

Location, Location, Location – Choosing and Challenging Venue in a Patent Case

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I. INTRODUCTION.

Properly selected, the litigation forum can set the tone for an entire patent infringement case. There are many positives and negatives attached to every venue forum, and they differ depending on the party and perspective. For the individual inventor, a “rocket-docket” forum, like the Eastern District of Virginia or the Eastern District of Texas, or the newly available federal pilot program districts that are trying to duplicate the rocket-docket formula, can mean imposing early and strict case discipline, reigning in the paper chase, and placing David and Goliath on equal footing. For the corporate litigant, it can mean accelerated and enhanced discovery and production requirements, but with a docket that could accommodate an injunction argument based on a faster litigation track. In choosing the forum for patent case, litigants may also consider the experience-level of available judges in a particular district.

Clearly, the plaintiff has the initial upper hand. Since the general corporate venue provision was amended in 1988, the Federal Circuit has indicated that a patent lawsuit may be brought in any district having personal jurisdiction over the corporate defendant.¹ The plaintiff has the right to choose its forum, and there is very good case law that the plaintiff’s actual objective in selecting the forum is insignificant.² But the plaintiff’s choice is not always controlling and, with the advent of the new pilot programs, the playing field has been equalized. With appropriate foresight and planning, parties on both sides of the “v.” can have the say in the choice of forum.

Pre-Filing Investigation and Planning

To minimize the risk of losing any jurisdictional challenge and optimize the litigation strategy opportunities associated with being in the right courtroom, a prospective patent suit litigant should fully investigate the potential defendant’s

contacts with the selected or preferred forum prior to filing the complaint. Appropriate areas of inquiry include (1) the defendant’s formal presence within the forum, as evidenced by any registration to conduct business in the forum, the ownership of any state trade names or aliases, and registered offices and agents; (2) the manufacturing, sales, and use activities involving the infringing product or invention within the forum; (3) a review of all marketing efforts directed at or conducted within the forum, with a focus on locations within the selected district; (4) determining the loss of goodwill and the share attributable to the infringement that has occurred in forum state and district; (5) identification of the expected witnesses and documents; and (6) identification of the locations of all design, development, research, and production activities with regard to the accused infringing devices.

In assessing whether to move for a transfer of venue, corporate defendants should consider the strategic advantages offered by rocket-docket and pilot program districts. In particular, these districts are attempting to fast track patent litigation. While traditionally not a favorite of larger defendants, the faster track benefits both parties because it is cost-efficient. The pilot program, by insisting upon specialized local patent rules that ramp up the discovery calendar and impose better case selection discipline, is likely to lower litigation costs and promote earlier settlement. Specifically, because both sides must exchange preliminary contentions, claim terms, and claim constructions on a very tight and early schedule, the strengths of each side become apparent early in the case. Defendants should also consider that the pilot program jurisdictions, while maintaining a fast track, also usually offer a metropolitan jury pool as well as a presiding judge educated in underlying science or industry. This insulates the defendant against rulings based on pure misunderstandings due to the complexity of the patent or invention at issue, while providing additional strategic advantages

and arguments that are likely to be understood and appreciated within a courthouse responding to a larger market.

Challenging and Transferring Venue

The preferred forum in a patent infringement action is “that which is the center of the accused activity,” requiring a plaintiff to identify locations within the forum where infringement is allegedly occurring.³ Traditionally, the sale of allegedly infringing products within a district establishes a sufficient connection to the district, in combination with the general deference given to Plaintiff’s forum choice, to defeat any forum challenges. Some courts, however, have taken a more restrictive approach to venue and jurisdiction. For instance, the original “rocket-docket” role model, the Eastern District of Virginia, has begun redirecting cases with no direct connection to the forum, in order to preserve its reputation for “unique and expeditious disposition” of cases, which had begun attracting too many patent case filings.⁴

A district court has discretion to transfer a case to any district or division where it may have originally been brought where convenience and the public interest justify such a transfer.⁵ This provision is intended to prevent the waste of time, energy and money, and to protect litigants, witnesses, and the public against unnecessary inconvenience and expense.⁶ The moving party has the burden of demonstrating that the case should be transferred to a different forum by presenting substantial evidence of inconvenience and public interest favoring alternate location.⁷ Both must be shown to materially and substantially outweigh the plaintiff’s right to choice of forum.⁸

Convenience Factors

In analyzing allegations relating to the convenience of a forum, courts consider the following: (a) convenience and location of witnesses and the parties; (b) cost of obtaining the attendance of witnesses/cost of trial; (c)

place of the alleged wrong; (d) accessibility and location of sources of proof; and (e) the possibility of delay and prejudice if transfer is granted.⁹ The last factor can be overcome through the new pilot program, as a showing that the district regularly tries patent cases and has a fast track docket overcomes any concerns of delay or prejudice that normally would be associated with transfer.

(a) Convenience And Location Of Witnesses And Parties

A defendant should identify all key witnesses with specificity, outlining their locations and the substance of their testimony, in alleging an inconvenient forum and arguing for transfer.¹⁰ The simple fact that witnesses are located elsewhere is insufficient – there must be some showing relating the witnesses’ current location to *substantial* inconvenience.¹¹ Inconvenience to key witnesses and non-party fact witnesses is given greater weight than to general witnesses, party witnesses, or experts.¹² The location of the parties’ counsel is given little weight.¹³

(b) Cost Of Obtaining The Attendance Of Witnesses/ Cost Of Trial In Selected Forum

This factor is interrelated to the first, as the majority of cost increases occasioned by the plaintiff’s choice of forum are attributable to travel, lodging, and storage expenditures.

(c) Place Of The Alleged Wrong

While the preference is for bringing an action at a center location of infringing activity, the national and global nature of today’s business world often makes it impossible to locate such a “center.” Consequently, a defendant should attempt to demonstrate that there is a complete absence of infringing activity in the locale selected, an absence of any relationship between the product at issue or the defendant itself and the selected forum, or that there is an actual central hub of activity in an alternative forum.

(d) Accessibility And Location Of Sources Of Proof

The accessibility and location of sources of proof are given less weight with the widespread access to “instant” mediums like email and fax, as well as inexpensive copying and information-storage technology.¹⁴ Any relevant prior art, wherever located, may easily be submitted to the Court using mail and electronic delivery services.¹⁵

(e) Possibility Of Delay And Prejudice If Transfer Is Granted

Assuming that defendant can meet the burden of showing material inconvenience and presents evidence on all the relevant factors that substantially outweighs the deference to plaintiff’s choice, the court must then evaluate the effectiveness and experience of the alternative district in determining if there will be any unreasonable delay or prejudice. The federal pilot program establishing districts with specific patent case regimes may significantly affect his analysis.

Public Interest Factors

The second aspect of the transfer analysis is the public interest component. This looks at the actual interest and burden of the competing forums in adjudicating the case. The relevant factors include: (1) administrative difficulty, such as the relative backlog and administrative difficulties between existing and proposed forums; (2) localized interests in resolving localized controversies, including the fairness of placing burdens of jury duty on the citizens of the state with the greater interest in the dispute; and (3) conflict of laws.¹⁶ A defendant should also demonstrate that it will be negatively affected by staying in the forum and/or positively impacted as a result of the transfer.

With respect to administrative difficulties, the court considers the comparative records of jurisdictions on speed of adjudication, judicial economy and docket congestion, as well as a court’s familiarity with the law or any

specialization or expertise in the area. Where the transfer will cause a delay in proceedings, due to a congested – or a more congested – docket, then the weight is in favor of the Plaintiff’s forum. The new pilot program will unquestionably give a defendant ammunition in making a venue challenge if the proposed new venue, as part of that program, has special procedures in place to handle patent cases.

The localized interest factor will focus on the affect the purported infringement has in the district. If there is no sale of any infringing product in the jurisdiction, no marketing directed at its citizens, and the harm done is not to a citizen of the jurisdiction, then the citizens of that district and jurisdiction have no interest in paying to adjudicate the wrong or sitting for jury duty in that case.

Federal law generally governs patent disputes, so the “conflict of laws” factor does not necessarily weigh in favor of either side. In ruling on a motion to transfer, however, a court may consider a court or district’s familiarity with a particular plaintiff or defendant or any particular product are, as well as the judge or court’s particular specialization or expertise with the kind of case, such as software or medical device cases. For example, the Eastern District of Texas now has the third largest docket of patent cases in the country, which, although a very generalized distinction, could bear on a transfer decision if the district being put up for transfer was inexperienced in patent matters by comparison. The pilot program may also affect this analysis, as one of its goals is to produce an “intellectual property bench” – a judiciary knowledgeable in the technology, science, and engineering disciplines that drive intellectual property litigation.

Jurisdictional Considerations

In analyzing venue issues, parties must always consider personal jurisdiction and specific jurisdiction. Generally, personal jurisdiction can be established in a patent case through minimum contacts with the forum of little more than proof that the allegedly infringing product

was advertised or sold in the forum.¹⁷ As for whether the exercise of personal jurisdiction will comport with “traditional notions of fair play and substantial justice,” the courts will consider a number of factors, including (1) the “purposeful” nature of the contact; (2) the burden on the defendant in defending in the forum; (3) the interests of the forum state in adjudicating the dispute; (4) any conflict with the sovereignty of the defendant’s state; (5) the plaintiff’s interests in securing relief; (6) the most efficient resolution of the controversy; (7) the importance of the forum to plaintiff’s interest in convenient and effective relief; and (8) existence of an alternative forum.¹⁸ These factors are balanced in the overall analysis, with no one being dispositive.

The most important factor is often whether there has been “purposeful interjection into the forum state.” For instance, if the product being litigated is available from retailers in the state, or division, that constitutes substantial interjection of activities into the forum. If efforts were focused on developing products competitive to those sold by a specific product sold, produced, or manufactured by a competitor within that state, that too constitutes interjection to the extent that developers or distributors for the competing product were solicited by the infringing product company.¹⁹ Contacts, however, that consist solely of unilateral activity by the plaintiff are usually insufficient to justify the exercise of jurisdiction, whereas contacts establishing a pattern of defendant purposely distributing products or conducting activity in the forum state make a very strong case.²⁰

The defendant’s litigating burden is assessed from a perspective favoring the plaintiff. Thus, unless the “inconvenience is so great as to constitute a deprivation of due process, it will not overcome clear justifications for the exercise of jurisdiction.”²¹ Given the ability of a

business to use technology to maintain complex interactions from a distance, it will be difficult for a defendant to meet this burden. The forum state’s interests will usually be assessed based on the impact of the alleged infringement on the forum state’s residents, and this factor always favors the plaintiff’s section of forum where infringing activity in the state is shown.²²

Specific jurisdiction requires only that the defendant have purposefully directed infringing activity at the forum, and that plaintiff’s claim arise out of that activity.²³ A nonresident defendant’s contacts with the forum state that arise from, or are directly related to, the cause of action are sufficient to give rise to specific jurisdiction.²⁴ In patent cases, where the defendant sells, offers to sell, or licenses others to sell the allegedly infringing products within or to residents of the forum, specific and personal jurisdiction requirements are usually satisfied.²⁵ The Federal Circuit has held that where an allegedly infringing product is shown to have been purposefully shipped into the district or state through an established channel of distribution, nothing more is required to sustain specific jurisdiction for a claim of patent infringement arising out of those activities.²⁶

Conclusion

The federal pilot program, coupled with the existing rocket-docket districts, provide a number of new locations where parties can be assured of high levels of expertise and efficient case management. Changes in jurisdiction and venue requirements now afford patent infringement plaintiffs and defendants previously unknown freedom in forum choice and selection. Given the importance of being in the correct court, a plaintiff should carefully choose its preferred venue, and a defendant should not be afraid to challenge that choice.

- ¹ *VE Holding Corp v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583–84 (Fed. Cir. 1990).
- ² *In re Triton Ltd. Securities Litigation*, 70 F. Supp. 2d 678, 690(E.D. Tex. 1999); *Mohamed v. Mazda Motor Corp.*, 90 F. Supp.2d 757, 771–74 (E.D. Tex. 2000).
- ³ *Cummins–Allison Corp v. Glory, Ltd.*, 2004 WL 1635534, *6 (E.D. Tex. 2004).
- ⁴ *See Schlegal U.K. Holding, Ltd. v. Cooper, Tire and Rubber Co.*, No. 97–522–A, Op. and Order Granting Motion to Transfer, June 10, 1997; see also William P. DiSalvatore, *Filing Considerations in Patent Litigation*, 669 PLI/PAT. 81, 93–94 (October 2001).
- ⁵ *See* 28 U.S.C. § 1404(a).
- ⁶ *In re Triton Sec. Lit.*, 70 F. Supp. 2d 678, 688 (E.D. Tex. 1999).
- ⁷ *Hanby v. Shell Oil Co.*, 144 F. Supp. 2d 673, 676–677 (E.D. Tex. 2001).
- ⁸ *Triton*, 70 F. Supp. 2d 678, 690(E.D. Tex. 1999).
- ⁹ *Mohamed v. Mazda Motor Corp.*, 90 F. Supp. 2d 757, 771(E.D. Tex. 2000).
- ¹⁰ *Id.*
- ¹¹ *Id.*
- ¹² *Id.* at 774 n.19, 20.
- ¹³ *Id.* at 771–74.
- ¹⁴ *Datamize v. Fidelity Brokerage Services, LLC*, 2004 WL 1683171, *9 (E.D. Tex. 2004).
- ¹⁵ *Id.*
- ¹⁶ *Id.* at *11.
- ¹⁷ *World–Wide Volkswagen v. Woodson*, 444 U.S. 286, 297 (1980).
- ¹⁸ *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476–477 (1985).
- ¹⁹ *See Ins. Co. of N. Am. V. Marina Salina Cruz*, 649 F.2d 1266, 1271 (9th Cir. 1981).
- ²⁰ *Mississippi Interstate Express, Inc. v. Transpo, Inc.*, 681 F.2d 1003, 1006 (5th Cir. 1982).
- ²¹ *Caruth v. International Psychoanalytical Ass’n.*, 59 F.3d 126, 128–29 (9th Cir. 1995).
- ²² *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994).
- ²³ *Nutrition Physiology Corp. v. Enviros, Ltd.*, 87 F. Supp. 2d 648, 652 (N.D. Tex. 2000).
- ²⁴ *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414 n.8 (1984).
- ²⁵ *Beverly Hills Fan*, 21 F.3d at 1565.
- ²⁶ *Beverly Hills Fan*, 21 F.3d at 1565.

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