

# ARTICLE

## THE JUDICIAL IMPROVEMENTS AND ACCESS TO JUSTICE ACT: NEW PATENT VENUE, MANDATORY ARBITRATION AND MORE

BY ALAN B. RICH<sup>†</sup>  
GAYNELL C. METHVIN<sup>††</sup> AND  
THOMAS L. CRISMAN<sup>†††</sup>

### Table of Contents

I. INTRODUCTION .....	312
II. CORPORATE VENUE .....	312
A. The Pieces of the Puzzle .....	312
B. The Rules of Construction .....	314
C. The Legislative History .....	315
D. The Solution .....	320
III. ARBITRATION .....	320
IV. MISCELLANEOUS PROVISIONS .....	324
A. Changes in Diversity Jurisdiction .....	324
B. Jurisdiction of the Federal Circuit .....	325
C. Divisional Venue .....	325
D. Removal Procedures .....	326
E. Technical Amendments .....	331
V. CONCLUSION .....	331

---

© 1990 Alan B. Rich, Gaynell C. Methvin, and Thomas L. Crisman

<sup>†</sup> J.D., *magna cum laude*, University of Illinois College of Law, 1984. Jr. Shareholder, Litigation Section (general trial and appellate law), Johnson & Gibbs, P.C., Dallas, Texas.

<sup>††</sup> J.D., with Highest Honors, University of Texas Law School, 1964. Sr. Shareholder, Litigation Section (patent and high tech litigation), Johnson & Gibbs, P.C., Dallas Texas.

<sup>†††</sup> B.S., Electrical Engineering, with Honors, Southern Methodist University, 1965; J.D. *cum laude*, Georgetown University Law School, 1969. Shareholder, Intellectual Property Law and Litigation Section, Johnson & Gibbs, P.C., Dallas, Texas.

## I. INTRODUCTION

This Article discusses the impact of the Judicial Improvements and Access to Justice Act upon the practice of intellectual property law.<sup>1</sup> According to Chief Justice Rehnquist, the Act is "the most significant legislation affecting the Federal courts since the early part of the decade."<sup>2</sup>

The Act contains three sections, the last of which contains ten titles which make various substantive and technical amendments to parts of the United States Code affecting federal jurisdiction and procedure. The focus of this Article is upon four titles of the Act which contain items relevant to the practice of intellectual property law. First, the Article discusses changes in corporate venue. Second, the Article analyzes the significance of Title IX which sets up a procedure both for consensual and mandatory non-binding arbitration of disputes filed in certain federal district courts. Finally, the Article informs the reader of several miscellaneous provisions of the Act. These provisions include: Title II which modifies the federal courts' diversity jurisdiction; Title V which modifies the jurisdiction of the Federal Circuit Court of Appeals; and three sections of Title X which abolish divisional venue in civil cases, significantly alter the procedures for removal from state court, and also make miscellaneous technical amendments to sections of the judicial code covering patents, copyrights and trademarks.

## II. CORPORATE VENUE

### A. The Pieces of the Puzzle

For intellectual property law practitioners, the corporate venue amendment is the most significant of all the changes made by the Act. Prior to the Act, the general corporate venue provision (28 U.S.C. § 1391(c)) read as follows:

(c) a corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such

---

1. Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, 102 Stat. 4642 (1988) (codified at scattered sections of 28 U.S.C.) [hereinafter the Act].

2. *Court Reform and Access to Justice Act, Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the Comm. on the Judiciary, House of Representatives*, 100th Cong., 1st & 2d Sess. 901 (1987 & 1988) [hereinafter *Subcommittee Hearings*], at 901. When finally passed by Congress, the name of the legislation would be changed to "The Judicial Improvements and Access to Justice Act."

judicial district shall be regarded as the residence of such corporation for venue purposes.<sup>3</sup>

As amended, section 1391(c) now reads as follows:

(c) *for purposes of venue under this chapter*, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a state which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that state within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate state, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.<sup>4</sup>

The first obvious alteration worked by the new corporate venue provision is to merge the personal jurisdiction and venue inquiries.<sup>5</sup> If a corporation is subject to personal jurisdiction in a particular federal judicial district, that is, if the corporation is subject to general jurisdiction in the district,<sup>6</sup> or has minimum contacts with the district,<sup>7</sup> then venue is proper, without more. In a situation where the corporation does not have "minimum contacts" with any one district in a multi-district state, yet is subject to the court's personal jurisdiction because its aggregate contacts with the state satisfy due process, the statute requires that venue is proper in the district which has the most "significant" contacts with the defendant and the action.<sup>8</sup>

The major impact on patent law of the amendment to the general venue statute, however, is found in its opening clause: "For purposes of venue under this chapter...." If Congress meant what it said, that section 1391(c)'s definition of residence applies to all venue provisions in Chapter 87 of the Judicial Code, the Act would erase some 100 years of precedent in patent venue cases under 28 U.S.C. § 1400(b) and its predecessors.<sup>9</sup>

---

3. 28 U.S.C. § 1391(c) (1976) (amended 1989).

4. 28 U.S.C. § 1391(c) (1989) (as amended by the Act, *supra* note 1, § 1013, 102 Stat. at 4669).

5. *See Nabisco Brands, Inc. v. Conusa Corp.*, 892 F.2d 74 (M.D.N.C. 1989); Siegel, *Changes in Federal Jurisdiction and Practice Under the New Judicial Improvements and Access to Justice Act*, 123 F.R.D. 399, 405-07 (1989).

6. *See Helicopteros Nacionales De Columbia, S.A. v. Hall*, 466 U.S. 408, 414-15 & n.9 (1984).

7. *See Helicopteros*, 466 U.S. at 414 & n.8.

8. 28 U.S.C. § 1391(c) (1989) (as amended by the Act, *supra* note 1, § 1013, 102 Stat. at 4669); Siegel, *supra* note 5, at 406-07.

9. 28 U.S.C. § 1400(b) reads as follows:

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

Decades ago, in *Fourco Glass Co. v. Transmirra Products Corp.*,<sup>10</sup> the Supreme Court held that section 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)."<sup>11</sup> It is significant to note that the *Fourco Glass* Court placed considerable weight on the "Revisors' notes" in reaching its decision that the 1948 revision and codification of the Judicial Code did not expand patent venue.<sup>12</sup>

## B. The Rules of Construction

Whether patent venue has been changed by the Act's amendment of section 1391(c) is one of statutory interpretation. Therefore, the ground rules of statutory interpretation must be understood. When one analyzes the cases in the Federal Circuit on the question of how statutes are interpreted, the following, rather amorphous, "rules" appear:

(1) The court must start with and be guided by the express and plain language of the statute to determine the meaning intended.

(2) If the language is plain, there is usually no need to analyze legislative history; provided, that if the plain meaning of the statute leads to irrational results or would thwart the statute's obvious purpose, then an analysis of legislative intent is required. This is but another way of saying that a statute whose meaning is plain creates a presumption that it will be enforced as written unless legislative intent clearly to the contrary is found.

(3) Statutes dealing with narrow and precise subject matters control over those dealing with general matters which would otherwise subsume

---

28 U.S.C. § 1400(b) (1989).

10. 353 U.S. 222 (1957).

11. *Id.* at 229; *see also* *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942).

12. *Fourco Glass*, 353 U.S. at 225-28; *see also id.* at 229 (Harlan, J., dissenting). The Federal Circuit has relied in the past on the insights of legislative drafters, or persons with significant input into statutory language, even if those persons were *not* members of Congress. *See, e.g., Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1433 n.6 (Fed. Cir. 1984) (testimony before the Federal Circuit Judicial Conference of a Justice Department official, who participated in drafting the legislation at issue, given weight in interpreting 28 U.S.C. § 1295). In interpreting statutes, the Federal Circuit has also looked to the intent of persons outside of Congress when Congress was responding to the concerns or proposals of that outside party. *See United States v. John C. Grimberg Co.*, 702 F.2d 1362, 1369-71 (Fed. Cir. 1983) (*en banc*) (Congress was responding to legislative concerns of the Justice Department; therefore, the Justice Department's view accorded some weight in the analysis of legislative intent); *see also Summit Airlines, Inc. v. Teamsters Local Union No. 295*, 628 F.2d 787 (2d Cir. 1980) (intent of the draftsman of a statute, although the draftsman was not a member of Congress, entitled to "great weight"); *United States v. Oates*, 560 F.2d 45, 68 (2d Cir. 1977) (Advisory Committee's notes to the Federal Rules of Evidence relied upon to interpret those rules).

the specialized statute; provided, that clear evidence of legislative intent prevails over this and any other "rule" of statutory construction.

(4) Congress is presumed to be aware of the way a statute it is amending has been interpreted by the courts.<sup>13</sup>

The analysis therefore begins with the amendment's "plain meaning." It is beyond debate that the plain language of amended section 1391(c) extends its definition of corporate residence to section 1400(b). The statute expressly states that the definition of "reside" set forth therein is used "for purposes of venue under this chapter." This "chapter" is, of course, Chapter 87 of Title 28,<sup>14</sup> which contains sections 1391 through 1412. The plain meaning of amended section 1391(c) is that a corporation resides (as that term is used in both sections 1391(c) and 1400(b)) in any judicial district in which it is subject to personal jurisdiction.<sup>15</sup> Nevertheless, this plain meaning can be overcome if the legislative history plainly and unmistakably indicates that congress could not have intended for corporate residence under sections 1391(c) and 1400(b) to be equivalent.

### C. The Legislative History

A review of the published legislative material associated with the Act<sup>16</sup> sheds no direct light on whether Congress intended for the new

---

13. See generally *Glaxo Operations UK Ltd. v. Quigg*, 894 F.2d 392, 395-96 (Fed. Cir. 1990); *Madison Galleries, Ltd. v. United States*, 870 F.2d 627, 629-32 (Fed. Cir. 1989); *Johns-Manville Corp. v. United States*, 855 F.2d 1556, 1559-62 (Fed. Cir. 1988), *cert. denied*, \_\_\_ U.S. \_\_\_, 109 S. Ct. 1342 (1989); *Neptune Mut. Ass'n, Ltd. v. United States*, 862 F.2d 1546, 1549 (Fed. Cir. 1988); *Martin J. Simko Constr., Inc. v. United States*, 852 F.2d 540, 542 (Fed. Cir. 1988); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988); *Horner v. Merit Sys. Protection Bd.*, 815 F.2d 668, 674-76 (Fed. Cir. 1987); *Reid v. Dep't of Commerce*, 793 F.2d 277, 281-83 (Fed. Cir. 1986); *Aceto Chem. Co., Inc. v. United States*, 465 F.2d 908, 913 (C.C.P.A. 1972).

14. 28 U.S.C. § 1391(c) is contained within the following chapter of the Judicial Code: "Chapter 87—DISTRICT COURTS; VENUE." See 28 U.S.C. §§ 1391-1440 (1989).

15. It should be noted that Congress obviously knows how to define the scope of a statute's application in terms of titles, subtitles, chapters, sections and subsections. See, e.g., 38 U.S.C. § 1801 (1979); 26 U.S.C. § 2502(c) (1986) ("for purposes of this chapter"); 28 U.S.C. § 594 (1984); 26 U.S.C. § 3402 (1986) ("for purposes of this subsection"); 38 U.S.C. § 1801 (1979) ("for purposes of this section"); 26 U.S.C. § 1223 (1982) ("for purposes of this subtitle"). Furthermore, in the Act itself Congress has shown that if its intent is to limit the scope of a statute, it is capable of saying so. See the Act, *supra* note 1, § 203(a), 102 Stat. at 4646 (wherein it is written: "for the purposes of this section [1332(a)], section 1335, and section 1441"); see also *id.* § 1016(a), 102 Stat. at 4669 (wherein it is written: "for purposes of removal under this chapter").

16. The Act was originally introduced as H.R. 3152 in 1987. In May of 1988, H.R. 3152 was reported out of the House Judiciary Committee's Subcommittee on Courts, Civil Liberties and the Administration of Justice with an amendment in the nature of a substitute. This amended version of H.R. 3152 was introduced as a "clean bill," known as H.R. 4807, and went before the full Committee of the Judiciary and eventually was

definition of "reside" in amended section 1391(c) to apply to section 1400(b). The legislative history does contain a single clue which eventually leads to the conclusion that the corporate venue amendment was indeed intended to apply to patent venue under section 1400(b). The single clue is found in the pedigree of the corporate venue amendment. On August 6, 1987, Representative Kastenmeier introduced H.R. 3152 in the first session of the 100th Congress.<sup>17</sup> As originally drafted, H.R. 3152 (then called the "Court Reform and Access to Justice Act of 1987"), did not propose any alteration to corporate venue.<sup>18</sup> The corporate venue amendment was proposed, not by the Subcommittee, but by the Judicial Conference of the United States,<sup>19</sup> transmitted to the Subcommittee via the testimony of Judge Elmo B. Hunter, chairman of the Committee on Court Administration of the Judicial Conference of the United States.<sup>20</sup> In his testimony to the subcommittee, there was no discussion of patent venue.

The official congressional explanation for the corporate venue amendment, contained in the House Report, is but a verbatim adoption of the Judicial Conference position as reflected in Judge Hunter's prepared statement.<sup>21</sup> Nothing else about the corporate venue amendment is found in the Subcommittee Hearings or the House Report.<sup>22</sup>

If we stop here and step back to review the rules of statutory construction,<sup>23</sup> the amended statute has a plain meaning which is not contradicted by anything in its legislative history. Thus, the inquiry could end here. Because the corporate venue amendment to section 1391(c) by its own explicit terms applies to all of Chapter 87 of Title 28, including section 1400(b), and given nothing to the contrary in the legislative history, a corporation may be sued for patent violations in any judicial district wherein personal jurisdiction over the defendant exists.

To stop at this point leaves a nagging question unanswered—so nagging, in fact, that some reasonable jurists have incorrectly concluded that section 1400(b) remains aloof from the general venue provision; and that *Fourco Glass* survives intact.<sup>24</sup> Again, falling back on those malleable

---

enacted and signed into law. The Subcommittee Hearings (*see supra* note 2) were conducted before the change in the House Resolution number. *See* H. R. REP. NO. 100-889, 100th Cong., 2d Sess. 24-26 (1988) [hereinafter House Report].

17. *See id.*

18. *See Subcommittee Hearings, supra* note 2, at 452-515.

19. *See id.* at 65; House Report, *supra* note 16, at 70.

20. *See Subcommittee Hearings, supra* note 2, at 3.

21. House Report, *supra* note 16, at 66, 70.

22. No Senate Report was submitted with the Act. *See id.* at 70.

23. *See supra* text accompanying note 13.

24. A few federal district courts have addressed this venue question. These courts were fragmented. In the following cases, the district courts held that the new amendment

"rules" of construction, one could argue that the legislative background should have been more transparent if Congress had intended to overrule almost a century of patent venue jurisprudence.<sup>25</sup> In other words, something more than ignorance of *Fourco Glass* and its progeny should be evident somewhere in the legislative background of the Act.<sup>26</sup> Yet even the skeptics will accept the amended section's plain meaning after a look "behind the scenes" at the evolution of the corporate venue amendment.

As set forth above, there is no doubt that the corporate venue amendment originated in the Judicial Conference of the United States. The Judicial Conference provides strong evidence that drafters of the corporate venue amendment intended it to cover the entirety of chapter 87 of title 28, and that the use of the word "chapter" in the amendment's opening clause was not accidental or the result of ignorance.<sup>27</sup>

In 1984, the Subcommittee on Federal Jurisdiction of the Judicial Conference requested that Judge William W. Schwarzer, of the United States District Court for the Northern District of California, prepare a proposed amendment to 28 U.S.C. § 1391(c) to address perceived problems in the area of corporate venue. In response, on February 22,

---

does not alter the existing *Fourco Glass* venue rule: *Joslyn Mfg. Co. v. Amerace Corp.*, 729 F. Supp. 1219 (N.D. Ill. 1990); *Doelcher Prods., Inc. v. Hydrofoil Int'l, Inc.*, 14 U.S.P.Q.2d 1067 (D. Md. 1989). In other cases, the district courts found that the amendment to section 1391(c) changed the law of patent venue: *Regents of the Univ. of California v. Eli Lilly & Co.*, 734 F. Supp. 911 (N.D. Cal. 1990); *Century Wrecker Corp. v. Vulcan Equip. Co.*, 733 F. Supp. 1170 (E.D. Tenn. 1989). The Court of Appeals for the Federal Circuit has recently resolved this conflict, holding that the amendment did in fact alter the law of patent venue by allowing suit anywhere the corporate defendant is subject to personal jurisdiction. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 16 U.S.P.Q.2d 1614 (Fed. Cir. 1990) (adopting the argument presented in this section of the Article). The authors of this Article argued the *VE Holding* case before the Federal Circuit.

25. Although such explicitness in the Legislative History would be helpful, Congress is neither (1) obligated to specifically state that its amended language either means something different from the old language, *Volkswagen of Am., Inc. v. United States*, 340 F. Supp. 983, 989 (Cust. Ct. 1972), *aff'd per curiam*, 494 F.2d 703 (C.C.P.A. 1974); *Cellas v. United States*, 18 C.C.P.A. 237, 241 (1930); *United States Cordage Co. v. United States*, 18 C.C.P.A. 23, 25 (1930); *Am. Mfrs. v. United States*, 15 Ct. Cust. App. 355, 358 (1928); *Strouse, Adler & Co. v. United States*, 3 Ct. Cust. App. 184, 186 (1912); *Acme Shear Co. v. United States*, 386 F. Supp. 513, 517 (Cust. Ct. 1974); or (2) obligated to explicitly state that it intends an amendment to "overrule" past judicial decisions, *see Redding v. Comm'r of Internal Revenue*, 630 F.2d 1169, 1182 (7th Cir. 1980), *cert. denied*, 450 U.S. 913 (1981).

26. Even if Congress were to be "ignorant" of the changes its amendment would work in application, the Supreme Court and the Federal Circuit's predecessor have found such "ignorance" to be an insufficient ground for ignoring the plain meaning of a statute. *Barr v. United States*, 324 U.S. 83, 90 (1945); *Sears, Roebuck & Co. v. United States*, 504 F.2d 1400, 1402 (C.C.P.A. 1974).

27. *Fourco Glass* placed great emphasis on the intent of the drafters and the Revisors' notes. It is thus more than appropriate to investigate the intent of the Judicial Conference subcommittee which actually drafted the language in question. *See supra* note 11 and accompanying text.

1985, Judge Schwarzer submitted a proposed amendment to the Subcommittee on Federal Jurisdiction along with an earlier memorandum he authored on the general subject of corporate venue.<sup>28</sup> Judge Schwarzer's proposal to amend the corporate venue statute was as follows:

*For the purposes of Subsections (A) and (B), a corporation, whether a plaintiff or a defendant, shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a state having more than one judicial district, a corporation shall be deemed to reside in a district only to the extent that the corporation's contacts within that district would be sufficient to subject it to personal jurisdiction if that district were a separate state.*<sup>29</sup>

Significantly, this draft submitted to the Subcommittee on Federal Jurisdiction would have limited the application of section 1391(c)'s definition of "reside" quite considerably—it would apply only to sections 1391(a) and (b).

Thereafter, on March 1, 1985, the Hon. Charles B. Simons, Jr., Chief Judge of the United States District Court for the District of South Carolina, and member of the Subcommittee on Federal Jurisdiction, forwarded Judge Schwarzer's proposal to Edward H. Cooper, of the University of Michigan law school, who was the reporter for the Judicial Conference's Subcommittee on Federal Jurisdiction.<sup>30</sup> A copy of the proposed amendment was also forwarded to the clerk of the Supreme Court for placement on the agenda for the June, 1985 meeting of the Subcommittee on Federal Jurisdiction to be held in Santa Fe, New Mexico.<sup>31</sup>

In July of 1985, the Subcommittee on Federal Jurisdiction issued its report of the Santa Fe meeting. The full Subcommittee recommended that section 1391(c) be amended in substantially the manner suggested by Judge Schwarzer. Significantly, the Subcommittee's recommendation modified Judge Schwarzer's proposal by greatly extending the

---

28. Memorandum from Judge Schwarzer (Feb. 22, 1985) (a copy of this memorandum is on file at the *High Technology Law Journal* office).

29. *Id.*

30. In addition, Professor Cooper (along with Charles Alan Wright and Arthur R. Miller) is the author of an authoritative treatise on Federal Practice and Procedure. See C. WRIGHT, A. MILLER & E. COOPER, *FEDERAL PRACTICE AND PROCEDURE: JURISDICTION* (1st ed. 1976).

31. See Letter to the Honorable William W. Schwarzer from the Honorable Charles E. Simons, Jr. (Mar. 1, 1985) (a copy of this letter is on file at the *High Technology Law Journal* office).

definitional reach of section 1391(c).<sup>32</sup> Where Judge Schwarzer's proposal limited the definition of corporate residence to "the purposes of Subsections (A) and (B)" of section 1391, the Subcommittee recommended that the new definition of corporate residence be "for purposes of venue under this chapter."<sup>33</sup> It is thus clear that the extension of section 1391(c)'s definition of residence was deliberate. This evolution is convincing evidence that the drafters intended the new definition to apply to all of chapter 87, including section 1400(b).<sup>34</sup>

Furthermore, Professor Cooper, as official reporter for the Subcommittee on Federal Jurisdiction, drafted a Memorandum which addresses the proposal to amend section 1391(c).<sup>35</sup> In the Cooper Memorandum, the intent of the drafters of the corporate venue amendment is made indisputable:

*Other Venue Provisions.* The definition of corporate residence in § 1391(c) now provides a basis for applying the substantial number of venue statutes enacted as part of various substantive federal laws. As a matter of caution, *the proposal limits its definition of residence to the venue provisions gathered in Chapter 87 of the Judicial Code, 28 U.S.C. §§ 1391 through 1412. If the proposal were enacted in its present form, it would be necessary to recreate definitions of residence for the specialized venue statutes.* It may be that little is lost by this change, but it is a question that deserves some reflection.<sup>36</sup>

It simply cannot be written any clearer. The reporter for the drafters of the language which was eventually enacted into law stated that the new definition of residence in section 1391(c) applies to every venue section in chapter 87; from section 1391, including section 1400(b),

---

32. Report of the Subcommittee on Federal Jurisdiction (June, 1985) (a copy of this report is on file at the *High Technology Law Journal* office). The pertinent part of the Report states:

Recommendation:

Your Subcommittee accordingly recommends that 28 U.S.C. § 1391(c) be amended to read as follows:

(c) *for purposes of venue under this chapter* a corporation, whether a plaintiff or defendant, shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a state having more than one judicial district, a corporation shall be deemed to reside in a district only to the extent that the corporation's contacts within that district would be sufficient to subject it to personal jurisdiction if that district were a separate state.

*Id.*

33. The "chapter" containing section 1391 also contains sections 1392 through 1412, including, of course, the patent venue statute, section 1400(b). *Supra* note 14.

34. *Cf. Russello v. United States*, 464 U.S. 16, 23-24 (1983) ("Where Congress includes limiting language in an earlier version of a bill but deletes it prior to enactment, it may be presumed that the limitation was not intended.")

35. Memorandum from Professor Edward H. Cooper to Members of the Subcommittee on Federal Jurisdiction (Dec. 4, 1986) (a copy of this memorandum is on file at the *High Technology Law Journal* office).

36. *Id.* at 4 (emphasis added).

through the end of the chapter, section 1412. Professor Cooper also understood the proposed amendment's effects on the specialized venue statutes. He noted that if the specialized venue statutes were to use definitions of residence other than the new definition found in section 1391(c), it would be necessary for Congress to "recreate" other definitions for the specialized statutes.<sup>37</sup>

#### D. The Solution

The legislative history establishes that the definition of corporate residence in newly amended section 1391(c) was indeed intended to apply to its patent venue counterpart, as well as to all other venue provisions in chapter 87. Now, in a patent case, a corporate defendant may be sued in any judicial district wherein it is subject to personal jurisdiction.

### III. ARBITRATION

Title IX of the Act amends Title 28 of the United States Code to insert an entirely new chapter: "Chapter 44 – Arbitration."<sup>38</sup> The new chapter became effective May 16, 1989.<sup>39</sup> Title IX also contains an automatic repeal of the entire chapter, effective on November 19, 1993, with the reservation that an action referred to arbitration on or before that date shall continue under the chapter's provisions until the action is concluded.<sup>40</sup> As presently written, the arbitration rules are confined to ten federal districts,<sup>41</sup> with the provision for ten additional districts to be designated by the Judicial Conference of the United States.<sup>42</sup> It is now possible for a trademark, copyright or even a patent case to be referred to mandatory arbitration.

---

37. It is interesting to note that Professor Cooper was a long time advocate of repealing the patent venue statute entirely. See C. WRIGHT, A. MILLER & E. COOPER, *supra* note 30, § 3823, at 135 ("The statute [28 U.S.C. § 1400(b)] ought to be repealed, and patent cases treated in the same fashion as federal question cases generally."). He was not alone. See, e.g., American Law Institute, Study of the Division of Jurisdiction between State and Federal Courts, Official Draft, 1969, at 219-21; Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551 (1973).

38. See 28 U.S.C. §§ 651-658 (1989) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4659-64).

39. See the Act *supra* note 1, § 907, 102 Stat. at 4664.

40. See *id.* § 906, 102 Stat. at 4664.

41. These ten districts include N.D. Cal., M.D. Fla., W.D. Mich., W.D. Mo., D.N.J., E.D.N.Y., M.D.N.C., W.D. Okla., E.D. Pa., and W.D. Tex. 28 U.S.C. § 658(1) (1989) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4662).

42. 28 U.S.C. § 658(2) (1989) (as added by the Act, *supra* note 1, § 901(b), 102 Stat. at 4662). These new district courts may not, however, refer cases to arbitration without consent of the parties. See *id.* § 651(a) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4659).

The new 28 U.S.C. § 652 sets out actions that may be referred to arbitration, actions that may not be referred without consent of the parties, and certain actions excepted from arbitration.<sup>43</sup> Under 28 U.S.C. § 652(a)(1)(A), courts included in the arbitration chapter are given the power to refer any civil action to arbitration if the parties consent.<sup>44</sup> Significantly, 28 U.S.C. § 652(a)(1)(B) empowers the initially designated courts to refer any civil action to arbitration,<sup>45</sup> even in the face of the parties' opposition, if the relief sought in the case is limited to money damages in an amount less than \$100,000, exclusive of interest and costs.<sup>46</sup> There are exceptions to the mandatory arbitration provision of 28 U.S.C. § 652(a)(1)(A) for actions based on alleged violations of the United States Constitution, or actions based, in whole or in part, on civil rights statutes.<sup>47</sup> Exemptions from arbitration are found at 28 U.S.C. § 652(c) for those cases where the "objectives" of arbitration would not be realized because of complex or novel legal issues, because legal issues predominate over factual issues, or for other "good cause."<sup>48</sup>

The new arbitration statute also provides that a court may appoint arbitrators who will have various powers over the arbitration hearing, and who have duties to the court. Arbitrators will have the power to conduct the hearing, administer oaths and make awards.<sup>49</sup> The arbitrator also is empowered to issue subpoenas for the appearance of witnesses and production of documents at an arbitration hearing.<sup>50</sup> In so far as timing is concerned, the statute requires that the arbitration hearing begin no later than 180 days after the filing of an answer but, in the absence of consent, the hearing shall not commence until at least 30 days after the district court has decided any pending dispositive motions, or motions to join necessary parties.<sup>51</sup> These time periods may be altered by the court for good cause shown.<sup>52</sup>

---

43. *Id.* §§ 652(a), (b) & (c) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4659-60).

44. *Id.* § 652(a)(1)(A) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4659).

45. This is subject to certain exceptions and exemptions discussed in the next paragraph. The "initially designated courts" are set out *supra* at note 41.

46. 28 U.S.C. § 652(a)(1)(B) (1989) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4659). This amount can go as high as \$150,000 in those districts which, as of the date of the Act, already had court-annexed arbitration under local rule, and which local rule had a ceiling above \$100,000. *See* the Act *supra* note 1, § 901(b), 102 Stat. 4663.

47. 28 U.S.C. § 652(b) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660).

48. *Id.* § 652(c) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660).

49. *Id.* § 653(a) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660).

50. *Id.* § 653(c) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660). The issue of discovery in actions referred to arbitration is not addressed by the statute.

51. *Id.* § 653(b) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660).

52. *Id.*

An arbitration award is filed with the clerk of the district court and entered as a judgment of the court after the time within which to request a trial *de novo* has expired.<sup>53</sup> Judgment on an award has the same effect as an ordinary judgment in a civil action, except that the award cum judgment is not subject to review by appeal or otherwise.<sup>54</sup>

As alluded to above, the new statute provides for a trial *de novo* after the decision by the arbitrator.<sup>55</sup> A trial *de novo* is secured merely by filing a written demand for it within 30 days after the arbitration award is filed with the district court.<sup>56</sup> After the demand for trial *de novo* is made, the action is placed back on the court's docket and the case is treated as if it never was referred to arbitration.<sup>57</sup> Section 655(b) specifically provides that restoration to the court docket preserves any right to trial by jury and the case's place on the court calendar which it would have occupied had there been no arbitration.<sup>58</sup>

The new arbitration rules contain a number of hazards to those seeking trials *de novo*. These hazards are liability for costs and the possibility that unfavorable evidence proffered at the arbitration hearing might make its way into evidence at trial. These hazards, the consequences of which can be devastating, should serve to discourage demands for trials *de novo*. The first hazard is contained at 28 U.S.C. § 655(c), which is euphemistically entitled "LIMITATION ON ADMISSION OF EVIDENCE."<sup>59</sup> This subsection states that, at the trial *de novo*, the court shall not admit any evidence that there has been an arbitration proceeding, the nature or amount of any award, or any matter concerning the conduct of the arbitration proceeding—unless the evidence would otherwise be admissible under the Federal Rules of Evidence.<sup>60</sup> The section limiting admission of evidence is far from a blanket rule of non-admissibility. In fact, the section is quite circular in nature. Once the section is examined, it really says very little other than the obvious proposition that nothing about the arbitration is admissible at the trial *de novo* unless it is admissible under the Federal Rules of Evidence. Put positively, everything at the arbitration is admissible at the trial *de novo* if such evidence is admissible under the Federal Rules of Evidence.

---

53. *Id.* § 654(a) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4660-61).

54. *Id.*

55. *Id.* § 655 (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4661).

56. *Id.* § 655(a) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4661).

57. *Id.* § 655(b) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4661).

58. *Id.*

59. *Id.* § 655(c) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4662).

60. *Id.* The parties may also stipulate to admissibility of these matters. *Id.*

The fact of arbitration and the nature of the award may, in fact, be inadmissible at trial.<sup>61</sup> However, as to everything said in arbitration testimony or placed into evidence, the key question is whether Rule 408 of the Federal Rules of Evidence<sup>62</sup> applies. It is unlikely that arbitration would be considered a "compromise negotiation."<sup>63</sup> Perhaps this is why Vermont Rule of Evidence 408 has been amended to specifically include mediation: "Evidence of conduct or statements made in compromise negotiations, including mediation, is likewise not admissible...."<sup>64</sup>

Because it appears that Rule 408 will be inapplicable to the arbitration, testimony and documents introduced at the hearing, classified as "not hearsay" under the Federal Rules of Evidence,<sup>65</sup> will be admissible as substantive evidence at the trial *de novo*. To paraphrase what Mr. Miranda should have been told, "anything you say at the arbitration may be used against you at trial."<sup>66</sup>

The second category of risks in seeking a trial *de novo* are financial. Seeking a trial *de novo* creates the risk of being charged with your opponent's arbitration costs should one lose the trial *de novo*.<sup>67</sup> Furthermore, the court can require the party seeking a trial *de novo* to post

61. Cf. *State of Missouri ex rel. State Highway Comm'n v. Meadows*, 444 S.W.2d 225, 226 (Mo. App. 1969) (nature of award in a condemnation proceeding before county commissioners inadmissible at the trial *de novo*).

62. Rule 408 reads in relevant part:

Evidence of (1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible.

FED. R. EVID. 408.

63. See *Hansell v. Farmers' Mut. Hail Ins. Ass'n of Iowa*, 209 Iowa 378, 383, 228 N.W. 88, 90 (1929).

64. VT. R. EVID. 408 (1985). As the Reporter's Notes to the 1985 Vermont Amendment state: "The language is broad enough to cover statements made by the mediator as well as statements of the parties. Prohibiting the use of statements made during mediation should aid the openness and effectiveness of the process." *Id.*

65. FED. R. EVID. 801(d); see *United States v. Smith*, 776 F.2d 892, 897 (10th Cir. 1985) (testimony from prior trial of same matter not hearsay); *United States v. Russell*, 712 F.2d 1256, 1258 (8th Cir. 1983) (prior testimony before grand jury is not hearsay); *State ex rel. City of Warrensburg v. Stroh*, 690 S.W.2d 215, 216-17 (Mo. App. 1985) (admissions against interest at condemnation hearing before county commissioners admissible at trial *de novo*).

66. One must also be careful of how the award is drafted. A convincing argument can be made that any recitals in the award which are not objected to, or worse, which are agreed to, are admissible in a subsequent trial as admissions against interest. Cf. *C.I.T. Corp. v. Waltrip*, 70 S.W.2d 206, 206 (Tex. Civ. App. 1934) (writ dismissed without judgment); *Cauble v. Cauble*, 2 S.W.2d 967, 969-70 (Tex. Civ. App. 1927) (writ dismissed without judgment); *Wootton v. Jones*, 286 S.W. 680, 685 (Tex. Civ. App. 1926) (recitals in prior judgments).

67. 28 U.S.C. § 655(d)(1)(A) (1989) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4661).

a bond equal to those arbitration costs.<sup>68</sup> Even more costly, section 655(e) provides that the court may impose costs and reasonable attorneys' fees against the party demanding a trial *de novo* if the party who sought the trial *de novo* wins, but fails to win an award which is "substantially more favorable" than the arbitration award<sup>69</sup> and if that party's conduct in seeking a trial *de novo* was in "bad faith."<sup>70</sup>

#### IV. MISCELLANEOUS PROVISIONS

This section discusses a number of technical changes made by the Act. Title II modifies the federal courts' diversity citizenship jurisdiction. Title V modifies the jurisdiction of the Federal Circuit Court of Appeals. Title X, entitled "Miscellaneous Provisions," contains several important amendments for the intellectual property practitioner, including: section 1001 abolishing divisional venue in civil cases; section 1016 setting out various amendments to removal procedure from state court to federal court; and section 1020 making technical amendments to 28 U.S.C. § 1338 and other federal jurisdictional statutes applicable to patent, trademark and copyright actions.

##### A. Changes in Diversity Jurisdiction

Title II of the Act is entitled "Federal Jurisdiction—Diversity Reform" and contains three sections. The first, section 201(a), increases the "amount in controversy" requirement in diversity cases from \$10,000 to \$50,000.<sup>71</sup> New subsection 1332(c)(2), added by section 202 of the Act, deems a legal representative of a decedent, infant or incompetent to be a citizen of the same state as the person who is represented.<sup>72</sup> Finally, section 203 of the Act amends 28 U.S.C. § 1332(a) by clarifying that for purposes of diversity jurisdiction, interpleader and removal, a permanent resident alien is deemed a citizen of the state in which he or she is domiciled.<sup>73</sup> In all cases, the changes in diversity jurisdiction made by Title II were effective on May 16, 1989.<sup>74</sup>

---

68. *Id.* § 655(d)(1)(B) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4661).

69. *Compare id.* with FED. R. CIV. P. 68.

70. 28 U.S.C. § 655(e) (1989) (as added by the Act, *supra* note 1, § 901(a), 102 Stat. at 4662).

71. *See id.* § 1332(a) & (b) (as amended by the Act, *supra* note 1, § 201(a), 102 Stat. at 4646). It is interesting to note that the jurisdictional amount for diversity cases had not increased since 1958, and when adjusting for inflation, \$10,000 in 1958 is equivalent to \$37,921 in 1986. Thus, in real terms, the jurisdictional amount is not much higher than in 1958. *See Subcommittee Hearings, supra* note 2, at 1111.

72. 28 U.S.C. § 1332(c)(2) (1989) (as amended by the Act, *supra* note 1, § 202, 102 Stat. at 4646).

73. *Id.* § 1332(a) (as amended by the Act, *supra* note 1, § 203, 102 Stat. at 4646).

74. *See the Act, supra* note 1, § 203(b), 102 Stat. at 4646.

## B. Jurisdiction of the Federal Circuit

The Act has expanded the jurisdiction of the United States Court of Appeals for the Federal Circuit in a way which will, however, only indirectly affect intellectual property practitioners.<sup>75</sup> This new provision grants the Court of Appeals for the Federal Circuit exclusive jurisdiction over appeals from interlocutory orders of district and territorial courts which grant or deny, in whole or in part, a motion to transfer an action to the United States Claims Court.<sup>76</sup> As with any increase in the Federal Circuit's case load, this amendment may tend to increase the time within which appeals in patent cases are processed.

## C. Divisional Venue

Previously section 1393 of the Judicial Code provided that when one sued a resident of the particular division within a federal district, that defendant had to be sued in the particular division in which the defendant resided. The divisional venue section read as follows:

**§ 1393. Divisions; Single Defendant; Defendants in Different Divisions.**

(a) except as otherwise provided, any civil action, not of a local nature, against a single defendant in a district containing more than one division must be brought in the division where he resides.

(b) any such action, against defendants residing in different divisions of the same district or different districts in the same state, may be brought in any of such divisions.<sup>77</sup>

Section 1001 of the Act repeals section 1393 in its entirety,<sup>78</sup> effective February 17, 1989.<sup>79</sup> The abolition of divisional venue is significant in a state such as Texas which has seven divisions in each of its four federal districts.<sup>80</sup> The abolition of divisional venue will facilitate the practices, be they pernicious or salutary,<sup>81</sup> of judge and forum "shopping." Regardless of what one calls it, "shopping" is an important aspect of properly representing a client.<sup>82</sup> It may be that a particular judge has

---

75. Title V of the Act amended 28 U.S.C. § 1292(d) adding new subparagraph (4)(a). See the Act, *supra* note 1, § 501, 102 Stat. at 4652.

76. 28 U.S.C. § 1292(d)(4) (1989) (as added by the Act, *supra* note 1, § 501, 102 Stat. 4652).

77. 28 U.S.C. § 1393 (1976).

78. See the Act, *supra* note 1, § 1001(a), 102 Stat. at 4664.

79. *Id.*

80. See 28 U.S.C. § 124 (1989).

81. This depends on whether your audience consists of judges or trial lawyers.

82. See generally C. WRIGHT, A. MILLER & E. COOPER, *supra* note 30, § 3823, at 225 (choice of forum is thought particularly important in patent cases and forum shopping is thus regarded as critical).

expertise in intellectual property cases, yet he or she is located in a division within the district where the defendant does not "reside." Or perhaps the venire in one division is more "liberal," "conservative" or "sophisticated." Even docket conditions can vary greatly from division to division within the same district.

Using the Northern District of Texas as an example, if one wanted to sue a company headquartered in Dallas, one can now bring the action not only in Dallas, but in Fort Worth, Lubbock, Amarillo, Abilene, San Angelo or Wichita Falls.<sup>83</sup> Abolition of divisional venue therefore opens numerous new fora which were otherwise closed for a particular case.<sup>84</sup>

## D. Removal Procedures

### 1. GENERAL REQUIREMENTS

Section 1016 of the Act makes several "improvements" in removal procedure. Section 1016(a) adds a new sentence to 28 U.S.C. § 1441(a), instructing that for purposes of removal, citizenship of defendants sued "under fictitious names" are to be ignored.<sup>85</sup> This is a congressional reversal of *Bryant v. Ford Motor Co.*<sup>86</sup> Section 1016(b) changes the name of the document which effects removal. The old "Petition for Removal" has been replaced with a "Notice of Removal." Another formal requirement, that of verifying the Petition (now Notice) of Removal, has been eliminated, although the Notice is subject to Rule 11 of the Federal Rules of Civil Procedure.<sup>87</sup> Also, a removal bond is no longer required.<sup>88</sup>

---

83. 28 U.S.C. § 124(a)(1) (1989). Of course, the action could be transferred from any division to any other division. See *id.* §§ 1404(a) & (b); *Williams v. Hoyt*, 556 F.2d 1336, 1341 (5th Cir. 1977), *cert. denied*, 435 U.S. 946 (1978). It must be remembered, however, that under section 1404, plaintiff's forum choice is almost always honored. See C. WRIGHT, A. MILLER & E. COOPER, *supra* note 30, § 3848, at 239. And, many of the section 1404(a) factors simply will not be as compelling in a situation where the transfer is sought to a courthouse within the district rather than across several states or cross-country.

84. Prior to this amendment, two federal district courts had held that patent cases were not subject to section 1393 anyway. See *Clopay Corp. v. Newell Cos.*, 527 F. Supp. 733, 741 (D. Del. 1981); *Technograph Printed Circuits v. Packard Bell Elecs.*, 290 F. Supp. 308, 323-24 (S.D. Cal. 1968). The repeal of section 1393, however, certainly allows this practice, obviating the need to rely on two, somewhat dated, district court holdings; these are not the most substantial grounds on which to operate.

85. 28 U.S.C. § 1441(a) (1989) (as amended by the Act, *supra* note 1, § 1016(a), 102 Stat. at 4669). The fictitious defendant provision became effective on the date of the President's signature, November 19, 1988, but has been found to be retroactive in application. See *Kruso v. Int'l Tel. and Tel. Corp.*, 872 F.2d 1416, 1425 (9th Cir. 1989).

86. 844 F.2d 602 (9th Cir. 1987) (en banc), *cert. denied*, \_\_\_ U.S. \_\_\_, 110 S. Ct. 1126 (1990).

87. 28 U.S.C. § 1446(a) (1989) (as amended by the Act, *supra* note 1, § 1016(b), 102 Stat. at 4669).

88. *Id.* § 1446 (as amended by the Act, *supra* note 1, § 1016(b)(3), 102 Stat. at 4669).

Section 1016 of the Act also imposes additional time limitations on removal and remand. These changes present some interesting questions, and have already divided the courts.

## 2. REMOVAL TIME

Section 1016 of the Act imposes new and additional time limitations on removals. Under prior law, a case could be removed from state court at virtually *any* time, if the case were removed within 30 days after first becoming removable<sup>89</sup>—even if the case first became removable *years* after it was filed.<sup>90</sup> Section 1446(b) as amended now contains a “statute of limitations” for removal, but for diversity actions only.<sup>91</sup> Section 1446(b) now provides that a diversity action may not be removed more than one year after the action is commenced.<sup>92</sup>

## 3. REMAND TIME

Another significant procedural change made by section 1016(c) of the Act was amending section 1447(c) to limit the time within which certain Motions to Remand can be filed. As amended, section 1447(c) now provides that a motion to remand based on “any defect in removal procedure” must be made within 30 days after the filing of the Notice of Removal.<sup>93</sup>

---

89. Depending upon when the case first becomes removable, 30 days is not *always* allowed for removal. In fact, in one case, waiver of the right to remove was found where the defendant waited 15 minutes to one hour to file a removal petition after the non-diverse party was voluntarily dropped. *See Walker v. AT&T Co.*, 684 F. Supp. 475, 477 (S.D. Tex. 1988).

90. For instance, if the only non-diverse party is dropped by the plaintiff, thus creating diversity jurisdiction, the case could be removed at that time. 28 U.S.C. § 1446(b) (1989) (as amended by the Act, *supra* note 1, § 1016(b)(3), 102 Stat. at 4669). Of course, the dropping of the non-diverse party must be the voluntary act of the plaintiff, or diversity jurisdiction still will not attach. *See, e.g., Whitcomb v. Smithson*, 175 U.S. 635 (1900); *DeBry v. Transamerica Corp.*, 601 F.2d 480, 486 (10th Cir. 1979); *Weems v. Louis Dreyfus Corp.*, 380 F.2d 545 (5th Cir. 1967); *Todd Holding Co., Inc. v. Super Valu Stores, Inc.*, 744 F. Supp. 1025 (D. Colo. 1990); *Walker v. AT&T Co.*, 684 F. Supp. 475 (S.D. Tex. 1988); *Higgins v. Pittsburgh-Des Moines Co.*, 635 F. Supp. 1182 (S.D. Tex. 1986).

91. The retroactivity of the one-year limitation has been the subject of a great deal of judicial exploration, with varying results depending upon the precise posture of the action at the time of the Act’s passage. *See Wilson v. Gen. Motors Corp.*, 888 F.2d 779, 781-82 (11th Cir. 1989) (and cases cited therein).

92. 28 U.S.C. § 1446(b) (1989) (as amended by the Act, *supra* note 1, § 1016(b)(2)(B), 102 Stat. at 4669). For the purposes of determining when the one-year removal limitation period begins, the fact that other defendants are added later on in the case is irrelevant. The one-year period begins when the action was filed against the initial defendant. *See Royer v. Harris Well Serv., Inc.*, 741 F. Supp. 1247 (M.D. La. 1990).

93. 28 U.S.C. § 1447(c) (1989) (as amended by the Act, *supra* note 1, § 1016(c)(1), 102 Stat. at 4670).

An interesting question which has arisen under the new 30-day limitation on motions to remand involves whether, in light of the amendment, a court retains the power (after the 30-day period has expired) to remand a case *sua sponte* for defects in removal procedure. The resolution to this question pits the Third Circuit against the Northern District of Texas.<sup>94</sup>

It appears that because of the first sentence of section 1447(c), courts addressing the issue have fixated on the question of whether a *sua sponte* remand is, or is not, equivalent to a "motion" to remand, albeit the court's own "motion." The Third Circuit treated the two as substantially similar and held that after the 30 day limit, the court had no power to remand the case because of removal defects. The Northern District of Texas held the opposite way. Yet, this whole discussion of whether a "motion" is at issue seems to miss the point. The focus should *not* be on the first sentence of section 1447(c):

A motion to remand the case on the basis of any defect in removal procedure must be made within 30 days after the filing of the notice of removal under section 1446(a);

but upon the *second* sentence, which states that:

If at any time before final judgment it appears that the district court lacks subject matter jurisdiction, the case shall be remanded.

Given the present statutory scheme and the ruling case law,<sup>95</sup> the analysis must focus on whether there is a specific statutory *authorization* to remand a case. Certainly, one ground for removal could have been untimeliness. However, a removal is "untimely" *only* if the complaint is made within the statutorily authorized time to complain. After that time has past, the statute no longer authorizes remand on the basis of that defect. After that authorization has faded away, the only ground for remand (whether on motion or *sua sponte*) contemplated by section 1447(c) is lack of subject matter jurisdiction. Therefore, because the court *has jurisdiction* when only a procedural defect is at issue, a court cannot take it upon itself to remand the case.<sup>96</sup> This conclusion is bolstered by a recent Fifth Circuit decision which succinctly stated that a court may consider remand *only* if the parties raise the issue; conversely, a court

---

94. Compare *Air-Shields, Inc. v. Fullam*, 891 F.2d 63, 65 (3rd Cir. 1989) (court may *not* remand *sua sponte* for removal defects more than 30 days after motion for removal), with *FDIC v. Loyd*, 744 F. Supp. 126, 135-36 (N.D. Tex. 1990) (court *may* remand *sua sponte* for removal defects).

95. See, e.g., *Thermtron Prods., Inc. v. Hermansdorfer*, 423 U.S. 336 (1976).

96. This is closely akin to the famous *Thermtron* case, where the Supreme Court authorized mandamus to order a district court to vacate its order of remand which was based upon grounds for remand not authorized by statute, *i.e.* crowded docket conditions. *Id.*

must consider the existence of subject matter jurisdiction on its own motion.<sup>97</sup>

Therefore, the result reached by the Third Circuit in *Air-Shields* is the correct one; after the 30-day period for filing procedural remand motions, a court cannot remand a case to state court *sua sponte* for defects in removal procedure.

#### 4. THE INTERPLAY BETWEEN THE NEW TIME LIMITS

Fascinating questions are presented when the new “statutes of limitations” on removal and remand collide. The problem situation is as follows: a defendant removes the case later than one year after it was filed, but the plaintiff fails to move to remand the case within the 30 day limit. The statutory question is, of course, whether removal outside of the one-year limit is a “procedural” defect. The few courts which have faced this situation have reached opposite results.

Without discussion, the District Court for the Northern District of California held that a plaintiff waives any complaint about a removal outside of the one-year limit if a motion to remand is not made within 30 days of the Notice of Removal.<sup>98</sup> The Eastern District of Wisconsin, after a thorough analysis, reached the same result.<sup>99</sup> The District Court for the Northern District of Illinois reached the opposite result. After doing its own analysis of the language of the statute and its legislative history, the Illinois court held that the one-year limitation is *jurisdictional* and is not waived by failure to move to remand within 30 days.<sup>100</sup>

The Illinois District Court opinion in *Foiles* appears to be incorrect. While the *Foiles* court is correct in pointing out that section 1446(b) states clearly and emphatically that a diversity case may not be removed after one year,<sup>101</sup> the significance of this language *vis-a-vis* a waiver argument is problematic. A statute of limitations, when pleaded and proven, completely extinguishes a cause of action on the merits. Yet even this draconian advantage may be waived by someone entitled to assert it. The Federal Rules of Civil Procedure even mention statutes of limitations specifically in Rule 8(c) as an affirmative defense which must be pleaded. Certainly, time limitations on removal should be entitled to no more sanctity than are statutes of limitations on the merits of claims.

Furthermore, the *Foiles* court’s alternative—making the one-year limitation on removal *jurisdictional* and not subject to waiver—is wholly

---

97. *Ziegler v. Champion Mortgage Co.*, 913 F.2d 228, 230 (5th Cir. 1990).

98. *Gray v. Moore Business Forms*, 711 F. Supp. 543 (N.D. Cal. 1989).

99. *Leidolf v. Eli Lilly & Co.*, 728 F. Supp. 1383 (E.D. Wis. 1990).

100. *Foiles v. Merrell Nat'l Laboratories*, 730 F. Supp. 108 (N.D. Ill. 1989).

101. *Id.* at 110.

unjustified given that the similar 30-day limitation on removing any then removable action, which limitation is located in the same subsection of the statute (section 1446(b)), is clearly *non-jurisdictional* and subject to waiver.<sup>102</sup>

The *Foiles* court also ignored the fact that the one-year removal limitation was placed in section 1446, a section solely concerned with removal *procedure*. Although this "location" was noted, the court stated that "Congress is not required ... to write and amend its statutes with the kind of semantic exactitude valued by lawyers."<sup>103</sup> Perhaps if section 1446 were the *only* removal statute, the court would have a point. The court simply ignored that fact that if Congress indeed meant for the one-year removal limitation to be jurisdictional, the limitation would have been placed in section 1445 (non-removable actions), or at least in section 1441(a) (removability of diversity actions).<sup>104</sup>

The one-year limitation is not jurisdictional, and failure to move to remand a case based upon that defect is subject to waiver. The statutory scheme and the case law surrounding it does not jibe with any other construction.

##### 5. POST-REMOVAL JOINDER OF PENDENT PARTIES

New subsection (e) to section 1447 was added by the Act, addressing certain joinders of parties after removal. Section 1447(e) deals with the rather complex jurisdictional situation where, after removal, the plaintiff seeks to join additional defendants whose joinder would have destroyed subject matter jurisdiction had the party been joined at the beginning. For the first time, Congress has taken an explicit position on the "pendent party" jurisdiction question,<sup>105</sup> at least in the removal context. Section 1447(e) provides that, in the post-removal pendent party situation, the court may deny joinder, or permit the joinder and remand the action to the state court.<sup>106</sup> Note that the statute does not permit

---

102. See, e.g., *Wilson v. Gen. Motors Corp.*, 888 F.2d 779, 781-82 (11th Cir. 1989) (and cases cited therein); *Fristoe v. Reynolds Metals Co.*, 615 F.2d 1209, 1212 (9th Cir. 1980); *Woodlands II on the Creek Homeowners Ass'n v. City Sav. and Loan Ass'n*, 703 F. Supp. 604, 607 (N.D. Tex. 1989) (and cases cited therein).

103. *Foiles*, 730 F. Supp. at 111.

104. 28 U.S.C. §§ 1441(a), 1445 (1988).

105. Although an in-depth examination of the complex field of pendent-party federal jurisdiction is beyond the scope of this Article, essential reading on this topic includes *Finley v. United States*, 490 U.S. 545 (1989), and *Alumax Mill Prods. v. Congress Fin. Corp.*, 912 F.2d 996, 1005-07 (8th Cir. 1990).

106. 28 U.S.C. § 1447(e) (1989) (as added by the Act, *supra* note 1, § 1016(c)(1), 102 Stat. at 4670). Added section 1447(e) also provides that a post-joinder order of remand may require the payment of just costs and expenses, including attorneys' fees.

joinder of these "pendent parties" unless the case is then remanded to state court.<sup>107</sup>

### E. Technical Amendments

The only technical amendments of even limited interest to the intellectual property practitioner are the insertion, into various copyright-related sections of the Judicial Code, of the terms "exclusive rights in mask works" and "mask works."<sup>108</sup>

## V. CONCLUSION

The Judicial Improvements and Access to Justice Act contains several revolutionary changes in the legal environment in which intellectual property law is practiced. No more will the first several months and several thousands of dollars of a patent suit against a corporation be spent fighting over venue. Even after venue has been resolved, you may find yourself trying the case in front of an arbiter, rather than a federal judge. Divisional venue rules have also been abolished. Thus, if venue is proper in a federal district, suit may be brought in any division of that district. And, if your case is in state court (perhaps a common law unfair competition claim or a trade mark case), yet diversity jurisdiction exists, the Act makes changes in the procedures which must be followed to both remove and remand such a case. The Act also imposes new "statutes of limitations" before which certain removals and all remand motions must occur.

Simply put, it is essential for every practitioner to have a firm grasp on the Act, the most significant legislation relating to the federal courts in decades.

---

107. See, e.g., *Righetti v. Shell Oil Co.*, 711 F. Supp. 531 (N.D. Cal. 1989).

108. See 28 U.S.C. § 1338 (as amended by the Act, *supra* note 1, § 1020(a)(4)(A), 102 Stat. 4671-72, by adding new subsection (c), which reads: "subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17 to the same extent as such subsections apply to copyrights."). The section heading for 28 U.S.C. § 1338 was also amended to include "mask works," as were sections 1295(a)(1) and 1400(a). See the Act, *supra* note 1. A new subsection (e) was also added to section 1448, which is identical to new section 1338(c). *Id.*

