleaded complaint, and, therefore, does not authorize removal to federal court. . . .

One corollary of the well-pleaded complaint rule developed in the case law, however, is that Congress may so completely pre-empt a particular area, that any civil complaint raising this select group of claims is necessarily federal in character.

Metropolitan Life Ins. Co. v. Taylor, 107 S. Ct. 1542, 1546 (1987) (citation omitted). Thus, the Court suggested a two-level approach to preemption for federal jurisdictional purposes. First, federal law may preempt state law in such a way as to defeat previously maintainable state claims. *See, e.g., Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964) (state unfair competition law cannot prohibit copying of article which is not protected by federal patent law); *McDermott v. Wisconsin*, 228 U.S. 115 (1913) (state statute prescribing specific labels for article in interstate commerce invalid in forbidding labels which conform with Federal Pure Food and Drugs Act). Second, federal law may convert a formerly state claim into a federal claim, in effect federalizing a state cause of action. This doctrine arose in *Avco Corp. v. Acre Lodge 735*, 390 U.S. 557 (1968), and the Court specifically approved it in *Metropolitan Life*, 107 S. Ct. at 1546-47. *See also Caterpillar, Inc. v. Williams*, 107 S. Ct. 2425, 2430 (1987). Whether a particular state cause of action in apparent conflict with preemptive federal law falls within the first or second group depends upon Congress's intent. *Metropolitan Life*, 107 S. Ct. at 1547-48.

In the context of ERISA itself, the Court seems to have resolved the matter partially by holding that actions brought by participants or beneficiaries of ERISA plans have been federalized under the *Avco* rationale. *Pilot Life Ins. Co. v. Dedeaux*, 107 S. Ct. 1549, 1557 (1987); *Metropolitan Life*, 107 S. Ct. at 1547. That is not to say, however, that any action, such as the Franchise Tax Board's, brought against an ERISA fund is also federalized. The *Franchise Tax Board* holding strongly suggests that it is not. One may justify this result by viewing *Franchise Tax Board* as within the first preemption category above. Indeed, it is not difficult to view preemption in this context as a defense only. That, unfortunately, does nothing to ameliorate the absurdity of federal jurisdiction being determined not by the issue presented, but rather by the identity of the party who raises the issue.

72. *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 244 (1937) (citations omitted).

73. *See, e.g., Edelmann Co. v. Triple-A Specialty Co.*, 88 F.2d 852 (7th Cir.), *cert. denied*, 300 U.S. 680 (1937).

plaintiff's. Use of that technique in *Franchise Tax Board* would lead to the opposite result.⁷⁴ To make matters worse, the *Franchise Tax Board* Court explicitly approved this technique, most notably used in *Edelmann Co. v. Triple-A Specialty Co.*,⁷⁵ without explaining why it did not apply it.⁷⁶

The Court's analytical system for determining jurisdiction in declaratory judgment cases is unsatisfying largely because of anomalies and inconsistencies such as those in *Franchise Tax Board*. It excludes at least three types of cases that present federal issues in declaratory judgment complaints: cases in which potential federal defendants force adjudication of causes of action held by their adversaries, and cases in which federal supremacy issues would be raised in answers or replies in coercive actions but are part of the complaint in declaratory judgment actions. Yet, under Justice Frankfurter's *Skelly* analysis, the Court's method seems to be compelled by the combination of the well-pleaded complaint rule and the limited interpretation of the Declaratory Judgment Act: that it was not to have any jurisdictional effect. But is the Act so limited? The next section examines the Declaratory Judgment Act more closely to see whether Justice Frankfurter's broad assertion is properly supported by the legislative history. That examination shows the need for correction in the Court's view of the Declaratory Judgment Act, both to give that Act and the congressional intent underlying it their due and to arrive at a coherent policy of federal question jurisdiction in declaratory judgment cases.

II. THE ORIGINS AND PASSAGE OF THE FEDERAL DECLARATORY JUDGMENT ACT

The history of the Declaratory Judgment Act⁷⁷ demonstrates that Justice Frankfurter was not correct in interpreting it as "procedural only,"⁷⁸ merely "enlarg[ing] the range of remedies available in the federal courts."⁷⁹ Justice Frankfurter decided that the allega-

74. *Edelmann* and the alternative method for determining jurisdiction in declaratory judgment actions will be explored more fully in Part III, *infra*.

75. 88 F.2d at 852. See *supra* note 73 and accompanying text.

76. *Franchise Tax Bd.*, 463 U.S. at 19 n.19 (citing *Edelmann*).

77. Others have briefly discussed the legislative history of the Act. See, e.g., Goldberg, *The Influence of Procedural Rules on Federal Jurisdiction*, 28 STAN. L. REV. 395, 443-47 (1976); Mishkin, *supra* note 2, at 178 n.99. However, this is the first time that the legislative history is set forth in detail.

78. *Skelly*, 339 U.S. at 671 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)).

79. *Id.*

tions of a declaratory judgment complaint could not be used to determine whether the case was within federal question jurisdiction, in contrast to the method normally used to determine federal question jurisdiction.⁸⁰ If Justice Frankfurter was correct, the sole type of declaratory judgment case qualifying for federal question jurisdiction is one in which the plaintiff would have had a coercive claim presenting a federal question.⁸¹ In at least three other situations, however, a plaintiff might necessarily plead a federal issue in a complaint seeking declaratory relief: (1) a "mirror-image" case, in which the party seeking the declaratory judgment would have been the defendant in a traditional federal-question coercive action but has not yet been sued;⁸² (2) a "federal-defense" case, in which the defendant asserts a federal defense to the plaintiff's nonfederal coercive action;⁸³ and (3) a "federal-reply" case, in which both the complaint and answer would include only state claims but where the plaintiff's reply would raise a federal issue.⁸⁴ Although a well-pleaded federal question arises on the face of a declaratory judgment complaint in each of these cases, under Justice Frankfurter's approach the district court would lack jurisdiction to hear any of them.

The practical difficulties and logical inconsistencies of the *Skelly* doctrine⁸⁵ are the direct product of Justice Frankfurter's assumptions about Congress's intent when it passed the Declaratory Judgment Act.⁸⁶ But the legislative history of the Act does not support his assumptions. Judicial correction is in order.⁸⁷ Examina-

80. See *supra* notes 53-57 and accompanying text.

81. See *supra* notes 62-65 and accompanying text.

82. *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916), *Edelmann*, and *Franchise Tax Board* represent this kind of case. See *supra* notes 32-34, 73-76, 66-69, and accompanying text.

83. *Louisville & N.R.R. v. Mottley*, 211 U.S. 149 (1908), and *Public Serv. Comm'n v. Wycoff Co.*, 344 U.S. 237 (1952), represent this genre. One can also view the Construction Laborers Vacation Trust's possible declaratory action on the facts of *Franchise Tax Board* in this light. See *supra* notes 66-72 and accompanying text.

84. This is the category involved in *Skelly*. See *supra* notes 61-65 and accompanying text.

85. See *supra* notes 66-76 and accompanying text; *infra* Part III.

86. Frankfurter did not discuss the Act's legislative history, but merely made unsupported references to Congress's intent and cited cases that did not examine the relevant legislative history. See *Skelly*, 339 U.S. at 671-74.

87. *Monell v. New York City Dep't of Social Serv.*, 436 U.S. 658, 665 (1978) is a prime example of the Supreme Court revisiting prior holdings when new knowledge emerges that sheds light on the wisdom of prior conceptions of legislative intent. In *Monell*, the Court, after a "fresh analysis" of the legislative history of the Civil Rights Act of 1871, overruled the holding of *Monroe v. Pape*, 365 U.S. 167 (1961), that municipalities were immune from suit under that Act. 436 U.S. at 663-65; see also *Braden v.*

tion of the nature of the declaratory judgment device, the arguments for its adoption, and the fifteen-year effort to win congressional approval demonstrate the error of Justice Frankfurter's conclusion. Congress approved the declaratory judgment device precisely because it expanded the scope of federal court power and the timing of its exercise. Congress did not indicate that federal question jurisdiction was limited to cases in which a plaintiff also had a traditional, coercive federal question claim. In fact, strong, direct evidence shows that Congress explicitly intended to include at least two of the three excluded groups of cases, "mirror-image" federal question cases and "federal-defense" cases, within the ambit of district court jurisdiction.

Treating the declaratory judgment complaint as a nonentity, as Justice Frankfurter prescribes, blunts congressional intent. In contrast, using the declaratory judgment complaint as the point of reference for statutory federal question jurisdictional purposes, just as with complaints seeking coercive relief, honors the intent of the legislature. Justice Frankfurter's analytical procedure under the Act misconstrues congressional concern about the Act's jurisdictional effect. Congress meant only to ensure that the declaratory judgment action be confined to cases within the constitutional boundaries of the case-and-controversy clause;⁸⁸ it did not intend to limit federal question jurisdiction determinations under the statute.⁸⁹

The Declaratory Judgment Act does not have a tidy history. One must consider deliberations spanning the fifteen years when Congress actively considered the Act. In addition, one must be aware of contemporaneous judicial uncertainty about the declaratory judgment's constitutionality. That uncertainty formed the backdrop for extensive discussions in Congress regarding the Act's jurisdictional limitations. But first, since declaratory judgments were a novelty in this country seventy years ago, one must consider the arguments of the early advocates of the device. Understanding their ideas about the jurisdictional implications of declaratory judg-

30th Judicial Circuit Court, 410 U.S. 484 (1973) (overruling a previous interpretation of the federal habeas corpus statute, 28 U.S.C. § 2241(a), after reexamining congressional intent); *Girouard v. United States*, 328 U.S. 61, 69-70 (1946) (overruling a misconstruction of the Nationality Act of 1940 because it was not proper to "place on the shoulders of Congress the burden of the Court's own error"); *Erie R.R. v. Tompkins*, 304 U.S. 64 (1938) (overruling an erroneous interpretation of the Rules of Decision Act 96 years earlier).

88. See U.S. CONST. art. III, § 2; *infra* notes 170-76 and accompanying text.

89. See 28 U.S.C. § 1331 (1982).

ment acts helps to reveal what Congress intended the federal act to do.

A. *Early Supporters' Views of the Jurisdictional Significance of Declaratory Judgment Acts*

Although other jurisdictions had used declaratory judgments for some time,⁹⁰ they were virtually unknown to American law until this century.⁹¹ Articles by Professors Edson R. Sunderland and Edwin M. Borchard⁹² began the effort to introduce declaratory judgments in this country. Their articles heralded what would be a fifteen-year fight in Congress and the states, led by Professor Borchard⁹³ with the strong support of the organized bar,⁹⁴ to win

90. The declaratory judgment's origins have been traced to ancient Roman law. Borchard, *The Declaratory Judgment—A Needed Procedural Reform, Part I*, 28 YALE L.J. 1, 12–14 (1918) [hereinafter Borchard, *Part I*]. With the reception of Roman law by early nation states in Europe, the declaratory judgment came to medieval France and Germany. *Id.* at 14–20. “The connecting link between the declaratory action of the Middle Ages and modern English law is to be found in the law of Scotland.” *Id.* at 21. A reported opinion granted declaratory relief as early as 1541. *Id.* at 22. The modern declaratory judgment took root in Great Britain in the late 19th century. *Id.* at 25–29. By the time Congress considered the device, Professor Borchard was able to say that “[s]o important has the procedure for a declaratory judgment become in England that approximately 60 percent of the equity cases have for decades been brought under that procedure.” Borchard, *The Supreme Court and the Declaratory Judgment*, 14 A.B.A. J. 633, 634–35 (1928) [hereinafter Borchard, *Supreme Court*].

91. When the first bill was introduced in Congress in 1919, S. 5304, 65th Cong., 3d Sess., 57 CONG. REC. 1080 (1919), no state had a declaratory judgment act, although New Jersey and Illinois had statutes that provided declaratory relief limited to the construction of wills and deeds. Borchard, *Part I, supra* note 90, at 30. One congressman at the first hearing on the bill candidly acknowledged his “lack of familiarity with this subject.” *Hearings on H.R. 10143 Before the House Comm. on the Judiciary*, 67th Cong., 2d Sess., ser. 25, at 8 (1922) [hereinafter 1922 *House Hearings*] (remarks of Rep. Graham).

92. Borchard, *Supreme Court, supra* note 90; Borchard, *The Declaratory Judgment—A Needed Procedural Reform, Part II*, 28 YALE L.J. 105 (1918) [hereinafter Borchard, *Part II*]; Sunderland, *A Modern Evolution in Remedial Rights—The Declaratory Judgment*, 16 MICH. L. REV. 69 (1917). These were the first articles on the topic to appear in American legal literature. In fact, even in Great Britain, where the declaratory judgment action was well known, very little was written about it. Aside from a brief article in 1849 on the Scottish declaratory judgment, Professor Sunderland's first article in 1917 was “the only monographic study on the subject in the English language.” Borchard, *Part I, supra* note 90, at 6 n.14.

93. Professor Borchard was the leading force behind the American declaratory judgment. His writings were prodigious and are still unsurpassed. In addition to the articles already mentioned, *supra* notes 63, 90, 92, his efforts include the following: Borchard, *Declaratory Judgments in Pennsylvania*, 82 U. PA. L. REV. 317 (1934); Borchard, *Judicial Relief for Peril and Insecurity*, 45 HARV. L. REV. 793 (1932) [hereinafter Borchard, *Judicial Relief*]; Borchard & Morrison, *Declaratory Judgments in New Jersey*, 1 MERCER BEASLEY L. REV. 1 (1932); Borchard, *The Constitutionality of Declaratory Judgments*, 31 COLUM. L. REV. 561 (1931) [hereinafter Borchard, *Constitutionality*].

passage of acts authorizing declaratory judgments.⁹⁵ Their arguments were highly influential in persuading Congress to pass the Declaratory Judgment Act.⁹⁶

Early advocates of the declaratory judgment mounted a blistering attack on the common law system's almost exclusive limitation of jurisdiction to cases seeking damage awards and injunctions. They claimed these remedies were inadequate in an increasingly complex society.⁹⁷ A litigation system limited to those remedies was inevitably expensive, cumbersome, and fraught with uncer-

tutionality]; Borchard, *The Declaratory Judgment in the United States*, 37 W. VA. L.Q. 127 (1931); Borchard, *Declaratory Judgments*, 3 U. CIN. L. REV. 24 (1929). In addition to his voluminous writings, he spoke often on the subject and testified before Congress on behalf of the federal Act. Both federal and state courts have referred to him as the father of the declaratory judgment in the United States. See, e.g., *United States Fidelity & Guar. Co. v. Koch*, 102 F.2d 288, 290 (3d Cir. 1939); *Panama Processes, S.A. v. Cities Serv. Co.*, 362 F. Supp. 735, 738 (S.D.N.Y. 1973), *aff'd*, 496 F.2d 533 (2d Cir. 1974); *Mayor of El Dorado v. El Dorado Broadcasting Co.*, 260 Ark. 821, 837, 544 S.W.2d 206, 214 (1976) (Fogleman, J., dissenting); *Lloyd v. Campbell*, 23 Ohio Op. 2d 329, 336, 189 N.E.2d 660, 669 (Mun. Ct. 1963), *aff'd in part and rev'd in part*, 120 Ohio App. 441, 196 N.E.2d 786 (1964); see also *Steffel v. Thompson*, 415 U.S. 452, 468 n.18 (1974) (describing Borchard as "a principal proponent and author" of the Act).

94. As early as 1919, the American Bar Association called the Declaratory Judgment Act "[t]he most important legislation of the year affecting the administration of justice." 44 A.B.A. REP. 284 (1919). The Association was a strong advocate for the measure. Association leaders testified at each of the congressional hearings. See *Hearings on H.R. 5623 Before a Subcomm. of the Senate Comm. on the Judiciary*, 70th Cong., 1st Sess., at 2-9 (1928) [hereinafter *1928 Senate Hearings*] (testimony of Charles P. Taft, Chairman of the American Bar Association Committee on Jurisprudence and Law Reform); *Hearings on H.R. 5365 Before the House Comm. on the Judiciary*, 69th Cong., 1st Sess., ser. 12, at 2-8 (1926) [hereinafter *1926 House Hearings*] (testimony of Nathan William MacChesney); *1922 House Hearings*, *supra* note 91, at 3-17 (testimony of Henry W. Taft and Nathan W. MacChesney).

95. The early proponents of declaratory judgments portrayed them primarily as beneficial extensions of additional jurisdiction to permit judicial resolution of disputes that could not be resolved using traditional common law remedies. See *supra* notes 12-13 and accompanying text.

96. See, e.g., C. WRIGHT, *supra* note 10, at 670 ("Much of the credit for [declaratory judgment laws] . . . is due to Professors Edwin Borchard, of Yale, and Edson Sunderland, of Michigan, who crusaded for more than 30 years for a uniform state and federal declaratory relief procedure.") (footnote omitted).

97. Borchard offered several reasons for the inadequacy of traditional remedies. Borchard, *Declaratory Judgments*, in 5 ASSOCIATION OF THE BAR LECTURES ON LEGAL TOPICS 243, 245 (1928). Damages are often inadequate because that relief can only be given "after the commission of a wrong." Borchard, *Part I*, *supra* note 90, at 3. Because "the social equilibrium is disturbed, not merely by a violation of private rights, but by placing them in a position of grave doubt and uncertainty, . . . the meaning of contracts and other written instruments can not be left in serious doubt without interference with business and social peace." Borchard, *Declaratory Judgments*, *supra*, at 245. Injunctive relief also provided little help for the stabilization of business relations because "the injunction will be issued but rarely to restrain a breach of contract or a trespass." Borchard, *Part I*, *supra* note 90, at 3. Finally "hostile action[s] for damages

tainty.⁹⁸ Reformers argued that social equilibrium can be disturbed not only by direct violations of rights, but also by actions that leave persons in "grave doubt and uncertainty"⁹⁹ about their legal positions. In their view, the existing remedial structure failed in three ways. First, it failed to address the plight of a person embroiled in a dispute who, limited by traditional remedies, could not have the controversy adjudicated because the opposing party had the sole claim to traditional relief and chose not to use it.¹⁰⁰ Second, the traditional system of remedies harmed parties by forcing them to wait an unnecessarily long time before seeking relief.¹⁰¹ Third, the reformers criticized the harshness of damage and injunctive awards.

or an injunction" are unnecessary and cumbersome. *Id.* at 7; see also Sunderland, *supra* note 92, at 70, 76, 77.

98. Borchard, *Part I*, *supra* note 90, at 1-3; Sunderland, *supra* note 92, at 77.

99. Borchard, *Part I*, *supra* note 90, at 2. Without provision for the declaratory judgment action, Borchard argued the traditional remedies of the common law system left a litigant prey to a "variety of doubt, dilemmas, and uncertainties." Borchard, *Judicial Relief*, *supra* note 93, at 854.

100. The early reformers gave many illustrations of the harm that was done to persons who fell into this category. A common example is an alleged debtor who wishes to establish the nonexistence of any debt owed the person who claims to be a creditor. If the creditor does not bring suit, the alleged debtor is left in a state of uncertainty that can be extremely harmful. Borchard, *Part I*, *supra* note 90, at 8-10.

101. A common example of this kind of situation is the case of a building contractor who has a multimillion dollar contract to build a skyscraper using the "highest grade" materials. If a dispute arises with a client prior to construction concerning whether the materials the builder proposes to use in constructing the building are of the highest quality, at common law, absent the declaratory judgment procedure, no remedy existed because no breach of the contract had yet occurred. Absent the availability of declaratory relief, "[t]he common law principle well established and for the most part adhered to for centuries is that no one may invoke the aid of the court until he has suffered loss or damage or until his rights are invaded and loss or damage presently threatened." Gordon, *The Law of Declaratory Judgments and Its Progress*, 9 VA. L. REV. 169 (1923).

Without a legal remedy, the builder's options are not promising. He can use the material he chose, but only at risk that a court will later determine that the material did not conform to the contract. Alternatively, the builder can refuse to construct the facility until the dispute is resolved, but this may trigger a suit for nonperformance. The builder's third alternative, and one that the declaratory judgment advocates argued might be forced upon him by the limitation of his remedies, is to accept his client's interpretation of the contract, forgo his plan to use the material of choice, and sustain the economic loss entailed by this decision. In short, "[i]n the absence of the declaratory judgment the only alternative of either party is to yield to the other's claim or to refuse to comply with the provisions of the contract at the risk of a liability for damages for breach." Dunn, *The Declaratory Judgment*, 45 A.B.A. REP. 383, 388 (1920). The advocates lamented this result as wasteful and unworthy of an advanced system of justice. Borchard, *Part II*, *supra* note 92, at 131 (given "the modern economic world, in which contracts constitute the normal instrument of business relations," the absence of a procedure for construction of a contract in advance of breach is a "crudity"); Sunderland, *supra* note 92, at 81-82.

Even when they could be invoked, they were thought to hamper litigants who did not need or desire coercive relief.¹⁰²

For the reformers, the declaratory judgment was the procedural innovation that would solve these problems. It could be invoked regardless whether the person bringing it had a claim at common law.¹⁰³ A declaratory judgment would address the problems by serving as a remedy: (1) for parties who could not have their controversies judicially reviewed because the opposing parties held the traditional claim and had not yet commenced suit, (2) for parties who did not yet have a remedy because their controversies under traditional principles were genuine but not yet justiciable, and (3) for parties not desiring available traditional relief.¹⁰⁴ To achieve these goals, the reformers proposed a remedy that was forthrightly forum-expanding in two ways. First, it gave a right of action to a person involved in a genuine dispute with a party who could sue, but for some reason refused to do so. The reformers acknowledged that this expansion of jurisdiction, which was accomplished by a dramatic role reversal from the traditional common law casting of parties, was previously unknown. Indeed, a new term had to be coined to describe such a case. Professor Borchard named this use of the declaratory judgment a "negative declaration."¹⁰⁵ Professor Trautman has called the jurisdictional innovation created by permitting either party to a dispute to come into

102. Both Borchard and Sunderland pictured the social order as much more advanced than the legal system allowed. They saw a modern world in which parties were prepared to obey the pronouncements of courts without further intervention. "The more highly organized a society becomes, the less occasion there is to display force in order to secure obedience to its decrees and adjudications. . . . The mere authoritative declaration of the reciprocal rights and obligations of the parties suffices to insure obedience." E. BORCHARD, *supra* note 63, at 12-13; *see also* Sunderland, *supra* note 92, at 70. Therefore, the declaratory judgment would serve as a potential substitute for traditional remedies, even if the party seeking the declaration could have sought more coercive remedies. It would no longer be necessary to "shake the mailed fist of the State in the faces of the litigants." *Id.* at 69.

103. Note, *Developments in the Law: Declaratory Judgments*, 62 HARV. L. REV. 787, 789 (1949); *see also* E. BORCHARD, *supra* note 63, at 26.

104. *See generally* Borchard, *Part I*, *supra* note 90; Sunderland, *supra* note 92.

105. Borchard, *Part I*, *supra* note 90, at 8. Two of the three categories of cases Justice Frankfurter excluded, the mirror-image case and the federal-defense case, are negative declaration cases. *See supra* notes 82-84 and accompanying text.

English courts initially resisted this use of the declaratory judgment largely on the ground that this kind of relief was outside their jurisdiction. Not until *Guaranty Trust Co. v. Hannay & Co.*, [1915] 2 K.B. 536, could the plaintiff ask the court to declare "no right" of the defendant or the "privilege or immunity of the plaintiff." Borchard, *Part I*, *supra* note 90, at 27. Before that case, English courts had limited their jurisdiction over declaratory judgment cases to situations in which the plaintiff could have sought coercive relief. *Id.* at 27-28. Thus, for vastly different rationales, the British courts initially

court "the most striking [feature] of the declaratory remedy."¹⁰⁶ This change in the "forensic position of the litigants"¹⁰⁷ provides what commentators have frankly labeled "a new cause of action."¹⁰⁸ The Supreme Court's failure to recognize this innovation has given rise to most of the federal question jurisdiction problems posed by declaratory judgment actions.

But what was seen as the most controversial, forum-expanding attribute of the declaratory judgment action does not involve federal question jurisdiction problems. It arose from providing jurisdiction to determine a claim sooner than is possible using traditional remedies.¹⁰⁹ Since the framers of the modern declaratory judgment action recognized that harm can often occur before "the plaintiff's rights have been invaded,"¹¹⁰ they proposed giving courts jurisdiction to hear cases without the need for a formal violation of right, so long as a genuine dispute existed.¹¹¹

Although the legal community appreciated the need for declaratory judgments, and agreed with the arguments of the reformers, the jurisdictional extension necessitated by advancing the timing of suits troubled many, including the United States Supreme Court. From 1919, when a federal declaratory judgment act was first seriously proposed, to 1934, when it finally was passed, the courts struggled with this jurisdictional problem. That fight had a significant impact on Congress's deliberations. Indeed, one cannot understand the congressional debates about the jurisdictional limitations of the declaratory judgment without considering this aspect of its history.

B. *The Judicial Battle for Recognition of the Declaratory Judgment*

Given the novelty of the declaratory judgment and its prospective impact upon the courts, the judiciary did not warmly embrace

took the same position on jurisdiction over declaratory judgment cases that Justice Frankfurter later took in *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 167 (1950).

106. Trautman, *supra* note 19, at 463.

107. E. BORCHARD, *supra* note 63, at 233.

108. Note, *supra* note 103, at 789 n.14 (citing C. CLARK, *HANDBOOK ON THE LAW OF CODE PLEADING* 137 (2d. ed. 1947)). Some courts have also recognized this. See *infra* note 227.

109. See *infra* notes 112-47 and accompanying text for discussion of that controversy.

110. Trautman, *supra* note 19, at 463.

111. Borchard, *Part II*, *supra* note 92, at 109; Sunderland, *supra* note 92, at 173-74.

it.¹¹² The accelerated timing troubled some courts, which saw the device thrusting the judiciary into areas beyond its constitutional power. The national debate on this topic, triggered by decisions of state and federal courts, swirled around the Congresses that considered the federal act and heavily influenced their deliberations. Since Justice Frankfurter later implied a congressional intent to limit the declaratory judgment's effect on jurisdiction, it is important to understand how the judiciary struggled with the jurisdiction-expanding nature of the declaratory judgment.

Four cases occupied center stage in the debate, one state supreme court case and a trilogy of opinions by the United States Supreme Court.¹¹³ Those cases focused on the declaratory judgment action's acceleration of assertion of claims.¹¹⁴ With some success, opponents argued that litigants bringing declaratory judgment actions would present moot or advisory cases to unsuspecting courts.¹¹⁵ Justice Frankfurter's failure to appreciate the nature of this jurisdictional debate is largely responsible for the difficulties caused by the Supreme Court's treatment of declaratory judgment cases.

1. The *Anway* Decision

*Anway v. Grand Rapids Railway*¹¹⁶ was the first case to consider the declaratory judgment's constitutionality.¹¹⁷ A railroad conductor wishing to work long hours brought a friendly action against his employer for a declaration that a state labor law limiting working hours was unconstitutional.¹¹⁸ However, no one had

112. "It is . . . not surprising that a new remedy . . . should have aroused hostility in some courts whose judges . . . had not heard the term 'declaratory judgments' . . . in their student days." Borchard, *Declaratory Judgments & Insurance Litigation*, reprinted in AMERICAN BAR ASSOCIATION SECTION OF INSURANCE LAW 74 (1938) (address by Professor Borchard, July 26, 1938) [hereinafter Borchard Address].

113. *Willing v. Chicago Auditorium Assoc.*, 277 U.S. 274 (1928); *Liberty Warehouse Co. v. Burley*, 276 U.S. 71 (1928); *Liberty Warehouse Co. v. Grannis*, 273 U.S. 70 (1927); *Anway v. Grand Rapids Ry.*, 211 Mich. 592, 179 N.W. 350 (1920).

114. See *infra* notes 119, 131, 143, and accompanying text.

115. See *infra* note 123 and accompanying text. The declaratory judgment's supporters disclaimed any such intention. See *id.*

116. 211 Mich. at 592, 179 N.W. at 350.

117. When Congress first considered a declaratory judgment act, Wisconsin, Florida, and Michigan had already passed their own acts. 1919 Fla. Laws 7857; 1919 Mich. Pub. Acts 150; 1919 Wis. Laws 242. Four other states, Connecticut, Maryland, New Jersey, and Rhode Island, had limited and "narrow statutes granting a limited power of rendering declaratory judgments." Borchard, *Constitutionality*, *supra* note 93, at 562.

118. The defendant company's admission of the allegations of plaintiff's complaint demonstrates the cooperative nature of the suit. 211 Mich. at 593, 179 N.W. at 351.

threatened to enforce the law.¹¹⁹ The Michigan Supreme Court reacted harshly to what it saw as the frightening implications of a procedure permitting such a suit. The zealous claims of the early reformers also made an "unfortunate" impression.¹²⁰ For example, Professor Sunderland titled his first article *The Courts as Authorized Legal Advisors of the People*.¹²¹ The court held the Act unconstitutional because it permitted "determinations of abstract propositions

Part of the problem was that neither the railroad labor union nor the state were parties to the action, even though they had the most to lose by an adverse decision. However, the court allowed the union to intervene and invited the state attorney general to file an amicus brief. 211 Mich. at 593, 595, 179 N.W. at 351-52. Advocates of the declaratory judgment labeled the facts of *Anway* "inexpressibly unfortunate" for the first test case in the United States of the new declaratory judgment acts. E. BORCHARD, *Declaratory Judgments*, *supra* note 97, at 262; 1928 *Senate Hearings*, *supra* note 94, at 22 (testimony of Prof. Sunderland). Evidently, a more favorable case was working its way up at the time, and supporters later opined that the story might have been different if it had been decided first. E. BORCHARD, *supra* note 63, at 264; 1928 *Senate Hearings*, *supra* note 94, at 22.

119. 211 Mich. at 593-94, 179 N.W. at 351. Nothing on the face of the Act seemed to prohibit a suit in this posture. Unlike subsequent declaratory judgment acts, which limit the action to cases within a court's power, *see infra* notes 124-27 and accompanying text, the Michigan Act provided without express limitation that "[no] action or proceeding in any court of record shall be open to objection on the ground that a merely [sic] declaratory judgment . . . is sought." 1919 Mich. Pub. Acts 150, § 1.

120. E. BORCHARD, *supra* note 63, at 153.

121. Sunderland, *The Courts as Authorized Legal Advisors of the People*, 54 AM. L. REV. 161 (1920). Professor Sunderland's views were the high water mark of advocates' claims for the declaratory judgment. He argued that the time had come to recognize a "new rule authorizing declaratory judgments . . . [that] gives one the right to know what his rights are." *Id.* at 174. The declaratory judgment would effectuate that right, opening new possibilities for the courts to serve as "oracle[s]" to advise people. Courts, rather than serving as "repair shops" for people who fell into legal difficulties, could become "service stations." *Id.* Sunderland challenged courts to adopt this "revolutionized . . . remedial law" which would transform them from being only "the nemesis of wrongdoers" to "become the guardians and advisers of those who respect the law." *Id.* After *Anway*, no such extravagant claims were made.

Sunderland's views did not fare well in the Michigan Supreme Court. Although it referred to him as "one of the professors of one of the country's great universities," 211 Mich. at 596, 179 N.W. at 352, the court all but branded him a communist for advocating the benefits of the declaratory judgment. The court characterized his arguments as advancing the view that

it is the duty of the State through its courts to furnish advice to its citizens. . . . This adopts the view that 'the state is everything, the individual nothing.' Under our government the State does not till our farms . . . or do our law business for us. The unfortunate people of one country are at present trying such experiment in government. We [, however,] are still a government of laws, operating under a written Constitution.

211 Mich. at 597, 179 N.W. at 352.

of law,"¹²² and therefore conferred nonjudicial power on the courts.¹²³

The Michigan court's lengthy and scathing rejection dealt a "serious blow to the movement" for declaratory judgments in the United States.¹²⁴ The legal community was forced to reexamine the new device's constitutionality.¹²⁵ Proponents recognized that without explicit jurisdictional limitations, any new act was in danger. In 1922, therefore, the Uniform Commissioners on State Laws amended a proposed Uniform Declaratory Judgment Act to authorize only cases already within the courts' "respective jurisdictions."¹²⁶ This amendment was intended to signal what the drafters

122. 211 Mich. at 605, 179 N.W. at 355.

123. *Id.* at 622, 179 N.W. at 361. Contemporary commentators thought the *Anway* court's analysis was critically flawed by its failure to distinguish between declaratory judgment actions presenting independently justiciable controversies, which the Act contemplated, and those raising advisory or moot questions, which it did not. E. BORCHARD, *supra* note 63, at 152-55 (citations omitted). The *Anway* court's quarrel with the Act, however, is more basic than that. One can read the opinion as expressing the court's disagreement with a central premise of the declaratory judgment's advocates: that a dispute can be justiciable before "any wrong has been committed, or before any damages have been occasioned." 211 Mich. at 605, 179 N.W. at 355. The United States Supreme Court appears later to have expressed a similar point of view. *See infra* notes 137-46 and accompanying text for a discussion of those cases.

124. Borchard, *Declaratory Judgments*, *supra* note 97, at 264; 1928 *Senate Hearings*, *supra* note 94, at 22 (testimony of Prof. Sunderland) ("That *Anway* case . . . has caused, I suppose, most of the trouble we have had in this country in regard to declaratory judgment acts.").

125. Pressure came from quarters other than the courts. The Wisconsin Attorney General or the Governor seems to have heard of *Anway* and "asked the legislature to repeal the declaratory judgment statute, because *he believed* that it was unconstitutional." Borchard, *Declaratory Judgments*, *supra* note 97, at 266 (emphasis in original). After the legislature complied and subsequently passed a new act that attempted to address the problem, the Governor vetoed it, stating that "[a]ctions seeking declaratory relief are, after all, nothing more than moot actions." *Id.* at 267.

126. Final Draft of a Bill for an Act Concerning Declaratory Judgments and Decrees, HANDBOOK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS 241 (1922).

The draft of the Act approved by the Commissioners on Uniform State Laws in 1920, before *Anway*, contained no limitation of this nature. First Tentative Draft of an Act Relating to Declaratory Judgments and Decrees, HANDBOOK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS 188 (1920). After *Anway*, some Commission members became fearful that the Act was "unconstitutional, null and void," and that without this amendment the Commissioners might "put a damper forever upon the great progressive movement of declaratory judgments." HANDBOOK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS 81-82 (1921).

Professor Borchard supported this amendment "[t]o avoid any possibility of doubt of the function to be performed by a declaratory judgment," although he continued to insist that the amendment was "surplusage," since the Act was always intended to be limited to cases of actual controversy. E. BORCHARD, *supra* note 63, at 154-55.

thought apparent: the declaratory judgment is not designed to permit adjudication of moot cases or rendition of advisory opinions. Supporters also amended the federal act to conform to *Anway*.¹²⁷ Nevertheless, doubts about declaratory judgments persisted and peaked in three United States Supreme Court opinions. These cases played an important role in the congressional debate by raising the question of whether the proposed federal act, even as amended, overstepped the bounds of article III.

2. The Supreme Court's Trilogy

The Court quickly went out of its way to disparage declaratory judgments on case-or-controversy grounds.¹²⁸ In *Liberty Warehouse Co. v. Grannis (Liberty Warehouse I)*,¹²⁹ a tobacco warehouseman brought a declaratory judgment action in federal court against the Kentucky Attorney General, claiming that a new state law regulating warehouses was unconstitutional. The plaintiff relied upon the Kentucky declaratory judgment act as applicable under the federal Conformity Act, which required federal courts to follow state procedural laws in diversity actions.¹³⁰ The Supreme Court affirmed dismissal of the complaint on two grounds. First, the commonwealth's attorney had not threatened to enforce the Warehouse Act,¹³¹ so the plaintiff's claim was considered too abstract for adju-

127. To alleviate the problem involved in *Anway* (the lack of a justiciable controversy), the words "[i]n cases of actual controversy" were included in the first bill to pass the House of Representatives. See H.R. 5365, 69th Cong., 1st Sess., 67 CONG. REC. 9546 (1926).

128. Declaratory judgment advocates considered the remarks in all three of the cases to be dicta. Borchard, *Supreme Court*, *supra* note 90, at 635-40; 1928 *Senate Hearings*, *supra* note 94, at 17, 22-27 (testimony of Profs. Borchard and Sunderland). But dicta or not, those decisions were formidable to thoughtful legislators in the years that the federal Declaratory Judgment Act was considered by Congress.

129. 273 U.S. 70 (1927).

130. 17 Stat. 196, 197 (1872), *amended as* 28 U.S.C.A. § 724 (West 1926). The Conformity Act provided, in pertinent part:

[T]he practice, pleadings, and forms and modes of proceeding in [civil causes], other than equity and admiralty causes in the circuit and district courts of the United States shall conform, as near as may be, to the practice, pleadings, and forms, and modes of proceeding existing at the time in like causes in the courts of record of the State within which such circuit or district courts are held, any rule of court to the contrary notwithstanding

Id.

131. The Court's opinion on this point may have been factually incorrect. At the 1928 Senate Hearing, Professor Borchard told the Subcommittee: "The fact was, however, as I discovered later, that the Attorney General of the State had contested the action and had undertaken to indict the plaintiff, but that does not appear in Judge

dication.¹³² Second, the state's declaratory judgment act was more than a mere item of practice and procedure and therefore the Conformity Act did not contemplate it. The Court stated that a federal court could not grant declaratory relief under the Conformity Act since the Act "neither purports to nor can extend the jurisdiction of the district courts beyond the constitutional limitations."¹³³

The second case, *Liberty Warehouse Co. v. Burley (Liberty Warehouse II)*,¹³⁴ was a state court enforcement proceeding brought under the same warehouse act. The defendant warehouseman counterclaimed for a declaration that the Act was unconstitutional, but the state court struck the counterclaim on the ground that only a plaintiff could seek a declaration under Kentucky's declaratory judgment act.¹³⁵ The Supreme Court affirmed, saying the ruling did not deny the defendants due process.¹³⁶ The case would not have been terribly damaging to the movement for declaratory judgments, except that Justice McReynolds added the following cryptic sentence: "This court has no jurisdiction to review a mere declaratory judgment."¹³⁷

The final decision in the trilogy was *Willing v. Chicago Auditorium Association*.¹³⁸ The long term lessee-operator of the Chicago Auditorium wished to tear down the existing structure to build a large commercial building, but the lease did not specifically authorize it to do so. After fruitless negotiations with the lessors, the lessee sued in state court for a declaration to resolve the question.¹³⁹ The defendants removed the action to federal court and moved to dismiss.¹⁴⁰ On review, the Supreme Court held that the case should

Sanford's opinion, and it is not a fact that he assumed." 1928 Senate Hearings, *supra* note 94, at 17.

132. 273 U.S. 70 *passim*.

133. *Id.* at 76.

134. 276 U.S. 71 (1928).

135. *Id.* at 88.

136. *Id.* at 88-89. The Court also deferred to the state court's interpretation of Kentucky's declaratory judgment act. *Id.* at 88.

137. *Id.* at 89. The Court cited only *Liberty Warehouse I* as authority for this far-reaching statement.

138. 277 U.S. 274 (1928).

139. The case was originally brought by the plaintiffs in state court to remove a cloud on title to the lease. Some of the defendants who were out-of-state residents had the case removed to federal court. They claimed that the controversy as to them was "separable" and therefore could be heard by the federal courts as a diversity case. They then moved to dismiss the case. *Id.* at 283-84.

140. The defendants argued that, under Illinois law, the action to remove title did not lie and that the federal court lacked jurisdiction to provide alternative relief which, if granted, would have to take the form of a declaratory judgment. *Id.* at 288-89.

have been dismissed because the facts did not present "a case or controversy within the meaning of article III."¹⁴¹

Justice Brandeis explained that the lessee's claim of the lessors' opposition was little more than conjecture. "Several of the lessors were never approached"¹⁴² for their permission for the lessee to demolish the old facility. The only opposition had been expressed "[i]n the course of an informal, friendly, private conversation."¹⁴³ But Brandeis did not rest his opinion on this narrow ground alone. In language that Justice Stone criticized with some irony as declaratory itself,¹⁴⁴ Brandeis suggested that the declaratory judgment remedy exceeded the limits of judicial power. Even though he acknowledged that the case before him was not moot, that the parties were adverse, that the plaintiff had a substantial, definite and specific interest in the question sought to be adjudicated, and that the question presented was not abstract, Brandeis remained unsatisfied.¹⁴⁵

The trilogy, coming at a time of renewed congressional interest in declaratory judgments, was a serious setback for its advocates.¹⁴⁶ Indeed, it interposed a virtual judicial veto of the Act that lasted until the Supreme Court reversed course five years later.¹⁴⁷ But it is important to remember that the trilogy reflected only the fear that the Act would sanction suits unauthorized by the case-or-controversy limitation; the trilogy in no respect concerned a potential expansion of statutory federal question jurisdiction. This distinction is critical to a proper understanding of the cases' effect on congressional deliberations. Specific consideration of the Act's legislative

141. *Id.* at 289.

142. *Id.* at 286.

143. *Id.*

144. *Id.* at 291 (Stone, J., concurring).

145. *Id.* at 289. "What the plaintiff seeks is simply a declaratory judgment. To grant that relief is beyond the power conferred upon the federal judiciary." *Id.*

146. Of the cases in the trilogy, *Willing*, because of its author, its facts (which presented the most appealing case of the trilogy for a declaratory judgment), and its timing (just after the Senate's first and only hearings on the subject) was the most "serious in its possibility of harm to the proposed federal legislation." Borchard, *Supreme Court*, *supra* note 90, at 635. For a discussion of the devastating impact of the trilogy on the Act's chances for passage in Congress, see *infra* notes 170-77 and accompanying text.

147. See *infra* notes 177-82 and accompanying text. The state courts reversed course earlier. A year after *Anway*, the Kansas Supreme Court upheld the constitutionality of a revised declaratory judgment act. *State ex rel. Hopkins v. Grove*, 109 Kan. 619, 201 P. 82 (1921). "The Kansas decision in the *Grove* case became the beacon for all subsequent state cases dealing with the constitutionality of the declaratory judgment." E. BORCHARD, *supra* note 63, at 157. By the time of the Supreme Court's trilogy, eight state supreme courts had upheld declaratory judgment acts. *Id.* at 157-63.

history reveals that Congress resolved to permit broader statutory federal question jurisdiction in declaratory judgment cases than the Court later allowed. At the same time, it imposed a jurisdictional limitation to keep the Act within the limits of article III.

C. *The Legislative History of the Federal Declaratory Judgment Act of 1934*

The first attempt to pass a federal act quickly followed Borchard's and Sunderland's ground-breaking articles. The bill was introduced in every session of Congress from 1919 to 1932. It passed the House three times,¹⁴⁸ but the Senate refused to concur.¹⁴⁹ Finally, in 1934, the Act became law.¹⁵⁰

Although the Congress that passed the Act did so without any hearings and with virtually no discussion,¹⁵¹ three hearings on earlier proposals for a declaratory judgment law were held in the 1920s.¹⁵² These hearings, together with the discussions on the floor of Congress over the years that the concept was before it, give a rather full record of congressional deliberations on this subject.

148. It passed the House in 1926, 1928, and 1932. H.R. 4624, 75th Cong., 2d Sess., 76 CONG. REC. 698 (1932); H.R. 5623, 70th Cong., 1st Sess., 69 CONG. REC. 2025, 2032 (1928); H.R. 5365, 69th Cong., 1st Sess., 67 CONG. REC. 9546 (1926). Unable to win acceptance of the concept in Congress, the reformers turned their attention to the states. By 1920, three states had passed an act. *See supra* note 117. Thereafter, "the movement for more extensive declaratory relief . . . spread rapidly." *Note, supra* note 103, at 791. In 1922, the Commissioners on Uniform State Laws proposed a uniform act for passage by the states. *See supra* note 126 and accompanying text. When the Senate held hearings in 1928 on the federal measure, 23 states already had passed a declaratory judgment act. Borchard, *Supreme Court, supra* note 90, at 633. By 1934, when the federal act finally passed, a majority of the states had a declaratory judgment act. 78 CONG. REC. 8224 (1934) (remarks of Rep. Montague). The majority of remaining states quickly followed after Congress acted. By 1949, only Arkansas, Louisiana, Mississippi, and Oklahoma were without a declaratory judgment act. *Note, supra* note 103, at 791 & n.39.

149. *See infra* note 172 and accompanying text for a discussion of why the Senate may not have acted favorably.

150. Act of June 14, 1934, ch. 512, 48 Stat. 955 (current version at 28 U.S.C. §§ 2201-2202 (1982)).

151. There were no debates or hearings held in either the House or the Senate on the 1934 Bill. The consideration by each chamber was limited to a brief summary of the Bill by its sponsors, followed by a voice vote. 78 CONG. REC. 10564-65, 10919 (1934) (consideration of the Bill by the Senate); 78 CONG. REC. 8224 (1934) (consideration of the Bill by the House).

152. *See supra* notes 91-94 and accompanying text. It is common for a court to rely on hearings conducted in Congresses prior to the session in which the statute was enacted. *See, e.g., Arizona Power Auth. v. Morton*, 549 F.2d 1231 (9th Cir.), *cert. denied sub nom. Arizona Power Auth. v. Andrus*, 434 U.S. 835 (1977); *Wilderness Soc'y v. Morton*, 479 F.2d 842, 856 (D.C. Cir.), *cert. denied*, 411 U.S. 917 (1973) ("The legislative history of the bill that was finally enacted into law . . . contains no discussion [of the

That record has not been extensively explored,¹⁵³ but it shows that Congress intended to expand the subject matter jurisdiction of the federal courts to reap the benefits of the declaratory judgment action, and that it sought to prevent use of the device only by parties presenting moot or advisory claims.

1. What Congress Wanted the Act to Do

Congress knew the benefits of declaratory judgments. Lawyers, scholars and judges testified that the Act would help eliminate the uncertainty in legal relations caused by the established remedies' inability to address genuine and pressing controversies.¹⁵⁴ Specifically, Congress knew that the Act would permit parties otherwise unable to sue in federal court to use that forum.¹⁵⁵ The bulk of

issue]. . . . The legislative history of similar bills in prior Congresses, however, is very revealing."'); *Panella v. United States*, 216 F.2d 622 (2d Cir. 1954).

On at least one occasion, the Supreme Court used the legislative history from a prior statute to interpret a subsequent statute. In *Kennedy v. Mendoza-Martinez*, 372 U.S. 144 (1963), the Court looked to the history of a predecessor statute to discern Congress's intention when it enacted the Immigration and Nationality Act of 1952, despite a dissent asserting that "nothing is to be gained from the legislative history of a quite different law enacted by a quite different Congress." *Id.* at 204 (Stewart, J., dissenting).

153. See *supra* note 77.

154. The idea that the declaratory judgment would aid citizens by eliminating intolerable uncertainties in their legal and business relations is a major theme of the legislative history of the Act. See, e.g., 1928 *Senate Hearings*, *supra* note 94, at 16 (letter from Judge Cardozo, then Chief Judge of the New York State Court of Appeals, endorsing the Act as "a useful expedient to litigants who would otherwise have acted at their peril, or at best would have been exposed to harrowing delay"), 34-35 (testimony of Professor Sunderland) (describing categories of cases in which, without the declaratory judgment, the parties must undergo great risks without knowledge of the parties' respective entitlements, and concluding that the declaratory judgment "removes all that peril"); 1926 *House Hearings*, *supra* note 94, at 4 (testimony of Nathan MacChesney) ("The great distinction [of the declaratory judgment] is that it enables persons in advance of subjecting themselves to a suit for damages, to determine what they ought to do."); 1922 *House Hearings*, *supra* note 91, at 7-8 (testimony of Henry Taft). Representative Gilbert's comment during floor debate is perhaps the most graphic statement of this benefit of the declaratory judgment: "Under the present law you take a step in the dark and then turn on the light to see if you stepped into a hole. Under the declaratory judgment law you turn on the light and then take the step." 69 CONG. REC. 2030 (1928).

155. See, e.g., 1928 *Senate Hearings*, *supra* note 94, at 32 (testimony of Prof. Sunderland); 1926 *House Hearings*, *supra* note 94, at 8 (testimony of Nathan MacChesney); 1922 *House Hearings*, *supra* note 91, at 8 (testimony of Henry Taft) (The "great feature" of the Act is that it permits litigation when otherwise "a lawsuit can not possibly be maintained."); S. REP. NO. 1005, 73rd Cong., 2d Sess. 2-3 (1934) [hereinafter SENATE REPORT].

By the time of the Senate hearings, a large number of states had declaratory judgment acts. See *supra* note 148. However, the Supreme Court ruled in *Liberty Warehouse II* that those acts would not grant entry to federal court through the Conformity

testimony and remarks, by advocates and opponents alike, focused on the Act's opening federal courts to cases that without the new remedy could not have been heard there.¹⁵⁶ The legislative history of the Act is replete with references to cases of persons who could not "sue in a conventional action" because only their adversary had a traditional claim for relief.¹⁵⁷ Representatives extolled the benefits of this use of the device.¹⁵⁸

While Congress heard lengthy discussion about the jurisdiction-expanding aspects of the Act, the testimony did not focus extensively on the attributes of the Act that would extend federal question jurisdiction.¹⁵⁹ The well-pleaded complaint rule,¹⁶⁰ for ex-

Act. See *supra* notes 134-37 and accompanying text. Therefore, the testimony focused on providing a federal forum for parties who had already been accorded one in state court. See, e.g., 1928 Senate Hearings, *supra* note 94, at 14-17 (statements of Rep. Montague and Prof. Borchard).

156. Virtually the entire discussion of the benefits of the proposed Act was devoted to situations in which the potential plaintiff would have been unable to sue without it, either because there had not yet been a violation of right or because the potential defendant was the only one who possessed a common law right of action. The sole category of federal question suit permitted by Justice Frankfurter's *Skelly* analysis—cases in which the declaratory judgment plaintiff already possessed an affirmative right of action—was described at the hearings as "not the usual way in which declaratory judgments are employed." 1928 Senate Hearings, *supra* note 94, at 21 (testimony of Prof. Borchard).

Congress recognized that the Act also provided for a milder alternative remedy for litigants who did not wish to inflict the bitter medicine of a damage award or an injunction on their adversaries. See, e.g., 1928 Senate Hearings, *supra* note 94, at 21 (testimony of Prof. Borchard) ("[T]here is no reason why, if I trust another man, or if I do not want to incur the hostility of another man, I should not simply ask for a declaration that he owes me \$500.').

157. 1928 Senate Hearings, *supra* note 94, at 21. An annotation of sixty "typical" cases from state jurisdictions which had passed declaratory judgment acts was appended to the record of the 1928 Senate Hearings. *Id.* at 47-59. The list was prepared to illustrate that the declaratory judgment act was most useful in situations "where people would otherwise have to act at their peril" because they had no remedy. *Id.* at 21.

158. See, e.g., 71 CONG. REC. 10564-65 (1934) (remarks of Sen. King); 69 CONG. REC. 1687 (1928) (remarks of Rep. Celler); 66 CONG. REC. 4874 (1925) (remarks of Rep. Montague); see also SENATE REPORT, *supra* note 155, at 1-2.

159. Most of the discussion and debate dealt with cases concerning issues of state law that would be raised in a federal action through the district court's diversity jurisdiction. See, e.g., 1928 Senate Hearings, *supra* note 94, at 47-59 ("Typical declaratory judgment cases" include cases about "construction of written instruments," such as contracts, leases, deeds, articles of association, wills, mortgages, insurance policies, charter parties, and declarations of status; only two categories, status and challenges to the validity of government laws, present situations likely to give rise to federal question litigation.); 1926 House Hearings, *supra* note 94, at 3 (testimony of Nathan MacChesney); 1922 House Hearings, *supra* note 91, at 10 (testimony of Henry Taft) ("concrete cases" likely to be brought under the Federal Declaratory Judgment Act include right-of-way, title-to-personal-property, and breach-of-contract cases).

ample, was never mentioned. However, witnesses discussed two of the three categories of federal question declaratory judgment cases Justice Frankfurter later excluded in *Skelly*: the mirror-image case and the federal-defense case.¹⁶¹ That discussion shows Congress meant to extend jurisdiction beyond limitations subsequently imposed by the Court.

The discussion of the mirror-image federal question action is most revealing. Congress heard of the plight of alleged infringers of federally granted licenses who, without the declaratory judgment procedure, were unable to fend off the threats of license holders. Professor Sunderland testified that federal patent, trademark and copyright cases were prime examples of potential litigants who under then-current law were aggrieved but unable to bring their cases to federal court. Sunderland's explanation of the difficulties this presented sounds like a description of the facts in *American Well Works*:¹⁶²

I assert that I have a right to use a certain patent. You claim that you have a patent. What am I going to do about it? There is no way that I can litigate my right, which I claim, to use that device, except by going ahead and using it, and you [the patent holder] can sit back as long as you please and let me run up just as high a bill of damages as you wish to have me run up, and then you may sue me for the damages, and I am ruined, having acted all the time in good faith and on my best judgment, but having no way in the world to find out whether I had a right to use that device or not.¹⁶³

In Sunderland's words, the "declaratory remedy removes all that peril" because it allows alleged patent infringers for the first time to sue directly in federal court.¹⁶⁴

Professor Borchard discussed the federal defense case. He noted a case in which a company engaged in interstate commerce contested a municipal ordinance that imposed a license fee on the sale of its products within the city.¹⁶⁵ The law imposed criminal penalties for violations. The company attempted to challenge the constitutionality of the law, but the state court held an injunction

160. See *supra* notes 54-57 and accompanying text.

161. The federal-reply case category exemplified by *Skelly* was not discussed in Congress.

162. See *supra* notes 32-34 and accompanying text.

163. 1928 Senate Hearings, *supra* note 94, at 35.

164. *Id.*

165. *Id.* at 18 (citing *Shredded Wheat Co. v. City of Elgin*, 284 Ill. 389, 120 N.E. 248 (1918)).

would not lie against the enforcement of a penal statute.¹⁶⁶ Thus, the company could challenge the constitutionality of the law only by risking prosecution and raising the constitutional issue as a defense. Borchard testified that the declaratory judgment offered the advantage of permitting the company to initiate an action to adjudicate the constitutionality of the law without having to "violate it, or purport to violate it, in order to get a decision."¹⁶⁷ Thus, Congress clearly knew that the declaratory judgment procedure allowed an action to assert a federal defense to an anticipated action by the opposing party.¹⁶⁸

Neither the mirror-image case nor the federal-defense case could be brought without the declaratory judgment procedure, because the plaintiff would lack a cause of action.¹⁶⁹ In the mirror-image case, the plaintiff would be asserting the invalidity of someone else's federal claim, and in the federal-defense case, the plaintiff would be asserting the invalidity of another's state claim on federal grounds. Given the specific discussions in Congress of both types of cases in ways that would necessarily expand the district court's statutory federal question jurisdiction, it is difficult to credit Justice Frankfurter's statement that Congress did not view the declaratory judgment as forum-expanding. Nevertheless, the record of the fifteen-year-long saga to win passage of the Act does raise serious concerns about the device's constitutional implications. The record includes suggestions that Congress meant the Act to apply only to cases already within the courts' article III jurisdiction. We must now examine whether this intention was directed toward limiting

166. 1928 Senate Hearings, *supra* note 94, at 19.

167. *Id.* Borchard contrasted this case with a similar action in a state that had adopted a declaratory judgment act. In that case, *Erwin Billiard Parlor v. Buckner*, 156 Tenn. 278, 300 S.W. 565 (1927), a challenge to a municipal penal ordinance that prohibited billiard parlors in large cities was permitted.

168. The Senate Report accompanying the Act that passed Congress cited *Erwin Billiard Parlor* with approval. The Report concluded that the use of the Act to attack the validity of laws before enforcement avoids "social and economic waste and destruction [otherwise required] in order to obtain a determination of one's rights." SENATE REPORT, *supra* note 155, at 2; accord Borchard, *The Federal Declaratory Judgments Act*, 21 VA. L. REV. 35, 49 (1934) [hereinafter Borchard, *Federal Act*] ("The greatest usefulness of the declaratory judgment in the federal jurisdiction will probably lie . . . in the testing of the statutory and administrative powers of officials under federal and state legislation . . .").

The Supreme Court had already entertained such an action and endorsed the appropriateness of the injunction procedure. See *Ex parte Young*, 209 U.S. 123 (1908). Obviously the timing of such an action was not thought to present insurmountable case-or-controversy problems.

169. See *infra* note 206 and accompanying text.

federal cases to the categories Justice Frankfurter described in *Skelly*.

2. What Congress Wanted to Prevent

Congressional misgivings about the jurisdictional reach of the proposed Act, expressed both on the floor and in committee hearings, related entirely to the article III justiciability questions discussed in *Anway* and the Supreme Court's trilogy. The House hearings occurred after *Anway*, but before the Supreme Court addressed the problem. The proponents endeavored to persuade Congress that moot or advisory adjudications were not contemplated.¹⁷⁰

The Senate hearing took place two years later, immediately after both *Liberty Warehouse* cases and on the eve of *Willing v. Chicago Auditorium Association*.¹⁷¹ Concern about the case-or-controversy problem had intensified. By the time of the hearing, the Senate had received the Supreme Court's warnings that a declaratory judgment act would not be well received. That message had a jarring effect, and most of the testimony at the two-day hearing related to this issue. It was clear that Congress would not pass the Act unless it could be persuaded that the measure was not a

170. One congressman captured the concern when he asked the major witness at the first hearing how the Act could authorize judicial action if a case were brought before a party that had the right to sue using conventional remedies. 1922 *House Hearings*, *supra* note 91, at 8 (remarks of Rep. Hersey). Mr. Taft replied: "Now you are raising a constitutional question which was determined adversely in the case of Michigan [referring to *Anway*]. Personally, I think that the decision in Michigan was wrong." *Id.* (testimony of Henry Taft). Supporters of the Act tried to alleviate such concerns, stressing that the Act did not contemplate the adjudication of moot cases as *Anway* had warned it might. *See, e.g., id.* at 8. They also pointed out that a declaration would not lie without an "actual controversy." *Id.* at 15 (remarks of Merrill Moores). Language to that effect had been inserted into the proposed statute, the Committee was told, to meet the *Anway* problem. *Id.* at 3-12 (testimony of Henry Taft). The brief House hearings in 1926 also considered the article III jurisdictional problem. The first witness, Nathan MacChesney of the American Bar Association, asserted that the Bill had been amended to meet the "question [of mootness] that was raised in Michigan." 1926 *House Hearings*, *supra* note 94, at 2 (testimony of Nathan MacChesney).

171. 277 U.S. 274 (1928). Although the hearing took place several days before *Willing*, the Senate Subcommittee was aware of it before deliberations ended. An article by Professor Borchard, discussing *Willing* at some length, is appended to the record of the hearing. 1928 *Senate Hearings*, *supra* note 94, at 70-81 (reprinting Borchard, *Supreme Court*, *supra* note 90).

While there is no direct evidence supporting Justice Brandeis's timing of the decision, it not unreasonable to think that he was aware that *Willing* might affect Congress's deliberations on the Declaratory Judgment Act.

legislative attempt to violate the constitutional limits established by article III. But in 1928, Congress was not persuaded.¹⁷²

The same hesitancy in attributing jurisdictional significance to the proposed declaratory statute was not present when the witnesses and legislators examined its potential effects on the district court's statutory jurisdiction. Congress knew that the Act would expand the ways in which controversies of federal concern would come into court.¹⁷³ But, unlike the strenuous debate that addressed the article III problem, here no one questioned the expansive effect of the act on the federal courts' jurisdiction.¹⁷⁴ Indeed, one witness testified

172. Even the supporters of the measure were not optimistic. The lead witness set the tone of the hearing, beginning his testimony with the concession that "ever since the bill was introduced we have had doubt as to its constitutionality." *1928 Senate Hearings, supra* note 94, at 2 (testimony of Henry Taft). One member of the House appeared before the Subcommittee to present an impassioned argument against the Bill's constitutionality. *Id.* at 61-70 (testimony of Rep. Denison). He warned the legislators that "Congress can not, by any legislation it may enact, extend the jurisdiction of the [federal courts] to take in anything other than 'cases and controversies.'" *Id.* at 64. All of the remaining witnesses, including Professors Borchard and Sunderland, discussed the significance of the jurisdictional hurdle to the Bill's passage presented by the Supreme Court's recent *Liberty Warehouse* opinions. *Id.* at 17, 22-29. While witnesses acknowledged that the Court's obvious article III concern about declaratory judgment actions created "a great deal of confusion," *id.* at 3, they argued that the cases did not foreclose passage, primarily on the ground that the Court had misunderstood the nature of the declaratory judgment. It was not meant, the witnesses said, to expand a district court's jurisdiction to reach advisory or moot cases. *Id.* at 18 (testimony of Prof. Borchard) (declaratory judgment is distinct from advisory opinion or moot case). The Court's intimation that the Declaratory Judgment Act permitted the adjudication of non-article III cases received heavy criticism at the hearing. Some said that these observations were pure dicta on an important matter that had not been briefed or argued. *Id.* at 26 (testimony of Professor Sunderland) ("[T]his *Liberty Warehouse* case really raises two very simple questions, and does not deal at all with the principles of declaratory judgment acts."). Others pointed out that over 20 states had passed declaratory judgment acts and that, except for Michigan, all had been held constitutional. *Id.* at 6 (testimony of Charles Taft).

Despite the arguments, one is left with a feeling that the supporters were merely playing out a losing hand. The atmosphere created by the Court's opinions was such that even as vigorous and long-term an advocate of the Declaratory Judgment Act as Professor Sunderland conceded at the close of his testimony that it was "conceivable" that the Supreme Court would hold the Act unconstitutional. *Id.* at 28 (testimony of Prof. Sunderland).

173. See *supra* notes 156-70 and accompanying text.

174. Questions arose in Congress about the Act's caseload implications. See, e.g., *1928 Senate Hearings, supra* note 94, at 10-11 (letter of District Judge Andrew Miller) ("One patent result of this bill should it become a law . . . would be to greatly increase the congested dockets of the Federal Courts."). But Congress was unconvinced. In fact, because the Act was regarded as allowing parties to focus their litigation on the precise issues that separated them, Congress believed that, if anything, the Act would reduce court congestion. See SENATE REPORT, *supra* note 155, at 3 ("An important practical advantage of the declaratory judgment lies in the fact that it enables litigants to narrow

that the Act "enlarge[d] in a beneficial way . . . jurisdiction over a certain subject matter."¹⁷⁵ Moreover, Congress rejected language from an earlier draft restricting the availability of declaratory relief to suits that would have been within the court's jurisdiction without the Act.¹⁷⁶ That language would have supported Justice Frankfurter's position in *Skelly*. Its deletion strongly supports the idea that Congress did not intend to limit the Act's effect on statutory federal question cases.

3. The Supreme Court's U-Turn and the Act's Passage

The Court's hostility to the declaratory judgment on article III grounds in 1927 and 1928 imposed a "judicial check" on the bill's passage.¹⁷⁷ There the matter rested until five years later when the Court reversed itself in *Nashville, Chattanooga & St. Louis Railway v. Wallace*,¹⁷⁸ holding that a state declaratory judgment act is appropriate for the presentation of justiciable controversies. This holding, discrediting the trilogy's "denunciatory dicta"¹⁷⁹ about the constitutionality of declaratory judgment actions, cleared the way for the federal bill's passage.

In *Wallace*, a railroad brought an action for a declaration that a state tax was unconstitutional and sought Supreme Court review of the state court's adverse ruling. Since the state was threatening

the issue, speed the decision, and settle the controversy before an accumulation of differences and hostility has engendered a wide and general conflict.").

175. 1922 *House Hearings*, *supra* note 91, at 15 (testimony of Merrill Moores).

176. The earlier draft read, in pertinent part:

In cases of actual controversy in which, if suits were brought, the courts of the United States would have jurisdiction, the said courts upon petition shall have jurisdiction to declare rights and other legal relations on request of any interested party for such declarations whether or not further relief is or could have been prayed, and such declarations shall have the force of final decree [sic] and be reviewable as such.

H.R. 5623, 70th Cong., 1st Sess., 69 CONG. REC. 2025 (1928).

It is not entirely clear why this language was eliminated. Professor Borchard, before the Senate Subcommittee, objected to the language because "that term 'if suits were brought' would lead some to believe that this is not a suit." 1928 *Senate Hearings*, *supra* note 94, at 40. This may suggest more a concern with the ubiquitous article III controversy than a fear that the Act would limit statutory federal question jurisdiction.

Interestingly, the Act that initially passed the Senate contained this restrictive language, but it was quickly recalled and the language deleted when Senator King, the bill's sponsor, explained that the Judiciary Committee "inadvertently reported" this version of the bill to the Senate. 73 CONG. REC. 10919 (1934) (statement of Sen. King).

177. Note, *Declaratory Relief in The Supreme Court*, 45 HARV. L. REV. 1089, 1090 (1932).

178. 288 U.S. 249 (1933).

179. 1928 *Senate Hearings*, *supra* note 94, at 7 (testimony of Charles Taft).

to enforce the tax,¹⁸⁰ the Court's jurisdiction to review declaratory judgment cases was squarely presented for the first time.¹⁸¹ Justice Stone's opinion for a unanimous Court (including Justice Brandeis, the author of *Willing*)¹⁸² held that "the Constitution does not require that the case or controversy should be presented by traditional forms of procedure, invoking only traditional remedies."¹⁸³ Because the railroad's case was "real and substantial," the Court had constitutional authority to review, notwithstanding that the plaintiff sought no coercive relief. "[S]uch relief," the Court held, "is not an indispensable adjunct to the exercise of the judicial function."¹⁸⁴ *Wallace* cleared the way for passage of the federal Act, which shortly followed.¹⁸⁵

D. *The Significance of the Legislative History*

As is often true, the legislative history does not definitively resolve all possible issues. For example, Congress did not discuss the application of the well-pleaded complaint rule¹⁸⁶ to the determination of federal question jurisdiction in declaratory judgment cases, the precise issue presented in *Skelly* and *Franchise Tax Board*. Most of the testimony and debate concerned the declaratory judgment's effect on diversity claims, not actions brought as federal

180. 288 U.S. at 261. This distinguishes *Wallace* from *Liberty Warehouse I* and from *Willing*, where no enforcement was threatened. See *supra* notes 131, 142-43 and accompanying text.

181. Professor Borchard, aided by Professor Charles E. Clark, grasped the case's importance prior to the decision and filed what the Court termed an "elaborate brief dealing with the nature and history of declaratory judgments, and sustaining the jurisdiction to review the judgment in this case." 288 U.S. at 258.

182. Professor Borchard attributed the turnabout to "the initiative and diplomacy of Justices Stone and Hughes for redeeming the earlier vagaries of the court and for giving the 'new' procedure an understanding endorsement." Borchard Address, *supra* note 112, at 4.

183. *Wallace*, 288 U.S. at 264.

184. *Id.* at 263 (citing *Fidelity Nat'l Bank & Trust Co. v. Swope*, 274 U.S. 123 (1927)). The Court made short shrift of the trilogy. The opinion does not mention *Liberty Warehouse I*, and refers to *Liberty Warehouse II* and *Willing* only to say that in those cases it "was thought" the difficulty was that the plaintiffs merely sought "a decision advising what the law would be on an uncertain or hypothetical state of facts." *Id.* at 262.

185. See *supra* note 151 and accompanying text. The American Bar Association greeted passage of the Act enthusiastically. Editorial, *Congress Strengthens the Machinery of Justice*, 20 A.B.A. J. 422-23 (1934) (The Act will "strengthen the administration of justice by enlarging the field of judicial power and usefulness."); see also Williams, *Book Review*, 20 A.B.A. J. 774, 775 (1934) ("Whatever comes to much of other legislation by the last Congress [the Declaratory Judgment Act] will in time come to be known as the greatest advance in federal jurisprudence within the memory of living men.").

186. See *supra* notes 156-61 and accompanying text.

question cases.¹⁸⁷ Nevertheless, the legislative history strongly suggests that Justice Frankfurter's view, that Congress intended the Declaratory Judgment Act to have no jurisdictional effect, is without historic support.

Frankfurter's approach is flawed because it imprecisely uses the term "jurisdiction." In one sense, Congress did not intend the Declaratory Judgment Act to have a "jurisdictional" effect. But how did Congress use the word?¹⁸⁸ The history of the Act demonstrates that Congress was solely concerned with article III case-or-controversy problems, not about the expansion of statutory jurisdiction in the ways later prohibited by *Skelly*.

What, exactly, was Congress's intent concerning the three categories of federal question cases excluded by the *Skelly* approach? First, Congress clearly intended to embrace the negative declaratory judgment, whose benefits were praised by the early reformers and whose use necessarily expands federal jurisdiction. The legislative history provides strong evidence that Congress passed the Act, in large part, to provide a remedy for parties who wished to seek judicial relief but did not have a traditional remedy. Congress therefore wanted to include cases that the lower courts otherwise could not entertain.

Given the endorsement of the negative declaratory judgment action, one would expect to find some indication in the record if Congress wished to prevent its application to federal question cases. The indications are contrary. For example, Congress specifically approved mirror-image declaratory judgment actions. In such cases, patent infringement disputes being the most prevalent, the issues being adjudicated are almost entirely federal. Thus, Congress clearly contemplated the *Edelmann* approach,¹⁸⁹ which permits federal declaratory judgment actions by alleged patent infringers.

187. Professor Borchard suggested that, had the Supreme Court in *Liberty Warehouse II* not made it impossible to use state declaratory judgment acts in diversity cases, Congress might not have passed the Act. Borchard, *Federal Act*, *supra* note 168, at 37-38.

188. Justice Frankfurter remarked in a case decided only two terms after *Skelly*, "I do not use the term jurisdiction because it is a verbal coat of too many colors." *United States v. Tucker Truck Lines*, 344 U.S. 33, 39 (1952) (Frankfurter, J., dissenting); see also A. ERHENZWEIG, D. LOISELL & G. HAZARD, *JURISDICTION IN A NUTSHELL, STATE AND FEDERAL* 6-7 (4th ed. 1980) ("[T]he word 'jurisdiction' covers a multitude of ideas. It is indeed a chameleonic [sic] word, a cloak of many colors.").

189. See *supra* notes 73-76 and accompanying text.

To the extent that *Skelly* is inconsistent with this approach, it is wrongly decided.¹⁹⁰

The legislative history relating to the federal-defense category is less dramatic, but the balance still tips in favor of jurisdiction. The evidence indicates that Congress contemplated declaratory judgment actions to challenge the constitutionality of governmental actions. Soon after the Act passed, Professor Borchard identified this as one of its primary benefits.¹⁹¹ This benefit only exists if the Act is interpreted to allow a party to sue for a declaration of the validity of a federal defense to a threatened state enforcement proceeding.¹⁹²

Federal question jurisdiction in this kind of case differs from that in the mirror-image lawsuit. In federal-defense cases, allowing jurisdiction provides a forum for cases that otherwise would be heard in state courts. In contrast, allowing jurisdiction in mirror-image suits opens the federal courts to federal controversies earlier

190. It is possible to argue that the language of *Skelly* is not inconsistent with *Edelmann*. After all, Justice Frankfurter cited with approval the very page of the Harvard Law Review note on declaratory judgments that argued for the assertion of federal question jurisdiction over federal-defense cases when the federal defense "arise[s] in answer to a complaint which itself would properly raise a federal question." See *Skelly*, 339 U.S. at 674 (citing Note, *supra* note 103, at 803). Frankfurter also said that jurisdiction "means the kinds of issues which give right of entrance to federal courts." *Skelly*, 339 U.S. at 671 (emphasis added). That statement is consistent with allowing jurisdiction for cases that present federal issues for adjudication, independent of how they would be presented in a common law action. The problem we address in this Article, therefore, may be the interpretation of *Skelly* by others afterwards, not *Skelly* itself. On the other hand, Justice Frankfurter's misunderstanding of the legislative history of the Act must certainly have contributed to the possible misinterpretation of *Skelly*.

191. Borchard, *Federal Act*, *supra* note 168, at 49 ("[T]he greatest usefulness of the declaratory judgment in the federal jurisdiction will probably lie in the field of constitutional and administrative law, in the testing of the statutory and administrative powers of officials under federal and state legislation.").

192. One commentator takes the position that declaratory judgment cases raising federal challenges to state or local actions are not federal-defense cases because, in reality, a direct coercive federal action is available: "injunctive actions . . . under the doctrine of *Ex parte Young*." Comment, *Federal Jurisdiction over Declaratory Suits Challenging State Action*, 79 COLUM. L. REV. 983, 984 (1979). Appealing as that approach is, it has several difficulties. First, the categories of federal question cases often overlap. See, e.g., *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983), discussed *supra* notes 66-76 and accompanying text. This approach does not address how one should proceed under *Skelly* in such a situation. Second, and more important, this approach is inconsistent with the legislative history of the Act, which suggests that Congress did not believe that there was a realistic chance in such cases of mounting a successful injunctive challenge to state regulations. See *supra* notes 165-67 and accompanying text. This is precisely the reason that the supporters of the declaratory judgment remedy argued for providing an alternative remedy.

than they would otherwise be heard; it does not remove cases from the state courts. The legislative history shows that Congress intended the Act to be forum-opening, but less evidence suggests that Congress meant it to be forum-displacing.

One could plausibly argue that no jurisdiction to hear a federal-defense case exists without a frank recognition by Congress that the Act was meant to provide new power to federal courts to hear cases that otherwise would have been heard in state court. Congress never explicitly stated that the Act was meant to take these kinds of cases from state courts. On the other hand, abundant evidence shows that Congress understood the importance of federal-defense claims for vindication of federal rights.¹⁹³ Given that recognition, and a similar recognition that by expanding diversity jurisdiction Congress was increasing federal courts' power to hear state claims, it is difficult to conclude that Congress meant to compel exclusion of federal-defense cases. Moreover, Congress certainly knew of *Ex parte Young*,¹⁹⁴ in which the Supreme Court had endorsed a forum-displacing use of federal injunctive power. It is unlikely that Congress meant the declaratory remedy to be treated any differently.

No legislative history addresses the category of case involved in *Skelly* itself, the federal-reply case. Here, unlike the first two categories, no evidence exists that Congress even thought specifically about such cases. For federal-reply cases, therefore, the record does not directly resolve the matter. On the other hand, the nature of such cases suggests no inherent reason to treat them as analytically different from federal-defense cases for jurisdictional purposes. Neither type of case, as a coercive action, satisfies the well-pleaded complaint rule, but both present the same compelling reasons for permitting federal adjudication of federal issues that Congress found persuasive.¹⁹⁵

If fidelity to Congress's intent is the test, therefore, one must reject Justice Frankfurter's history lesson in *Skelly*. It specifically contradicts Congress's expressed intent to permit either party to a federal cause of action to bring a declaratory judgment action, and to permit parties to raise federal defenses to state laws affirmatively. The Act does not require Frankfurter's approach of ignoring the

193. SENATE REPORT, *supra* note 155, at 2-3.

194. 209 U.S. 123 (1908). Railroads challenging a Minnesota rate-fixing statute on federal constitutional grounds brought a federal action to enjoin its enforcement. The Court allowed the action.

195. See *supra* notes 165-68, 174-75, and accompanying text.

allegations of the declaratory judgment complaint in favor of those of a non-existent coercive complaint. Instead, the history of the Act demonstrates that to do so undermines the Act's purposes.

The failure of Justice Frankfurter's historical position compels reexamination of the relationship between the Declaratory Judgment Act and federal question jurisdiction. The Supreme Court's view of the declaratory judgment is inconsistent. The Court has simultaneously endorsed both the *Skelly* approach and a different mode of analysis consistent with actual congressional intent. The following examination of the war between the two approaches demonstrates why a return to Congress's original view of the mission of the Declaratory Judgment Act is necessary.

III. BIRTH OF ANOMALY

On one hand, the Supreme Court's treatment of federal question jurisdiction in declaratory judgment cases fails to consider properly Congress's intent in enacting the Declaratory Judgment Act. On the other hand, the Court's most recent declaratory judgment case demonstrates its inability to subscribe completely to Justice Frankfurter's limited view. Thus, in *Franchise Tax Board*, the Court attempted to be faithful to the spirit of *Skelly*,¹⁹⁶ but endorsed *Edelmann & Co. v. Triple-A Specialty Co.*,¹⁹⁷ which embodied a mode of analysis inconsistent with *Skelly* but wholly consistent with Congress's true intent. Simultaneously, the Court lauded *American Well Works Co. v. Layne & Bowler Co.*,¹⁹⁸ which is consistent with *Skelly*, but fatally inconsistent with *Edelmann*.

A. American Well Works and Edelmann: Jurisdictional Results in Conflict

In *American Well Works*, the plaintiff complained that the defendant threatened to sue plaintiff's customers, prospective customers, and plaintiff under a claim that plaintiff's pump infringed defendant's patented design. Plaintiff sued for damages to its business, alleging that its device did not infringe defendant's patents and

196. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 17-18 (1983).

197. 88 F.2d 852 (7th Cir.), *cert. denied*, 300 U.S. 680 (1937).

198. 241 U.S. 257 (1916). The case was also highly praised even more recently in *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 807-10 (1986), discussed *supra* at notes 41-51 and accompanying text. See *supra* notes 32-34 and accompanying text for a discussion of *American Well Works*'s place in the development of federal question jurisdiction.

that defendant's statements were malicious and defamatory. The Supreme Court ruled that the action was essentially one for trade libel, a state claim that could not be maintained as a federal question case despite the obvious questions of patent law that would arise during the course of the litigation.¹⁹⁹ Justice Holmes announced the law-that-creates-the-cause-of-action test²⁰⁰ for federal question jurisdiction.²⁰¹

In *Edelmann*, Triple-A Specialty Company complained that the Edelmann Company was falsely representing to Triple-A's customers and prospective customers that Triple-A's product infringed Edelmann's patent. Triple-A also alleged that although Edelmann had not filed an action, the parties had a dispute under the patent laws. Triple-A claimed that its device did not infringe Edelmann's patent, and that the patent was void. Triple-A sought a declaration to that effect and an injunction to restrain Edelmann from continuing its course of conduct. The Seventh Circuit found federal question jurisdiction.

The court noted that the Declaratory Judgment Act was not intended to "create new substantive rights or legal relationships."²⁰² It also observed that "prior to the passage of the act, no one had a right under the patent laws to initiate suits for affirmative relief in the form of an adjudication that another's patent was invalid or was not infringed."²⁰³ Thus, the important question was whether the newly styled controversy arose under the patent laws.²⁰⁴ The court decided that it did, because Congress intended the Declaratory Judgment Act to permit such cases without the parties' waiting for damages to accrue.²⁰⁵

199. *American Well Works*, 241 U.S. at 259-60.

200. See *supra* note 32 and accompanying text.

201. See *supra* notes 41-51 and accompanying text.

202. 88 F.2d at 853. One must note here the difference between the Seventh Circuit's perception of the limitations of the Declaratory Judgment Act and that of the *Skelly* Court 13 years later. The Seventh Circuit asserted that the Act created no new substantive rights. *Skelly* asserted that Congress intended no jurisdictional effect, a purely procedural matter. The legislative history clearly favors the Seventh Circuit's view, and the confusion *Skelly* created might have been avoided if Justice Frankfurter and his colleagues had appreciated this distinction.

203. *Id.*

204. *Edelmann* is an example of the mirror-image action that Congress had sought to facilitate. See *supra* notes 162-64 and accompanying text.

205. 88 F.2d at 854. This, of course, inherently contradicts the Supreme Court's later assertion in *Skelly* that the Declaratory Judgment Act was not intended to permit federal courts to hear cases under the Act that they could not have heard in its absence. Or, at least, it demonstrates that Congress did contemplate accelerating the timing of

The surface parallel between *American Well Works* and *Edelmann* is obvious, but further analysis reinforces the resemblance. Every plaintiff must have a cause of action in order to maintain a suit.²⁰⁶ American Well Works's cause of action, as identified by Justice Holmes, was trade libel. It is tempting to say that Triple-A's action arose under the patent laws. However, the claim created by the patent laws is for patent infringement. That claim belonged to the respondent Edelmann, not petitioner Triple-A.²⁰⁷

litigation, an assertion well borne out by the Act's legislative history. See *supra* notes 165-68 and accompanying text.

Commentators diverge on whether this mode of analysis in declaratory judgment cases involving patents is valid. Compare Note, *supra* note 12, at 838 ("[A]nalysis of the *Edelmann* situation shows clearly that there is involved in the case a federally-created right, one conferred upon the patentee by the federal patent laws.") with Note, *Federal Jurisdiction Over Declaratory Judgment Proceedings in Patent Cases*, 45 YALE L.J. 1287, 1287 (1936) (use of the declaratory judgment device by alleged patent infringers violates the well-pleaded complaint rule).

Both commentators are correct. Applying the Declaratory Judgment Act in this way violates at least the spirit, if not the letter, of *Skelly's* interpretation of the well-pleaded complaint rule, even though the case presents only federal issues. But federal adjudication of such a case is consistent with Congress's intent. See *supra* notes 162-64 and accompanying text. This has profound implications for declaratory judgment cases and for the well-pleaded complaint rule. See *infra* notes 251-57 and accompanying text.

206. "The right to maintain an action depends upon the existence of what is termed a cause of action." *Duffy v. Lipsman-Fulkerson & Co.*, 200 F. Supp. 71, 72 (D. Mont. 1961).

A prerequisite to the maintenance of any action for specific relief is that the plaintiff claim an invasion of her legal rights, either past or threatened. She must, therefore, allege conduct which is "illegal" in the sense that the respondent suggests. If she does not, she has not stated a cause of action. *Larson v. Domestic & Foreign Commerce Corp.*, 337 U.S. 682, 693 (1949). Even when the members of the Supreme Court disagree on the precise rationale, they do agree that the absence of a cause of action is fatal. "[T]he failure to state a proper cause of action calls for a judgment on the merits and not for want of jurisdiction." *Bell v. Hood*, 327 U.S. 678, 682 (1946). "The district court is without jurisdiction as a federal court unless the complaint states a cause of action arising under the Constitution or laws of the United States." *Id.* at 685 (Stone, C.J., dissenting); see also *Olan Mills, Inc. v. Cannon Aircraft Executive Terminal, Inc.*, 273 N.C. 519, 160 S.E.2d 735 (1968); *Locke v. Johns-Manville Corp.*, 221 Va. 951, 275 S.E.2d 900 (1981); J. GOULD, A TREATISE ON THE PRINCIPLES OF PLEADING IN CIVIL ACTIONS 38 (4th ed. 1873); G. PHILLIPS, AN EXPOSITION OF THE PRINCIPLES OF PLEADING UNDER THE CODES OF CIVIL PROCEDURE 32 (1896); J. POMEROY, POMEROY'S CODE REMEDIES 528 (5th ed. 1929).

207. Indeed, only two years before *Edelmann*, a federal court specifically ruled that the plaintiff in such a situation has no patent claim.

Plaintiff has no patent, actual or prospective. It has no patent rights of its own to sustain. Neither its product nor its process of making hats infringe the patent held by the defendant, according to the petition. Consequently, the validity or invalidity of defendant's patent affects no right of plaintiff that arises out of the patent laws of the country. No judgment that might be entered on this petition would promote or retard any inter-

Triple-A's complaint reveals that the underlying cause of action was defamation (trade libel) and interference with plaintiff's business—precisely the pattern in *American Well Works*. The complaints differ only in the type of relief requested.²⁰⁸

The jurisdictional inconsistency between *American Well Works* and *Edelmann* is thus unavoidable. The Seventh Circuit premised federal jurisdiction in *Edelmann* upon the theory that it was a patent case.²⁰⁹ But patent cases are not merely federal; they are exclusively so.²¹⁰ Thus, if *Edelmann* is properly a federal case, *American Well Works* cannot properly be a state case.²¹¹ Nonetheless, the courts reached different results in the two cases. Perhaps if American Well Works had been able to plead under the Declaratory Judg-

est of plaintiff that has its basis in the patent laws. There is no actual controversy existing between the parties of such a nature as to confer jurisdiction on this court. The controversy that exists arises out of the competitive position of the parties in the trade, and not out of the patent laws.

International Harvest Hat Co. v. Caradine Hat Co., 17 F. Supp. 79, 80 (E.D. Mo. 1935). *International Harvest* thus refused jurisdiction in a case clearly in the *Edelmann* pattern, but it has not been widely followed, although some state courts have ruled that actions to enjoin patentees' threats to sue under the patent laws are not themselves patent cases. See, e.g., *Zemba v. Rodgers*, 87 N.J. Super. 518, 210 A.2d 95 (1965); *New Era Elec. Range Co. v. Serrell*, 252 N.Y. 107, 169 N.E. 105 (1929); *Temp-Resisto Corp. v. Deering, Milliken & Co.*, 123 N.Y.S.2d 217 (N.Y. Sup. Ct. 1953). The *Edelmann* court itself disagreed with the district court's jurisdictional conclusion, though without directly disputing its assertion that the plaintiff, the alleged infringer, had no cause of action under the patent laws. *Edelmann*, 88 F.2d at 854.

208. A reproduction of the *American Well Works* complaint appears in Appendix A; one of the *Edelmann* complaint in Appendix B.

209. See *supra* notes 204–05 and accompanying text.

210. 28 U.S.C. § 1338 (1982).

211. The Supreme Court implicitly adopted this view, making clear that a state's law of unfair competition cannot impinge on the province of the patent laws by granting protection where the patent laws do not. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964). The Supremacy Clause, U.S. CONST. art. VI, § 2, prevents the states from casting unfair competition laws in terms that fail to recognize existing patent law protection. See also *Chapman Performance Prods., Inc. v. Producers Sales, Inc.*, 16 Ill. App. 3d 459, 306 N.E.2d 615 (1973); *Columbia Broadcasting Sys. v. Melody Recordings*, 124 N.J. Super. 322, 306 A.2d 493 (1973).

The state courts, however, have not all recognized the effect of *Edelmann*. See, e.g., *Zemba*, 87 N.J. Super. at 518, 210 A.2d at 95; *Temp-Resisto*, 123 N.Y.S.2d at 217. *Temp-Resisto* specifically held an action by an alleged infringer to enjoin threats to sue under the patent laws was not federal, citing *American Well Works* among others. But see *Grip Nut Co. v. Sharp*, 124 F.2d 814 (7th Cir. 1941); *Lionel Corp. v. De Filippis*, 11 F. Supp. 712, 716 (E.D.N.Y. 1935); *Shores v. Chip Steak Co.*, 130 Cal. App. 2d 620, 625, 279 P.2d 591, 594 (1955) ("[P]laintiff's election to sue for declaratory judgment that he is not an infringer does not give the state court power to hear the case; the controversy remains one of exclusive federal jurisdiction.") (citing *Edelmann*, 88 F.2d at 853); *Cheatham Elec. Switching Device Co. v. Kentucky Switching & Signal Co.*, 213 Ky. 23, 280 S.W. 469, 471 (1926)).

ment Act, it would have been able to maintain its case in federal court.²¹² *Edelmann* seems to prove this.

B. *Edelmann and Skelly: Jurisdictional Methods in Conflict*

If *Edelmann* is the declaratory embodiment of *American Well Works*, then its result violates the principles articulated in *Skelly*. *Skelly* states that the Declaratory Judgment Act was intended to have no jurisdictional effect and, therefore, that no case ineligible for jurisdiction in the federal courts as a coercive action should be entertained as a declaratory action.²¹³ *American Well Works* is the coercive case corresponding to *Edelmann*, and it cannot qualify for federal question jurisdiction because of the well-pleaded complaint rule. *Skelly* requires declaratory cases to be analyzed based on the coercive action underlying the plaintiff's declaratory complaint. Yet the *Edelmann* court, not having the benefit of Justice Frankfurter's analysis in *Skelly*, looked not to the plaintiff's underlying coercive action, which sounded in state tort, but to the defendant's, which would have been an exclusively federal claim of patent infringement.²¹⁴ In short, the jurisdictional theories of *American Well Works*, *Skelly*, and *Edelmann* cannot coexist.

Edelmann and *Skelly* thus exemplify different methods of analyzing declaratory judgment actions for federal question jurisdiction purposes. *Skelly*, from the Supreme Court, commands examination of the declaratory plaintiff's underlying coercive action. *Edelmann*,

212. No federal act passed until 1934. See Declaratory Judgment Act, ch. 512, 48 Stat. 955, 956 (1934) (current version at 28 U.S.C. §§ 2201-2202 (1982)). Some have noted explicitly that the Declaratory Judgment Act was intended to have that effect. "That Act, as construed, has been liberally employed to obtain federal court adjudications of the questions presented in the *American Well Works* case." *Muskegon Piston Ring Co. v. Olsen*, 307 F.2d 85, 90 (6th Cir. 1962) (O'Sullivan, J., dissenting), *cert. denied*, 371 U.S. 952 (1963); *accord* *Aralac, Inc. v. Hat Corp. of Am.*, 166 F.2d 286 (3d Cir. 1948); *Grip Nut Co.*, 124 F.2d at 814.

213. See *supra* notes 61-65 and accompanying text.

214. That is not to say, however, that the *Edelmann* court was necessarily correct in retaining the case merely because a patent question was involved. Despite the fact that cases brought to enforce patents are exclusively federal, 28 U.S.C. § 1338 (1982), state courts routinely adjudicate cases containing patent questions but not brought under the patent laws. See, e.g., *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897); *Geni-Chlor Int'l, Inc. v. Multisonics Dev. Corp.*, 580 F.2d 981 (9th Cir. 1978); *Diematic Mfg. Corp. v. Packaging Indus., Inc.*, 381 F. Supp. 1057 (S.D.N.Y. 1974), *appeal dismissed*, 516 F.2d 975 (2d Cir.), *cert. denied*, 423 U.S. 913 (1975); *American Harley Corp. v. Irvin Indus. Inc.*, 27 N.Y.2d 168, 263 N.E.2d 552, 315 N.Y.S.2d 129 (1970), *cert. denied*, 401 U.S. 976 (1971). *American Well Works* itself is an example. Justice Holmes recognized that patent questions might play an important part in resolving the plaintiff's complaint, 241 U.S. at 260, but nonetheless the Court ordered the case remanded to the state courts.

from the Seventh Circuit, examines the defendant's underlying coercive action. Interpreting *Skelly* as disapproving the *Edelmann* method might resolve the inconsistency. However, three problems arise with this hypothesis. First, *Skelly* did not cite *Edelmann*, even to disapprove it.²¹⁵ Second, the inferior federal courts have followed *Edelmann*'s jurisdictional analysis in cases postdating *Skelly*;²¹⁶ obviously those courts have not thought *Edelmann* to be fatally inconsistent with *Skelly*. Third, the Supreme Court cited *Edelmann* and its method of analysis with approval in *Franchise Tax Board*,²¹⁷ simultaneously lauding the theory and spirit of *Skelly*.²¹⁸ In order to understand the true irony of this juxtaposition, reconsideration of *Franchise Tax Board* is in order.

C. *Edelmann* and Franchise Tax Board

Application of the *Skelly* analysis in *Franchise Tax Board* leads to clear, but potentially contradictory, results. The results are clear because it is not necessary to hypothesize the Franchise Tax Board's underlying coercive action; it was pleaded as the first count in the two-count complaint. The coercive action clearly is not a federal question case under established analysis; hence, neither is the de-

215. Justice Frankfurter did include a rather cryptic citation of a student note in the Harvard Law Review that discussed *Edelmann*. Curiously, the Justice cited the exact page of the note that mentions *Edelmann*. *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 674 (1950) (citing Note, *supra* note 103, at 803). Perhaps this indicates the Court's awareness of and acquiescence in the *Edelmann* analysis, but it is a thin reed upon which to make such an assertion. On the other hand, the sentence preceding the citation says:

To sanction suits for declaratory relief as within the jurisdiction of the District Courts merely because, as in this case, artful pleading anticipates a defense based on federal law would contravene the whole trend of jurisdictional legislation by Congress, disregard the effective functioning of the federal judicial system and distort the limited procedural purpose of the Declaratory Judgment Act.

Skelly, 339 U.S. at 673-74. Thus, Justice Frankfurter, by emphasizing the Court's antipathy to anticipation of federal defenses in declaratory actions, may have implicitly recognized the utility and propriety of anticipating federal claims.

Several courts have recognized that function of the Act. *See, e.g.*, *Gulf States Paper Corp. v. Ingram*, 811 F.2d 1464, 1467 (11th Cir. 1987); *Mobil Oil Corp. v. City of Long Beach*, 772 F.2d 534, 539 (9th Cir. 1985); *Milprint, Inc. v. Curwood, Inc.*, 562 F.2d 418, 422 (7th Cir. 1977).

216. *See, e.g.*, *Sticker Indus. Supply Corp. v. Blaw-Knox Co.*, 367 F.2d 744 (7th Cir. 1966); *National Coupling Co. v. Press-Seal Gasket Corp.*, 323 F.2d 629 (7th Cir. 1963); *Japan Gas Lighter Ass'n v. Ronson Corp.*, 257 F. Supp. 219 (D.N.J. 1966).

217. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1, 19 n.19 (1983); *see also* *Public Serv. Comm'n v. Wycoff Co.*, 344 U.S. 237 (1952). *Franchise Tax Board* is discussed in *supra* notes 66-76 and accompanying text.

218. 463 U.S. at 15-19.

claratory claim. The results are contradictory because *Skelly* analysis leads to the opposite jurisdictional determination if the ERISA trustee, seeking an answer to the same declaratory judgment question, sues first.²¹⁹ This is, arguably, a less than rational result.

The *Edelmann* approach to declaratory judgment cases and the Court's endorsement of that approach in *Franchise Tax Board* compounds the irrationality. If, as *Edelmann* implicitly suggests, courts may evaluate declaratory judgment actions by examining the declaratory defendant's underlying coercive action, then the Franchise Tax Board's suit could have been viewed as federal because the defendant Trust's underlying coercive action was federal.²²⁰ The unanimous Court did not simplify the matter by approving *Edelmann* without explaining why it did not use the same approach in *Franchise Tax Board*.²²¹ Thus, the Court left a conundrum: When confronted by a declaratory judgment action, should one analyze its jurisdictional propriety under the *Skelly* method or the *Edelmann* method? Sometimes they will give identical results.²²² But in cases like *Franchise Tax Board* or *Edelmann*, in which the two methods result in inconsistent jurisdictional conclusions, what is the district court to do?

219. See *supra* notes 70-72 and accompanying text.

220. Indeed, since the coercive federal action possessed by the Construction Laborers Vacation Trust is exclusively federal, either removal or dismissal would be the only alternative for such cases. 463 U.S. at 20 n.20 (citing 29 U.S.C. § 1132(a)(3) (1982)), 24 n.26.

221. The Court also previously approved the *Edelmann* approach by implication:

In this case, as in many actions for declaratory judgment, the realistic position of the parties is reversed. . . . Where the complaint in an action for declaratory judgment seeks in essence to assert a defense to an impending or threatened state court action, it is the character of the threatened action, and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court. If the cause of action, which the declaratory defendant threatens to assert, does not itself involve a claim under federal law, it is doubtful if a federal court may entertain an action for a declaratory judgment establishing a defense to that claim.

Public Serv. Comm'n v. Wycoff Co., 344 U.S. 237, 248 (1952). Thus, in declaratory cases where the declaratory defendant asserted a coercive action, the Court prescribed an analysis of the defendant's potential action. In *Wycoff*, the Court hypothesized a defendant's state-created coercive action, but the Court's theory should apply equally when the declaratory defendant's action is federal.

222. *Skelly* itself is an example. Phillips's underlying coercive action sounded in contract, so Phillips did not need to plead the federal matter in order to state its contract claim. *Skelly Oil* had no underlying coercive action corresponding to Phillips's declaratory judgment action, since Phillips was seeking relief for *Skelly Oil*'s anticipatory breach. The only coercive action *Skelly Oil* would ever have had would have been an action for nonpayment on the contract, clearly a matter raising no federal issue at all.

D. Skelly Revisited

Viewing *Edelmann* in light of the principles of *Skelly*, it is evident that one of three things happened in *Edelmann*. First, the case may represent an exception to the well-pleaded complaint rule. Second, the *Edelmann* plaintiff may have been permitted to come into federal court on the basis of the defendant's cause of action. Third, the *Edelmann* court may have de facto recognized a cause of action created by the Declaratory Judgment Act running in favor of a party in the plaintiff's position.

The Supreme Court's steadfast adherence to the well-pleaded complaint rule undercuts the possibility that *Edelmann* represents an exception. In *Franchise Tax Board*, while admitting that "[t]he rule . . . may produce awkward results,"²²³ Justice Brennan simultaneously paid it homage. *Franchise Tax Board* is, in part, the result of the Court's reverence for the well-pleaded complaint principle. In fact, the Supreme Court has never announced an exception to the *Mottley* rule.²²⁴

It would be unusual indeed for the Court to permit a plaintiff to come into the district court on the basis of the defendant's cause of action. First of all, it creates problems analogous to standing concerns, in which a party may assert her own rights, but rarely those of another person.²²⁵ Second, if a plaintiff can rely for juris-

223. *Franchise Tax Bd.*, 463 U.S. at 12.

224. However, the Court has de facto endorsed an exception to the rule, allowing plaintiffs to seek relief against threatened action by state or local governments that would interfere with federal rights. See, e.g., *Ray v. Atlantic Richfield Co.*, 435 U.S. 151 (1978); *Jones v. Rath Packing Co.*, 430 U.S. 519 (1977); *Cox Cable New Orleans, Inc. v. City of New Orleans*, 594 F. Supp. 1452 (E.D. La. 1984). But the Court has not discussed the exception, nor applied it in other circumstances.

225. See, e.g., *United States v. Payner*, 447 U.S. 727 (1980) (suppression of evidence denied where unlawful search invaded a third party's privacy but not the defendant's); *Sierra Club v. Morton*, 405 U.S. 727 (1972) (standing denied where no member of the plaintiff club alleged injury to his or her individual interests). But see *Carey v. Population Servs. Int'l*, 431 U.S. 678 (1977) (vendors of contraceptive devices permitted to assert the interests of prospective purchasers in arguing that statute restricting sale of such devices was unconstitutional); *Craig v. Boren*, 429 U.S. 190 (1976) (beer vendor had standing to argue equal protection claim of 18 to 21-year-old males that statute forbidding only males in that age group to drink alcoholic beverages was unconstitutional). It is fair to say, however, that third-party standing is generally disfavored. See, e.g., *Craig*, 429 U.S. at 190; *Singleton v. Wulff*, 428 U.S. 106 (1976). See generally Sedler, *The Assertion of Constitutional Jus Tertii: A Substantive Approach*, 70 CALIF. L. REV. 1308, 1309 (1982) ("[A] party should be able to prevail in constitutional litigation only if he can show some violation of his own rights.").

For purposes of the jurisdictional inquiry, however, the matter is one step removed from traditional standing principles. Assuming *arguendo* that Triple-A was relying upon *Edelmann*'s patent infringement cause of action for jurisdictional purposes, it did

diction upon the defendant's unpleaded cause of action in a declaratory judgment action, why should she not be permitted to do so in a coercive action as well? If that principle were accepted by the courts, *American Well Works* would have to be disapproved, since in that case the defendant would have had an action for patent infringement.²²⁶ Clearly, *Edelmann* cannot lead to this conclusion.

The remaining possibility is that *Edelmann* de facto recognized a cause of action created by the Declaratory Judgment Act.²²⁷ Triple-A's underlying coercive cause of action sounds in tort and will not support the district court's federal question jurisdiction.²²⁸ The only other possibility providing Triple-A federal question jurisdiction is if the Declaratory Judgment Act, by allowing parties to present claims in the mirror-image situation, has created an anticipatory cause of action. If that is so, then perhaps any case presenting such a cause of action could be heard in the federal courts, even under the test of *American Well Works*, because federal law creates the cause of action.²²⁹ That, however, may take the matter a bit too far. The next section will discuss how the Declaratory Judgment Act and federal subject matter jurisdiction principles ought to mesh

not seek a favorable judgment on the basis of *Edelmann*'s patent rights, whereas in the third-party standing cases, the plaintiffs have sought recovery based upon the rights of others. Triple-A, in contrast, sought to defeat the asserted federal right of the party upon whose claim jurisdiction depended.

226. 241 U.S. at 257; see also *supra* notes 32-34 and accompanying text. Furthermore, in *Franchise Tax Board*, the Tax Board's coercive action to enforce the tax levy would become federal even if unaccompanied by a declaratory action, since the defendant Trust's action under ERISA is clearly federal.

227. At least some courts have recognized that the Declaratory Judgment Act has had this effect. *E.g.*, *Nova Biomedical Corp. v. Moller*, 629 F.2d 190, 196 (1st Cir. 1980) ("[M]ailing a letter charging infringement and threatening suit is already a two-edged sword; it is well-established that such conduct creates an 'actual controversy' and thus gives rise to a cause of action under the Declaratory Judgment Act.") (citation omitted); *Dewy & Almy Chemical Co. v. American Anode, Inc.*, 137 F.2d 68 (3d Cir.), *cert. denied*, 320 U.S. 761 (1943); see also *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270 (1941). *Contra Reiter v. Illinois Nat'l Casualty Co.*, 213 F.2d 946 (7th Cir. 1954):

It merely furnished a procedural remedy which did not previously exist. It granted authority to employ a new remedy in enforcing a cause of action for which there was previously a remedy only at a different time; it did not increase in anywise the jurisdiction of the United States District Court over the substantive rights of litigants or create new causes of action.

Id. at 949.

228. It is, essentially, the same cause of action that *American Well Works* had and that Justice Holmes declared insufficient to support federal question jurisdiction. See *supra* notes 206-08 and accompanying text.

229. "A suit arises under the law that creates the cause of action." *American Well Works*, 241 U.S. at 260; see *supra* notes 32-34 and accompanying text.

to give proper weight to Congress's intention when it passed the Act.

IV. THE DECLARATORY JUDGMENT'S CAUSE OF ACTION AND ITS JURISDICTIONAL EFFECTS

A. *The Declaratory Judgment Act as a Cause of Action*

Black's Law Dictionary suggests no fewer than nine definitions for the term "cause of action."²³⁰ The courts, too, have articulated more than one formulation.²³¹ In fact, the Act fits well within several possible definitions of "cause of action."

Consider, for example, the prototypical mirror-image case that Congress contemplated the new procedure should affect: the alleged patent infringer who wants a judicial determination of whether his course of business conduct is exposing him to liability.²³² Before the Declaratory Judgment Act, the alleged infringer could not sue in federal court to establish either that his product did not infringe the patent or that the patent was invalid. In *American Well Works*, the alleged infringer's complaint could assert only a cause of action for trade libel, which did not support federal jurisdiction. After the Act, however, Triple-A Specialty Company was able to raise both of its claims in a federal proceeding. Indeed, Congress clearly intended to overrule *American Well Works*'s jurisdictional holding, and *Edelmann* implicitly recognizes that intent. To paraphrase the

230. The fact or facts which give a person a right to judicial relief. The legal effect of an occurrence in terms of redress to a party to the occurrence. A situation or state of facts which would entitle party to sustain action and give him right to seek a judicial remedy in his behalf. . . . Fact, or a state of facts, to which law sought to be enforced against a person or thing applies. Facts which give rise to one or more relations of right-duty between two or more persons. Failure to perform legal obligation to do, or refrain from performance of, some act. Matter for which action may be maintained. Unlawful violation or invasion of right. The right which a party has to institute a judicial proceeding.

BLACK'S LAW DICTIONARY 201 (5th ed. 1979) (citation omitted).

231. See, e.g., *Rhodes v. Jones*, 351 F.2d 884, 886 (8th Cir. 1965) ("a situation or state of facts which entitles a party to sustain an action and gives him the right to seek judicial interference in his behalf"), *cert. denied*, 383 U.S. 919 (1966); *Dery v. Wyer*, 265 F.2d 804, 807 (2d Cir. 1959) ("the aggregate of operative facts which give rise to a right enforceable in the courts") (quoting *Orringal Ballet Russe v. Ballet Theatre*, 133 F.2d 187, 189 (2d Cir. 1943)); *Busick v. Workmen's Compensation Appeals Bd.*, 7 Cal. 3d 967, 975, 500 P.2d 1386, 1392, 104 Cal. Rptr. 42, 48 (1972) ("the obligation sought to be enforced") (quoting *Panos v. Great Western Packing Co.*, 21 Cal. 2d 636, 638, 134 P.2d 242, 244 (1943)).

232. This is the fact pattern involved in *American Well Works*, see *supra* notes 32-34, 199 and accompanying text, and *Edelmann*, see *supra* notes 73-76, 202-12 and accompanying text.

definitions, prior to the Act an alleged infringer had no federal "right to judicial relief" from the patentee's threats and business interference. He was not "entitle[d] . . . to sustain [an] action" or "to seek a [federal] judicial remedy in his behalf." He had no "right . . . to institute a [federal] judicial proceeding." After the Declaratory Judgment Act, he did. Beyond question, the Act created a cause of action entitling the alleged infringer to pursue federal judicial relief.²³³

B. *The Jurisdictional Effects of the Declaratory Action*

Recognizing a cause of action under the Declaratory Judgment Act does not end the inquiry. Because the federal courts are courts of limited jurisdiction, one must inquire whether a case qualifies for federal jurisdiction, either because of the identity of the parties, as in diversity cases, or because of the nature of the claim, as, for example, in federal question or patent cases.²³⁴ Thus, one must examine any cause of action asserted under the Act in light of federal jurisdiction tests to see whether the case may be brought in the federal courts.

The *American Well Works* test prescribes that a "suit arises under the law that creates the cause of action."²³⁵ Taken at face value, that test appears to suggest that any case pleaded under the Declaratory Judgment Act becomes a federal question case. One

233. Justice Frankfurter would perhaps reply that such an exercise demonstrates the effect that Congress did not intend the Declaratory Judgment Act to have, and that Congress merely intended to provide another remedy to one already entitled to come into federal court. But the legislative history of the Act does not support the assertion. In addition, as Professor Borchard and the Seventh Circuit pointed out, *see supra* note 63, the Act so limited would have ameliorated none of the conditions that commended the declaratory device to Congress's attention. *See supra* notes 97-111, 154-69 and accompanying text. Moreover, such an interpretation of the Act creates an anomaly that violates the Supreme Court's own dicta. It sets up a situation in which a patentee, seeking to establish the validity of his patent and whether another person's product violates it, may sue in federal court to determine the answers to those questions. The alleged infringer, however, cannot sue in federal court to determine the answers to the same questions. This is reminiscent of *Franchise Tax Board*; *see supra* notes 70-71 and accompanying text, in which entitlement to the federal forum turns not upon the words spoken, but upon the mouth that speaks them. This directly contradicts the Court's admonition in *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 244 (1937), that jurisdiction should depend on the nature of the message, not the messenger. *See supra* text accompanying note 72. As Professor Doernberg has suggested, "this result cannot be supported on any rational ground, and . . . a jurisdictional structure saddled with rules that give rise to such a result is a structure sorely in need of change." Doernberg, *supra* note 9, at 646.

234. *See* 28 U.S.C. §§ 1331, 1338 (1982).

235. *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916).

recoils from the prospect of the Declaratory Judgment Act opening the federal courts to any suit that can be pleaded as a declaratory judgment case, irrespective of the nature of the controversy or the identity of the parties.²³⁶ Fortunately, *American Well Works* cannot mean that. In fact, it did not stand for so sweeping a proposition even when it was announced in 1916.

Only fifteen years before *American Well Works*, the Court decided *Shoshone Mining Company v. Rutter*.²³⁷ Congress created a federal cause of action that functioned, in effect, as an enabling act, permitting courts to adjudicate disputes involving lands held pursuant to federal land patents. The Court held that the mere fact that federal law authorized adjudication did not make the case a federal question.²³⁸ *American Well Works* did not overrule *Shoshone*; in fact, it did not even cite it. Nonetheless, apart from the natural presumption that the Supreme Court is aware of its own precedents, one must also note that Justice Holmes, who wrote *American Well Works*, joined the Court only two years after *Shoshone* was decided and was a member of the Court when *Shulthis v. McDougal*²³⁹ reaffirmed *Shoshone*'s message.²⁴⁰ Furthermore, the Court has relied upon *Shoshone* in cases since *American Well Works*.²⁴¹ Thus, it is too facile to say that any cause of action created by federal law is necessarily a federal question case. The *American Well Works* test overstates the case for federal jurisdiction. *Shoshone* compels closer examination of the controversy presented in any declaratory judgment case.

236. For example, two parties, residents of the same state, might be involved in a contract dispute with each other. Assuming the contract has no federal components, there is no reason for a declaratory judgment action between the parties, even if otherwise justiciable, to be heard in the federal courts.

237. 177 U.S. 505 (1900); see *supra* notes 29-30 and accompanying text.

238. 177 U.S. at 507.

239. 225 U.S. 561 (1912).

240. *Id.* at 569-70 (citing *Shoshone*; other citations omitted):

A suit to enforce a right which takes its origin in the laws of the United States is not necessarily, or for that reason alone, one arising under those laws, for a suit does not so arise unless it really and substantially involves a dispute or controversy respecting the validity, construction or effect of such a law, upon the determination of which the result depends. This is especially so of a suit involving rights to land acquired under a law of the United States. If it were not, every suit to establish title to land in the central and western States would so arise, as all titles in those States are traceable back to those laws.

241. See, e.g., *Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 815 n.12 (1986).

Federal courts analyze the nature of the controversy presented in light of the outcome-determinative test from *Smith v. Kansas City Title & Trust Co.*,²⁴² the substantiality test from *Merrell Dow Pharmaceuticals, Inc. v. Thompson*,²⁴³ and the well-pleaded complaint rule from *Louisville & Nashville Railroad v. Mottley*.²⁴⁴ Such an inquiry asks only whether the declaratory judgment complaint presents a substantial federal issue that can determine the outcome of the controversy between the parties. Thus, to analyze a declaratory judgment case for federal question jurisdiction purposes, a court should look to the substance of the controversy the complaint presents. If the nature of the controversy is federal, the declaratory judgment case qualifies for federal question jurisdiction. If the parties dispute state law, the case should be dismissed. We suggest that this is a better method for evaluation of declaratory judgment cases.

Focusing on the nature of the controversy, rather than on the sterile question of whether federal or state law creates the cause of action or the artificial question of what a non-existent coercive case would look like, responds more accurately to the congressional intent underlying the Declaratory Judgment Act. Specifically, Congress intended that mirror-image cases and federal-defense cases be heard in the federal courts at the insistence of the party who would otherwise have to defend a coercive action. In the mirror-image case, the threatened coercive action would be federal, as in the case of the alleged patent infringer who seeks a declaration of invalidity or noninfringement. But, in the federal-defense case, the threatened action is based on state law. Under traditional analysis, it is not a federal question case. Yet Congress clearly intended the new Declaratory Judgment Act to comprehend such cases.²⁴⁵ The only way for the courts to be true to that intention, as they have been in the mirror-image patent cases, is to stop regarding declaratory judg-

242. 255 U.S. 180 (1921); see *supra* notes 35–37 and accompanying text.

243. 478 U.S. 804 (1986); see *supra* notes 43–51 and accompanying text.

244. 211 U.S. 149 (1908); see *supra* notes 53–57 and accompanying text.

245. For example, the plaintiff in *Shredded Wheat Co. v. City of Elgin*, 284 Ill. 389, 120 N.E. 248 (1918) unsuccessfully sought to challenge the municipal ordinance taxing its product, despite its constitutional claim that the ordinance was invalid. The threatened coercive action by the municipality has no federal component as a constituent of the cause of action, and so would not qualify for federal question jurisdiction. Moreover, the assertion of the federal defense in the coercive action would not alter the jurisdictional picture. See, e.g., *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983); *Mottley*, 211 U.S. at 149. Nonetheless, the record of the Declaratory Judgment Act's consideration in Congress demonstrates that Congress wanted such cases adjudicated under the Act. See *supra* notes 154–68 and accompanying text.

ment complaints as nonentities.²⁴⁶ This approach does away with the artifice, introduced in *Skelly*, of ignoring the declaratory judgment complaint for purposes of the jurisdictional inquiry. Courts will no longer be required to hypothesize nonexistent documents to determine whether cases qualify for federal question jurisdiction.²⁴⁷

This approach is not only consistent with congressional intent, but also with the Supreme Court's occasionally expressed concern with looking at the real substance of a case for jurisdictional purposes, rather than merely at its form.²⁴⁸ In *Merrell Dow* the Court insisted that the true jurisdictional concern is the substantiality of the federal issue presented and Congress's intent as to whether it should be the subject of federal adjudication. Here Congress's intent is clear, though it differs from the intent the Court had in mind when it announced *Merrell Dow*. But the Court cannot invoke congressional intent as a selective talisman to support its own predilections concerning the extent of federal court jurisdiction. If the mode of analysis is valid, then the Court must accept the analytical product. That product, the right of an aggrieved party to come into court for an adjudication of the grievance, is the declaratory judgment cause of action.

Recognition of the cause of action does not deprive the courts of discretion in the exercise of federal jurisdiction. A party desiring the federal forum must still show that the federal issue meets *Merrell Dow*'s substantiality test. In the mirror-image patent case, such a showing is easily made. Congress, having provided exclusive federal jurisdiction in patent cases,²⁴⁹ has made clear that such cases are sufficiently important for federal jurisdiction to attach. Similarly, the *Franchise Tax Board* situation calls for federal resolution. Congress indicated as much by making the Trust's action for an injunction enforcing federal pre-emption exclusively federal.²⁵⁰ On the other hand, the way is left open for the courts to decide in a case like *Skelly*—essentially a contract case—that the issue of whether a federal certificate is effectively issued on the date of announcement or on the day of formal publication is too insubstantial to justify federal intervention. Thus, even under the test we propose, *Skelly* might remain ineligible for federal question jurisdiction.

246. See *supra* text accompanying note 89.

247. See *supra* notes 64–69 and accompanying text.

248. See, e.g., *Shoshone*, 177 U.S. 505, discussed *supra* notes 29–30, 237–41, and accompanying text.

249. 28 U.S.C. § 1338 (1982).

250. See *supra* notes 70–71 and accompanying text. The Court recognized as much when it finally resolved the preemption question in 1987. See *supra* note 71.

One question lingers beyond the scope of this Article. Consider for a moment the case of the alleged patent infringer, the prototype mirror-image case. Congress intended, and the courts have held, that such cases should be treated as federal matters when the alleged infringer seeks a declaration of noninfringement or patent invalidity. This, however, produces an anomaly. If the alleged infringer elects instead to seek damages, as the *American Well Works* plaintiff did, the ensuing action for trade libel is not a federal question case, as Justice Holmes demonstrated.²⁵¹ Thus, if the alleged infringer seeks declaratory relief, the claims of patent invalidity and noninfringement can be adjudicated in the federal courts. In a suit for damages, on the other hand, the alleged infringer is confined to the state courts to adjudicate the same issues.²⁵² In short, the well-pleaded complaint rule produces inconsistent results as applied to the declaratory judgment action or the coercive action. Of course, Congress did not create the well-pleaded complaint rule, and it has never explicitly endorsed it. On the other hand, it has never repudiated it, despite periodic recodification of the federal question jurisdiction statute.²⁵³ We suggest that the Declaratory Judgment Act itself, in light of its manifest purpose, is an implicit disapproval of the rule.

251. See *supra* notes 32–34, 41–51, 200–01, and accompanying text.

252. Plaintiffs might attempt to avoid this result by asking the district court to hear the state-based coercive action as a pendent state claim, under the doctrine of *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966). The two claims clearly meet the threshold test of *Gibbs* since they “derive from a common nucleus of operative fact,” *id.* at 725, and the plaintiff “would ordinarily be expected to try them in one judicial proceeding” *Id.* However, the *Gibbs* Court noted that pendent jurisdiction might be inappropriate where “the state issues substantially predominate, whether in terms of proof, of the scope of the issues raised, or of the comprehensiveness of the remedy sought.” *Id.* at 726. Thus, the district court might decide to dismiss the coercive state claim, retaining only the declaratory claim. But, in view of the identity of the issues and the obvious lack of judicial economy of trying the coercive and declaratory claims separately, a strong argument can be made that the coercive claim should be retained by the district court. This is not a case of “making a federal law tail wag a state law dog,” *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1195 (7th Cir. 1987).

The federal-defense case presents the same dichotomy. If the party subject to the challenged statute brings a declaratory action to declare its invalidity, the federal court will hear the case. But if the party is prosecuted under the statute and raises the federal claim as a defense, the case is not removable, despite the fact that the same federal issue will determine its outcome. By contrast with the mirror-image patent case, however, the doctrine of pendent jurisdiction offers no solution in this situation.

253. See *supra* note 23 and accompanying text. As the Court previously cautioned, “[i]t is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.” *Girouard v. United States*, 328 U.S. 61, 69 (1946).

The inconsistency respecting the well-pleaded complaint rule may be dealt with in two ways. The courts can discard the rule,²⁵⁴ or the inconsistency can await congressional resolution. Although not the tidiest possible solution, this approach is certainly no worse than the situation the Supreme Court created in *Franchise Tax Board*,²⁵⁵ in which federal jurisdiction depends on which party arrives first at the courthouse.²⁵⁶ At least the inconsistency presented by the plaintiff's choice of remedy makes federal jurisdiction turn upon the plaintiff's own actions, leaving her, as the Court has insisted she must be, "the master of the complaint."²⁵⁷

CONCLUSION

The legislative history of the Declaratory Judgment Act cannot, and should not, be ignored. Although the courts have honored that history in the limited area of mirror-image patent cases, they have been unwilling to do so for the full range of cases that Congress intended the Act to affect. Candor in dealing with that legislative history requires recognition of the fact that Congress expanded federal courts' jurisdiction when it created the cause of action embodied in the Declaratory Judgment Act. Moreover, as the extensive testimony of the proponents of the new device shows, Congress could not have done so inadvertently. Though the courts may be uncomfortable with the policy expressed in the Act, as they have so often instructed, it is not their function to pass on the wisdom of legislation.²⁵⁸ It is time to recognize the Trojan Horse's contents in the light of day.

254. See Doernberg, *supra* note 9.

255. *Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983); see *supra* notes 66-74, 219-21, and accompanying text.

256. See Doernberg, *supra* note 9, at 645 & n.214.

257. *Caterpillar, Inc. v. Williams*, 107 S. Ct. 2425, 2433 (1987). "[A] federal question must appear on the face of the complaint, and . . . the plaintiff may, by eschewing claims based on federal law, choose to have the cause heard in state court." *Id.*; accord *Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22 (1913).

258. The Court made this point particularly strongly in upholding a provision of the Endangered Species Act, 16 U.S.C. §§ 1531-1543 (1982), even though doing so meant halting a \$100 million federal project.

Our individual appraisal of the wisdom or unwisdom of a particular course consciously selected by the Congress is to be put aside in the process of interpreting a statute. Once the meaning of an enactment is discerned and its constitutionality determined, the judicial process comes to

an end. We do not sit as a committee of review, nor are we vested with the power of veto.

....
... [I]n our constitutional system the commitment to the separation of powers is too fundamental for us to pre-empt congressional action by judicially decreeing what accords with "common sense and the public weal." Our Constitution vests such responsibilities in the political branches.

Tennessee Valley Authority v. Hill, 437 U.S. 153, 194-95 (1978); *accord City of New Orleans v. Dukes*, 427 U.S. 297 (1976); *Day-Brite Lighting, Inc. v. Missouri*, 342 U.S. 421 (1952).

APPENDIX A

Complaint at Law in Transcript of Record at 3, *American Well Works Company v. Layne and Bowler Company*, 241 U.S. 257 (1916) (No. 376).

In the Circuit Court of Arkansas County, Arkansas

AMERICAN WELL WORKS COMPANY, Plaintiff

v.

LAYNE AND BOWLER COMPANY and M.F. LAYNE, Defendants

Complaint at Law

Plaintiff states that it is a corporation organized and existing as such under the laws of the State of Illinois and has complied with the laws of the State of Arkansas relative to foreign corporations transacting business in the State of Arkansas; that defendant company is a corporation organized and existing as such under the laws of the State of Texas, and has offices and place of business, and Clerks and Managers in charge thereof in Arkansas County, State of Arkansas.

Plaintiff for its complaint and cause of action against defendants states that it is engaged in the business of manufacturing and selling well pumps; that it owns, manufactures and sells a certain well pump, known as the "American Deep Well Centrifugal Turbine Pump," and has patent, or has applied for patent from the United States Government, for said pump and all attachments to and component parts thereof, and is and has been for many months past engaged in selling said pumps in the State of Arkansas and other States; that its business in owning, manufacturing, and selling said pumps, and in all attachments thereto and parts thereof, is legitimate and lawful in every respect, and is not an infringement and trespass upon the rights, property, patents, application for patents of defendants, or any other persons or corporations, and that defendants or either of them, do not own the aforesaid pump, or any of the attachments thereto or component parts thereof, nor the patent for same, nor have they applied for patents for same; that to carry on its business in manufacturing and selling said pumps, plaintiff has incurred great expense, and especially so in selling and offering for sale its said pumps in the State of Arkansas and elsewhere; that its said pump, attachments thereto, and component parts thereof, have been well advertised in the State of Arkansas and elsewhere; and are favorably known and regarded by the public as being the best and highest grade standard pump on the market.

Plaintiff further states that defendants are also engaged in selling well pumps, and that while defendants have full knowledge that plaintiff's pumps, or any attachment thereto or component parts thereof, are not infringements in any degree whatever upon said pumps of defendants, or any attachment or part thereof, yet defendants have falsely and maliciously libeled and slandered plaintiff's title to said pump and certain attachments and component parts thereof, by asserting and stating that plaintiff's pump and certain attachments thereto and parts thereof are infringements upon defendant's pump and certain attachments and parts thereof, all without probable cause; and, without probable cause or grounds therefor, have brought suits against certain parties who are using plaintiff's pumps, and are threatening to bring suits against any and all other parties who are using or contemplating using plaintiff's said pumps, for the purpose of collecting damages from said parties and involving them in litigation, and threatening to restrain them by proceedings in the Courts for using said pumps.

Plaintiff further alleges that defendant Layne and defendant Layne & Bowler Company, through defendant Layne, its president, and other authorized agents and employees, have stated to divers, various and sundry persons that "The American (meaning and referring to plaintiff's pump above-mentioned) is an infringement upon defendant's pump, and we will sue them if they sell you their pump, and sue you if you use the same"; and that said defendant Layne, and defendant company, through the president, said Layne, and other authorized agents and employees, maliciously stated to divers, sundry and various parties "We know all about how they are making them (meaning and referring to plaintiff's pump, attachments thereto and component parts thereof). They are just trying to evade our patent and they cannot do it"; and further stated "They (meaning and referring to plaintiff and its said pump, attachments and component parts thereof) are infringing my patents."

Plaintiff alleges that all of said statements are made without probable cause or grounds therefor, and are done maliciously and with the full intent and purpose of injuring and damaging plaintiff in its business and in preventing plaintiff from selling its said pumps, and that said statements were so made and said suits brought and threatened to be brought to and against persons who were contemplating and negotiating for the purchase of plaintiff's said pumps, and who would, but for said false, libelous and malicious statements have purchased pumps from plaintiff, and that by reason of said false, libelous and malicious statements plaintiff has

been greatly damaged in its business and injured in its reputation as a manufacturer and dealer in said pumps, and that said persons to whom said false, libelous and malicious statements were made, by reason thereof, have not and will not purchase plaintiff's said pumps.

Plaintiff states that it makes a good and reasonable profit upon the sale of each one of said pumps, and that by reason of said false, libelous and slanderous statements made as herein alleged and set forth, defendants have damaged plaintiff in the actual sum of Fifty Thousand Dollars (\$50,000.00), and that also by reason thereof plaintiff is entitled to recover of defendants the sum of Fifty Thousand Dollars (\$50,000.00) as punitive damages, and it therefore prays judgment against the defendants for the sum of One Hundred Thousand Dollars (\$100,000.00), for the costs of this suit, and for all other sums to which it may be entitled in the premises.

(Signed)

MANNING AND EMERSON

Attorneys for Plaintiff

Complaint filed December 13th, 1912.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT NORTHERN DISTRICT
OF ILLINOIS EASTERN DIVISION

TRIPLE-A SPECIALTY CO.,)
 Petitioner,)
 vs.) In Equity
E. EDELMANN & CO.,) No. 14904
 Respondent.)

PETITION FOR DECLARATORY DECREE, ETC.

To the Honorable, the Judges of the United States District Court,
for the Northern District of Illinois:

Petitioner, praying for the declaration and other relief sought
herein, respectfully shows:

1. That petitioner, Triple-A Specialty Co., is a corporation organized under the laws of the State of Illinois, and is a citizen and resident of the State of Illinois, with its principle place of business at Chicago, Illinois.

2. That respondent, E. Edelmann & Co., is a corporation organized under the laws of the State of Illinois, and is a citizen and resident of the State of Illinois, with its principal place of business at Chicago, Illinois.

3. That petitioner and respondent are separately engaged in making and selling, among other things, battery testers or frost-gages for testing the solution in automobile radiators, and that petitioner and respondent appeal to the same customers and prospective customers for the sale of their respective products.

4. That an actual controversy exists between petitioner and respondent, in that respondent, asserting to be the owner of United States Letters Patent No. 1,800,139, issued April 7, 1931 (profert of a copy of which patent is hereby made), is representing to customers of petitioner, and to prospective purchasers of petitioner's device, and also to petitioner's agents, jobbers and dealers, that petitioner's No. 711 Frostgage infringes the claims of said Edelmann patent, and that respondent further represents to petitioner and to its customers, prospective customers, dealers, agents and jobbers, that they are infringing said Edelmann patent and violating the patent statutes of the United States by the use and sale of petitioner's said device, respondent thus endeavoring to prevent and restrict the sale and use of petitioner's said device.

5. That no suit has been instituted by the respondent against petitioner, charging infringement of said patent, but that representations have been made, wholly without foundation, to respondent's customers and prospective customers, to the effect that a patent suit is pending between respondent and petitioner, and that petitioner is no longer making and selling its No. 711 Frostgage, which representations have interfered and are interfering with the lawful conduct of this petitioner.

6. The jurisdiction of this court is based upon the fact that the actual controversy existing between petitioner and respondent arises under the patent laws of the United States, and is wholly a question of whether or not devices made and sold or offered for sale by petitioner infringe said Edelmann patent No. 1,800,139, and whether said patent is good and valid at law, questions which have been committed to the exclusive jurisdiction of the United States Courts.

7. The jurisdiction of this court of equity arises from the fact that no action at law, and therefore no remedy at law exists relative to said controversy, and that the declaratory decree of this court can become effective only by further relief in the form of an injunction to restrain respondent from making said baseless assertions pending the litigation, and after this court has held that said patent is wholly invalid or is not infringed by petitioner.

8. That petitioner's testers or frostgages made and sold or offered for sale by petitioner do not incorporate or embody the elements disclosed and claimed in the Edelmann patent No. 1,800,139, and therefore do not infringe said patent.

9. That in the prosecution of the application on which said patent No. 1,800,139 was issued, applicant was compelled by the prior art to so restrict the claims of said patent, during the prosecution of said application, that said claims became and are limited to a device containing or embodying a cushioning material or a cap of cushion material carried or fitted upon the float element of the claims, the claims having other limitations not appearing or embodied in respondent's construction, and that all of the elements of the thirteen claims of the Edelmann patent No. 1,800,139 are old in the art, and in public use.

10. That the Frostgage made by petitioner, which is charged by respondent to infringe said patent, does not have a "cap of cushion material carried at one end of the float element" (as stated in claim 5 of the patent), nor does it have a cap or band of cushion material, "fitted," "carried by," "fitted around," "fitted upon," or

"mounted upon" the float element; on the contrary, the cushion material, in petitioner's construction, is not attached to or fitted upon the float element at all, but is entirely separate therefrom and appears in substantially the same position in the barrel of the tube as a like element appears in the prior art devices.

11. That said Edelmann patent No. 1,800,139, and each and all of the claims thereof, are void, in view of the state of the art at the time of the patentee's alleged invention, and long prior thereto, and that the alleged invention claimed in said patent was not patentable, but involved nothing more than the exercise of mere mechanical skill.

12. Said patent No. 1,800,139 and each and all of the claims thereof are wholly void because the alleged invention described and claimed therein, long prior to the patentee's alleged invention thereof, and more than two years prior to the filing of the application for said patent No. 1,800,139, was described and shown in United States patent No. 1,331,165, issued February 17, 1920, and in divers and sundry other patents, the numbers and dates of which petitioner prays leave to insert herein when known.

13. Said patent No. 1,800,139 and each and all of the claims thereof are wholly void because the essential and only real difference between the device of the patent and the prior art devices lies in the fact that the cushion material is made a part of and attached to the float element, in which respect the patented construction differs from the prior art generally, and that said difference constitutes a mere reversal of the devices of the prior art such as that shown in patent No. 1,331,165.

14. That respondent, as incidental to the charges of infringement made against petitioner by respondent respecting Letters Patent No. 1,800,139, through its officers, salesmen, and representatives (as petitioner is informed and verily believes), is representing that there is a suit pending between petitioner and respondent, based upon the alleged infringement by respondent of said patent No. 1,800,139, and that petitioner has ceased to manufacture or produce its said No. 711 Frostgag, all of which representations are wholly without foundation and are made for the express purpose of diverting from petitioner to respondent trade and custom which belongs to and otherwise would go to petitioner, to the irreparable wrong, injury and damage of petitioner.

WHEREFORE, being without adequate remedy at law, your petitioner prays:

(a) That a writ of subpoena *ad respondendum* under the seal of this court be issued, directed to respondent, requiring it to appear and make answer to this petition or complaint, and to perform and abide by such further orders and decrees as this court may make;

(b) That a declaratory decree be entered herein, adjudging said Edelmann patent No. 1,800,139, and each and all of the claims thereof, to be invalid, and also that none of the said claims is infringed by said Frostage No. 711 made and sold by petitioner;

(c) That respondent be enjoined, both *pendente lite* and permanently, from suing or sending any threats of suit or infringement notices to customers or prospective customers of petitioner, charging that said Frostage No. 711 infringes either or any of the claims of said patent No. 1,800,139, and from making any false or unfounded statements respecting the alleged infringement of said patent by petitioner or any statement or statements to the effect that the petitioner has ceased to manufacture or sell said device;

(d) That respondent be decreed to pay the costs of this proceeding, including a reasonable attorney's fee to petitioner; and

(e) That petitioner may have such further and other relief in the premises as to this court may seem meet.

TRIPLE-A SPECIALITY CO.,

/s/

By DYRENFORTH, LEE,
CHRITTON & WILES

Its Solicitors.

/s/

GEORGE A. CHRITTON,

/s/

RUSSELL WILES

/s/

BERNARD A. SCHROEDER,
Of Counsel for Petitioner.

November 2, 1935.