

STATE OF VERMONT v. MPHJ TECHNOLOGY INVESTMENTS, LLC, Appeal No. 2015-1310 (Fed. Cir. September 28, 2015). Before Prost, Newman and O'Malley. Appealed from D. Vt. (Judge Sessions).

Background:

Vermont (the State) sued MPHJ in state court under Vermont's Consumer Protection Act (VCPA) alleging that MPHJ, a non-practicing patent owner, engaged in unfair and deceptive trade practices. The allegedly deceptive practices were MPHJ's sending of "demand" letters to Vermont businesses requesting they take licenses or confirm they did not infringe MPHJ's patent(s). If a business did not respond, subsequent letters from MPHJ stated that non-response was taken as an admission of infringement and implied that litigation would follow if a license was not taken. Affected businesses complained to the State.

In an initial complaint, the State's request for relief included two permanent injunctions, *viz.*, (1) prohibiting MPHJ from engaging in any business activity . . . violating Vermont law, and (2) requiring MPHJ to stop threatening Vermont businesses with patent-infringement lawsuits. MPHJ removed the case to the U.S. District Court for the District of Vermont. After a motion hearing before the district court, the State filed an amended complaint, which withdrew injunction request (2). The district court then remanded the case to state court, from which MPHJ again removed the case to the district court. Neither the States' initial complaint nor its amended complaint alleged any violation of the Vermont Bad Faith Assertion of Patent Infringement Act (BFAPIA), which became law between the dates of the initial and amended complaints. MPHJ asserted that "Vermont Law" in request (1) necessarily now included the BFAPIA, which MPHJ argued was preempted by federal law, and asserted various grounds for removal. The State then filed another motion to remand, insisting that the BFAPIA was not part of its amended complaint. The district court refused to grant removal on any of MPHJ's grounds. MPHJ then appealed to the Federal Circuit on the basis of 28 USC § 1442(a)(2) only.

Issue/Holding:

Did the district court err in holding that there was no basis for (the second) removal of the case to the district court. No, affirmed.

Discussion:

The State challenged the subject matter jurisdiction of the Federal Circuit on appeal on the ground that 28 USC § 1295(a)(1) was not satisfied. The Court found that it had jurisdiction, noting that the AIA expanded "arising under the patent laws" to include compulsory counterclaims that previously would have satisfied jurisdiction only if raised in the complaint. The court found that the counterclaim -- that VCPA is invalid or preempted by various parts of the Constitution and Title 35 U.S. Code -- was compulsory and did arise under the patent laws.

During oral argument, MPHJ conceded, in effect, that if BFAPIA was not applicable to the amended complaint, 28 USC § 1442(a)(2) did not provide basis for removal. The Court agreed with the State that BFAPIA was not applicable. Thus, while the Court found jurisdiction to entertain the appeal, it did not have to reach the issue of the applicability of the BFAPIA as a basis for removal under 28 USC § 1442(a)(2).