

15-838
No. _____

Supreme Court, U.S.
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**In The
Supreme Court of the United States**

—◆—
STATE OF VERMONT,

Petitioner,

v.

MPHJ TECHNOLOGY INVESTMENTS, LLC,

Respondent.

—◆—
**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
PETITION FOR A WRIT OF CERTIORARI

—◆—
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QUESTION PRESENTED

In the America Invents Act, Congress amended the jurisdictional statutes relating to patent cases in response to this Court's decision in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002). In *Holmes Group*, the Court held that a defendant's compulsory counterclaim for patent infringement did not establish "arising under" jurisdiction for purposes of the Federal Circuit's appellate jurisdiction under 28 U.S.C. § 1295. The America Invents Act amended § 1295(a) to provide Federal Circuit jurisdiction over an appeal from a final decision of a district court "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." Here, the Federal Circuit considered whether § 1295(a) afforded jurisdiction over an appeal from a district court order remanding this consumer-protection case to state court for the second time. The Federal Circuit interpreted § 1295(a) to provide jurisdiction based solely on a "counterclaim" that asserts federal preemption as a defense to the State's claim. The Federal Circuit reached – and wrongly decided – this jurisdictional issue despite holding that there were no grounds for the defendant's second removal to federal court. The question presented is:

Did the Federal Circuit erroneously take jurisdiction over this appeal of the remand order?

PARTIES TO THE PROCEEDING

Petitioner State of Vermont is the plaintiff and was the appellee in the Federal Circuit. MPHJ's answer, filed together with its second removal notice, named Attorney General William H. Sorrell as a "counterclaim defendant." App. 133. Attorney General Sorrell has never been served as a party in state or federal court, and the Federal Circuit removed him from the case caption. App. 1.

Respondent MPHJ Technology Investments, LLC is the defendant and was the appellant in the Federal Circuit.

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The State of Vermont, through its Attorney General, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

INTRODUCTION

Vermont's groundbreaking consumer-protection action against respondent MPHJ is directed at a troubling form of "patent trolling" – threats and demands targeted at unsophisticated end-users of common products like scanners and wireless routers. The complaint sets forth a purely state-law claim alleging false and deceptive communications; that claim has nothing to do with the validity or potential infringement of MPHJ's patents. Yet the Federal Circuit concluded that MPHJ created federal jurisdiction merely by asserting preemption as a defense and labeling that defense a "counterclaim." Its reasoning conflicts with this Court's precedents and disregards principles of comity and federalism.

Although the America Invents Act expanded Federal Circuit and removal jurisdiction in patent cases, it did not sweep state-law enforcement actions into federal court merely because – however labeled – a defendant asserts a potential defense of preemption. While the Federal Circuit's decision affirms the remand of this case to state court – where it certainly belongs – that court's mistaken jurisdictional ruling has broad and unfortunate consequences that call for

this Court's review. It has created substantial additional delay and uncertainty in this case, and more importantly, undermines future state enforcement efforts in an area of growing concern. If the Federal Circuit's decision is left in place, States likely will no longer be able to litigate consumer fraud and similar claims against patent trolls in state court. The mere pleading of preemption as a counterclaim – even inaccurately – may suffice for removal and, ultimately, adjudication in the Federal Circuit in Washington, D.C., instead of the state-court system. That outcome will deter if not outright end any meaningful state enforcement efforts in this area.

This Court's review is warranted.

◆

OPINIONS BELOW

The opinion of the court of appeals (App. 1-34) is reported at 803 F.3d 635. The memorandum opinion and order of the district court (App. 35-56) is not reported, but is available at 2015 WL 150113.

◆

JURISDICTION

The judgment of the court of appeals was entered on September 28, 2015. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1). As explained below, petitioner disputes the jurisdiction of the court of appeals.

◆

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The relevant jurisdictional and removal statutes, 28 U.S.C. §§ 1295, 1331, 1338, 1442, 1446, 1447, and 1454, are set forth at App. 100-14.

STATEMENT

1. The term “patent troll” generally describes a firm that uses its “patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.” *See Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (stating that “[t]he Court is well aware that [such] an industry has developed” (quotation omitted)). At their worst, patent trolls like MPHJ assert questionable patents “against numerous potential infringers, relying on the high cost of threatened litigation to extract quick settlements.” Paul R. Gugliuzza, *Patent Trolls and Preemption*, 101 Va. L. Rev. 1579, 1581 (2015) (citing Mark A. Lemley & Douglas Melamed, *Missing the Forest for the Trolls*, 113 Colum. L. Rev. 2117, 2126 (2013)). Such dubious tactics are often effective. Indeed, members of this Court have recognized the “*in terrorem* power of patent trolls.” *Commil*, 135 S. Ct. at 1932 (Scalia, J., dissenting).

Patent trolls inflict a high cost. As a diverse group of *amici* have illustrated in this Court’s recent patent cases, there is widespread agreement that abusive patent practices stifle innovation and inflict

significant harm on targeted businesses.¹ For example, one study estimates that, in 2011, patent assertions by these entities were responsible for approximately \$29 billion in direct costs alone. See James Bessen & Michael Meurer, *The Direct Costs from NPE Disputes*, 99 Cornell L. Rev. 387, 389 (2014). Significant indirect costs also exist. Companies targeted by abusive patent assertions often face measurable drops in share price, reduce spending on research and development in the area targeted, and redirect resources and attention away from their core businesses. See Exec. Office of the President, *Patent Assertion and U.S. Innovation*, 9-12 (June 2013). These burdens are faced by Fortune 500 businesses, small tech start-ups, and in some cases, like here, small businesses and nonprofits. See Gugliuzza, *Patent Trolls and Preemption*, 101 Va. L. Rev. at 1581 (noting that “bottom feeder trolls such as MPHJ have begun to target not the manufacturers of allegedly infringing technology, but the businesses, organizations, and individuals who are the end users of that technology”).

¹ See, e.g., Br. for the United States, *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (12-1184), at 18-20; Br. of Apple Inc., *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (12-1163), and *Octane Fitness*, 134 S. Ct. 1749, at 9-21; Br. of Google Inc., *Highmark*, 134 S. Ct. 1744, and *Octane Fitness*, 134 S. Ct. 1749, at 18-21; Br. of Blue Cross Blue Shield Ass’n, *Highmark*, 134 S. Ct. 1744, at 20-23; Br. of Elec. Frontier Found., *Alice Corp. Pty. v. CLS Bank Int’l*, 134 S. Ct. 2347 (13-298), at 22-29; Br. of Law, Bus., and Econ. Scholars, *Alice Corp.*, 134 S. Ct. 2347, at 14-17.

This case illustrates patent trolling's national impact. MPHJ's licensing campaign extended far beyond Vermont and attracted scrutiny from other government authorities. Both the Federal Trade Commission and the New York Attorney General addressed MPHJ's conduct through settlement agreements.² Documents made public in connection with those investigations show that MPHJ, operating through 81 shell companies, targeted more than 16,000 small businesses and nonprofits nationwide in an effort to extract licensing fees for the use of everyday office technology – essentially a networked scanner and a personal computer.³ Indeed, it is MPHJ's position that virtually every American business is infringing its “scanner” patents.⁴

² See Press Release, F.T.C., FTC Approves Final Order Barring Patent Assertion Entity From Using Deceptive Tactics (Mar. 17, 2015), *available at* <https://www.ftc.gov/news-events/press-releases/2015/03/ftc-approves-final-order-barring-patent-assertion-entity-using>; Press Release, N.Y. Att'y Gen., A.G. Schneiderman Announces Groundbreaking Settlement With Abusive “Patent Troll” (Jan. 14, 2014), *available at* <http://ag.ny.gov/press-release/ag-schneiderman-announces-groundbreaking-settlement-abusive-%E2%80%9Cpatent-troll%E2%80%9D>.

³ See Compl. 3-6, *In re MPHJ Tech. Invs., LLC*, No. C-4513, 2015 WL 1346185 (F.T.C. Mar. 13, 2015), *available at* <https://www.ftc.gov/system/files/documents/cases/141106mphjcmpt.pdf>; Assurance of Discontinuance 1-8, *In re Investigation of MPHJ Tech. Invs., LLC*, Assurance No. 14-015 (N.Y. Attorney Gen. Jan. 13, 2014), *available at* http://ag.ny.gov/pdfs/FINAL_AODMPHJ.pdf.

⁴ Acevedo Decl., *MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 22-16, at 24 ¶ 59 (“Most present-day
(Continued on following page)

2. Vermont's state-court enforcement action. In May 2013, Vermont sued MPHJ in state court alleging that MPHJ's unfair and deceptive communications violate the Vermont Consumer Protection Act, Vt. Stat. Ann. tit. 9, §§ 2451-61. *See* App. 75, 120. The complaint describes letters MPHJ sent to numerous Vermont businesses and nonprofits regarding the scanner patents. App. 77-80, 123-31. These letters asserted that the targets were infringing the patents, demanded substantial licensing fees, and threatened immediate litigation. App. 123-26. Two targets, both nonprofits that serve disabled

multifunctional document imaging devices include the hardware that satisfies the requirements of [the claims in MPHJ's patents]. In fact, in order to satisfy all of these requirements, the necessary hardware includes only a scanner, a printer, a memory and a processor. Present-day multifunctional document imaging devices routinely include this hardware."); *id.* at 26 ¶ 64. A number of scanner manufacturers have challenged MPHJ's patents in *inter partes* review proceedings before the Patent and Trademark Office. The PTO has already invalidated many of the claims in MPHJ's patents, *see Ricoh Ams. Corp. et al. v. MPHJ Tech. Invs., LLC*, Case IPR2013-00302 (Patent Trial & Appeals Bd. Nov. 19, 2014); *Hewlett-Packard Co. v. MPHJ Tech. Invs., LLC*, Case IPR2013-00309 (Patent Trials & Appeals Bd. Nov. 19, 2014); *Ricoh Ams. Corp. et al. v. MPHJ Tech. Invs., LLC*, Case IPR2014-00538 (Patent Trial & Appeals Bd. Aug. 12, 2015); *Ricoh Ams. Corp. et al. v. MPHJ Tech. Invs., LLC*, Case IPR2014-00539 (Patent Trial & Appeals Bd. Aug. 14, 2015), and another challenge remains pending, *see Ricoh Ams. Corp. et al. v. MPHJ Tech. Invs., LLC*, Case IPR2015-001178 (Patent Trial & Appeals Bd.). The PTO proceedings confirm that Vermont's state-law action has nothing to do with the validity of MPHJ's patents. Those issues are being litigated in the proper federal forums.

Vermonters, complained to the Attorney General's Office about the letters. App. 123. Those complaints prompted an investigation that led to the filing of the enforcement action.

Vermont alleges that MPHJ's letters contained materially false and deceptive statements unrelated to the validity of the patents.⁵ App. 126, 130-31. Among other things, the complaint alleges that MPHJ's assertions regarding licenses purchased by other businesses were false and deceptive. App. 127, 131. The complaint also alleges that MPHJ's threats of litigation (accompanied by draft complaints) were unfair and deceptive. App. 127-29, 130-31. MPHJ had no local counsel in Vermont and lacked information about the targets' alleged use of the patented technology. App. 126-27, 130. In short, MPHJ's threats of imminent litigation if the targets did not respond and pay money were deceptive. App. 130-31.

3. MPHJ's first unsuccessful removal. MPHJ removed the case to federal court under 28 U.S.C. § 1441, asserting that federal question jurisdiction existed because the action arose under the federal patent laws. The State moved to remand. *See* App. 75.

While the remand motion was pending, MPHJ moved to dismiss for lack of personal jurisdiction. *Id.*

⁵ The letters were sent in the name of numerous different shell corporations, all wholly owned by MPHJ. MPHJ has not contested that it was responsible for sending the letters.

The State, in turn, moved to amend its complaint to remove one part of its request for relief.⁶ App. 76. The proposed amendment made no other changes, and did “not change the character of the litigation in any way.” App. 46; *see also* App. 32.

The district court remanded, holding that Vermont’s enforcement action did not “arise under” the federal patent laws. 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.” App. 84. Accordingly, “the State may prevail on its [Vermont Consumer Protection Act] claims without reliance on the resolution of a federal patent question.” App. 94. The federal-law issues raised by MPHJ were potential defenses that supplied no basis for federal jurisdiction. App. 93-94 & n.5. 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). App. 95-96.

⁶ The proposed amendment removed from the complaint a request for: “A permanent injunction requiring Defendant to stop threatening Vermont businesses with patent-infringement lawsuits.” *Vermont v. MPHJ Tech. Invs., LLC*, No. 13-cv-170 (D. Vt.), ECF Doc. No. 45-1, at 10. The motion to amend reiterated that the State contested federal jurisdiction, and indicated that the case could be remanded with the amendment pending, to take effect in state court “as a matter of course” because MPHJ had not yet filed its answer. *Id.* ECF Doc. No. 45, at 2, 5 & n.3; *see* Vt. R. Civ. P. 15(a).

The district court's remand for lack of subject matter jurisdiction was "not reviewable on appeal or otherwise." 28 U.S.C. § 1447(d); *see Kircher v. Putnam Funds Trust*, 547 U.S. 633, 640 (2006) ("[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 first remand order to the Federal Circuit. App. 69. The Federal Circuit granted the State's motion to dismiss the appeal, holding that 28 U.S.C. § 1447(d) precluded second-guessing the district court's determination that no federal subject matter jurisdiction existed. App. 69, 73-74. In dismissing the appeal, the Federal Circuit did not consider the scope of its appellate jurisdiction under 28 U.S.C. § 1295. *See id.*

4. *State court proceedings in 2014.* MPHJ asked the state court to stay all proceedings pending its first appeal to the Federal Circuit. On August 28, 2014, shortly after the Federal Circuit dismissed MPHJ's appeal, the state court denied the stay as moot and denied MPHJ's motion to dismiss for lack of personal jurisdiction. App. 58, 66-67. That order also addressed all other pending motions; it granted the motion to amend the complaint that the State had

filed in district court and directed the parties to submit a proposed scheduling order. App. 67.⁷

5. MPHJ's second unsuccessful removal. Rather than litigate the merits of this case in state court, MPHJ removed a second time. It filed an answer, asserting defenses and counterclaims, and a notice of removal, citing the federal title removal statute, 28 U.S.C. §§ 1442(a)(2); the civil rights removal statute (MPHJ argued the State was discriminating against non-practicing entities – *i.e.*, patent trolls – in violation of the Equal Protection Clause), 28 U.S.C. § 1443; and the patent removal statute, 28 U.S.C. § 1454. App. 9, 133-72; *Vermont v. MPHJ Tech. Invs., LLC*, No. 14-cv-192 (D. Vt.), ECF Doc. No. 1, at 5. MPHJ's second removal was premised on the theory that the State's amended complaint – which *only* removed a request for relief, and made no other changes – somehow introduced a new claim under a different statute that triggered a new opportunity to remove under 28 U.S.C. § 1446(b)(3). See App. 39-41, 45-46.

The State again moved to remand. The district court held that “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.” App. 46. For the same reason – that the State's amended complaint did not change or add to the

⁷ The State had already filed the amended complaint as of right, as permitted under Vt. R. Civ. P. 15(a), but the motion to amend remained pending on the docket following the remand.

State's claim – MPHJ's second notice of removal was untimely. App. 48. In the alternative, the court held that no basis for removal existed under the statutes cited by MPHJ. App. 49-56. MPHJ appealed again to the Federal Circuit, challenging only the district court's decision that removal was improper under 28 U.S.C. § 1442.⁸ App. 11. Despite the remand order, the district court clerk's office did not send the case back to state court while the appeal was pending at the Federal Circuit. All told, MPHJ's second removal delayed litigation in the state court for over a year.

6. Federal Circuit's assumption of jurisdiction and affirmance. On appeal, the State argued that the Federal Circuit lacked jurisdiction and that, because the State's claim was unchanged, the second removal was an impermissible and untimely attempt to re-litigate the first remand. Ct. App. Br. 23-34.

The court of appeals held that it had jurisdiction under 28 U.S.C. § 1295(a)(1), as amended by the America Invents Act, because MPHJ's Counterclaim Five – which seeks a declaratory judgment that the State's consumer-protection claim is preempted – was “a compulsory counterclaim arising under [an] Act of Congress relating to patents.” App. 11-22. According to the court, Congress amended § 1295 as part of the *Holmes Group* “fix” specifically to expand the Federal Circuit's jurisdiction “over claims arising under the

⁸ Although 28 U.S.C. § 1447(d) generally prohibits appealing remand orders, there is an exception for remands under 28 U.S.C. §§ 1442 and 1443.

patent laws *even* when asserted in counterclaims, rather than in an original complaint.” App. 16. The court then reasoned that Counterclaim Five – which is nothing more than MPHJ’s preemption defense repackaged as a counterclaim – was itself a cause of action; was a compulsory counterclaim; and satisfied the test for “arising under” jurisdiction. App. 16-22. Applying this Court’s precedent in *Gunn v. Minton*, the court concluded that the preemption question was necessarily raised and actually disputed; was of substantial importance to the federal patent system; and that “[a]llowing a state court to resolve a patent law preemption question risks inconsistent judgments between state and federal courts” and thus would disrupt the federal-state balance. App. 20-22 (stating “[w]e cannot permit such a result”).

The court acknowledged, however, that MPHJ had not even asserted Counterclaim Five as a basis for jurisdiction. App. 12 n.1. Indeed, MPHJ’s notice of removal did not even cite Counterclaim Five as a basis for federal jurisdiction, although it contended that other counterclaims provided a basis for removal under 28 U.S.C. § 1454. *See Vermont v. MPHJ Tech. Invs., LLC*, No. 14-cv-192 (D. Vt.), ECF Doc. No. 1, at 5.

After holding that it had jurisdiction, the Federal Circuit affirmed the remand. The court agreed with the district court that the State’s amended complaint did not assert any new claim; rather, the amendment “narrow[ed] the scope of the complaint.” App. 32. Because the amendment created no new basis for removal, the court affirmed the remand to state

court. App. 33-34 (finding “no grounds for removal to federal court” and affirming remand).

7. MPHJ’s collateral attack on the state-court action. When it removed the second time, MPHJ also filed a separate lawsuit in federal district court under 42 U.S.C. § 1983, seeking to enjoin the Attorney General from enforcing Vermont’s consumer-protection laws against MPHJ. The district court dismissed under *Younger v. Harris*, 401 U.S. 37 (1971), all claims relating to the state-court action.⁹ After the Federal Circuit issued its decision in this case, MPHJ asked the district court to reverse the *Younger* holding and to enjoin the state-court action – citing the Federal Circuit’s ruling.¹⁰ MPHJ has also asked the

⁹ The court declined to dismiss one of MPHJ’s claims, because the court concluded that claim was not directed at the state-court action. *MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 42, Op. & Order, at 8-9.

¹⁰ See *MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 50-1, at 7 (arguing for an injunction under the All Writs Act because “the Federal Circuit’s recent decision . . . is decisive that the state court does not have subject matter jurisdiction over issues raised by certain counterclaims in that action”); see also *id.*, ECF Doc. No. 56, at 6-8 (contending that Federal Circuit “forbade consideration” of preemption by state court, even as a defense); *id.* ECF Doc. No. 55, at 14 (contending that state-court proceeding must be enjoined by federal district court, and the federal court must decide whether Vermont’s consumer-protection claim is preempted).

state court to further delay its proceedings because of the motions filed in the federal-court action.¹¹

REASONS FOR GRANTING THE WRIT

I. The Federal Circuit's jurisdictional ruling intrudes on traditional state authority and has important consequences for future cases.

The Court should grant the writ to reverse the Federal Circuit's interpretation of its jurisdiction under 28 U.S.C. § 1295(a). The decision below disregards fundamental principles of comity and federalism and has potentially far-reaching consequences that warrant review by this Court.

First, the prospective impact of the Federal Circuit's decision is substantial. When small business, nonprofits, and other end-users of common technology are targeted by patent trolls, they often complain to their elected official responsible for consumer protection: their state attorney general.¹² Even the U.S. Patent and Trademark Office advises

¹¹ *State v. MPHJ Tech. Invs., LLC*, No. 282-5-13 Wncv (Vt. Super. Ct.), MPHJ's Motion for Stay (filed Dec. 15, 2015).

¹² See, e.g., Nat'l Ass'n of Attorneys General, Letter from 42 Attorneys General to Senate Judiciary and Commerce Committees (Feb. 24, 2014) (describing complaints about patent trolling received from constituents, including "small businesses and nonprofits"), <http://www.naag.org/assets/files/pdf/signons/Patent%20Trolling%20Legislation%20Final%20Sign%20On.pdf>.

recipients of patent demand letters that, if they “think the letter is deceptive, predatory, or in bad faith,” they “may consider filing a complaint with [a] state attorney general’s office.”¹³ Vermont’s lawsuit against MPHJ marked the first time that a State sought to enforce its consumer fraud laws against a patent troll. The outcome of this important case – which has been delayed through procedural tactics for over two-and-a-half years – will have a substantial impact on the ability of state attorneys general to hold patent trolls to accepted standards for honest commercial conduct.¹⁴

The Federal Circuit’s reasoning and decision stand as a serious obstacle to future cases of this kind. In addition to amending § 1295(a), the America Invents Act authorized removal to federal court of certain civil actions in which a party asserts a patent-law counterclaim. The Act added 28 U.S.C. § 1454(a), which provides for removal of a “civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents.” By holding that a defendant’s request for “relief from application of state law on preemption grounds,” App. 16, may be

¹³ See United States Patent and Trademark Office, *I Got a Letter* . . . <http://www.uspto.gov/patents-maintaining-patent/patent-litigation/i-got-letter>.

¹⁴ Vermont sued MPHJ under existing consumer-protection law. Subsequently, over half the states have passed statutes that address some of the worst aspects of patent trolling. See Gugliuzza, *Patent Trolls and Preemption*, 101 Va. L. Rev. at 1582. The decision below threatens to undermine enforcement of these new laws.

treated as a counterclaim that arises under federal patent law, the Federal Circuit has substantially expanded the potential scope of § 1454(a). Indeed, although the court's holding is necessarily limited to § 1295, its decision, which treats §§ 1295, 1338, and 1454 as a unit, may well control future cases that defendants remove to federal court under § 1454(a).¹⁵ See App. 16 (stating that §§ 1295, 1338, and 1454 "were intended to provide federal courts, and this court specifically, with a broader range of jurisdiction" including "claims arising under the patent laws *even* when asserted in counterclaims").¹⁶ Simply put, the decision provides a roadmap for the defendant in the

¹⁵ Ironically, the decision may have greater relevance for future cases than for this case. In this case, consistent with the remand order and principles of *Younger* abstention, the state court should decide its own jurisdiction, and the state court is not bound by Federal Circuit precedent. *But see supra* 13-14 & nn.10-11. (describing MPHJ's efforts to have state-court action enjoined based on the Federal Circuit's decision). In a future case, if a defendant pleads its preemption defense as a counterclaim and removes promptly under § 1454(a), the jurisdictional question will be decided by a federal district court that is governed by Federal Circuit precedent.

¹⁶ In grouping the three statutes together, the Federal Circuit disregarded the fact that Congress used markedly different language in § 1454(a), which is limited to those counterclaims which are "claim[s] *for relief* arising under" the patent laws. (Emphasis added.) The scope of removal jurisdiction under § 1454(a) was not before the court, App. 34, and should not have been discussed. A district court in a future case may nonetheless conclude that it is bound to apply the Federal Circuit's interpretation of "arising under" jurisdiction.

next case (in any State) to counterclaim for “preemption” and remove to federal court under § 1454.

That the Federal Circuit sent this particular case back to state court is thus a pyrrhic victory, the result only of MPHJ’s untimely second removal filings. App. 33-34. The decision has created substantial uncertainty about jurisdiction in future state enforcement actions. The lesson that other States may well draw from Vermont’s experience – years of jurisdictional wrangling, costly litigation, and no progress on the merits – is that procedural obstacles make these cases too time-consuming and difficult to pursue. The Federal Circuit’s adoption of an expansive view of its jurisdiction exacerbates this concern and, absent review by this Court, will inevitably deter future state consumer-protection actions aimed at patent trolling. That is an unfortunate and unnecessary result.

Second, the Federal Circuit’s extraordinary suggestion that state courts not be “permit[ted]” to decide questions of preemption, App. 21-22, disregards bedrock principles of comity and federalism. Vermont’s suit alleges garden-variety consumer fraud: that MPHJ made materially deceptive and misleading statements in connection with its demands for payment. App. 126, 130-31; *see also* App. 79. The case has nothing to do with patent validity or infringement. App. 84, 87. MPHJ’s so-called counterclaim is nothing more than a mislabeled defense – an assertion that the State’s consumer-protection claim is barred by federal law. *See* App. 148, 150 (preemption

pled as defense); App. 166-71 (preemption pled as counterclaim). This Court has long held that preemption defenses to state-law claims must be litigated in state courts. *See Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 14 (1983) (“since 1887 it has been settled law that a case may not be removed to federal court on the basis of a federal defense, including the defense of preemption”); *see also, e.g., Beneficial Nat’l Bank v. Anderson*, 539 U.S. 1, 6 (2003) (“defense that relies on the . . . pre-emptive effect of a federal statute will not provide a basis for removal” (citations omitted)); *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 808 (1986) (“defense that raises a federal question is inadequate to confer federal jurisdiction”). By treating a preemption “counterclaim” as anything other than a defense that must be litigated in state court, the Federal Circuit disregarded this settled law. Its decision cannot be reconciled with this Court’s consistent recognition that “[u]nder our federal system, the federal and state courts [are] equally bound to guard and protect rights secured by the Constitution.” *Rose v. Lundy*, 455 U.S. 509, 518 (1982) (quotation omitted).

Indeed, this Court, in its *Younger* abstention jurisprudence, has carefully protected the ability of States to pursue state-court enforcement actions free from federal-court interference. *See, e.g., Huffman v. Pursue, Ltd.*, 420 U.S. 592, 604 (1975) (“interference with a state judicial proceeding prevents the state not only from effectuating its substantive policies, but also from continuing to perform the separate function of providing a forum competent to vindicate any

constitutional objections interposed against those policies”). As the Court has emphasized, “[m]inimal respect for the state processes, of course, precludes any *presumption* that the state courts will not safeguard federal constitutional rights.” *Middlesex Cnty. Ethics Comm. v. Garden State Bar Ass’n*, 457 U.S. 423, 431 (1982), clarified by *Sprint Commc’ns, Inc. v. Jacobs*, 134 S. Ct. 584, 593-94 (2013); *see also, e.g., Younger*, 401 U.S. at 43 (noting Congress’s “desire to permit state courts to try state cases free from interference by federal courts”); *Trainor v. Hernandez*, 431 U.S. 434, 446 (1977) (explaining need for “restraint” by federal courts, to avoid “disruption of suits by the State in its sovereign capacity” and “negative reflection on the State’s ability to adjudicate federal claims”); *Huffman*, 420 U.S. at 604 (cautioning that federal-court interference with state actions “results in duplicative legal proceedings, and can readily be interpreted as reflecting negatively upon the state courts’ ability to enforce constitutional principles” (quotation omitted)). State courts thus routinely decide questions of federal preemption – subject to review by this Court – without disrupting “the federal-state balance.” *See* App. 21; *Franchise Tax Bd.*, 463 U.S. at 12 n.12 (“If the state courts reject a claim of federal preemption, that decision may ultimately be reviewed on appeal by this Court.”).

The Federal Circuit’s unprecedented conclusion that MPHJ’s labeling of its preemption *defense* as a counterclaim supplies federal jurisdiction also raises serious questions about state sovereign immunity. The reasoning endorsed below suggests that a defendant

in a state enforcement action may call its federal defense a “counterclaim”; plead that counterclaim against a sovereign State; and remove, potentially forcing a State to litigate both its principal claims and the so-called counterclaim against it in a federal forum.¹⁷ That outcome cannot be reconciled with the “sovereign immunity enjoyed by States as part of our constitutional framework.” *Federal Maritime Comm’n v. South Carolina State Ports Auth.*, 535 U.S. 743, 753 (2002); *see also Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 54 (1996) (“[f]or over a century we have reaffirmed that federal jurisdiction over suits against unconsenting States was not contemplated by the Constitution when establishing the judicial power of the United States” (quotation omitted)); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 647 (1999) (holding that Congress lacked authority to abrogate state sovereign immunity in suits for patent infringement).

The America Invents Act addressed a specific and narrow concern: that compulsory counterclaims for infringement or invalidity were not within the Federal Circuit’s “arising under” jurisdiction, potentially undermining national uniformity on central matters of patent law. *See Holmes Group, Inc. v. Vornado Air*

¹⁷ The State briefed its sovereign immunity defense in the district court. *See Vermont v. MPHJ Tech. Invs., LLC*, No. 14-cv-192 (D. Vt.), ECF Doc. Nos. 25-1, 29. Again, MPHJ did not rely on Counterclaim Five as a basis for jurisdiction in either the district court or the court of appeals, *see supra* 12, so the State had no opportunity to address these issues below.

Circulation Sys., Inc., 535 U.S. 826, 828 (2002). The Federal Circuit has interpreted the Act far more broadly, and in a way that substantially intrudes on traditional state authority and state sovereign immunity. This Court should grant review to address the Federal Circuit’s flawed jurisdictional decision and to clarify that the America Invents Act did not affect the States’ longstanding authority to enforce state-law consumer-protection standards in state court.

II. The Federal Circuit’s expansion of its jurisdiction is seriously flawed and contrary to its own and this Court’s precedents.

The Federal Circuit mistakenly concluded that the America Invents Act amendments to 28 U.S.C. § 1295 – known as the *Holmes Group* “fix” – provide a basis for its jurisdiction here. MPHJ’s Counterclaim Five¹⁸ is nothing more than a request for a declaratory judgment on its affirmative defense of preemption. It is not even a proper cause of action, much less a compulsory counterclaim that arises under federal patent laws. The Federal Circuit’s analysis disregarded both this Court’s and its own precedent by treating Counterclaim Five as a freestanding cause of action, rather than a mislabeled defense to the State’s

¹⁸ As discussed above, *supra* 12, the Federal Circuit based its jurisdiction on Counterclaim Five even though MPHJ never asserted that counterclaim as a basis for removal or a basis for Federal Circuit jurisdiction.

claim. The court's analysis of Counterclaim Five under *Gunn* was both unnecessary and seriously flawed. Moreover, because MPHJ's second removal of the same case was barred by 28 U.S.C. § 1447(d), the Federal Circuit should have dismissed the appeal on that basis, without addressing the scope of § 1295.

A. The Federal Circuit misconstrued the changes to its jurisdiction made by the America Invents Act and mistakenly treated MPHJ's preemption "counterclaim" as an independent claim capable of creating jurisdiction.

The America Invents Act broadened the jurisdiction of the Federal Circuit to include patent claims asserted as compulsory counterclaims. 28 U.S.C. § 1295. It did not sweep into the Federal Circuit's jurisdiction patent preemption defenses to non-patent claims. The Federal Circuit erred by accepting MPHJ's labeling of its preemption defense as a "counterclaim," and allowing that formal – but mistaken – designation to control the jurisdictional analysis.

The changes to Federal Circuit jurisdiction in the America Invents Act, known as the *Holmes Group* "fix," were designed to clarify jurisdiction in light of this Court's *Holmes Group* decision. See H.R. Rep. No. 112-98, pt. 1, at 54, 81 (2011); Pub. L. No. 112-29, § 19 (2011). In *Holmes Group*, the Court held that Federal Circuit jurisdiction did not include "a compulsory counterclaim alleging patent infringement." 535 U.S. at 828. As the Court recognized, longstanding precedent

already held that a federal defense cannot create “arising under” jurisdiction. *Id.* at 831. The Court extended that settled principle to counterclaims. *Id.* at 831-34. The America Invents Act changed that result by providing Federal Circuit jurisdiction over compulsory patent-law counterclaims. 28 U.S.C. § 1295(a). It was a targeted measure to address Congress’s concern with the outcome in *Holmes Group*: that patent validity and infringement claims should fall within the Federal Circuit’s jurisdiction, even when raised as compulsory counterclaims.

The Federal Circuit’s reading of the *Holmes Group* “fix” went far beyond this Court’s decision in *Holmes Group*. The Federal Circuit reasoned that “[a]llowing a state court to resolve a patent law preemption question risks inconsistent judgments between state and federal courts” and concluded that it could not “permit such a result.” App. 21-22. This understanding of the America Invents Act amendments would overturn years of Supreme Court precedent. *See supra* 17-19. Indeed, respondent MPHJ contends that the Federal Circuit’s decision is not limited to counterclaims, but also bars the state court from deciding MPHJ’s preemption defense. *See MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 56, at 6-7 (asserting that the Federal Circuit’s decision bars any state court review of the “preemption question,” whether raised as a counterclaim or a defense). MPHJ is mistaken on this point, but its position highlights the serious error in the Federal Circuit’s analysis. Nothing in the statutory text or in *Holmes Group* suggests that Congress

intended to diminish state-court authority to decide whether state-law claims are preempted by federal law.

1. The Federal Circuit’s treatment of MPHJ’s preemption counterclaim as a separate cause of action, rather than a mislabeled defense, conflicts with decisions of this Court and Federal Circuit precedent.

a. The Federal Circuit’s first mistake was to treat Counterclaim Five as a cause of action or claim for purposes of § 1295. As the Federal Circuit recognized, MPHJ’s preemption counterclaim seeks “to prevent the State from relying on” state consumer-protection law by asserting preemption. App. 12. That is, MPHJ seeks a “declaratory judgment” under the Supremacy Clause that its defense of preemption is valid. *See* App. 148, 150, 171. But as this Court explained in *Armstrong v. Exceptional Child Center, Inc.*, 135 S. Ct. 1378 (2015), “the Supremacy Clause is not the ‘source of any federal rights,’ and certainly does not create a cause of action.” *Id.* at 1383 (citations omitted).

The court of appeals cited *Armstrong* but failed to recognize its import: namely, that MPHJ’s “counterclaim” for a declaratory judgment on preemption is not a claim at all. There is no “implied right of action contained in the Supremacy Clause.” *Id.* at 1384. The court suggested that MPHJ’s counterclaim was somehow equivalent to an equitable claim for an

injunction, but MPHJ did not request an injunction against the State, App. 171, nor could it have.¹⁹

Labels aside, MPHJ's preemption counterclaim is a defense, nothing more. *See* Fed. R. Civ. P. 8(c) (where "party has mistakenly designated a defense as a counterclaim or a counterclaim as a defense," court "if justice so requires, shall treat the pleading as if there had been a proper designation"). Preemption is a potential basis for MPHJ to avoid liability; it does not set up a claim of liability against the State. MPHJ itself asserts that the question posed by Counterclaim Five "is a predicate question that must be answered before Vermont . . . can assert state law claims against MPHJ." *MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 55, at 14. A major difference between a defense and a counterclaim is that a "defense cannot possibly be adjudicated separately from the plaintiff's claim to which it

¹⁹ *Armstrong* recognizes that "federal courts may in some circumstances grant injunctive relief against state officers who are violating, or planning to violate, federal law." 135 S. Ct. at 1384. MPHJ's counterclaim is asserted in a state-court action directly against the State of Vermont. Sovereign immunity would bar a counterclaim for injunctive relief against the State. *See, e.g., Alden v. Maine*, 527 U.S. 706, 713, 754 (1999); *see also Agency of Envtl. Conservation v. Casella*, 457 A.2d 633, 634 (Vt. 1983) (holding that defendants had "no remedy" for counterclaim absent legislative waiver of immunity, and affirming dismissal of counterclaim). Indeed, it is the State's position, as briefed in the district court, that all of MPHJ's counterclaims are barred by sovereign immunity. *See Vermont v. MPHJ Tech. Invs., LLC*, No. 14-cv-192 (D. Vt.), ECF Doc. Nos. 25-1, 29.

applies; a counterclaim can be.” *Reiter v. Cooper*, 507 U.S. 258, 265 (1993); *see also* Federal Procedure, Lawyers Ed., § 62:201 (“A counterclaim is not directed at the allegations of the complaint but rather is an independent claim for relief.”). Here, Counterclaim Five cannot be adjudicated separately from the State’s claim. *See* App. 166-71. The Federal Circuit erred by ascribing jurisdictional significance to the erroneous “counterclaim” label.

b. The Federal Circuit’s analysis of Counterclaim Five’s declaratory judgment request conflicts with settled precedent for yet another reason: the court should have, but did not, “flip” the declaratory judgment request and consider the declaratory *defendant’s* hypothetical claim. *See Medtronic, Inc. v. Mirowski Family Venture, LLC*, 134 S. Ct. 843, 848 (2014) (when determining declaratory judgment jurisdiction, federal courts “ask whether ‘a coercive action’ brought by ‘the declaratory judgment defendant’ . . . ‘would necessarily present a federal question’” (citing *Franchise Tax Bd.*, 463 U.S. at 19)); *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 672 (1950) (noting that “a suggestion of one party that the other will or may set up a claim under the Constitution or laws of the United States does not make the suit one arising under that Constitution or those laws” (quoting *Tennessee v. Union & Planters’ Bank*, 152 U.S. 454, 464 (1894))). The Federal Circuit’s jurisdiction over declaratory judgment actions is limited to those cases where a claim by the declaratory judgment defendant would arise under federal patent law. *See*,

e.g., *Speedco, Inc. v. Estes*, 853 F.2d 909, 912 (Fed. Cir. 1988) (applying “well-pleaded complaint rule not to the declaratory judgment complaint, but to the action that the declaratory defendant would have brought”); *Biotechnology Indus. Org. v. Dist. of Columbia*, 496 F.3d 1362, 1368 (Fed. Cir. 2007) (same). The Federal Circuit failed even to acknowledge this established rule, much less apply it.²⁰

Once MPHJ’s declaratory judgment request is “flipped,” the Federal Circuit’s error is obvious. The Court need not consider a hypothetical coercive claim by the declaratory defendant. Rather, the declaratory judgment defendant – the State – has already brought that affirmative claim. And that claim, as the district court held in the *first* remand order, does not arise under federal patent laws. App. 84, 96. The district court’s remand for lack of subject-matter jurisdiction, as this Court has “relentlessly repeated,” is final and “immunized from all forms of appellate review.” *Kircher*, 547 U.S. at 640; 28 U.S.C. § 1447(d); App. 72-73. The Federal Circuit could not review whether Counterclaim Five arises under federal patent law, because doing so necessarily required review of the district court’s original remand. Section 1447(d) bars that review.

²⁰ Again, the Federal Circuit mistakenly treated MPHJ’s pleading as if it were a “complaint seek[ing] to enjoin enforcement of state law.” App. 13. It is not. *See supra* 24-25 & n.19.

In short, because Counterclaim Five seeks only a declaratory judgment on MPHJ's defenses to the State's claim, it cannot be the basis for the Federal Circuit's jurisdiction. MPHJ's dressing of its federal patent defense as a counterclaim does not change this analysis. Allowing jurisdiction to be dictated by declaratory relief that artfully "anticipates a defense based on federal law would . . . 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. The Federal Circuit's exercise of jurisdiction over MPHJ's appeal does just that.

2. The Federal Circuit's application of *Gunn* was not only unnecessary but gravely flawed.

As explained above, the Federal Circuit should never have reached *Gunn v. Minton*'s test for "arising under" jurisdiction. See 133 S. Ct. at 1065. Regardless, the Federal Circuit's application of *Gunn* departs so substantially from this Court's precedents that further review is warranted to address this error as well.

The Federal Circuit held that a counterclaim asserting preemption falls within that "special and small category" of cases where "arising under" jurisdiction lies even though federal law does not create the cause of action. See *Gunn*, 133 S. Ct. at 1064 (quotation omitted). The court's reasoning rested on two

flawed premises: that MPHJ's assertion of preemption meant resolving a question of federal patent law was "clearly necessary" in this case; and that resolution of that question by the state court would somehow disrupt "the federal-state balance." App. 20-22. The Federal Circuit's reasoning conflicts with this Court's precedents on both points.

First, holding that MPHJ's assertion of preemption is *necessarily* raised in this case conflicts with *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988). *Christianson* holds that the "well-pleaded complaint rule . . . focuses on claims, not theories." *Id.* at 811. That a "particular theory might be governed by federal patent law does not mean that the entire . . . claim 'arises under' patent law." *Id.* The Federal Circuit reasoned that proving preemption "would necessarily require proving that the patent laws preclude enforcement of the VCPA as applied." App. 20. But the court disregarded *Christianson* and skipped a crucial threshold question: whether preemption is necessarily raised in this case. It is not. Federal preemption is merely one of numerous state-law and federal-law defenses that MPHJ has raised to the State's claim. App. 146-150. Indeed, preemption is only one of several defensive theories encompassed in Counterclaim Five, which also relies on the First Amendment and other constitutional provisions. App. 171. And the State's claim, in turn, encompasses several alternate theories for finding a violation of

the Consumer Protection Act – at least some of which do not implicate a patent-law defense.²¹ The trial court could resolve the case in MPHJ's favor without reaching preemption – for example, by ruling against the State on the merits, on MPHJ's state-law defenses or on First Amendment grounds. Or the court could rule in the State's favor on grounds that do not implicate MPHJ's proffered preemption defense. Preemption is a potential issue, but it is not “necessarily raised.”

Second, to say that allowing a state court to resolve a preemption question disrupts the federal-state balance, App. 21-22, gets the *Gunn* analysis backwards and conflicts with over 100 years of this Court's precedents. *See supra* 17-19. Under *Gunn* and *Grable*, the proper approach is not to ask whether state courts may decide federal-law issues – they do so routinely – but rather to assess “any disruptive portent in exercising *federal* jurisdiction.” *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005) (emphasis added). The Federal Circuit gave no consideration at all to the critical state interest in enforcing consumer-protection laws. *Cf. Gunn*, 133 S. Ct. at 1068 (noting states' special interest in regulating licensed professions). And the

²¹ The State's complaint, for example, alleges that MPHJ's letters contained false and deceptive statements about the responses of other businesses to similar demands. App. 124, 127. MPHJ has not pointed to any provision of federal patent law that would authorize false statements of that kind.

Federal Circuit's concern with potential "inconsistent judgments" between state and federal courts is misplaced, given the unbroken line of precedent holding that state courts may decide preemption defenses to state-law claims. *See supra* 17-19. Indeed, the affirmative defense of preemption pled *in this case*, App. 150, is within the state court's jurisdiction. It is this Court's role to review and, if necessary, correct state-court preemption decisions. *See Franchise Tax Bd.*, 463 U.S. at 12 n.12. But interpreting "arising under" jurisdiction as broadly as the Federal Circuit suggests – to include counterclaims seeking declaratory judgment on an underlying defense – would undermine respect for state courts and upset the balance of power between the state and federal judiciary.

B. The Federal Circuit's discussion of its jurisdiction was unnecessary and the ruling below may be summarily reversed because MPHJ's second removal was barred altogether by 28 U.S.C. § 1447(d).

The Federal Circuit's error is all the more glaring because the court did not need to decide whether MPHJ's preemption "counterclaim" supplied a basis for jurisdiction under 28 U.S.C. § 1295. Its analysis should have begun and ended by addressing the most important aspect of this case: it was MPHJ's *second* removal of the same state-court action. As both the Federal Circuit and the district court correctly recognized, the State's amended complaint merely removed a request for relief. App. 6, 30-32, 36, 45-46. It added

no claims or new causes of action, and as a result, it did not provide a second basis for removal under 28 U.S.C. § 1446(b)(3). MPHJ's second removal was baseless and nothing more than an impermissible and untimely effort to re-litigate the first remand order. The Federal Circuit did not need to analyze its jurisdiction to dismiss on these grounds.

The district court's original holding that it lacked subject-matter jurisdiction is not reviewable "on appeal *or otherwise*." 28 U.S.C. § 1447(d) (emphasis added). Because § 1447(d) creates a jurisdictional bar, the Federal Circuit should have dismissed MPHJ's appeal on that basis without reaching § 1295. *See, e.g., Sinochem Int'l Co. v. Malaysia Int'l Shipping Corp.*, 549 U.S. 422, 431 (2007) ("federal court has leeway 'to choose among threshold grounds for denying audience to a case on the merits'" (quoting *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 585 (1999))). That is, in fact, what the Federal Circuit did when MPHJ appealed the first remand order. App. 72 (finding no "appellate jurisdiction over this remand order" under § 1447(d)).

MPHJ's successive removals and baseless appeals of two remand orders have delayed evaluation of the merits of the State's claim for over two-and-a-half years. The Federal Circuit's jurisdictional decision has exacerbated that delay, as MPHJ has used the decision to contest yet again the state court's authority. *See supra* 13-14 & nn.10-11. This decision was both an unnecessary and incorrect review of the district court's initial remand. *See* 28 U.S.C. § 1447(d).

It also undermines “[t]he policy of Congress oppos[ing] 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*, 547 U.S. at 640 (quotation omitted). Instead of reaching out to decide a significant jurisdictional issue, the court should have once again dismissed MPHJ’s groundless appeal. This Court may summarily reverse and direct dismissal on that basis, without further addressing the scope of § 1295.

III. This case is an appropriate vehicle, because the parties contest the Federal Circuit’s jurisdiction and the State has standing to petition for this Court’s review.

Although the procedural posture of this case is somewhat unique, the jurisdictional issue is squarely presented and vigorously disputed, and the State has standing to petition for a writ of certiorari. This Court’s review is both appropriate and urgently needed to correct a decision that conflicts with this Court’s precedent, intrudes on traditional state authority, and has led to further substantial interference with an ongoing state enforcement action.

This Court may “grant certiorari ‘upon petition of any party,’” including a party who prevailed below, so long as that party maintains a “personal stake” in the suit and there is a sufficiently important policy reason to consider the case. *Camreta v. Greene*, 131 S. Ct. 2020, 2028-30 (2010) (adding emphasis and

quoting 28 U.S.C. § 1254(1)). That the court below found for the State on the merits of the remand issue should not preclude this Court from reviewing the important jurisdictional question presented by this case.

First, the question presented was decided against the State in the Federal Circuit proceedings. The State argued below that the appeal should be dismissed for lack of jurisdiction. The Federal Circuit rejected that argument before reaching the merits of MPHJ's removal arguments. *See* App. 11-22. And the State "in fact failed to obtain the judgment[] [it] had sought" – namely, dismissal of the appeal for lack of jurisdiction. *See Camreta*, 131 S. Ct. at 2039 (Kennedy, J., dissenting); *see* App. 34 (mandate "Affirmed" instead of "Dismissed").

Second, the State maintains a sufficient interest in the outcome of the jurisdictional issue to satisfy Article III's case or controversy requirement. *See Camreta*, 131 S. Ct. at 2029 (focus of Article III is on whether the judgment being challenged "may have prospective effect on the parties"). The Federal Circuit held that MPHJ, by simply restating its preemption defense as a counterclaim, triggered its jurisdiction under 28 U.S.C. § 1295. App. 19-22. The court then remanded the case, and the counterclaim, to the Vermont state courts. That disposition ensures that – despite having already spent years litigating removal issues instead of the merits of its consumer-protection claim – the State will continue to litigate those same jurisdictional issues in both the state-court

proceedings in this case and in MPHJ's pending federal lawsuit seeking to enjoin those proceedings. Indeed, MPHJ has already asked the federal district court to enjoin the state-court proceedings based on the Federal Circuit's jurisdictional ruling. *See MPHJ Tech. Invs., LLC v. Sorrell*, No. 14-cv-191 (D. Vt.), ECF Doc. No. 50-1, at 7-8 (seeking to enjoin the Attorney General from "litigating the state court case" based on Federal Circuit's decision); *id.*, ECF Doc. No. 56, at 6-7 (contending that state court cannot decide MPHJ's preemption defense, and that the state-court proceeding must be enjoined); *id.*, ECF Doc. No. 55, at 14 (seeking injunction against "entire state case"). Accordingly, the Federal Circuit's decision has and will continue to directly prejudice the State's substantial interest in enforcing its consumer protection laws. *Cf. Edenfield v. Fane*, 507 U.S. 761, 769 (1993) ("[T]here is no question that [a state's] interest in ensuring the accuracy of commercial information in the marketplace is substantial.").

Finally, even if the State is considered a "prevailing party," important policy reasons support granting the writ in this case.²² *See Camreta*, 131 S. Ct. at 1030 (allowing state official to petition for

²² The State, of course, did not prevail on the question presented. *Cf. Bunting v. Mellen*, 541 U.S. 1019, 1023 (2004) (Scalia, J., dissenting from denial of certiorari) ("[O]ur practice reflects a 'settled refusal' to entertain an appeal by a party on *an issue as to which he prevailed*." (emphasis added, quotation omitted)).

review of constitutional ruling despite having been granted qualified immunity because ruling would affect future government conduct and appellate review would clarify the law). As discussed above, the Federal Circuit's jurisdictional ruling is already interfering with the State's ability to prosecute this action in state court. More broadly, the ruling creates substantial uncertainty about the ability of States to prosecute consumer-protection claims against patent trolls in state courts, and portends drawn out jurisdictional disputes for States that bring future cases. The likelihood of protracted litigation and the real possibility that States will be forced to litigate consumer-protection appeals before a specialized federal patent court will inevitably deter robust state responses to patent trolling. This Court should grant review to clarify the law in this important area.



CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted,

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