2015-1310

United States Court of Appeals for the Federal Circuit

STATE OF VERMONT,

Plaintiff-Appellee,

v.

MPHJ TECHNOLOGY INVESTMENTS, LLC,

Defendant-Appellant.

Appeal from the United States District Court for the District of Vermont
No. 2:14-cv-192-wks, Judge William K. Sessions III

BRIEF OF APPELLEE STATE OF VERMONT

WILLIAM H. SORRELL
ATTORNEY GENERAL

BRIDGET C. ASAY
SOLICITOR GENERAL

BENJAMIN D. BATTLES
NAOMI SHEFFIELD
ASSISTANT ATTORNEYS GENERAL

OFFICE OF THE ATTORNEY GENERAL
OF THE STATE OF VERMONT
109 State Street
Montpelier, VT 05609

Phone: (802) 828-5500
Fax: (802) 828-3187
Email: bridget.asay@state.vt.us
benjamin.battles@state.vt.us
naomi.sheffield@state.vt.us

Counsel for the State of Vermont

CERTIFICATE OF INTEREST

Counsel for the Plaintiff-Appellee State of Vermont certifies the following:

1. The full name of every party or amicus represented by me is:

State of Vermont

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

State of Vermont

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Vermont Attorney General's Office
Bridget C. Asay
Benjamin D. Battles
Naomi Sheffield
Ryan Kriger

Dated: May 21, 2015

/s/ Benjamin D. Battles
Benjamin D. Battles

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INTRODUCTION

This appeal is yet another attempt by MPHJ to prevent a Vermont state court from determining whether MPHJ violated Vermont state law by sending deceptive communications to businesses and non-profits in Vermont. The State of Vermont filed this consumer protection action in the State Court on May 8, 2013, asserting a single cause of action that MPHJ violated the Vermont Consumer Protection Act by engaging in unfair and deceptive trade practices. Rather than defend that action on the merits, however, MPHJ has spent the past two years attempting to circumvent the State Court's jurisdiction by filing meritless removal motions, appeals, and other litigation in the District Court and in this Court. Those efforts have accomplished nothing but delay.

MPHJ concedes that the sole substantive issue presented by this appeal is whether MPHJ appropriately removed this action to the District Court under 28 U.S.C. § 1442(a)(2), a subsection of the federal officer removal statute, over a year after MPHJ tried and failed to remove the action on the basis of federal question and diversity jurisdiction. MPHJ nonetheless devotes much of its appellate brief to improperly re-litigating the prior decisions from the District Court, which rejected MPHJ's jurisdictional arguments, and the State Court. Those decisions—which cannot be reviewed by this Court and are now the law of the case—establish that

this action does not arise under federal law and that MPHJ is subject to personal jurisdiction in Vermont.

The policy of Congress reflected in the federal removal statutes "opposes interruption of the litigation of the merits of a removed cause by prolonged litigation of questions of jurisdiction of the district court to which the cause is removed." *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 640 (2006) (quotation omitted). The "years of jurisdictional advocacy" that MPHJ has initiated to delay the resolution of the merits of this action "confirm[s] the congressional wisdom." *See id.* The time has come for MPHJ to defend its alleged violations of the Vermont Consumer Protection Act on the merits in the State Court. This latest misguided attempt to defy the State Court's jurisdiction should be rejected.

As set forth below, this appeal should be dismissed because it falls outside of this Court's limited statutory jurisdiction. If this Court, however, reaches the merits it should affirm the District Court because MPHJ's second removal attempt was untimely and because § 1442(a)(2) does not provide a basis to remove a state enforcement action against a private party simply because that party owns rights to intellectual property.

STATEMENT OF RELATED CASES

This is the second time this matter has come before this Court. MPHJ's previous appeal and petition for writ of mandamus were dismissed for lack of

jurisdiction in an order dated August 11, 2014. *See Vermont v. MPHJ Tech. Invs. LLC*, Nos. 2014-137 & 2014-1481, 763 F.3d 1350 (Fed Cir. 2014) (Prost, C.J., Newman and Hughes, JJ.).

In the decision below, the United States District Court for the District of Vermont ("District Court") remanded this action to the Civil Division of Vermont Superior Court, Washington Unit ("State Court"), where the case was commenced and previously was pending under docket number 282-5-13 Wncv. Proceedings in the State Court have not yet resumed, however, as the District Court has not sent that court a certified copy of its remand order. On February 27, 2015, the State filed a motion under 28 U.S.C. § 1447(c) to direct the District Court to send its remand order to the State Court. That motion is pending. *Vermont v. MPHJ Tech. Invs. LLC*, No. 14-cv-192 (D. Vt.), ECF Doc. No. 36.

MPHJ has also filed a separate action in the District Court against William Sorrell, in his official capacity as the Attorney General of Vermont, which seeks, among other things, to enjoin the state court proceedings in this matter. *MPHJ Tech. Invs. LLC v. Sorrell*, No. 14-cv-191 (D. Vt.). The State's motion to dismiss that action is pending, as is MPHJ's motion for a preliminary injunction.[1] *Id.*, ECF Doc. Nos. 13, 24.

[1] MPHJ's statement of related cases, Br. 1-4, refers to irrelevant litigation and does not comply with this Court's rules of practice, which require that a statement of related cases be limited to "any other appeal *in or from the same civil action*" and

JURISDICTIONAL STATEMENT

This Court lacks jurisdiction over this appeal. In its two remand decisions, the District Court held that no basis for federal removal exists under 28 U.S.C. §§ 1441, 1442(a)(2), 1443, or 1454. MPHJ challenges only the ruling under § 1442(a)(2). Under 28 U.S.C. § 1447(d), a remand of an action removed under § 1442 potentially may be reviewed on appeal, but the District Court's ruling cannot be reviewed by this Court because this action neither arises under federal patent law nor involves a compulsory counterclaim that arises under federal patent law. 28 U.S.C. § 1295(a)(1); *see below* Section I.

STATEMENT OF THE ISSUES

I. Does this Court lack statutory jurisdiction over this appeal because the law of the case is that the State's claims do not arise under federal patent law, and MPHJ has not pleaded any compulsory counterclaims that arise under federal patent law?

II. Is MPHJ's second removal petition untimely because it was filed more than one year after MPHJ's first removal petition and more than four months after the State amended its complaint to narrow its request for relief?

III. Does this consumer protection action targeting MPHJ's unfair and deceptive business practices fall outside the scope of 28 U.S.C. § 1442(a)(2), which provides a right to removal to a "property holder whose title is derived" from a federal officer, and who has been targeted in a lawsuit that "affects the validity of" a federal law?

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any pending case "that *will directly affect or be directly affected*" by the Court's decision in this appeal. *See* Fed. Cir. R. 47.5 (emphasis added).

STATEMENT OF THE CASE

Plaintiff-Appellee State of Vermont filed this consumer protection action against Defendant-Appellant MPHJ Technology Investments LLC ("MPHJ") in the State Court on May 8, 2013. MPHJ thereafter removed the case to the District Court under 28 U.S.C. § 1441 on the theory that federal question and diversity jurisdiction existed. The District Court concluded that it lacked subject matter jurisdiction over the dispute and granted the State's motion to remand. *Vermont v. MPHJ Tech. Invs. LLC*, No. 13-cv-170, 2014 WL 1494009 (D. Vt. Apr. 15, 2014) ("*MPHJ Tech. I*"). MPHJ appealed that remand order to this Court and simultaneously petitioned this Court for a writ of mandamus directing the District Court to sanction the State and its counsel and dismiss the action. This Court dismissed both the appeal and the petition for lack of jurisdiction on August 11, 2014. *Vermont v. MPHJ Tech. Invs. LLC*, Nos. 2014-137 & 2014-1481, 763 F.3d 1350 (Fed. Cir. 2014) ("*MPHJ Tech. II*").

Following the initial remand, the State Court denied MPHJ's motion to dismiss the action for lack of personal jurisdiction. *Vermont v. MPHJ Tech. Invs. LLC*, No. 282-5-13 Wncv (Vt. Super. Ct. Aug. 28, 2014), reproduced at JA401-08 ("*MPHJ Tech. III*").[2] MPHJ thereafter removed the action to the District Court a second time, relying on 28 U.S.C. §§ 1442(a)(2), 1443, and 1454. In the decision

[2] Citations to "A" are to the Addendum attached to MPHJ's Appeal Brief. Citations to "JA" are to the Joint Appendix.

below, the District Court granted the State's second motion to remand because MPHJ's new notice for removal was untimely and because none of the removal statutes cited by MPHJ applied. *Vermont v. MPHJ Tech. Invs. LLC*, No. 14-cv-192, 2015 WL 150113 (D. Vt. Jan. 12, 2015), reproduced at A1-23 ("*MPHJ Tech. IV*"). MPHJ appealed to this Court and challenges only the District Court's conclusion that removal was improper under 28 U.S.C. § 1442(a)(2).

STATEMENT OF THE FACTS

This appeal raises only narrow questions concerning this Court's statutory jurisdiction, MPHJ's timeliness in seeking removal, and the scope of 28 U.S.C. § 1442(a)(2). *See* MPHJ's Appeal Brief ("Br.") 22-24. Yet MPHJ's opening brief strays far afield from those questions, and in so doing, repeatedly mischaracterizes the State's allegations and makes factual assertions that are neither relevant nor supported by the record. To take just a few examples:

- MPHJ contends that the State brought this action in order "to make Vermont a patent haven" because the State "decided it dislikes [patent] rights." Br. 7-8, 17-18, 27. But the State filed this action because it received complaints that MPHJ was sending misleading and threatening letters to Vermont businesses and non-profits, and after investigating those complaints, concluded that MPHJ's conduct violated the Vermont Consumer Protection Act. *See below* Section A.

- MPHJ asserts that the State filed an amended complaint that "invoked" and "seek[s] relief" under a Vermont statute titled the Bad Faith Assertions of Patent Infringement Act. *E.g.*, Br. 5-6. But the State's amended complaint never mentions that statute, does not seek relief under that statute, and targets conduct that precedes that statute's enactment. *See below* Sections E, II.
- MPHJ asserts that the State Court "simply concluded that it would ignore the Fourteenth Amendment in finding personal jurisdiction over a disfavored out-of-state defendant." Br.10 n.5. But the State Court found personal jurisdiction because the State alleged that MPHJ sent numerous letters that "themselves are violations of the law, purposefully directed at Vermont residents," and that the State's "strong interest in protecting its citizens from consumer fraud" outweighed MPHJ's interest in avoiding litigation in Vermont, particularly where MPHJ's letters expressly "threatened litigation in Vermont." *MPHJ Tech. III*, JA406, 407-08. In any event, that jurisdictional ruling is the law of the case and cannot be challenged in this appeal. *See below* Section D.
- Citing only its own abandoned motion for Rule 11 sanctions, MPHJ argues that the State has "insisted" it can "ignore" MPHJ's rights under the First Amendment and this Court's patent law precedent. Br. 9, 10, 19 (citing

JA3935). But the law of this case—as found by the District Court in its first, unreviewable remand order—is that the State's consumer protection claim arises entirely under state law, does not raise a substantial federal question, and does not seek to prevent MPHJ from engaging in lawful patent enforcement activity in Vermont. *See below* Sections B, I.

* * * *

The relevant facts are set forth below. In short, the State has alleged that MPHJ violated the Vermont Consumer Protection Act by sending unfair and deceptive communications to Vermont businesses and non-profits. Rather than defend that conduct on the merits, MPHJ has spent the past two years contesting the State Court's jurisdiction with increasingly meritless federal litigation. Indeed, this appeal represents MPHJ's *sixth attempt* to convince a federal court to take control of this case away from the State Court.[3]

[3] As set forth below, MPHJ (i) removed this action to the District Court under 28 U.S.C. § 1441; (ii) appealed the District Court's first remand decision to this Court; (iii) petitioned this Court for a writ of mandamus directing the District Court to assume jurisdiction over the action and dismiss the complaint under Rule 12(b)(6); (iv) filed a new action in District Court under 42 U.S.C. § 1983 seeking to enjoin the state court proceedings; (v) removed to the District Court under 28 U.S.C. 1442(a)(2), 1443, and 1454; and (vi) challenged the District Court's second remand order in this appeal.

A. The state brings an enforcement action against MPHJ for violating the Vermont Consumer Protection Act.

MPHJ's alleged violations of the Vermont Consumer Protection Act are set forth in the State's First Amended Complaint. JA2567-2576. MPHJ is a Delaware limited liability company that operates through numerous shell subsidiary companies. The shell companies are wholly owned and controlled by MPHJ, which in turn is controlled by its manager and sole member Jay Mac Rust, a Texas attorney. JA2567-68.

In late 2012, the shell companies began mailing a series of letters to Vermont businesses and non-profits. The first letter identified each recipient as a company that "appears to be" using an office network configuration of a server, computers, and a scanner that infringed MPHJ's patented technology, and asked the recipient to provide extensive documentation demonstrating that it was not infringing the patents or to contact the shell company to negotiate a license. The letter also informed the recipient, "You should know also that we have had a positive response from the business community to our licensing program." JA2567-70.

MPHJ's counsel—Farney Daniels LLP—sent a second, similar letter reiterating the claims of the first letter and threatening litigation. JA2570-71.

Farney Daniels then sent a third letter to the same recipients. Some recipients in fact received only the third letter, although the third letter assumes no

response to the first two letters. The third letter claimed that, because recipients did not respond to the first, or first and second, letters it was reasonable to assume the recipient was infringing the patents. According to the third letter, if Farney Daniels did not receive a response from the recipient within two weeks, "litigation will ensue," and the recipient should retain competent patent counsel. The third letter often included a draft complaint naming the shell company as the plaintiff and the recipient as the defendant. JA2570-71.

In early 2013, the Vermont Attorney General's Office began receiving complaints from businesses and non-profits that had received MPHJ's letters. One such letter recipient was Lincoln Street, Inc., a Springfield, Vermont non-profit that operates on state and federal funding to bring home care to developmentally disabled Vermonters. Another recipient was ARIS Solutions, a non-profit that provides fiscal agent services to Vermonters with disabilities to assist them with daily living tasks. JA2569.

Under Vermont's Consumer Protection Act, the Attorney General has authority to investigate and prosecute unfair and deceptive business practices within the State of Vermont. *See generally* 9 V.S.A. §§ 2451-61. Pursuant to that authority, the Attorney General's Office responded to the complaints it received by opening a civil investigation into MPHJ's activities. As set forth in the First Amended Complaint, the Attorney General's investigation revealed that MPHJ had

violated the Vermont Consumer Protection Act by engaging in a number of unfair and deceptive business practices in Vermont, including by representing that it had a basis to believe the letter recipients likely infringed MPHJ's patents, that it was willing or able to sue for patent infringement, and that it had received a "positive response" to its licensing program. JA2569-73.

Based on the results of its investigation, the Attorney General filed a consumer protection action on behalf of the State against MPHJ in State Court on May 8, 2013. The complaint asserted a single claim that MPHJ violated the Vermont Consumer Protection Act; pleaded a number of factual allegations to support that claim; requested that the court enjoin MPHJ from violating Vermont law; and sought civil penalties, restitution, and the award of costs and fees. The initial complaint also requested that MPHJ be enjoined from threatening Vermont businesses with patent-infringement lawsuits. JA32-57. As discussed below, the State subsequently removed that latter request for relief when it filed its First Amended Complaint. *See below* Sections B, C.[4]

[4] MPHJ argues that the State's complaint "asserted sixteen different claims" and alleges MPHJ violated state law simply by targeting small businesses. Br. 8-9, 18. But the State pleaded only a single claim that MPHJ violated the Vermont Consumer Protection Act and then made a number of specific factual allegations about MPHJ's unfair and deceptive letter-writing campaign to support that claim. JA2574-75 ("Cause of Action: Unfair and Deceptive Trade Practices"); *see also Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 810 (1988) (noting that a single claim may be supported by alternate theories, and holding that such a claim "may not form the basis for § 1338(a) jurisdiction unless patent law is

MPHJ's efforts to monetize its patents extended far beyond Vermont and attracted scrutiny from a number of other government authorities, including the Federal Trade Commission and the Attorneys General of New York, Minnesota, and Nebraska.[5] MPHJ's licensing scheme also led a number of the major scanner manufactures to request that the United States Patent and Trademark Office ("PTO") review the validity of several of MPHJ's patents in *inter partes* review proceedings. The PTO ultimately invalidated many claims in MPHJ's patents,

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essential to each of those theories"). The State has not alleged that MPHJ's deliberate targeting of small businesses without the resources to defend themselves is by itself a violation of the Vermont Consumer Protection Act. Rather, that conduct, taken together with the other facts alleged in the complaint, illustrates MPHJ's bad faith in carrying out its licensing scheme.

[5] MPHJ's efforts to analogize this action to the Nebraska litigation are misplaced. *See* Br. 2, 19 n.12, 40 n.21. In Nebraska, the Attorney General at the time became concerned that MPHJ and Activision TV, Inc.—another entity represented by Farney Daniels—were violating that state's consumer protection laws. Rather than file a detailed lawsuit alleging bad faith, however, the Nebraska Attorney General issued a cease and desist order that operated as a broad prior restraint against Activision, MPHJ—and Farney Daniels—preventing all of them from engaging in *any* patent-related enforcement activity within the state. *See generally Activision TV, Inc. v. Pinnacle Bancorp, Inc.*, 976 F. Supp. 2d 1157, 1168 (D. Neb. 2013); No. 23-cv-215, 2013 WL 5963142, at *1 (D. Neb. Nov. 17, 2013); 2014 WL 197808 (Jan. 14, 2014), *recons. den.*, 2014 WL 1350278 (D. Neb. Apr. 4, 2014). Here, by contrast, the State received complaints about MPHJ's conduct, conducted a thorough investigation, filed a consumer protection enforcement action alleging that MPHJ had acted in bad faith and in violation of Vermont's Consumer Protection Act, and requested that the State Court issue a narrow injunction to prevent MPHJ's continuing violation of Vermont law.

including most of those that were the putative basis for the letters that MPHJ sent to Vermont businesses and non-profits.[6]

B. MPHJ unsuccessfully attempts to transfer the case to federal court for the first time.

On June 7, 2013, MPHJ removed this action from the State Court to the District Court under 28 U.S.C. § 1441 on the theory that federal question jurisdiction existed because the action arose under the federal patent laws, and that diversity jurisdiction existed because MPHJ was a Delaware corporation and the Vermont businesses who complained to the Attorney General (rather than the State itself) were the real parties in interest. The State thereafter moved to remand. While the remand motion was pending, MPHJ filed motions in the District Court (i) to dismiss the action for lack of personal jurisdiction; (ii) to sanction the State

[6] In their Vermont letters, MPHJ's shell companies asserted ownership of licenses for U.S. Patents Nos. 7,477,410 (the '410 patent); 7,986,426 (the '426 patent); 6,771,381 (the '381 patent); 6,185,590 (the '590 patent); as well as for pending patent no. 13/182,857 (the '857 patent). JA43. The letters stated that the recipient "likely" used an "infringing system" covered by the claims in one of these patents and directed the recipient to consider, "as illustrative examples," "claims 1-5 of the '426 Patent"; "claims 1, 8 and 15 of the '410 Patent"; "claims 12 and 15 of the '381 Patent"; and "claims 9 and 16 of the '590 Patent." JA44. In *Ricoh Americas Corp v. MPHJ Tech. Invs. LLC*, No. IPR2013-00302 (Patent Trial & Appeals Bd. Nov. 19, 2014), the PTO invalidated claims 1-5 and 7-11 of the '426 patent, and in *Hewlett-Packard Co. v. MPHJ Tech. Invs., LLC*, No. IPR2013-00309 (Patent Trials & Appeals Bd. Nov. 19, 2014), the PTO invalidated claims 1-12, 14, and 15 of the '381 patent. The '410 patent has also been challenged in a pending proceeding. *See Ricoh Americas Corp. v. MPHJ Tech. Inv., LLC*, No. IPR2014-00539 (Patent Trial & Appeals Bd.).

and its counsel for continuing to pursue the action notwithstanding MPHJ's view that the action was preempted; and (iii) for summary judgment.

On March 7, 2014, the State also filed a conditional motion to clarify or amend its complaint. The State filed that motion to make clear that it did not seek to prevent MPHJ from engaging in lawful patent enforcement activity in Vermont. The State's proposed amended complaint thus deleted the following request for relief: "A permanent injunction requiring Defendant to stop threatening Vermont businesses with patent infringement lawsuits." JA4116. The proposed amendment made no other changes, and did "not change the State's claim as originally filed." JA4101. The motion was "conditional" because the State asked the District Court to either accept the State's clarifying amendment and grant the State's motion to remand, or if the District Court determined it lacked subject matter jurisdiction, to remand the case to state court with the amendment pending so that the amendment would take effect in State Court "as a matter of course" under the Vermont Rules of Civil Procedure. JA4104 & n.3.

On April 15, 2014, the District Court granted the State's remand motion and rejected all of MPHJ's arguments in support of federal jurisdiction. With respect to federal question jurisdiction, the District Court found that the action did not "arise under" the federal patent laws because the State's complaint was "premised solely on Vermont state law, not federal patent law, and none of the claims for

relief concern the validity of MPHJ's patents," and that accordingly, "the State may prevail on its [Vermont Consumer Protection Act] claims without reliance on the resolution of a federal patent question." *MPHJ Tech. I*, 2014 WL 1494009, at *8. The District Court further held that even if the State's complaint had necessarily raised a federal question, any such question would not be "substantial" under *Gunn v. Minton*, 133 S. Ct. 1059 (2013):

> MPHJ argues that the State's claims would impact the overall functioning of the national patent system because it would impair pre-suit investigation, create 'unprecedented patent infringement immunity,' and impair sending of notice letters. This is a gross mischaracterization of the State's requested relief. In fact, the State seeks to enjoin MPHJ's *unfair and deceptive* activities within Vermont—that is, the Attorney General is targeting MPHJ's practice of letters that threaten patent litigation with no intention of *actually bringing* such litigation. Contrary to MPHJ's assertions, the State does not argue that MPHJ does not have a right to lawfully protect its patents and judgment for the State would not 'immunize' infringing entities from MPHJ's legitimate efforts to enforce its patents.
>
> Moreover, MPHJ has not demonstrated that this case needs to be heard in federal court to prevent disruption of the federal-state balance. The federal issues implicated are all defenses that may be properly considered and applied by a state court. *See Gunn*, 133 S. Ct. at 1067 (explaining that state courts can apply federal patent law when addressing state-law claims). As the decision in this case would have no precedential effect on federal law—and, indeed, would not even require a determination of the validity of MPHJ's patents—it would not have an unacceptable impact on the federal patent system such to demand federal jurisdiction.

MPHJ Tech. I, 2014 WL 1494009, at *9 (emphasis in original). Accordingly, the District Court concluded that it lacked subject matter jurisdiction under 28 U.S.C. § 1331. *Id.*[7]

C. MPHJ unsuccessfully appeals the remand order and petitions this Court for a writ of mandamus.

The removal statute and Supreme Court precedent make clear that an order remanding a case to a state court for lack of subject matter jurisdiction "*is not reviewable on appeal or otherwise*." 28 U.S.C. § 1447(d) (emphasis added); *Kircher*, 547 U.S. at 640 ("[W]e have relentlessly repeated that any remand order issued on the [ground that subject matter jurisdiction is lacking] is immunized from all forms of appellate review.") (quotation and alterations omitted). MPHJ nonetheless appealed the remand order to this Court, and simultaneously, filed a petition for a writ of mandamus to direct the District Court to sanction the State and its counsel or dismiss the action—which then was pending in State Court—under Rule 12(b)(6). *See* JA141-85. In an order dated August 11, 2014, this Court granted the State's motion to dismiss the appeal and the petition for lack of jurisdiction, holding that 28 U.S.C. § 1447(d) precluded second-guessing the District Court's determination that no federal subject matter jurisdiction existed. *MPHJ Tech. II*, 763 F.3d 1350.

[7] The District Court also rejected MPHJ's argument that diversity jurisdiction existed. *Id.* at **9-10.

D. On remand, the State Court denies MPHJ's motion to dismiss and orders that discovery begin.

In its remand order, after concluding that it lacked subject matter jurisdiction, the District Court remanded all of the pending motions back to state court for further resolution. *MPHJ Tech. I*, 2014 WL 1494009, at **1, 3, 10. That included MPHJ's motions to dismiss for lack of personal jurisdiction, for sanctions, and for summary judgment, and the State's conditional motion to clarify or amend its complaint. *See id.* With respect to the latter motion, the District Court stated that the State's "proposed clarification is consistent with the Court's reading of the original complaint; however, because the Court lacks subject matter jurisdiction, it will not grant the motion to amend, but instead allow the motion to proceed in state court." *Id.* at *8 n.4. As the State had noted when it filed that motion, the remand meant the amendment would take effect as "a matter of course" under the Vermont Rules of Civil Procedure because MPHJ had not yet answered the State's complaint. JA4101, 4104 & n.3 (citing Vt. R. Civ. P. 15). After the remand, MPHJ withdrew its motion for summary judgment. JA1210.

Upon return to the State Court, the State filed its First Amended Complaint, as of right, on May 7, 2014. JA2566-76. In the State's cover letter to the State Court clerk, the State noted that the amended complaint was "being filed pursuant to V.C.R.P. 15(a), which allows a party to amend its pleading once as a matter of course before a responsive pleading is served." JA2566. That complaint was

identical to the proposed amended complaint previously submitted to the District Court. The State also served MPHJ with written discovery requests. *See* JA1227. MPHJ then moved to stay all proceedings pending the resolution of the appeal and mandamus petition that MPHJ had filed with this Court. JA1229-34. The State Court held a hearing on all of the pending motions on May 22, 2014. At that hearing, the court agreed with the State's position that the amended complaint could be filed as of right, but invited MPHJ to challenge that conclusion:

> THE COURT: I think, because you haven't answered, they're entitled to amend without permission. But you can check the rule on that. . . . If you think you should move to strike [the State's] amended complaint go ahead, but my initial reaction is I think they have the right to do that . . . since there is apparently no answer yet filed given that -- the other motions that are pending. . . . you can file something and make me . . . look at it . . . if you need to.

Vermont v. MPHJ Techs LLC, No. 14-cv-192 (D. Vt.), ECF Doc. 3-1 ("5-22-2014 Tr.") 37-38. Although MPHJ disputed whether the State could amend its complaint without permission, it acknowledged that debating the point was "a little bit silly" and also contended that the District Court already had "effectively amended the original complaint" by accepting the State's position that the requested injunction would not preclude MPHJ from engaging in lawful patent enforcement activity in Vermont. 5-22-2014 Tr. 22, 38. MPHJ neither moved to strike the amended complaint nor made any further attempt to challenge the State's ability to amend its complaint as of

right. At the conclusion of the hearing, the State Court stayed the proceedings temporarily pending resolution of MPHJ's motion for a stay. 5-22-2014 Tr. 39-40. When asked by the presiding judge whether there was "[a]nything else anyone wants to raise," neither party requested a ruling on the State's conditional motion to amend that had been filed with the District Court. *See* 5-22-2014 Tr. 41-42.

On August 28, 2014, shortly after this Court rejected MPHJ's initial appeal and mandamus petition, the State Court issued an order denying MPHJ's motion to dismiss for lack of personal jurisdiction. The court concluded "that because the allegation here is that the letters [that MPHJ sent to Vermont businesses] themselves are violations of the law, purposefully directed at Vermont residents, they create sufficient minimum contacts for purposes of personal jurisdiction over MPHJ," and that the State's "strong interest in protecting its citizens from consumer fraud," outweighed MPHJ's interest in avoiding litigation in Vermont, particularly where "MPHJ's own letters to Vermont businesses threatened litigation in Vermont." *MPHJ Tech. III*, JA406, 407-08.

The State Court's order also addressed all of the other pending motions on its docket, including those that had been remanded from the District Court. The State Court denied MPHJ's motion to stay as moot, held

that MPHJ's motion for sanctions would be considered withdrawn if not re-filed (which it has not been), and granted the State's motion to amend the complaint. The latter ruling consisted of one sentence, *see id.* at JA401 n.1, 402 ("The court grants the motion to amend."), and was consistent with the State Court's stated belief at the May 22 hearing—which MPHJ declined to challenge—that the State could amend its complaint as of right.

Finally, the State Court's order directed that the parties must complete all discovery by May 28, 2015, and should submit a proposed discovery schedule and pretrial order by September 15, 2014. *Id.* at JA408.

E. MPHJ unsuccessfully attempts to remove the case to federal court for the second time.

Following the State Court's ruling, the State renewed its discovery requests and attempted to work with MPHJ to create a proposed discovery schedule and pretrial order. MPHJ answered the First Amended Complaint and asserted several counterclaims in State Court. JA410-41. But rather than cooperate with the State or comply with the State Court's discovery order, MPHJ then immediately removed the action to the District Court a second time, asserting that federal jurisdiction existed under the federal title removal statute, U.S.C. §§ 1442(a)(2); the civil rights removal statute, 28 U.S.C. § 1443; and the patent removal statute, 28 U.S.C. § 1454. JA24-30. MPHJ also filed a new lawsuit in the District Court under 42 U.S.C. § 1983 against Attorney General William Sorrell, in his official

capacity, seeking to enjoin the Attorney General from enforcing Vermont's consumer protection laws against MPHJ.[8] *See below* Section F.

The State again moved to remand the action back to the State Court, and also moved to dismiss MPHJ's newly asserted counterclaims in the event that the action was not remanded. In the decision that MPHJ now appeals, the District Court issued an order on January 12, 2015, granting the motion to remand and, consequently, denying the motion to dismiss as moot. Specifically, the District Court held that MPHJ's second notice of removal was untimely, and that, in any event, no basis for removal existed under: (i) the federal title removal statute because—even if the statute applied to a patent case—the State's complaint does not call into question the validity of any federal law; (ii) the civil rights statute because MPHJ had not and could not allege it had been discriminated against, much less that it had been discriminated against on account of race; and (iii) the patent removal statute because MPHJ could not show cause for its delay in seeking removal under that provision. *MPHJ Tech. IV*, A1-23.

MPHJ timely filed a notice of appeal, and now asks this Court to review the District Court's ruling that MPHJ improperly removed the action under 28 U.S.C. § 1442(a)(2).

[8] MPHJ initially named Assistant Attorney General Bridget Asay as a defendant in the § 1983 lawsuit, but later amended its complaint to name only Mr. Sorrell.

F. MPHJ sues the Vermont Attorney General in federal court to enjoin the state court proceedings.

When the State Court denied MPHJ's motion to dismiss for lack of personal jurisdiction, it rejected MPHJ's argument that it would be an undue burden for MPHJ to litigate in Vermont. Following that decision, MPHJ immediately proved the State Court correct and sued the Vermont Attorney General in the District Court (located in Burlington, Vermont). *See MPHJ Tech. LLC v. Sorrell*, No. 14-cv-191 (D. Vt.). In that lawsuit, brought under 42 U.S.C. § 1983, MPHJ alleges that the Attorney General violated MPHJ's First Amendment rights by bringing this consumer protection action. The § 1983 action seeks to enjoin the Attorney General from enforcing Vermont's consumer protection laws against MPHJ, including by litigating this action in State Court. In other words, the § 1983 action seeks to federally enjoin state court proceedings in violation of *Younger v. Harris*, 401 U.S. 37 (1971). The State has moved to dismiss the action under *Younger* and Rule 12(b)(6), and MPHJ has moved for a preliminary injunction. Both motions are currently pending in the District Court.

SUMMARY OF THE ARGUMENT

This appeal should be dismissed because it does not fall within this Court's limited statutory jurisdiction. If the appeal is not dismissed, the District Court's decision should be affirmed because MPHJ's second notice of removal was

untimely and because 28 U.S.C. § 1442(a)(2)—the only basis for removal at issue in this appeal—does not apply to this case.

STANDARD OF REVIEW

Every federal court "has a special obligation to satisfy itself . . . of its own jurisdiction." *Bender v. Williamsport Area Sch. Dist.*, 475 U.S. 534, 541 (1986). Accordingly, before reaching the merits of this appeal, this Court must make a threshold determination that the appeal falls within its "limited appellate jurisdiction" under 28 U.S.C. § 1295. *See Harley v. Equifax Credit Serv.*, 215 F.3d 1347 (Fed. Cir. 1999) (Table). This Court reviews the "trial court's legal conclusions de novo and its factual findings for clear error." *SUFI Network Servs., Inc. v. United States*, 2015 WL 1865674, at *3 (Fed Cir. Apr. 24, 2015).

ARGUMENT

I. This Court lacks jurisdiction over MPHJ's appeal.

This appeal should be dismissed because it does not fall within this Court's limited statutory jurisdiction. This Court's jurisdiction is confined to "an appeal from a final decision of a district court of the United States . . . in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents." 28 U.S.C. § 1295(a)(1).

In its first remand decision, the District Court held that this action does not arise under federal patent law. *MPHJ Tech. I*, 2014 WL 1494009, at *9 ("Because the State's right to relief does not necessarily depend on resolution of a substantial question of federal patent law, this Court does not have subject matter jurisdiction over this case under 28 U.S.C. § 1331."). On appeal, this Court held that decision was unreviewable. *MPHJ Tech. II*, 763 F.3d at 1353 ("Here, the district court repeatedly stated the position that 'the Court does not have subject matter jurisdiction.' We therefore lack jurisdiction to review the remand decision."). That holding is now the law of the case. *Christianson*, 486 U.S. at 815-16 ("[T]he doctrine of the law of the case posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.") (quotation and alterations omitted). MPHJ has presented no argument that warrants revisiting the determination that this action arises wholly under state law. *See id.* at 817 (under law-of-the-case doctrine, prior decision should be revisited only in "extraordinary circumstances such as where the initial decision was clearly erroneous and would work a manifest injustice") (quotation and alterations omitted).

The counterclaims MPHJ asserted following the initial remand also do not trigger this Court's jurisdiction. Under § 1295, only *compulsory* counterclaims that *arise under the patent laws* suffice. 28 U.S.C. § 1295(a)(1) (emphasis added).

MPHJ argues that its counterclaims for declarations of validity and infringement (counterclaims 3 and 4) arise under the patent laws. *See* Br. 22 (arguing that jurisdiction exists under § 1295(a)(1) because "MPHJ has asserted counterclaims of invalidity [*sic*] and noninfringement [*sic*], each of which plainly arises under the U.S. patent laws."). But MPHJ does not even argue that its patent-law counterclaims are compulsory. *See id.* Nor can it.

A compulsory counterclaim "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim." Fed. R. Civ. P. 13(a)(1)(A). Under Second Circuit law,[9] there must be a "logical relationship" between the claims, meaning that the "essential facts of the claims" are "so logically connected that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit." *Jones v. Ford Motor Co.*, 358 F.3d 205, 209 (2d Cir. 2004) (quotation omitted); *see id.* at 210 ("The essential facts for proving the counterclaims [for nonpayment of debts] and the claim [for discrimination in the financing process were] not so closely related that resolving both sets of issues in one lawsuit would yield judicial efficiency."). The Second Circuit's standard and reasoning in *Jones* confirm that MPHJ's patent counterclaims are not compulsory.

[9] When considering "a procedural issue not unique to patent law," this Court applies the law of the applicable regional circuit. *Versata Software, Inc. v. Callidus Software, Inc.*, 780 F.3d 1134, 1136 (Fed. Cir. 2015).

In counterclaims 3 and 4, MPHJ seeks declaratory judgments that (i) at least one of the claims of its patents "is not invalid," and (ii) at least one or more of the Vermont businesses targeted by MPHJ infringed one of the patents. JA430-35. Those counterclaims have no connection, much less a logical one, with the State's consumer protection claim. As the District Court correctly held in its first remand order, which is now the law of the case, "the State's claims do not challenge the validity or scope of MPHJ's patents nor do they require any determination of whether infringement has actually occurred." *MPHJ Tech. I,* 2014 WL 1494009, at *6. The facts necessary for MPHJ to attempt to prove these counterclaims are not closely related to the facts necessary for the State to prove its claim that MPHJ's communications with Vermonters were unfair and deceptive. The State is not even the right defendant for these claims. There is no infringement dispute between the State and MPHJ, and thus no case or controversy for a court to resolve.

MPHJ's other counterclaims also cannot establish jurisdiction under § 1295. Counterclaims 1 and 2 seek declaratory judgments that Bad Faith Assertions of Patent Infringement Act, 9 V.S.A. §§ 4195-4199 (the "BFAPIA") is preempted; counterclaim 5 seeks a declaratory judgment that the Vermont Consumer Protection Act is preempted; and counterclaim 6 seeks a declaratory judgment that MPHJ did not violate the Vermont Consumer Protection Act. JA425-30, 435-40.

MPHJ does not argue that these counterclaims suffice to create jurisdiction. *See* Br. 22. They do not.

First, counterclaims 1 and 6 do not even arguably seek relief under "any Act of Congress relating to patents." JA428, 440; *see* 28 U.S.C. § 1295(a)(1). *Second*, the remaining preemption counterclaims (counterclaims 2 and 5) do not arise under the patent laws within the meaning of the jurisdictional statute simply because of a passing reference to "Title 35 of the U.S. Code." JA429-30, 435-39. In any event, MPHJ's failure to argue otherwise defeats any claim of jurisdiction based on those counterclaims. *See Palmer v. Barram*, 184 F.3d 1373, 1377 (Fed. Cir. 1999) ("[T]he burden of persuasion falls on the appellant to establish that we indeed possess the jurisdiction he seeks to invoke."). *Finally*, MPHJ's claims based on the BFAPIA (counterclaims 1 and 2) lack any "logical relationship" to the State's claim and thus are not compulsory. *See Jones*, 358 F.3d at 209-10. That statute was passed in May 2013, after MPHJ stopped sending the letters described in the State's complaints, and after the State filed this action. The State's complaint does not assert a claim under that statute, but rather alleges that MPJH violated a different statute—the Vermont Consumer Protection Act. *See MPHJ Tech. IV*, A12 ("The sole legal allegations in the Amended Complaint are that MPHJ violated the [Vermont Consumer Protection Act] by engaging in various types of unfair and deceptive trade practices."). MPHJ thus does not appear to even have

standing to litigate its counterclaims about the BFAPIA. That aside, those counterclaims are not compulsory under *Jones*.

* * * *

This Court lacks jurisdiction to hear this appeal under 28 U.S.C. § 1295. Accordingly, the appeal should be dismissed.

II. MPHJ's notice of removal was untimely.

Sixteen months after the State filed its complaint, and four months after the State filed its amended complaint, MPHJ attempted to remove this action to federal court for a second time. In the decision below, the District Court correctly determined that MPHJ's second removal was an untimely and impermissible effort to seek re-consideration of the first remand order.

a. MPHJ cannot file a second, untimely removal asserting grounds that it failed to assert in its first removal petition.

MPHJ's second notice of removal was untimely because the First Amended Complaint supplied no new basis for removal. The State did not add or change any allegations or change its claim. The amendment merely removed a single phrase in the request for relief. That insignificant change did not trigger a new opportunity to remove the case. As the District Court correctly concluded, "the Amended Complaint did not change the character of the litigation in any way, and thus did not revive MPHJ's ability to remove the case." *MPHJ Tech. IV*, A12.

"[A]n amendment of the complaint will not revive the period for removal if a state court case previously was removable but the defendant failed to exercise his right to do so." *Braud v. Transport Serv. Co. of Illinois*, 445 F.3d 801, 806 (5th Cir. 2006) (quoting 14C Wright, Miller & Cooper, Federal Practice and Procedure, § 3732). This rule has two exceptions – (i) when the amended pleading provides a *new* basis for removal, and (ii) when the complaint is amended so substantially as to alter the character of the action and constitute essentially a new lawsuit. *Id.* Here, the amended complaint does neither, and thus cannot be the basis for providing MPHJ with a second bite at the apple. *See Tully v. Am. Fed'n of Gov't Emps.*, No. 00-cv-7604, 2001 WL 253034, at *2 (E.D.N.Y. Mar. 9, 2001) (declining to extend the time for removal when "[t]he basic legal theory of plaintiff's action . . . remains unchanged" and the amendments merely "removed a preexisting state law claim").

MPHJ mistakenly contends that the amended complaint asserts a new claim for relief under the BFAPIA, which was signed into law on May 22, 2013 (several weeks after the State's initial complaint was filed), and took effect on July 1, 2013. The amended complaint makes no mention of the BFAPIA, and the general request for injunctive relief that MPHJ highlights in the amended complaint is identical to the language in the original complaint. *Compare* JA41 *with* JA2575-76.

Moreover, MPHJ could have asserted the BFAPIA as a basis for jurisdiction in its initial removal notice. As the District Court explained:

> Even if, as MPHJ contends, the passage of the BFAPIA provided a new opportunity for removal, the second notice of removal was untimely. The BFAPIA was enacted into law prior to this Court's initial remand, and indeed, prior to MPHJ's response to the State's initial motion to remand. Moreover, MPHJ cited the Act in its opposition to the State's first motion to remand. *State v. MPHJ*, No. 2:13-cv-170 (ECF No. 18 at 15 n.12). That citation appeared in a document filed on September 18, 2013 – several months prior to the Court's first remand order and nearly one year before MPHJ's most recent removal. MPHJ thus could have cited the BFAPIA as a ground for removal initially, and/or could have moved to amend to add its counterclaims at that time.

MPHJ Tech. IV, A12-13. The State did not assert a claim against MPHJ under the new law because the conduct the State was challenging pre-dated the statute. But to the extent MPHJ disagrees, and perceives an undisclosed legal theory based on the new Act, it is not because of the amended complaint. The State's facts and claim are unchanged and the request for relief was narrowed in the amended complaint, not expanded.

Because MPHJ cannot point to any amended pleading that supplied a new basis for removal, its second petition was untimely. Any grounds for removal not asserted in the June 2013 notice have been waived, and cannot be raised now, long after the 30-day removal period lapsed. *See* 28 U.S.C. § 1446(b)(1) ("The notice of removal of a civil action or proceeding shall be filed within 30 days after the receipt by the defendant, through service or otherwise, of a copy of the initial

pleading setting forth the claim for relief upon which such action or proceeding is based."). This Court should reject MPHJ's baseless attempt to re-litigate the District Court's jurisdiction in this appeal. *See* 28 U.S.C. § 1447(d) (remand for lack of subject matter jurisdiction "is not reviewable on appeal or otherwise.").

b. Even if the amended complaint supplied a new basis for removal—and it does not—MPHJ's notice of removal still was untimely.

MPHJ argues that removal was timely based on the filing of the State's First Amended Complaint. Even if the amended complaint somehow supplied a new basis for removal, MPHJ's second notice still was untimely. When "the case stated by the initial pleading is not removable," a notice of removal based on an amended pleading must be filed "within 30 days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable." 28 U.S.C. § 1446(b)(3). On March 7, 2014, before the District Court issued its first remand order, the State electronically filed and served its proposed amended complaint. Upon remand, the State promptly filed the amended complaint, as of right, in the State Court on May 7, 2014, and served MPHJ the same day by mail. *See* JA2566-76. MPHJ filed its notice of removal on September 9, 2014—125 days after the State amended its complaint and long past the strict statutory deadline. *See, e.g.*, *Frontier Park Co. v. Contreras*, No. 14-cv-

3624, 2014 WL 3843845, at *2 (E.D.N.Y. Aug. 5, 2014) (removal untimely when filed 34 and 35 days after defendants' receipt of underlying petitions); *Tully*, 2001 WL 253034, at *1 ("The thirty-day filing period is a statutory requirement that must be strictly adhered to.").

MPHJ argues that the filing date for the State's amended complaint was August 28, 2014, the date of the State Court order that denied MPHJ's motion to dismiss for lack of personal jurisdiction and also resolved all of the pending motions that were remanded from the District Court. In that decision, the State Court stated, without elaboration, that the State's motion to amend was granted. *See MPHJ Tech. III*, JA402. MPHJ is wrong.

The State amended its complaint as of right on May 7, 2014, after the action was remanded to State Court. The State never moved for leave to file its amended complaint in state court, as leave was not required. Vt. R. Civ. P. 15(a). The motion granted by the State Court on August 28, 2014, was carried over from the federal-court docket. It was filed because the federal rules, unlike state rules, would have required leave to amend. *See* Fed. R. Civ. P. 15(a). The State Court's decision to remove that motion from the docket by granting it (instead of denying it as moot) is irrelevant. The State's pleading had already been filed and was effective.

In the hearing in State Court, the presiding judge expressed her opinion that the State's amended pleading was filed as of right, and invited MPHJ to challenge that conclusion, including by filing a motion to strike. 5-22-2014 Tr. 37-38. MPHJ declined. Moreover, MPHJ expressly acknowledged the filing, and the filing date, in the state court proceedings. JA108 ("the State recently filed its First Amended Complaint in this Court on May 7, 2014"); JA219-20 ("The State has amended its complaint as of May 7, 2014. Thus, what is now pending is MPHJ's need to answer or otherwise plead to that complaint.") (citing Vt. R. Civ. P. 15(a)); *see also* 5-22-2014 Tr. 22, 38 (stating that the District Court already had "effectively amended the original complaint" by accepting the State's position that the requested injunction would not preclude MPHJ from engaging in lawful patent enforcement activity in Vermont).

MPHJ's assertion that the State would have sought a default judgment if the amended complaint was effective, Br. 53 n. 29, makes no sense given the posture of the case in the State Court. Less than two weeks after the State filed its amended complaint, MPHJ moved to stay the state court proceedings on May 16, 2014. JA107-12. At the May 22, 2014 status conference, the State Court explained that proceedings would be stayed while the motion to stay was resolved, and then the court would address the motion to dismiss. 5-22-2014 Tr. 30-31. The State Court denied both the motion to stay and the motion to dismiss in its August

28 order. With the motion to stay and the motion to dismiss pending, there was no basis for the State to seek a default judgment.

In short, as of May 7, 2014, the State had "amended its complaint" and MPHJ's obligation to respond was "pending." JA219-20. MPHJ's thirty-day period for removal expired—at best—on June 6, 2014, over three months before MPHJ filed its removal notice on September 9, 2014. Accordingly, MPHJ's second notice of removal was untimely.

III. No basis for removal exists under 28 U.S.C. § 1442(a)(2).

In addition to facing insurmountable jurisdictional and procedural barriers, this appeal also fails on its merits. MPHJ's only remaining argument for federal jurisdiction is the federal-title-dispute removal statutory provision, which provides for the removal of:

> A civil action or criminal prosecution that is commenced in a State court and that is against or directed to . . . [a] property holder whose title is derived from any [United States] officer, where such action or prosecution affects the validity of any law of the United States.

28 U.S.C. § 1442(a)(2). MPHJ's reliance on § 1442(a)(2) is misplaced. *First*, MPHJ is not a "property holder" within the meaning of the statute. *Second*, MPHJ did not "derive" the title to its patents from a federal officer. And *finally*, this consumer protection action does not "affect the validity" of any federal law.

a. Section 1442(a)(2) does not apply to patents.

MPHJ argues that § 1442(a)(2) provides an independent basis for patent-holders to remove lawsuits against them to federal court. MPHJ misunderstands the purpose of the federal-title-removal provision, which is intended to provide a federal forum for a real property holder, who obtained title from a federal officer, to defend a legal challenge to that officer's authority to transfer the title. No court has ever held, or even suggested, that the statute provides a right to removal based on ownership of a patent, trademark, or copyright. Nor does any aspect of the statute's language, structure, or history suggest that it was intended to apply in circumstances such as those at issue here.

"It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *In re City of Houston*, 731 F.3d 1326, 1332-33 (Fed. Cir. 2013) (quoting *Food & Drug Admin. v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000)). "A court must therefore interpret the statute as a symmetrical and coherent regulatory scheme, and fit, if possible, all parts into an harmonious whole." *Id.* Section 1442(a)(2) is part of the federal officer removal statute, and it must be read in the context of that statute, as well as the other removal provisions of Title 28.

The Supreme Court has noted that federal-title-removal provision—as well as the other rarely invoked subsections of § 1442(a)—"are largely the 'residue' of the pre-1948, more limited removal statutes now entirely encompassed by the general removal provision in the first clause of [§ 1442(a)(1)]," which provides for removal of state actions against federal officers "for or relating to any act under color of such office or on account of any right, title or authority claimed under any Act of Congress." *Mesa v. California*, 489 U.S. 121, 134 (1989); 28 U.S.C. § 1442(a)(1). Thus, § 1442(a), including subsection (a)(2), is meant to ensure a federal forum to defend against a claim that a federal officer lacked authority under federal law to take a particular action. Subsection (a)(1) grants the removal right to the federal officer, and subsection (a)(2) simply extends the right to one who received title to property from a federal officer; it does not, however, expand the basis for which the removal may be sought—to defend a challenge to the federal officer's authority under a federal law.

This interpretation of federal-title-removal subsection is consistent with the statutory history. In *Town of Stratford v. City of Bridgeport*, 434 F. Supp. 712 (D. Conn. 1977)—the leading decision interpreting the subsection—then-district judge Jon Newman explained that the predecessor to § 1442(a)(2) initially was enacted in 1833 "to insure a federal forum to persons who took title to property from a revenue officer and faced a challenge to their title from others, such as taxpayers,

who claimed that the law under which the revenue officer had seized their property was invalid." *Id.* at 714. Although the language of the statute was broadened in 1948 to include a property holder whose title is derived from any federal officer, as opposed to any federal *revenue* officer, the statute's purpose remains unchanged. *See id.*[10]

Moreover, no court has ever held that § 1442(a)(2) applies outside the context of real property. In the only reported decision specifically to address the provision's applicability to other types of property, the United States District Court for the Eastern District of Louisiana held that the statute's "[u]se of the term 'title' implies that the statute applies only to real property and not a contractual 'property right.'" *St. Bernard Port, Harbor & Term. Dist. v. Violet Dock Port, Inc.*, 809 F. Supp. 2d 524, 535 (E.D. La. 2011) (granting motion to remand because § 1442(a)(2) could not be invoked by defendant who obtained property right through contract with federal officer). MPHJ argues that Congress could have used the term "real property" instead of "property" if it had wished to exclude other types of property from the statute's reach. Br. 31-32. That argument fails, however, because it ignores the history and structure of the statute, described above, and

[10] It is unclear whether the 1948 amendment, in fact, was intended to broaden the removal right at all. *See id.* at 714 n.1 (explaining why the amendment might suffer from poor draftsmanship and that Congress may never have intended § 1442(a)(2) to apply outside of direct challenges to actions taken by a federal officer under a federal revenue or criminal law).

because Congress used the word "title," which "is generally used to describe either the manner in which *real property* is acquired, or the right itself." *St. Bernard Port, Harbor & Term. Dist.*, 809 F. Supp. 2d at 535 (citing Black's Law Dictionary 968 (9th ed. 2009)) (emphasis added by court).

MPHJ also argues that "a number of courts have agreed that § 1442(a)(2) is not limited to real property." Br. 31-32. But MPHJ has not cited a single case applying § 1442(b) to patents or to any similar form of intangible personal property. In *Veneruso*, the Second Circuit issued a non-precedential opinion that expressly did not decide the "title" question because the suit "plainly d[id] not challenge the validity of any federal law." *Veneruso v. Mt. Vernon Neighborhood Health Ctr.*, 586 F. App'x 604, 608 (2d Cir. May 6, 2014). Likewise, the other two cases cited by MPHJ were decided on other grounds and involved interests related to land or natural resources. *See Ute Indian Tribe v. Ute Distr. Corp.*, 455 F. App'x 856, 858, 862 (10th Cir. 2012) (no basis for removal in case involving mineral rights and hunting/fishing rights, because case "at most implicate[d] the interpretation of a federal statute, not its validity"); *Crow v. Wyo. Timber Prods. Co.*, 424 F.2d 93, 96 (10th Cir. 1970) (no basis for removal where dispute over ownership of timber sold at federal tax sale "d[id] not put in issue the validity of any law of the United States").

Moreover, MPHJ's interpretation is unnecessary to protect any conceivable federal interest given that patent holders (and other federal intellectual property owners) may seek federal-question removal under 28 U.S.C. §§ 1441(a) or removal under the Leahy-Smith America Invents Act, 28 U.S.C. § 1454. In fact, MPHJ's proposed interpretation of § 1442(a)(2) would render § 1454 largely meaningless. If a patent-holder could remove any action "against or directed to" him under § 1442(a)(2), he would never have reason to invoke § 1454 to remove an action that involved "a claim for relief arising under any Act of Congress relating to patents." The former would encompass the latter and effectively render it superfluous. "It is a long-held tenet of statutory interpretation that one section of a law should not be interpreted so as to render another section meaningless." *Princess Cruises, Inc. v. United States*, 201 F.3d 1352, 1362 (Fed. Cir. 2000). The only reason MPHJ now belatedly urges this unreasonable interpretation of § 1442(a)(2) is because its prior attempts at removal were rejected and cannot be appealed.

Finally, MPHJ argues that § 1442(a)(2) applies to *any* action "against or directed to" a patent owner, regardless of whether the action is directed at or related to the owner's patents. Br. 34. Under MPHJ's theory, assuming the other requirements of the statute are met, MPHJ could remove a case under this section that had no connection whatsoever to its patents. The Court should decline to

make that interpretation. *See Heinzelman v. Sec. of Health and Human Servs.*, 681 F.3d 1374, 1379 (Fed Cir. 2012) (noting that courts should "avoid construing a statute in a way which yields an absurd result") (quotation omitted).

b. MPHJ did not "derive" the title to its patents from a federal officer.

Even if § 1442(a)(2) provided patent holders an independent removal right (and it does not), the statute still would not apply here because MPHJ acquired its patents from a previous private owner; MPHJ did not "derive" the title to its patents from a federal officer. Assuming for the sake of argument that the term "title" in § 1442(a)(2) can be interpreted to apply in the patent context, *contra St. Bernard Port, Harbor & Term. Dist.*, 809 F. Supp. 2d at 535 (use of the term "title" implies reference to real property), MPHJ purchased its patents from a private entity called Project Paperless LLC. Neither the PTO nor the Secretary of Commerce ever owned or held "title" to the patents. Instead, those federal entities issued the patents to an initial owner, *see, e.g.*, JA4532, 4572, 4661, 4752, and then the patents subsequently were acquired by Project Paperless and later MPHJ. MPHJ's "title," if any, is based on state-law principles of contract and property law. This Court's "case law is clear that state law, not federal law, typically governs patent ownership." *Akazawa v. Link New Tech. Int'l, Inc.*, 520 F.3d 1354, 1357 (Fed. Cir. 2008). Accordingly, determining how and from whom MPHJ derived its ownership interest in the patents is a question of state law.

MPHJ nonetheless argues that the statute's use of the term "derive" means that the property in question need only have its "origin" in a federal officer. Br. 32-34. But as MPHJ concedes, Black's Law Dictionary defines "derived" as being "received from a specified source or origin." Br. 33 (quotation and alterations omitted). The critical word in that definition—which MPHJ ignores—is "received." In fact, "according to the ordinary meaning ascribed by general and legal dictionaries, the terms 'derive' and 'derived' are synonymous with the term 'receives.'" *In re Schuldt*, 527 B.R. 278, 282-83 (Bankr. W.D. Mich. 2015) (citing Merriam-Webster Online Dictionary, the Oxford English Dictionary, Webster's Ninth Collegiate Dictionary, the Random House Dictionary of the English Language, Black's Law Dictionary, and Ballentine's Law Dictionary); *see also United States v. Stinson*, 734 F.3d 180, 184-85 (3d Cir. 2013) (holding that a defendant "derived" funds from a financial institution if the institution from which defendant obtained the funds "exercise[d] dominion and control over the funds and ha[d] unrestrained discretion to alienate the funds"). Here, MPHJ received its patent rights, *i.e.*, the "title" to its federal property, from a specified source—Project Paperless. MPHJ did not derive title from a federal officer.[11]

[11] MPHJ's reliance on *Bell Communications Research, Inc. v. Fore Systems*, 62 F. App'x 951 (Fed. Cir. 2003), is misplaced. There, this Court construed claim language in a patent and rejected a broad definition of "derived" that, like MPHJ's proposed definition, sought to "trace the origin or descent" of the subject matter in question. *Id.* at 959. Instead, the Court construed the claim language to mean only

c. This consumer protection action does not "affect the validity" of any federal law.

MPHJ's attempt to remove under § 1442(a)(2) also fails because MPHJ cannot show that this action "affects the validity" of any federal law. In the decision below, the District Court correctly held that the State's "Amended Complaint is brought exclusively under the [Vermont Consumer Protection Act], and does not seek relief under any other statute or legal provision"—including the BFAPIA—and thus "this action does not call into question the validity of any federal law." *MPHJ Tech. IV*, A16-17. MPHJ nonetheless argues that the amended complaint incorporates the BFAPIA, which in turn "clearly affects the validity of numerous federal laws." Br. 35-41. MPHJ is wrong.

First, as discussed above and as the District Court held, the amended complaint does not incorporate the BFAPIA. *See above* Section E. The State's complaint does not mention the statute, and the general request for injunctive relief highlighted by MPHJ is identical to the language in the original complaint, which pre-dated the passage of the BFAPIA.

Second, even if the BFAPIA was relevant here (and it is not), this action still would not affect the validity of any federal law. Even if all of the other requirements of § 1442(a)(2) are satisfied, the absence of an "attack upon the

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that the "derived" object had been created from preexisting materials. *Id.* at 960. Thus, to the extent that discussion is relevant, it supports the State's position not MPHJ's.

validity of any law of the United States" defeats a claim of federal jurisdiction. *Faulk v. Owens-Corning Fiberglass Corp.*, 48 F. Supp. 2d 653, 669 (E.D. Tex. 1999) (emphasis in original). This prong of the statute "requires more than the mere possibility that a party will argue for a position inconsistent with federal law—it requires a claim that a federal law is *invalid*." *Veneruso v. Mt. Vernon Neighborhood Health Ctr.*, 933 F. Supp. 2d 613, 632 (S.D.N.Y. 2013) (emphasis in original), *aff'd*, 586 F. App'x 604 (2d Cir. 2014). Thus, the statute is not satisfied if plaintiff argues "merely that the relevant federal laws are inapplicable," *id.*, or if "one of the [defendant's] defenses might at most implicate the interpretation of a federal statute, not its validity," *Ute Indian Tribe*, 455 F. App'x at 862.

Here, the State has not challenged the validity of federal law. As the District Court held in its first remand order—which is unreviewable and is now the law of the case—the State's "claims do not depend on any determination of federal patent law," nor do they "challenge the validity or scope of MPHJ's patents." *MPHJ Tech. I*, 2014 WL 1494009, at *6. While MPHJ clearly intends to defend this action under a preemption theory, the court that eventually considers that defense will only be required to determine whether federal law applies—it will have no occasion to invalidate any federal law. Accordingly, MPHJ cannot show that this actions affects the validity of any federal law within the meaning of § 1442(a)(2).

Finally, MPHJ incorrectly argues that the "affect the validity" standard can be satisfied if plaintiff's action merely seeks a result that is inconsistent with federal law. Br. 36-37. In support of this argument, MPHJ relies on *Town of Davis v. W. Va. Power and Transmission Co.*, 647 F. Supp. 2d 622 (N.D. W. Va. 2007). In that case, however, the court held removal was appropriate under § 1442(a)(2) because the plaintiff town sought to condemn land that defendant had received from a federal agency and which a federal regulation prohibited the defendant from disposing or modifying without the federal agency's permission. *Id.* at 623-25. Thus, by condemning the property in question, the town effectively repealed the federal regulation. In other words, unlike here, the plaintiff's action directly challenged the validity of a federal law. *Id.* at 627 ("[T]he court need look no further than the [applicable] federal regulations whose object—the reservation to the United States of certain interests in property purchased through federal grants—certainly stands to be frustrated this action."). In any event, recent case law from within the Second Circuit makes clear that removal under § 1442(a)(2) "requires more than the mere possibility that a party will argue for a position inconsistent with federal law—it requires a claim that a federal law is *invalid*." *Veneruso*, 933 F. Supp. 2d at 632 (emphasis in original), *aff'd*, 586 F. App'x 604. No such claim exists here. "The failure to meet this requirement is fatal to the present case." *See Town of Stratford*, 434 F. Supp. at 715.

CONCLUSION AND RELIEF SOUGHT

MPHJ's latest attempt to prevent the Vermont state courts from determining whether MPHJ violated the Vermont Consumer Protection Act should be rejected. The State respectfully requests that the Court dismiss MPHJ's appeal for lack of jurisdiction, or in the alternative, affirm the decision of the District Court.

Dated: May 21, 2015
Montpelier, Vermont

STATE OF VERMONT

WILLIAM H. SORRELL
ATTORNEY GENERAL

By: /s/ *Benjamin D. Battles*
Bridget C. Asay
Solicitor General
Benjamin D. Battles
Naomi Sheffield
Assistant Attorneys General
Office of the Attorney General
109 State Street
Montpelier, VT 05609
Tel. (802) 828-5500
bridget.asay@state.vt.us
benjamin.battles@state.vt.us
naomi.sheffield@state.vt.us

Counsel for the State of Vermont

CERTIFICATE OF COMPLIANCE

I hereby certify that this brief was produced in Times New Roman (a proportionately spaced typeface), 14-point type, and contains 10,762 words (as calculated by the word count function in the Microsoft Word program used to create this brief), excluding the items listed in Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Rule 32(b) of the Rules of Practice of this Court.

Dated: May 21, 2015
Montpelier, VT

/s/ Benjamin D. Battles
Benjamin D. Battles
Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609
Tel. (802) 828-5500
benjamin.battles@state.vt.us

CERTIFICATE OF SERVICE

I certify that on May 21, 2015, I served counsel of record an electronic copy of this brief through the Court's ECF system and two paper copies of the brief via United States mail.

Dated: May 21, 2015
Montpelier, Vermont

/s/ Benjamin D. Battles
Benjamin D. Battles
Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609
Tel. (802) 828-5500
benjamin.battles@state.vt.us