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PATENT TRIAL LAWYERS DISCUSS THE IMPACT OF *TC HEARTLAND* ON THEIR JUDICIAL DISTRICTS

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Amanda Williamson, and Joshua Dalton

June 22, 2017



WHERE WE ARE NOW:

Underlying Facts

- TC Heartland LLC:
 - Is a limited liability company under Indiana law and headquartered in Indiana.
 - Was sued for patent infringement in Delaware.
 - Maintains no business presence in Delaware.
- The District of Delaware denied TC Heartland's motion to transfer venue.
- The Federal Circuit denied TC Heartland's petition for mandamus.

Conflicting Statutes: The Patent Venue Statute

- 28 U.S.C. § 1400(b) provides:

§ 1400. Patents and copyrights, mask works, and designs.

(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.

Conflicting Statutes: The Patent Venue Statute

- In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 226, 229 (1957), the Supreme Court held:
 - “resides” in § 1400(b) “*mean[s] the state of incorporation only;*”
 - “§ 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).*”

Conflicting Statutes: The Federal Circuit's Interpretation

- At the time the Supreme Court's decision in *Fourco* was handed down, § 1391(c) consisted of one sentence:

(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 judicial district shall be regarded as the residence of such corporation for venue purposes.

Conflicting Statutes: The General Venue Statute

- In 1988, Congress adopted the Judicial Improvements and Access to Justice Act, which, among other things, amended § 1391(c) to allow for venue in a jurisdiction when personal jurisdiction has been obtained over the corporate defendant. As currently amended, § 1391(c) provides:

§ 1391. Venue generally.

(a) **Applicability of section.**—Except as otherwise provided by law—

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

Conflicting Statutes: The General Venue Statute

- 28 U.S.C. § 1391 provides:

(c) Residency.—For all venue purposes—

(2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a

Conflicting Statutes: The Federal Circuit's Interpretation

- In *VE Holding Corp. v. Johnson Gas Appliance Co.*, the Federal Circuit interpreted the amended language of §1391(c) as evidence of Congress' intent to expand the residence test of §1400(b), the special venue statute for patent infringement actions.
- This holding effectively repealed §1400(b), except for actions involving non-corporate defendants.

Justice Thomas:

- **Holding:** As applied to domestic corporations, “reside[nce]” in Section 1400(b) refers only to the state of incorporation; the amendments to Section 1391 did not modify the meaning of Section 1400(b) as interpreted in *Fourco Glass Co. v. Transmirra Products*.
- **Judgment:** Reversed and remanded, 8-0, in an opinion by Justice Thomas on May 22, 2017. Justice Gorsuch took no part in the consideration or decision of the case.

Where Can I File Now?

- Under the Supreme Court's holding, patent suits against domestic corporations may now be filed only:
 - In a defendant corporation's state of incorporation; or
 - Where the defendant corporation "has committed acts of infringement *and* has a regular and established place of business."

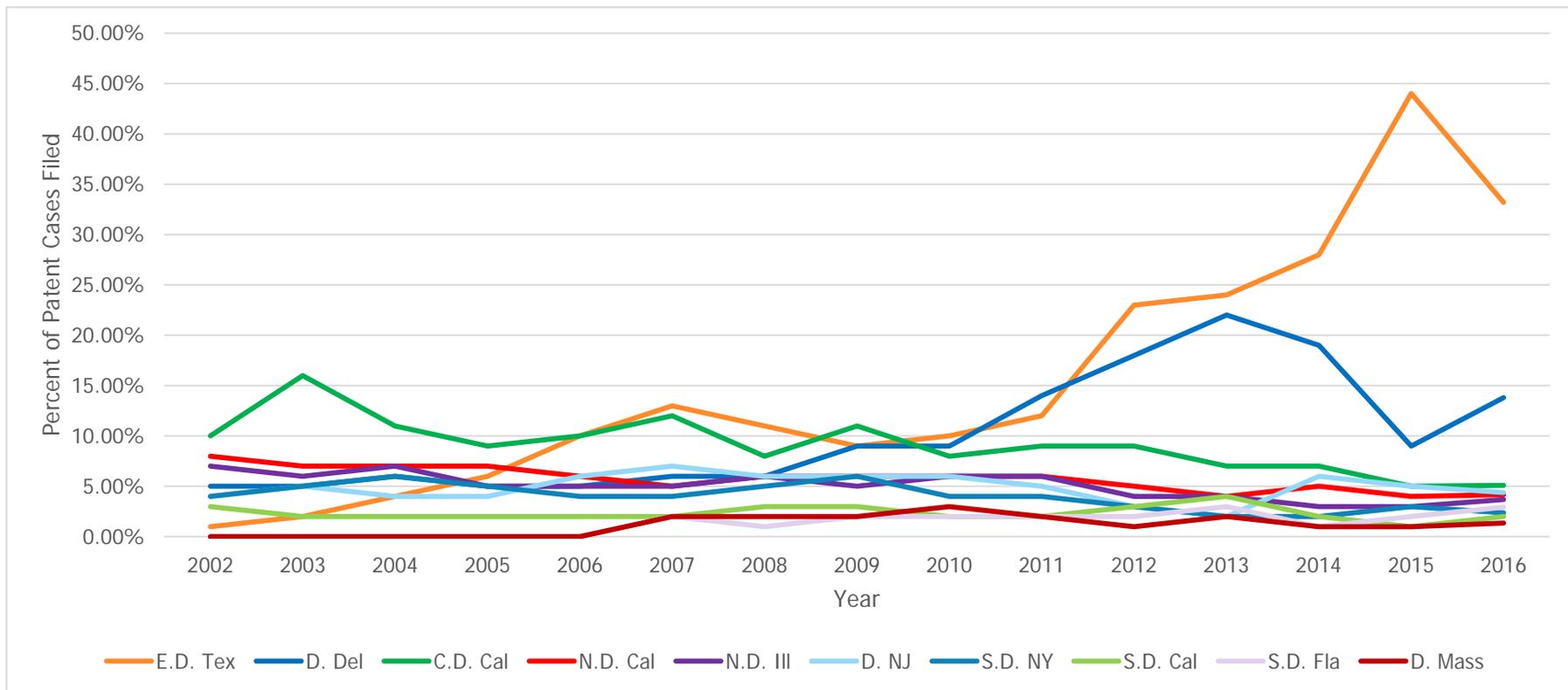
What Has TC Heartland Left Unanswered:

- Where can a foreign corporation be sued?
- Did Fourco apply the proper test for Section 1400(b)?
- Where can entities other than corporations be sued?
- Where can affiliates be sued if venue as to U.S. corporation is restricted?
- What discovery is proper to determine venue?
- What qualifies as a “regular and established place of business”?
- What happens to pending lawsuits?

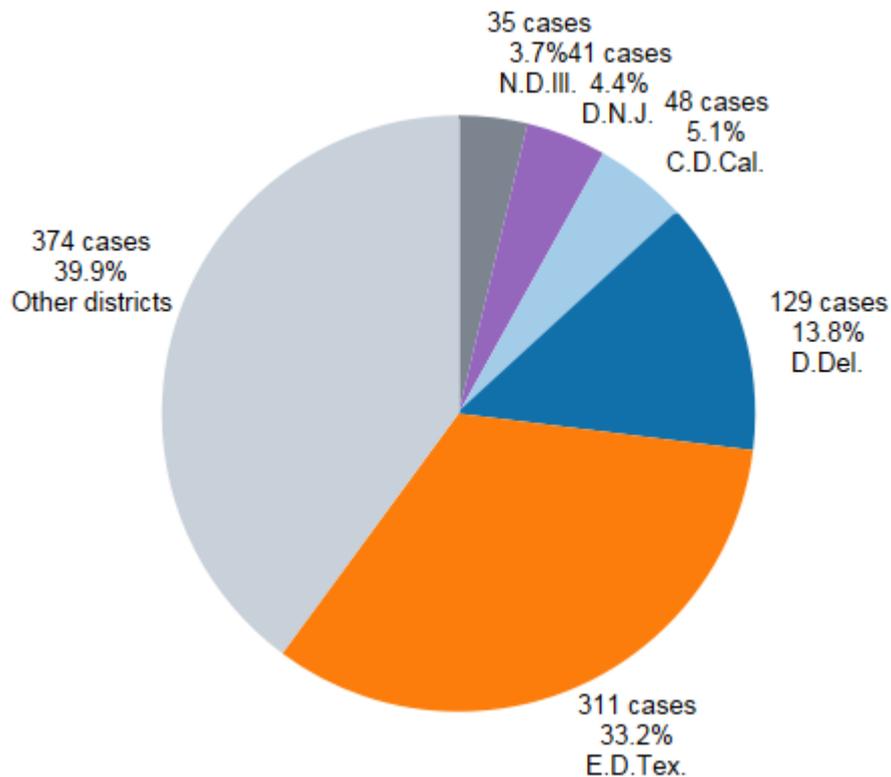
Top 10 Districts For Patent Cases 2002-2016 (Lex Machina data):

District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016
E.D. Tex	1%	2%	4%	6%	10%	13%	11%	9%	10%	12%	23%	24%	28%	44%	33%	21%
D. Del	5%	5%	6%	5%	5%	6%	6%	9%	9%	14%	18%	22%	19%	9%	14%	13%
C.D. Cal	10%	16%	11%	9%	10%	12%	8%	11%	8%	9%	9%	7%	7%	5%	5%	8%
N.D. Cal	8%	7%	7%	7%	6%	5%	6%	6%	6%	6%	5%	4%	5%	4%	4%	5%
N.D. Ill	7%	6%	7%	5%	5%	5%	6%	5%	6%	6%	4%	4%	3%	3%	4%	5%
D. NJ	4%	5%	4%	4%	6%	7%	6%	6%	6%	5%	3%	2%	6%	5%	4%	5%
S.D. NY	4%	5%	6%	5%	4%	4%	5%	6%	4%	4%	3%	2%	2%	3%	2%	4%
S.D. Cal	3%	2%	2%	2%	2%	2%	3%	3%	2%	2%	3%	4%	2%	1%	2%	2%
S.D. Fla	*	*	*	*	*	2%	1%	2%	2%	2%	2%	3%	1%	2%	3%	2%
D. Mass	*	*	*	*	*	2%	2%	2%	3%	2%	1%	2%	1%	1%	1%	2%
National Totals:	2527	2744	2772	2523	2600	2775	2573	2547	2769	3574	5454	6115	5077	5830	4520	41,234

Top 10 Districts for Patent Cases Filed 2002-2016 (Lex Machina data):



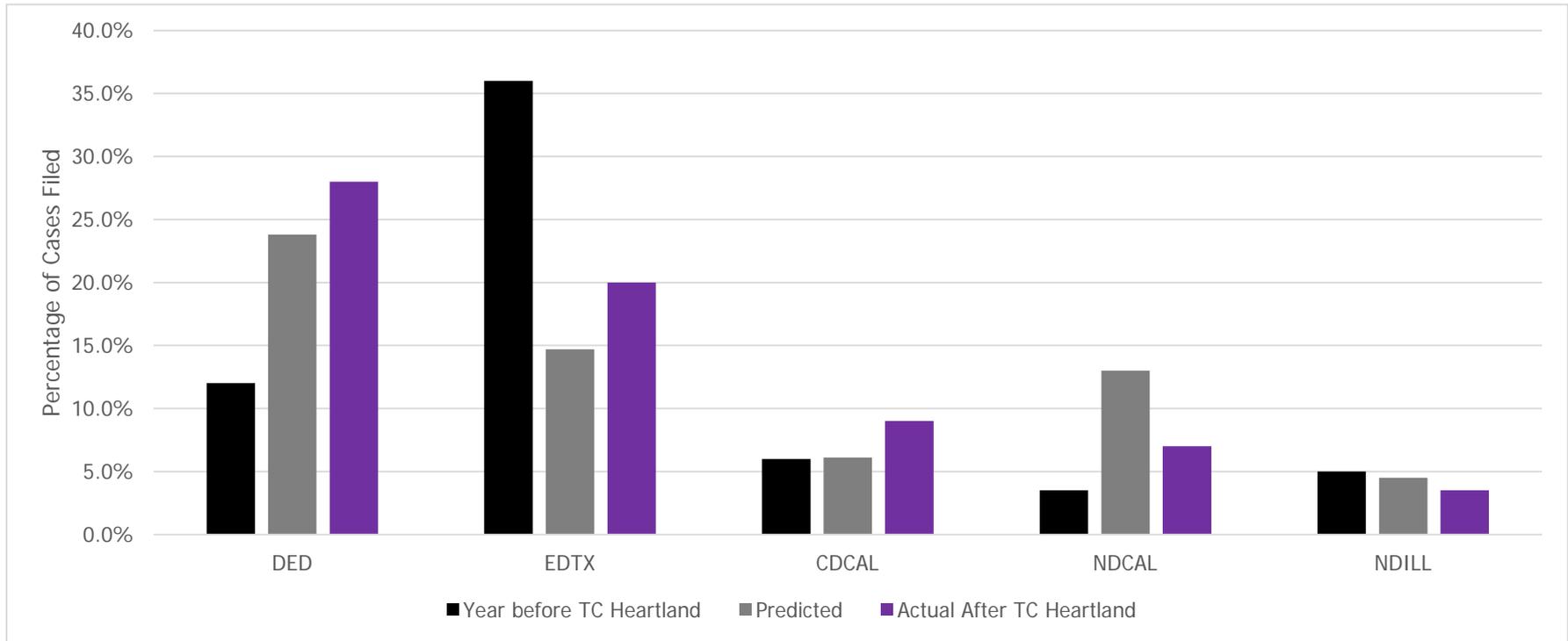
Top districts by patent cases filed in Q1 2017 (from Lex Machina):



Predicted Impact of Holding (Chien and Risch – 2015):

- E.D. Texas: 44%  15%
- D. Delaware: 9%  24%
- N.D. California: 4%  13%
- C.D. California: 5%  6%
- D. New Jersey: 5%  6%

Immediate Impact of TC Heartland (June 20, 2017 Data):



LET'S FOCUS ON KEY VENUES
AND DISCUSS WHAT YOU
NEED TO KNOW NOW:

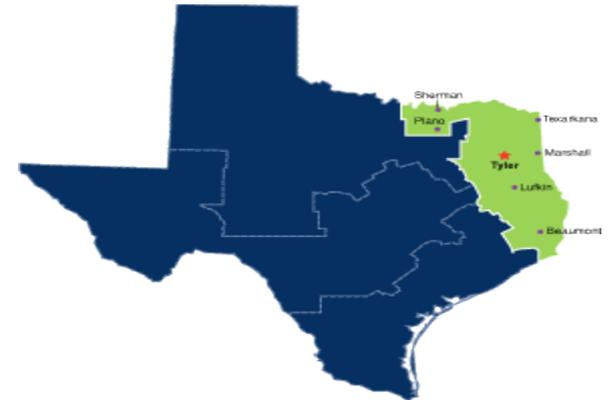
Anticipated Trends?

- New venue hot spots?
- New plaintiff strategies?
- New defendant strategies?

LIKELY IMPACT OF THE SUPREME COURT RULING ON
THE US DISTRICT COURT FOR
THE EASTERN DISTRICT OF TEXAS

Metrics on Post-TC Heartland Filings

- Since *TC Heartland*, approximately 44 new patent cases have been filed in the Eastern District, resulting in a total of 591 patent cases so far for 2017
- For the same time period in 2016, approximately 133 new patent cases were filed, with a total of 714 patent cases filed by the middle of June 2016
- For the same time period in 2015, approximately 306 new patent cases were filed, with a total of 1,226 patent cases filed by the middle of June 2015



How EDTX initially responded to TC Heartland

- *Sua Sponte* Orders requesting additional briefing on the effect of TC Heartland in cases with pending venue motions:
 - Sets a briefing schedule
 - Generally allowing between 10 to 12 pages per side
 - Requests that the parties include whether (and what) venue discovery is needed
 - Parties should identify the transferee venue(s) deemed most appropriate and the reasons why
- Some EDTX Judges have set pending venue disputes for hearing

Plaintiffs' Potential Strategies

- Plaintiffs may become overly detailed when pleading venue in newly filed Complaints
- For example, Uniloc has taken an “everything but the kitchen sink” approach in its three new cases against Google.
 - Alleged any and every connection Google has to the Lone Star State, such as :
 - Offices in Austin and Dallas
 - Google allows residents in EDTX to communicate with its products
 - Highly interactive websites that are accessible to residents in EDTX
 - Solicit users in EDTX to create Google accounts, including Gmail
 - Provided many examples of goods and services that Google offers
- Some Plaintiffs have only filed suit against foreign entities
- May also see a shift in suits against entities further down the distribution chain—e.g., retailers and others who “use, sell, or offer for sale”

Early Responses from Defendants

- On May 30, 2017, Microsoft declined to challenge venue in *Biscotti, Inc. v. Microsoft Corp.*, 2:13-cv-1015-JRG-RSP
 - Went to trial on June 5, 2017
 - On June 9, 2017, jury returned a verdict in favor of Microsoft
 - Found no infringement
 - Found asserted claims invalid as anticipated or obvious
- Parties' reactions to the Court's *sua sponte* orders for additional briefing have varied:
 - Supplemental briefs filed
 - Motions for additional time to file supplemental briefing
 - Joint motions to dismiss
 - Joint motion to transfer
 - Joint motion to stay/notice of settlement

Reading the Tea Leaves: How will the Court Respond?

- Courts will prefer transferring cases over dismissing cases (which could affect past damages)
 - Judge Payne issued an Order stating such a preference
- The Federal Circuit opinion—*In re Cordis*—will likely play a big part in determining what constitutes a “regular and established place of business”
 - The Court could likely analyze the second prong of §1400(b) under a heightened personal jurisdiction standard
 - One sale is likely no longer sufficient
 - Brick and mortar business is likely not necessary
- Scope of discovery on venue, including alter ego allegations, could prove to be onerous on defendants and very expensive for both sides
- Courts will also have to address damages issues presented when only certain parents, subsidiaries or affiliates are sued

LIKELY IMPACT OF THE SUPREME COURT RULING ON
THE US DISTRICT COURT FOR
THE DISTRICT OF DELAWARE

Delaware: why we expect a significant uptick in patent cases post-*TC Heartland*

- Delaware is already the second busiest district in the country
- 64% of Fortune 500 are Delaware companies
- District Court in Delaware has earned a reputation for efficient, timely, and skillful handling of IP cases
- District is viewed as plaintiff friendly (41% success rate, \$16.2M median damages award, and 2.1 years time to trial in 1997-2016)
 - *Idenix Pharm.* award of \$2.54 billion in December 2016

LIKELY IMPACT OF THE SUPREME COURT RULING ON
THE US DISTRICT COURT FOR
THE NORTHERN DISTRICT OF CALIFORNIA

ND CAL: The Hub of Technological Innovation

The Northern District is a principal place of business for many technology-focused companies, and as such, likely to experience an upswing in patent case filings.



ND Cal: Venue Considerations

The Northern District has been one of the most popular districts for patent infringement litigation for the past two decades.

Patent Local Rules

- Govern key issues in patent cases, such as case management, infringement, invalidity, damages, claim construction, opinions of counsel, and amending infringement or invalidity contentions.
- Local Patent Rule 1-3 provides judges with discretion to modify parties' obligations and deadlines in the patent rules based on the particular facts of the case.

Patent Pilot Program

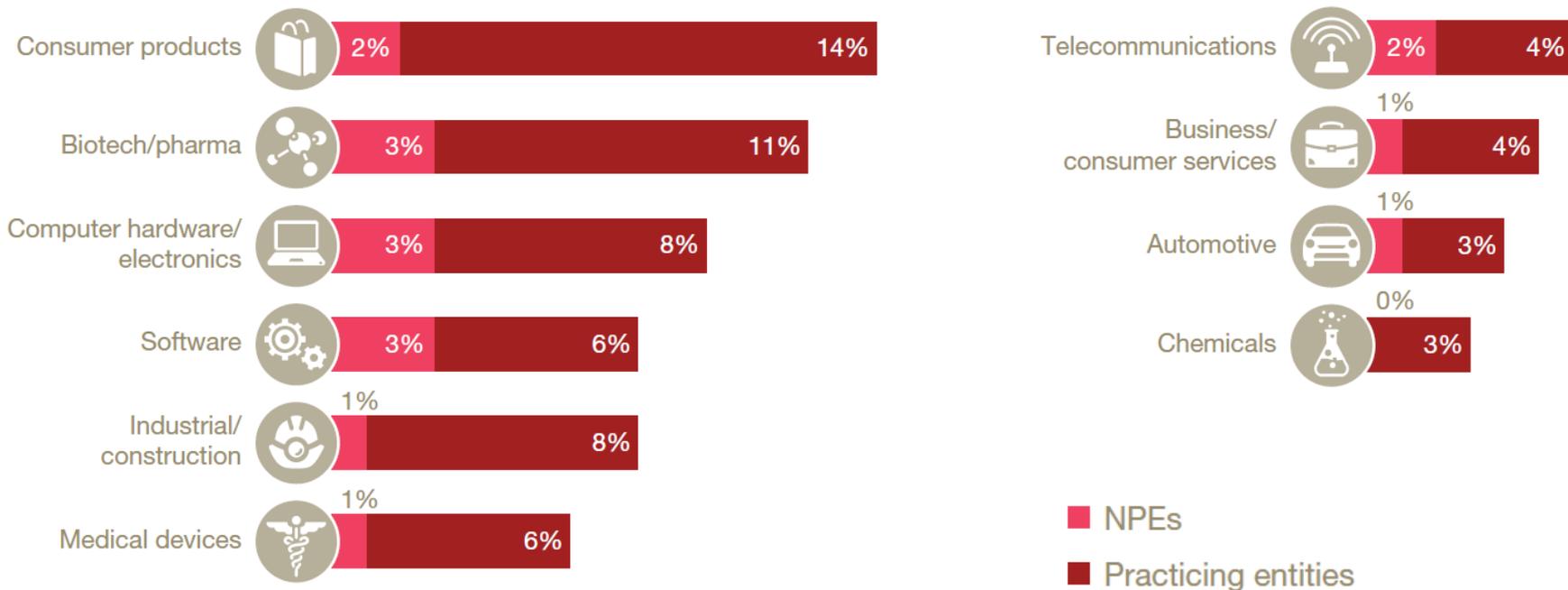
- Four ND Cal judges participate in the national Patent Pilot Program
- 95% of active and senior judges have been assigned at least one patent case.

ND CAL: A Traditionally Defendant-Friendly Forum

District	Median Time-to-Trial	NPE Success Rate	Overall Success Rate	Median Damages Award
E.D. Tex.	2.3 years	49%	54%	\$9,948,569
D. Del.	2.0 years	27%	41%	\$16,162,113
C.D. Cal.	2.3 years	22%	27%	\$3,066,008
N.D. Cal.	2.8 years	14%	26%	\$5,402,099
Other Districts	2.4 years	21%	33%	\$5,783,407

ND CAL Likely to Experience a Dramatic Upswing in Filings

Distribution of Cases for Top Ten Industries: 1997-2016



LIKELY IMPACT OF THE SUPREME COURT RULING ON
THE US DISTRICT COURT FOR
THE NORTHERN DISTRICT OF ILLINOIS

NDIL: Venue Considerations for Plaintiffs Who Historically Favored EDTX

- **Pros**

- Strong basis for venue under Section 1400
- Well established Local Patent Rules and Patent Panel Judges
- History of substantial verdicts

- **Cons**

- Interactive local practice (*i.e.* status and motion call in-person appearances required)
- Long time to trial – averaging 3 to 4 years – that is highly variable by Judge
- Strong summary judgment practice
- Lower overall success rate

NDIL: Takeaways

- **Takeaways**

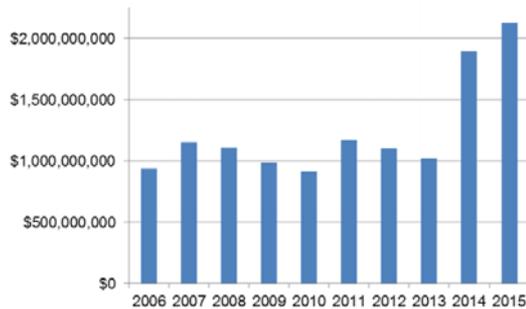
- Patent cases in the Northern District of Illinois are likely to increase
- However, NDIL is not as favorable to plaintiffs who previously filed in the EDTX as jurisdictions that have faster time to trial, rely less on summary judgment practice, and require fewer in-court appearances

LIKELY IMPACT OF THE SUPREME COURT RULING ON
THE US DISTRICT COURT FOR
THE DISTRICT OF MASSACHUSETTS

District of Massachusetts: Why we expect an uptick in patent cases post-TC Heartland

- In 2000, there were 4 times the number of patent cases filed in D. Mass. as in E.D. Tex.
 - Though that number changed with the rise of litigation in E.D. Tex., the underlying factors making Massachusetts a desirable place to litigate patent cases did not.
 - Many science and technology companies have their principal place of business in Massachusetts.
- Massachusetts is supported by a “super cluster” of universities, research institutions, and hospitals and has remained a hub of innovation, particularly in the life science and pharmaceutical industries.

Investment in Massachusetts Biotech Companies, 2006-2015



Investment in MA Biotech companies has continued to grow

Seven of the top 15 NIH funded independent hospitals are in Massachusetts

Organization	City	State	Awards	Funding
Massachusetts General Hospital	Boston	MA	769	\$350,848,744
Brigham & Women's Hospital	Boston	MA	639	\$333,214,883
Children's Hospital Corporation	Boston	MA	319	\$137,431,827
Dana-Farber Cancer Inst.	Boston	MA	220	\$125,295,828
Children's Hospital of Philadelphia	Philadelphia	PA	202	\$114,023,148
Beth Israel Deaconess Medical Center	Boston	MA	236	\$112,741,707
Cincinnati Childrens Hosp Med Ctr	Cincinnati	OH	257	\$98,324,805
St. Jude Children's Research Hospital	Memphis	TN	94	\$66,612,466
New York State Psychiatric Institute	New York	NY	93	\$44,789,229
Cedars-Sinai Medical Center	Los Angeles	CA	95	\$41,464,366
Seattle Children's Hospital	Seattle	WA	84	\$38,150,472
National Jewish Health	Denver	CO	56	\$35,256,665
Boston Medical Center	Boston	MA	78	\$30,632,865
Roswell Park Cancer Institute Corp	Buffalo	NY	67	\$28,371,593
McLean Hospital	Belmont	MA	83	\$26,164,845



In 2016, GE announced that it was moving its headquarters to Boston.

District of Massachusetts: Patent Practice and the Local Rules

- November 4, 2008, D. Mass adopted local rule 16.6, "Scheduling and Procedures in Patent Infringement Cases," designed to make trying patent cases in Massachusetts easier and more desirable.
 - The Rule outlines "Additional Items for Consideration by the Court and the Parties" and requirements for a jointly submitted scheduling order.
- As the public notice of the rule stated, the rule was developed to "help provide certainty and order to patent litigation and are intended to be neutral as between patentee and accused infringer."

District of Massachusetts: Venue Considerations

- Judge Young, of the District of Massachusetts, was one of the most active district court judges in the country from 1996 to 2015 in the number of patent cases he took, though he has one of the lowest median damages awards for patent cases.
- Massachusetts is on the higher end of the spectrum for time to trial, with an average of 3.6 years for patent cases, as compared to 2.0 in Delaware or 2.3 in Texas Eastern.



District of Massachusetts: Venue Considerations

- A 2010 study by Mark Lemley found that 6.2% of patent cases in D. Mass. went to trial, placing D. Mass. in the top 5 nationwide.
- Studies of claimant win percentage generally place Massachusetts in the middle of other significant patent venues.
 - The Lemley study also placed D. Mass. (39.4%) in between E.D. Tex. (40.3%) and D. Del. (45.3%) on the one hand and N.D. Cal (26.0%), and C.D. Cal. (36.3%) on the other hand in terms of claimant win percentage.
 - A more current study yielded similar findings, with an “overall success rate” of 30% for D. Mass. in between E.D. Tex. (54%) and D. Del. (40%) on the one hand and S.D. Cal., N.D. Cal (26%), and C.D. Cal. (27%) on the other

District of Massachusetts: Takeaways

- Massachusetts is more neutral than some other significant patent districts.
- Its predictability in terms of scheduling and experienced judges, however, might make it a desirable location for established businesses in patent disputes.



BIOGRAPHIES

Biography



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Andrew J. Gray IV concentrates his practice on intellectual property (IP) litigation and prosecution and on strategic IP counseling. Andrew advises both established companies and start-ups on computer and Internet law issues, financing and transactional matters that involve technology firms, and the sale and licensing of technology. He represents clients in patent, trademark, copyright, and trade secret cases before state and federal trial and appellate courts throughout the United States, and before the US International Trade Commission.

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David Levy focuses his practice on high-stakes commercial and intellectual property disputes. He also counsels clients on litigation avoidance and crisis management. With more than two decades' experience as a trial and appellate lawyer, he has represented technology, financial services, energy, insurance, manufacturing, and retail clients in US federal and state courts, and before US and international arbitration tribunals. He previously co-chaired the international litigation and Asia-Pacific practices at an international law firm. David now leads Morgan Lewis's litigation practice in Houston.

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A former United States Attorney, Colm F. Connolly helps companies and individuals faced with complex legal issues across a wide spectrum of subject matters. A fellow of the American College of Trial Lawyers and a member of the American Law Institute, Colm is a seasoned litigator with a national reputation for his courtroom advocacy. Colm has tried dozens of cases in federal and state courts and has argued more than a dozen times before the US Courts of Appeals for the Second and Third Circuits and the Delaware Supreme Court. His practice includes complex commercial and intellectual property litigation, white collar criminal matters, and corporate investigations. He is Managing Partner of the Wilmington office.

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Patent litigator Michael Lyons leads the Silicon Valley litigation practice and brings more than 20 years of experience to his intellectual property (IP) rights practice. In 2014, he obtained a substantial verdict in California for the Alfred E. Mann Foundation in a patent infringement action against Cochlear that resulted in an approximate \$131.2 million damages award. Michael's patent, copyright, trade secret, and other technology-focused litigation involves tools that range from video streaming and consumer electronics' circuit architecture to medical devices.

Biography



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With a background in chemistry, Amanda Williamson focuses her practice on litigating patent infringement disputes and related antitrust and breach of contract matters. She handles all phases of litigation from inception through trial and post-trial appeals. Amanda has represented clients in complex patent litigation in US District Courts and in 337 investigations before the United States International Trade Commission. In addition, she is also registered to practice before the United States Patent and Trademark Office.

Biography



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Joshua M. Dalton is a pre-trial, trial, and appellate lawyer in intellectual property litigation and the co-chair of the firm's trademark, copyright, advertising & unfair competition litigation practice. He represents a wide variety of clients in trademark, patent, copyright, trade dress, false advertising, and trade secret matters. Josh has appeared in courts throughout the United States as well as before the Trademark Office and Trademark Trial and Appeal Board.

Our Global Reach

Africa
Asia Pacific
Europe
Latin America
Middle East
North America

Our Locations

Almaty	Dallas	London	Paris	Shanghai*
Astana	Dubai	Los Angeles	Philadelphia	Silicon Valley
Beijing*	Frankfurt	Miami	Pittsburgh	Singapore
Boston	Hartford	Moscow	Princeton	Tokyo
Brussels	Hong Kong*	New York	San Francisco	Washington, DC
Chicago	Houston	Orange County	Santa Monica	Wilmington



Morgan Lewis

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THANK YOU

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