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Federal Circuit Patent Bulletin: *Vermont v. MPHJ Tech. Invs., LLC*

September 28, 2015

"[T]here is no basis for removal to federal court under § 1442(a)(2) [where the underlying cause of action – here, compliance with the Vermont Bad Faith Assertions of Patent Infringement Act – is disavowed]."

Today, in *Vermont v. MPHJ Tech. Invs., LLC*, the U.S. Court of Appeals for the Federal Circuit (Prost, Newman, O'Malley*) affirmed the district court's order remanding to state court a second time MPHJ's removal of Vermont's state court action against MPHJ for violations of the Vermont Consumer Protection Act (VCPA) based on MPHJ's letters to Vermont businesses regarding the licensing of MPHJ's patents, which related to systems in which computers are networked and connected to a scanner such that scanned documents are sent directly to employee email addresses as PDF attachments. The Federal Circuit stated:

Section 1442(a) is commonly known as the federal officer removal statute and normally authorizes removal by federal officers sued in state court. Section 1442(a)(2) expands the circumstances in which removal is authorized to allow owners of federally-derived property rights to remove a cause of action to federal court—even where a federal officer is not a defendant—if the action "affects the validity of any law of the United States." Removal under § 1442(a)(2) requires that (1) an action be instituted in state court; (2) the action be against or directed to the holder of a property right; (3) the property right be derived from a federal officer; and (4) the action would "affect" the validity of a federal law. MPHJ asserts that its patents were property rights, derived from the Patent and Trademark Office pursuant to Title 35 of the U.S. Code, and that the State's action—which it asserts would frustrate MPHJ's ability to assert its patent rights—"affects" the

Authors

Lawrence M. Sung
Partner
202.719.4181
lsung@wiley.law

interests protected under the Patent Act. . . .

At this stage in the proceedings, we do not consider whether the action was removable under the original complaint. [A] remand order to a state court under § 1447(c) is immune from review under § 1447(d). Therefore, 28 U.S.C. § 1446(b)(1), which sets forth the procedural requirements for the removal of civil actions removable based on the allegations in an original complaint, does not apply. We are left to decide, therefore, if the previously non-removable action became removable under § 1446(b)(3). The district court framed the issue as "whether the Amended Complaint 'revived' MPHJ's right to remove after its first removal was unsuccessful." The court noted that "an amendment of the complaint will not revive the period for removal if a state court case previously was removable . . .,' [although] a different result generally is reached if the pleading amendment provides (1) a 'new basis for removal' or (2) 'changes the character of the litigation so as to make it substantially a new suit.'" The court then proceeded to determine whether the intervening passage of the [(Vermont Bad Faith Assertions of Patent Infringement Act)] BFAPIA by the Vermont legislature "revived" MPHJ's right to remove. Because the original complaint was not removable, however, it is unnecessary to search for a new basis for removal in the amended complaint, but rather only necessary to search for a basis for removal under § 1446(b)(3). Semantics aside, we agree with the district court that there is no basis for removal because the injunction the State seeks does not include compliance with the BFAPIA.

MPHJ's Notice of Removal clearly bases removal under § 1442(a)(2) solely on its claim that the BFAPIA is inconsistent with and preempted by federal law. As the district court noted, MPHJ's Opp'n to the State's Mot. to Remand cites only to the BFAPIA as "affect[ing] the validity" of federal statutes, 35 U.S.C. §§ 261, 271, 284, 285 and 287, and certain parts of the Constitution. And, as noted, MPHJ conceded at oral argument that whether there is a basis for removal under § 1442(a)(2) hinges entirely on whether the State seeks compliance with the BFAPIA under its amended complaint.

The parties dispute, however, whether the amended complaint either implicates or requests an injunction requiring compliance with BFAPIA. The State amended its original complaint to delete one request for an injunction, leaving only one. The remaining injunction requested reads: (1) A permanent injunction prohibiting Defendant from engaging in any business activity in, into or from Vermont that violates Vermont law. The issue is, thus, whether the phrase "Vermont law" encompasses not only the VCPA, but also the BFAPIA. The State has consistently argued that the BFAPIA is not part of its amended complaint, just as it was not part of its original complaint. In its motion to remand, it stated that it "did not add or change any allegations or change its claim. The amendment removed a single phrase in the request for relief." According to the State, the amended complaint "merely alleges that MPHJ's actions—sending unfair and deceptive licensing solicitations into Vermont—violate Vermont's consumer protection statute."

MPHJ, on the other hand, maintains that the amended complaint includes the BFAPIA—i.e., a provision of Vermont law—and that the State cannot now "disavow that its suit seeks this relief." The state legislature passed the BFAPIA between the time of the filing of the original complaint and the State's motion to amend the complaint. MPHJ argues that, therefore, although the amendment to the State's complaint did not add any new text, it implicitly added new meaning to the phrase "Vermont law." . . .

Counsel for the State conceded at oral argument that the BFAPIA is not—and never was—part of the State's amended complaint. . . . We hold the State to its concession at oral argument; it has expressly disavowed any request to enjoin MPHJ's conduct under the BFAPIA. Even if the State had not conceded at oral argument that the injunction does not include a request for an injunction under the BFAPIA, we are not persuaded that MPHJ's reading of the amended complaint is a fair one. . . . In these circumstances, we see no reason to disturb the district court's finding that the State is not seeking an injunction that requires MPHJ's compliance with the BFAPIA. Given this conclusion, if the State prevails on the merits in state court, it may not seek an injunction requiring MPHJ to comply with the BFAPIA based on the amended complaint. Because MPHJ relies on the BFAPIA as its basis for removal under § 1442(a)(2), the necessary consequence of our decision is that we find no grounds for removal to federal court.