

Trends to watch in US district courts

Natalie Rahhal and **Michael Loney** analyse the top plaintiffs, defendants and law firms in the first half of 2017, and identify some trends to watch in the second half including how NPEs and the ITC will be affected by *TC Heartland*



In the first half of 2017, *TC Heartland* became the talk of the town among US patent litigators. Many of the most unsettled questions of patent law moving into the second half of the year will stem from the Supreme Court's May 2017 decision. At the half year mark for 2017, 2317 patent litigation suits had been filed in district courts – a 1.4% increase over the 2286 cases in the first half of 2016, according to figures taken from the Docket Navigator database. In July, a further 381 cases were filed in district courts.

According to figures pulled from the Docket Navigator database, Uniloc was the busiest plaintiff, with 47 lawsuits. This followed it being the second-busiest plaintiff in the whole of 2016, with 87 suits, behind only Shipping & Transit's 119. Shipping & Transit filed no lawsuits in the first half of this year, and it also recently was hit with attorneys' fees in two different cases.

Hybrid Audio filed 35 cases in the first half of 2017, placing it in joint second place for the first half with Pfizer. Hybrid Audio is a relative newcomer, having filed 10 cases in the whole of 2016, and only two before that. Also filing more than 20 suits in the first half were Symbology Innovations, Biogen, Sportbrain Holdings, Bristol-Myers Squibb and Blackbird Tech. Non-practicing entities (NPEs) Symbology Innovations, Sportbrain Holdings and Blackbird Tech are familiar names, having featured high in the 2016 rankings of top plaintiffs.

A drain on Delaware

The list of top plaintiffs and defendants includes only one post-*TC Heartland* month, so it is too early to read much into how individual entities have been affected. However, it is clear that filings in the Eastern District of Texas are down since *TC Heart-*

land. Delaware has dethroned the Eastern District of Texas as the most popular venue for patent litigation since *TC Heartland*, but the district may struggle to keep up with the increase in what was already a busy docket.

The district is now down to just two active judges, a result of "blind dumb luck", says Ken Adamo, partner at Kirkland & Ellis in Chicago. The influx of cases to the District of Delaware following the *TC Heartland* decision was widely anticipated, but the timing was perhaps unfortunate. Judges Sue Robinson and Gregory Sleet both took senior status earlier this year, leaving only Chief Judge Leonard Stark and Judge Richard Andrews to man the Delaware bench.

Between May 22 and June 30 this year (following *TC Heartland*), 125 patent cases were filed in the District of Delaware. In the same period of 2016, some 80 cases were filed. This means Delaware filing is up 56% this year for the period, with fewer permanent judges to hear cases. "That's going to have an effect and slow everybody down," says Adamo.

In response, Stark asked for, and was given, four additional judges from the Eastern District of Pennsylvania to help the Delaware court keep up with its case load. The four visiting judges have not handled nearly the volume of patent cases that Delaware judges have. Only 14 patent cases are listed as filed before Mitchell Goldberg, who became a judge in 2003, in the Eastern District of Pennsylvania. Eight were filed before Judge Gerald McHugh, seven before Judge Mark Kearney, and 22 before Senior Judge Eduardo Robreno. Meaning, collectively, those judges have had fewer patent cases in their careers than the 65 cases that have been filed before Judge Stark, alone, since the *TC Heartland* decision (as of July 26 2017). So, understandably, "none of those four guys know much about patent cases," says Adamo.

The end of the PTAB as we know it?

The first half of 2017 was a record for PTAB filing – the 1,033 petitions in the half beat the previous record of 954 petitions in the second half of 2015. This year's figures were helped by the largest quarter on record, with 566 petitions in the first three months. The second quarter's 467 petitions placed it as the 6th-busiest quarter for filing on record. The half had a strong finish, with 206 petitions in June – the second highest figure of 2017 to date. The month included seven post-grant review petitions for the second month in a row. This is the highest monthly figure of PGR filing. The month was also notable for total PTAB petitions passing the 7,000 mark while inter partes review (IPR) petitions passed the 6,500 mark, ending the month on 7,167 and 6,576, respectively.

June also saw two threats to the existence of the PTAB. First, the US Supreme Court granted cert to *Oil States Energy Services v Green's Energy Group* to assess whether IPR violates the Constitution by not providing a jury trial. Second, the STRONGER Patents Act was introduced in the US Senate and would make the PTAB "more fair and efficient", according to Senator Christopher Coons, one of the bill's sponsors. It would do this through provisions including instilling a presumption of validity in proceedings, changing the burden of proof to clear and convincing from a preponderance of evidence, limiting IPR challengers to only parties that have been sued and barring more than one challenge of a claim of a patent ever.

First-half 2017 top petitioners

Petitioner	Petitions
Comcast	45
Facebook	33
Samsung Electronics	30
Apple	28
HTC	23
Google	20
Microsoft	20
T-Mobile	20
Intel	18
Nokia Solutions and Networks	18

First-half 2017 top patent owners

Patent owner	Count
Rovi	44
Huawei Technologies	26
Godo Kaisha IP Bridge 1	24
Uniloc	23
Genentech	22
Allergan	18
Alacritech	16
Intellectual Ventures II	16
Realtime Data d/b/a IXO	15
Schlumberger Technology	15

First-half 2017 top petitioner law firms

Law firm	Petitions
Banner Witcoff	47
Baker Botts	46
Cooley	41
Fish & Richardson	40
Wilmer Cutler Pickering Hale & Dorr	40
Finnegan Henderson Farabow Garrett & Dunner	38
White & Case	31
Weil Gotshal & Manges	30
Alston & Bird	28
Quinn Emanuel Urquhart & Sullivan	28

First-half 2017 top patent owner law firms

Law firm	Petitions
Ropes & Gray	56
Fish & Richardson	55
Quinn Emanuel Urquhart & Sullivan	37
Fitch Even Tabin & Flannery	31
Oblon McClelland Maier & Neustadt	29
Alston & Bird	26
Finnegan Henderson Farabow Garrett & Dunner	25
Irell & Manella	25
Etheridge Law Group	21
Intellectual Ventures	21

The ITC's appeal

Slow-downs in expert, but overburdened, jurisdictions such as Delaware may lead plaintiffs to the International Trade Commission (ITC) when they "want to move quickly and want a sophisticated bench", says Steven Moore, a partner with Kilpatrick Townsend in San Francisco. For better or worse, "one reason people tend to like courts like the Eastern District as plaintiffs is that they move cases relatively quickly, and the judges there do really know [patent] law," says Moore. "The same is true at the ITC," where much of administrative law judges' dockets are patent cases, he adds.

This is old news to Adamo, who refers affectionately to the ITC as "the cat's pyjamas for patent cases". The ITC is also seen to offer a better, faster chance at exclusion or cease-and-desist orders, its equivalent to injunctive relief. Recent case law, such as a ruling by Administrative Law Judge Mary Joan McNamara in March, has suggested that licensing programmes may satisfy the "technical" component of the domestic industry requirement. McNamara determined that Silicon Genesis satisfied the requirement because a company that licensed its patents has a domestic industry. But what "degree of licensing or research and development qualify for domestic industry," is unanswered and

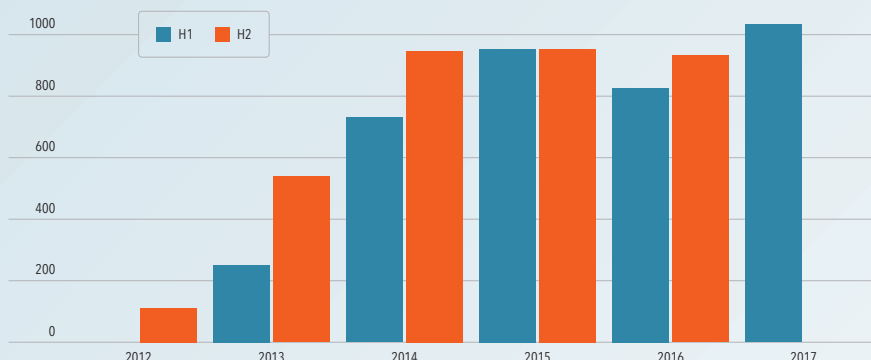
"important, because that sets how wide the gates are thrown open to ITC complainants," says Moore.

Gilstrap's "reprehensible" test

Whether NPEs will be able to satisfy the venue requirement through the "regular and established place of business" prong of the statute remains to be seen. Judge Rodney Gilstrap of the Eastern District of Texas articulated a four-factor test in *Raytheon v Cray* that some lawmakers have criticised as too lenient. The decision has been appealed to the Federal Circuit on writ of mandamus and is being closely watched.

At a House Judiciary Committee hearing on the "Impact of Bad Patents on American Businesses" on July 12, Representative Darrell Issa accused Judge Gilstrap, in recent decisions, of having "interpreted the *TC Heartland* decision in a way that rejects the Court's unanimous decision and, at least for the time being, ensures that as many of the cases as possible will remain in his courtroom". Issa accused Gilstrap, who has the largest patent docket in the US, of abusing his judicial power for the economic benefit of "the community that Gilstrap represents, to the hotels, to the law firms – it does

PTAB filing by half year



The STRONGER Patent Act includes a number of provisions revamping inter partes reviews (IPRs) and post-grant reviews at the PTAB. Their impact would be to greatly diminish the PTAB's role.

"The new bill, like its predecessor, proposes significant modifications to the patentability trial mechanisms of America Invents Act (AIA)," said Scott McKeown, a partner of Ropes & Gray (formerly at Oblon), on the Patents Post-Grant blog. "These modifications, if adopted, would for all practical purposes end AIA trial proceedings at the [PTAB] – the apparent goal of the organisations backing this legislative effort."

"For roughly a decade now, we have seen a steady weakening of patent rights in the US, undermining the ability of inventors to protect their innovations from infringement from large corporations and for-

eign entities," commented Brian Pomper, executive director of Innovation Alliance, which is a coalition of technology companies including Digimarc, Dolby Laboratories and Qualcomm. "The STRONGER Patents Act says 'enough is enough' and ensures that patent rights are protected as a fundamental underpinning of our innovation economy."

Groups that lobby against what they see as abusive patent litigation are worried about the potential weakening of the PTAB. The Electronic Frontier Foundation's Daniel Nazer commented in a blog post that the bill "contains many terrible ideas". "It would gut inter partes review (a valuable tool for challenging bad patents)," wrote Nazer.

The bill includes non-PTAB related provisions that would restore the presumption of injunctive relief upon finding a patent is valid and infringed, elim-

inate USPTO fee diversion and target "rogue and opaque letters".

The stakes in Oil States

In *Oil States Energy Services v Green's Energy Group*, the Supreme Court will decide whether IPR "violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury".

Were the Supreme Court to find IPRs unconstitutional it would cause an unprecedented mess. As Harness Dickey's Gregory DeLassus noted in an analysis: "Suffice it to say, the outcome in this case could be huge. If the Court reverses the CAFC (and the Court usually reverses the CAFC when it takes certiorari), then the entire IPR system could be dismantled at a stroke."

In a speech at the Patents for Financial Services Summit in New York in July, Joseph Matal, who is performing the functions of the USPTO director following Michelle Lee's resignation in June, was bullish about Oil States. "We are going to win that one," said Matal. "It's going to be a 9-0 decision. There is nothing constitutionally infirm about PTAB proceedings. The Supreme Court has long recognised that an expert agency can apply its own knowledge to review its own decisions. And few agencies meet that test better than does the PTO reviewing the validity of its own patents. So you heard it here first!"

not serve justice and is in fact an act that I find reprehensible by that judge".

Committee chairman Bob Goodlatte (R-Va) also commented: "This decision was expected to lead to a sharp reduction in cases being filed in one particular district in Texas that seems skilled at attracting patent trolls. Unfortunately, one judge in this district has already re-interpreted both the law and the unanimous Supreme Court decision to keep as many patent cases as possible in his district in defiance of the Supreme Court and Congressional intent."

Gilstrap laid out four factors "gleaned from prior courts and adapted to apply in the modern era" for determining whether an entity had a regular and established place of business. They are physical presence, defendant's representations, benefits received and targeted interactions with the district.

This four-factor test for "regular and established place of business" makes up the first case law on the question since *TC Heartland*. According to that test, Gilstrap ruled that Cray did in fact have a regular and established place of business in the Eastern District.

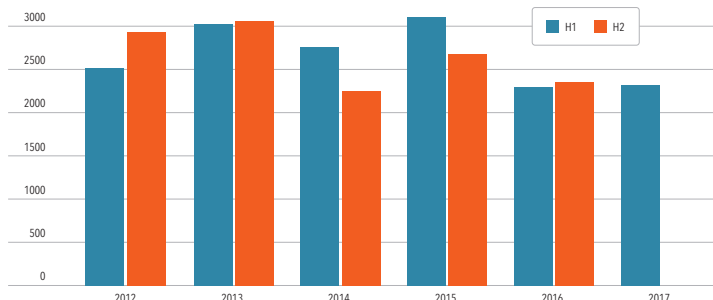
Michael Smith, who writes the Eastern District of Texas blog, represented Cray and told Managing IP that, while he and his

client may not agree with the judge's ruling, "Gilstrap's actions in this case demonstrate outstanding judicial management". Smith argues that reactions to the order such as Issa's are too extreme. He believes that Gilstrap's motives were apolitical, and that the judge doesn't have the final word on venue. Instead, Smith says Gilstrap "was setting out what he understood the (very confused) law on this point" to be. Smith believes it is a landmark ruling but that it won't control a single case, beyond the case it was written in, until people see whether it survives appeal.

The test has confused some. At the Patents for Financial Services Summit in New York in July, interim USPTO director Joseph Matal called Gilstrap's four factors "a very interesting test". He added: "The first factor is whether you have a place of business there – in other words the actual test itself is one of the factors!" He said the second and third factors are "interesting things I might consider if I were drafting a statute – I don't know what it has to do with the existing statute". He added the fourth one would apply to "a lot of folks".

At the same event, Kimberly Mottley, partner in Proskauer's litigation department, also noted some uncertainties with Gilstrap's test, especially with the third and fourth factors. "Benefits received from this district is where it gets interesting for me

US district court patent litigation by half



Top plaintiffs in cases filed H1 2017

Defendant	Count
Uniloc	47
Hybrid Audio	35
Pfizer	35
Symbology Innovations	33
Biogen	30
SportBrain Holdings	27
Bristol-Myers Squibb	26
Blackbird Technologies	21
Express Mobile	17
Guyzar	17

Top plaintiff law firms in cases filed H1 2017

Law firm	Count
Devlin Law Firm	103
Ferraiuoli	84
Morris Nichols Arsht & Tunnell	78
Farnan	62
Stamoulis & Weinblatt	61
Kizzia Johnson	58
Russ August & Kabat	57
Chaudhari Law	54
Finnegan Henderson Farabow Garrett & Dunner	53
Corcoran IP Law	50

Top defendants in cases filed H1 2017

Defendant	Count
Teva	29
Apple	21
Mylan Pharmaceuticals	16
Samsung Electronics America	17
Amneal Pharmaceuticals	13
Lenovo	13
Amazon	12
LG	12
ZTE	12
Google	11

Top defendant law firms in cases filed H1 2017

Law firm (as of July 17)	Count
Gillam & Smith	73
Fish & Richardson	56
Morris Nichols Arsht & Tunnell	35
Phillips Goldman McLaughlin & Hall	30
Perkins Coie	27
Potter Minton	27
Shaw Keller	24
Winston & Strawn	21
Young Conaway Stargatt & Taylor	21
Potter Anderson & Corroon	20

because it really starts to sound like personal jurisdiction,” she said. “He said revenue from sales being made in the district weighs in favour of venue being appropriate, and that feels more like a personal jurisdiction inquiry. Same with the fourth factor—targeted interactions with the district. Again, that starts to bleed back into personal jurisdiction enquiries as opposed to looking at what a regular and established place of business is.”

Consensus growing around TC Heartland

Proskauer’s Mottley noted that “consensus that is growing that TC Heartland is not a change in the law”. The Supreme Court in *TC Heartland* held that, as applied to domestic corporations,

“reside[nce]” in § 1400(b) refers only to the state of incorporation. This returned the patent venue guidelines to that established in 1957 in *Fourco Glass v Transmirra*. Mottley said: “It is hard in some respects to say this is a change in the law when the Supreme Court says that, ‘We are just saying the same thing we said in 1957, nothing has changed.’”

The Eastern District of Texas has indicated it thinks there is no change in the law in several cases since the ruling, as have the Northern District of Texas, the Eastern District of Virginia, the Northern District of Illinois, the Southern District of California and the District of Massachusetts.

While a consensus is building, however, it is not unanimous. The Western District of Washington has ruled there was a change in the law. In addition, Federal Circuit Judge Pauline Newman in a dissent of a denial of the defendant’s mandamus petition in *Cobalt Boats v Sea Ray* on June 9 stated: “There is little doubt that the Court’s decision in [*TC Heartland*] was a change in the law of venue.”

“Some courts have found it to be a change in the law because the reality is that all of us were operating under *VE Holdings* for 27 years,” said Mottley. “There is no way any district court was going to move a case based on *Fourco* with *VE Holdings* being the Court’s decision on venue. It just wouldn’t have worked.”

If *TC Heartland* is interpreted as not changing the law, waiver becomes a big issue. “Venue is a waivable issue,” said Mottley. “With no change in the law, most courts will look at whether you preserved the issue at the outset of the case and most defendants haven’t.” Mottley said transfer motions had been “kind of a mixed bag”, but with “many more denied than granted”.

While the Supreme Court clearly ruled that the first prong of the patent venue statute, Section 1400(b), – “Any civil action for patent infringement may be brought where the defendant resides” – refers to the state of the defendant’s state of incorporation, it did not address the second prong of the statute. This leaves up for interpretation the meaning of “where the defendant has committed acts of infringement and has a regular and established place of business”.

“Why this is such an unknown at this point is it hasn’t been litigated for the past 27 years because we didn’t have to,” said Mottley. “We were all living in a world where personal jurisdiction was all that mattered. The cases preceding that were all over the map. Circuits were at odds with each other, nothing was harmonised. So this is a novel issue. Certainly brick and mortar operations are going to suffice but we don’t live in a world where business is necessarily done via brick and mortar operations anymore. So there will be a lot of litigation around what matters for ‘regular and established place of business.’”

She said this throws up questions such as: what happens when one sales person in a company resides in the state? Is it fair to only look at brick and mortar operations when a company has an online presence through which it does business? And what tests are the courts going to look to for evaluating whether there is a regular and established place of business?

Read more about recent trends in US patent litigation and the PTAB online at managingip.com