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Federal Circuit Patent Bulletin: *Preston v. Nagel*

June 1, 2017

"[The AIA does not alter the mandate that under] 28 U.S.C. § 1447(d), "[a]n order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise."

On June 1, 2017, in *Preston v. Nagel*, the U.S. Court of Appeals for the Federal Circuit (Dyk, Taranto, Hughes*) dismissed for lack of jurisdiction over Nagel's appeal from the district court's dismissal and remand to Massachusetts state court of the suit, inter alia, seeking a declaratory judgment of non-infringement of U.S. Patents No. 6,572,792, No. 6,921,497, No. 7,238,297, No. 7,252,793, No. 7,491,348, No. 7,655,160, No. 7,704,403, No. 8,137,593, No. 8,308,992, No. 8,679,373, and No. 8,945,435, which related to glassy metals having a molecular structure similar to glass with industrial applications due to their special physical and magnetic properties. The Federal Circuit stated:

Under 28 U.S.C. § 1447(d), "[a]n order remanding a case to the State court from which it was removed is not reviewable on appeal or otherwise," subject to statutory exceptions not applicable here. This reviewability bar "applies equally to cases removed under the general removal statute, § 1441, and to those removed under other provisions." Because § 1447(d) is to "be read in pari materia with § 1447(c)," it "preclude[s] review only of remands for lack of subject matter jurisdiction and for defects in removal procedure." As the district court found no procedural flaws, we must determine if it "relied upon a ground that is colorably characterized as subject-matter jurisdiction." If it did, "appellate review is barred by § 1447 (d)."

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Here, the district court remanded the case because it found that it lacked subject-matter jurisdiction over Preston's state-law claims and that Nagel's patent counterclaims did not present an Article III case or controversy because they failed to satisfy the immediacy requirement of MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 126–27 (2007). At oral argument, Preston conceded that this was a remand based on subject-matter jurisdiction. Thus, § 1447(d) facially controls, and we are precluded "from second-guessing the district court's jurisdiction determination regarding subject matter," "no matter how plain the legal error in ordering the remand.

Recognizing that § 1447(d) would ordinarily bar reviewability here, Nagel asks us to hold that an exception exists "where, as here, defendants invoked § 1454 to remove patent claims over which federal courts have exclusive jurisdiction." . . . . We disagree. . . .

According to Nagel, the AIA makes this case similarly "extraordinary." Congress included several provisions in the AIA to strengthen federal courts' jurisdiction over patent claims in response to the Supreme Court's decision in Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., which held that the Federal Circuit lacked jurisdiction to hear appeals from cases "in which the complaint does not allege a claim arising under federal patent law, but the answer contains a patent-law counterclaim." After Holmes Group, some believed that only the state courts could hear patent-law counterclaims in the same action as a plaintiff's state-law claims.

Members of Congress expressed that Holmes Group could "lead to an erosion in the uniformity or coherence in patent law that has been steadily building since the [Federal] Circuit's creation in 1982," and therefore made three changes in the AIA to address federal jurisdiction of patent claims: (1) 28 U.S.C. § 1338(a) was strengthened to clarify that state courts had no jurisdiction over "any claim for relief arising under any Act of Congress relating to patents"; (2) the Federal Circuit's exclusive jurisdiction was extended to include cases with compulsory patent counterclaims, see 28 U.S.C. § 1295(a)(1); and (3) a provision was added to permit a party to remove to federal court a case in which any party asserts a patent claim, see 28 U.S.C. § 1454. . . .

Because the state court must dismiss Nagel's patent counterclaims for lack of jurisdiction, Nagel argues that he will have been deprived of the opportunities to have his claims heard on the merits in any forum and to challenge the district court's allegedly erroneous basis for remand. But Nagel's concern rings hollow here, where . . . Nagel has an alternative way to present his patent claims on the merits in federal court: a separate federal declaratory judgment action. And any final decision in that case—jurisdictional or on the merits—would be appealable here. Therefore, assuming that the district court's MedImmune determination here was erroneous, Nagel has lost, at most, the ability to have his declaratory judgment claims heard with Preston's state-law claims. That result does not interfere with Congress's primary objective in enacting the "Holmes Group fix"—maintaining uniformity in patent law.

To the extent the AIA prefers that closely related state-law claims and patent-law counterclaims be heard together, it does not follow that we have jurisdiction to review remand decisions that require such claims to be pursued in separate forums. "Absent a clear statutory command to the contrary, we assume that Congress is aware of the universality of th[e] practice of denying appellate review of remand orders when Congress

creates a new ground for removal." Though hearing the state-law and patent-law claims together may promote important interests such as efficiency and avoiding inconsistent judgments, we are not persuaded that the AIA commands us to favor these interests over § 1447(d) and the presumption of remand non-reviewability. Had Congress sought to permit review of remands like the one at issue here, it certainly knew how to do so. Thus, we leave it to Congress to grant us reviewability here if it sees fit.