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Patent Venue Wars: Episode 1 — 1st And 2nd Circs.

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Proper venue in patent cases is a much debated topic both inside and outside the courtroom. Last year, over 20 amici urged the Federal Circuit to overturn a 25-year-old case[1] that gives patent plaintiffs wide latitude to bring suit in any venue that a defendant has minimal contacts with, the Senate considered a bill that would limit venue in patent cases significantly, and a survey showed that during the first half of 2015, 44 percent of all patent litigation filed in the 94 U.S. district courts were filed in one district[2] whose population represents about 1 percent of the United States.[3] These activities reflect the unique importance of venue in patent litigation, a topic near and dear to our hearts.

Absent intervening law from Congress, the Federal Circuit or the U.S. Supreme Court, motions to transfer venue pursuant to 28 U.S.C. §1404 will continue to be an integral feature of patent litigation practice. This article is the first in a series that builds on our how-to publication of a year ago, "How to Get Out Of Dodge: Patent Venue Transfer Strategies," and examines recent Section 1404 trends in various regional circuits, with particular attention to prominent patent litigation venues.

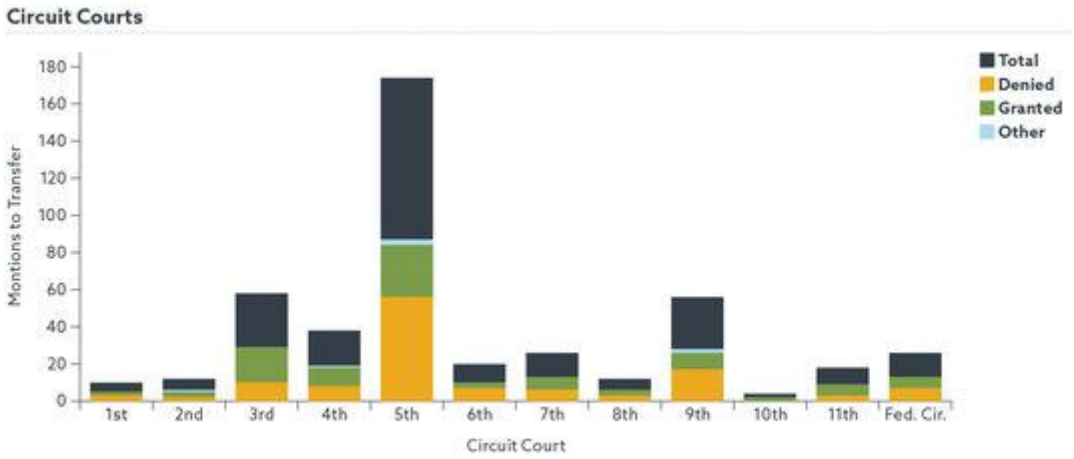
A Brief Introduction

Prior to enactment of 28 U.S.C. §1404 in 1948, dismissal pursuant to the common law doctrine of forum non conveniens was the mechanism for protecting defendants hauled into court in an unduly burdensome forum. Section 1404 is based in large part on the forum non conveniens doctrine, and as a result, some circuit courts of appeal continue to strictly apply pre-1404 forum non conveniens precedent to section 1404 transfer motions. Others courts have adapted their Section 1404 jurisprudence in recognition of Congress' intent to make it easier to obtain a Section 1404 transfer than to obtain dismissal under the common law.[4]

Circuit law disparities are most pronounced on the question of what weight should be given to plaintiff's

choice of forum. Some circuits continue to place paramount importance on plaintiff's venue preference, while others disregard plaintiff's preference almost entirely.[5] The amount of weight carried by a plaintiff's choice of forum is especially important patent litigation. Patentee plaintiffs tend to file cases in a select number of judicial districts known for fast case management schedules and high damages awards, while accused infringers often file declaratory judgment actions on their home turf. Patent litigation also frequently involves cases brought by nonpracticing entities, some of which lack significant connections to any forum but nevertheless may have legitimate interests in choosing one forum over another.

Circuit law disparities arising from Section 1404's common law roots clearly persist — at least on paper. But do they really matter? Our review and analysis of transfer opinions in patent cases during a 20-month period in 2014 and the first half of 2015 yields some surprising results.[6] Spoiler alert: The circuit with the easiest legal standard for winning transfer motions is not the circuit with highest motion to transfer success rate.



Cognizant of Mark Twain's wise words on the value of statistics,[7] we pause to note the limits of our sample size. In total, we reviewed 227 opinions deciding motions to transfer in patent cases, which we defined as cases in which one party sought a judgment of infringement, noninfringement, or invalidity. In some circuits, there were very few transfer motions decided during our window of examination — so please take the Tenth Circuit's 100 percent transfer motion success rate with a grain of salt.

We also note that inordinately high volumes of transfer motions filed in a few select jurisdictions make comparative analysis inherently skewed. Nevertheless, we gleaned some interesting information from our survey that we hope will be of use to you. We begin in the First and Second Circuits.

The First Circuit

At a Glance

The First Circuit encompasses Connecticut, Maine, Massachusetts, New Hampshire, Puerto Rico and Rhode Island. The District of Massachusetts is the hottest patent venue in the First Circuit, perhaps due in part to a relatively high overall success rate for patentees (32 percent).[8] According to PriceWaterhouseCooper's 2015 Patent Litigation Study, the District of Massachusetts has had the seventh most nonpracticing entity patent cases since 1995, and NPEs are successful in the District of Massachusetts 18 percent of the time.

Under First Circuit law, district courts consider the familiar Gulf Oil convenience factors in light of a "strong presumption" in favor of the plaintiff's chosen forum.[9] A common articulation of the First Circuit's transfer standard is as follows:

A district court may, in its discretion, transfer a civil action to any other district where it might have been brought. The burden is on the moving party to show that transfer is warranted. In considering whether to grant a motion to transfer venue, a district court should consider

1. the convenience of the parties,
2. the convenience of the witnesses,
3. the relative ease of access to sources of proof,
4. the availability of process to compel attendance of unwilling witnesses,
5. cost of obtaining willing witnesses, and
6. any practical problems associated with trying the case most expeditiously and inexpensively.

There is a strong presumption in favor of the plaintiff's choice of forum. The moving party must establish that private and public interests weight heavily on the side of trial in the foreign forum.[10]

Where multiple related actions are pending, First Circuit courts also consider the order in which jurisdiction was obtained by the district court and the possibilities of consolidation.

A Closer Look

We located five First Circuit opinions adjudicating Section 1404 transfer motions in patent cases during our window of examination. Three of the five opinions denied transfer motions, and two of these three denials involved declaratory judgment actions filed by local companies against NPEs. NPEs were also on the losing side of the ledger in the two opinions granting transfer.

Two cases out of the District of Massachusetts turned on the first to file rule, and another involved a declaratory judgment action in which the court denied transfer on the grounds that it would merely shift inconvenience from one party to another. Two decisions out of the District of Puerto Rico involved parallel NPE litigation in which two different courts granted motions to transfer, finding that the convenience was greater in the transferee venue, notwithstanding that plaintiff was a Puerto Rico based company whose one employee would be inconvenience by the travel to the transferee forum.[11]

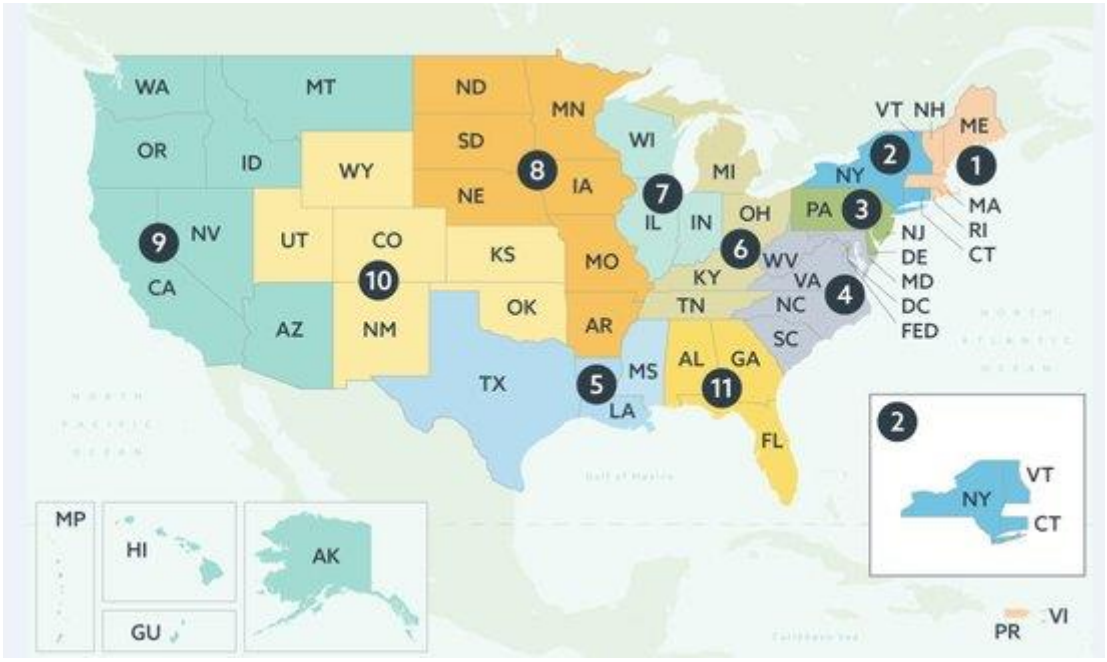
While there was nothing particularly unusual or surprising about the First Circuit cases we reviewed, there are a few interesting facts of note. First, in the two declaratory judgment actions involving NPEs, the district court's reasoning suggests that an NPE cannot overcome the strong presumption in favor of plaintiff's chosen home forum where the NPE lacks a real connection to the proposed transferee forum other than a history of filing lawsuits there. In both cases, the NPEs had related litigation pending in the proposed transferee forum, but this factor was insufficient to warrant transfer.

Second, in the two cases in which the district courts granted transfer, the district courts required both parties to submit anticipated witness lists to aid in adjudication of the transfer motion. These witness lists permitted the moving defendants to overcome the strong presumption in favor of the plaintiffs' chosen forum — perhaps because the NPE plaintiffs could not demonstrate a significant number of witnesses in their home forums to counter the witness lists submitted by the defendants.

Third, recent First Circuit opinions suggest that the first to file rule, while potentially a significant factor, may not overcome a plaintiff's choice of forum where, in the court's exercise of its discretion, the balance of 1404 convenience factors do not strongly favor transfer. Indeed, in one case, the court also found that, despite the presence of nine parallel actions pending in the Eastern District of Texas, including one against the plaintiff, the 1404(a) factors did not outweigh strong presumption in favor of plaintiff's choice of forum.[12]

Finally, it is worth noting that NPE's were the losing parties in four out the five patent venue opinions issued in 2014 and 2015. Despite the fact that at least one district court expressly rejected the notion that NPE status is a significant factor in the transfer analysis,[13] it appears that district courts in the First Circuit (at least in Puerto Rico and Massachusetts) are sensitive to the practical realities of NPE litigation.

The Second Circuit



At a Glance

The Second Circuit is home to Connecticut, Vermont and New York. According to the PWC report, the Southern District of New York is the 10th most favorable judicial district for patent holders and ranks third in volume of NPE litigation.

The Second Circuit courts frame the venue analysis slightly differently than other circuits, but there is room for debate as to whether it is any more difficult to obtain transfer under Second Circuit law. The Second Circuit formally gives district courts considerable discretion on an individualized, case by case consideration of convenience and fairness, which typically involves consideration of the following nonexclusive list of factors:

1. the plaintiff's choice of forum,
2. the convenience of witnesses,
3. the location of relevant documents and relative ease of access to sources of proof,
4. the convenience of parties,
5. the locus of operative facts,
6. the availability of process to compel the attendance of unwilling witnesses, [and]
7. the relative means of the parties.[14]

In the Second Circuit, the plaintiff's choice of forum is presumptively entitled to "substantial deference and unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed."[15] However, where the plaintiff is not a corporation of or resident in the transferor district, the deference accorded is diminished, and if the transferor venue is not the place where the operative facts occurred, the deference given may be slender. While the Second Circuit does not consider defendant's choice of venue like other circuits do, such as the Third Circuit, defendant's choice

is often subsumed in the consideration of other factors (such as witness convenience).

A Closer Look

We found only five opinions granting or denying transfer under Section 1404 in the Second Circuit during our window of examination. Three of the cases granted transfer, and two denied transfer. One of the transferred cases involved a situation where plaintiff filed suit against the same defendant in two fora and, because the case filed in the first forum was already set for trial and the defendant was not objecting to jurisdiction there. In granting the motion, the court found it unnecessary to discuss any of the other factors in its determination.

The two other cases where transfer was granted generally involved facts where defendant identified specific witnesses and the nature of their testimony, both party and nonparty witnesses, and the plaintiff did not (or could not). One of the cases transferred involved circumstances where there remained other cases filed by the NPE plaintiff in the transferor district, but there also was a case that had previously been transferred to the same transferee venue, and thus not only judicial economy but the transferee court's familiarity with the patent in suit and relevant patent law issues were two factors found to favor transfer.[16] This case stands out because most courts consider the factor regarding familiarity with the law neutral in patent cases (absent a state law based claim).

With respect to the two cases denying transfer, the courts typically found that the defendants failed to carry their burden with respect to identifying specific witnesses and the relevance of their testimony, in light of the location of documents being neutral.

There are a few notable features of Second Circuit law, particularly as applied to patent actions of late. In addition to considering the traditional set of forum non conveniens factors, courts in the Second Circuit also consider "the relative means of the parties."[17] This factor could militate in favor of the patentee where the defendant is a large corporation (as is often the case in patent litigation). However, at least one recent decision reflects a reluctance to consider the relative means of the parties in the context of NPE litigation where there is no record evidence regarding regularly conducted business activities.[18] Moreover, it appears that the traditional deference afforded to plaintiff's chosen forum is often a nonfactor in cases involving out-of-state NPE plaintiffs.[19] Although this is generally true in several judicial districts around the country, the cases we reviewed from Second Circuit district courts appeared to be particularly receptive to the notion that NPE forum shopping should not be countenanced.

One final point worth mentioning is that several district courts in New York have expressed disagreement over whether U.S. magistrate judges may decide venue motions, or whether venue motions must be passed on by a U.S. district judge.[20] The recent trend appears to be toward magistrate judge resolution of venue motions, at least in certain judicial districts in New York. Whether a district judge or magistrate judge decides venue motion is potentially significant because mandamus relief is available for a district judge's order, whereas magistrate judge orders must be appealed to the district judge in the first instance.

Next up, the Third and Fourth Circuits.

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[1] VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1580 n.17 (Fed. Cir. 1990).

[2] Brian C. Howard, 2015 First Half Patent Case Filing Trends, Lex Machina (2015) ("Lex Machina"), available at https://lexmachina.com/2015-firsthalf- patent-case-filing-trends/ (noting that 3,122 cases have been filed from Jan- June 2015, 1,387 of which were filed in E.D. Tex.)

[3] See http://www.justice.gov/usao-edtx/district-info; http://www.census.gov/data.html

[4] See Norwood v. Kirkpatrick, 349 U.S. 29, 32 (1955)

[5] See In re Barnes & Noble, Inc., 743 F.3d 1381, 1384 (Fed. Cir. 2014)

[6] The date parameters for our search captured motions decided and reported between January 2014 and September 2015.

[7] "Figures often beguile me, particularly when I have the arranging of them myself; in which case the remark attributed to Disraeli would often apply with justice and force: 'There are three kinds of lies: lies, damned lies and statistics.'" Autobiography, Volume I, Berkeley, Los Angeles and London: University of California Press 2010, p. 228

[8] http://www.pwc.com/en_US/us/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf

[9] E.g., F.A.I. Elecs. Corp. v. Chambers, 944 F. Supp. 77, 80-81 (D. Mass. 1996) (citing Gulf Oil Corp. v. Gilbert, 330 U.S. 501, 508 (1947)).

[10] See, e.g., SCVNGR, Inc. v. eCharge Licensing, LLC, 2014 U.S. Dist. LEXIS 135408, *3-4 (D. Mass. Sept. 25, 2014) (citations omitted)

[11] TainoApp, Inc. v. Barnes & Noble, 2014 U.S. Dist. LEXIS 178529, 13-14 (D.P.R. Nov. 26, 2014);

TainoApp, Inc. v. Amazon.com, Inc., 2014 U.S. Dist. LEXIS 177361, 8-9 (D.P.R. Dec. 24, 2014).

[12] Sophos, Inc. v. Rpost Holdings, Inc., 2014 U.S. Dist. LEXIS 73581, *9 (D. Mass. May 30, 2014)

[13] TainoApp, Inc. v. Barnes & Noble, 2014 U.S. Dist. LEXIS 178529, 13 (D.P.R. Nov. 26, 2014)

[14] Speedfit LLC v. Woodway United States, 53 F. Supp. 3d 561, 575 (E.D.N.Y. 2014)

[15] Gross v. British Broad. Corp., 386 F.3d 224, 230 (2nd Cir. 2004) (quoting in part Gulf Oil Corp. v. Gilbert, 330 US 501, 508 (1997)).

[16] Protegrity Corporation v. Dataguise, Inc., Civil Action No. 3:13-CV-715 (VLB) (D Conn, Memorandum

September 3, 2014).

[17] D.H. Blair & Co. v. Gottdiener, 462 F.3d 95, 106-107 (2d Cir. 2006)

[18] Smart Skins LLC v. Microsoft Corp., 2015 U.S. Dist. LEXIS 42615, *23 (S.D.N.Y. Mar. 27, 2015)

[19] Id.

[20] D'Amato v. ECHL, Inc., 2015 U.S. Dist. LEXIS 59954, *7 (W.D.N.Y. May 7, 2015