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Many in the intellectual property community are speculating about recent patent venue decisions will change the patent litigation landscape. The Supreme Court's decision in the *TC Heartland* case seemed to change the law, but not all district courts have agreed. Furthermore, the Federal Circuit has issued a recent decision in *In re Cray*, which overturns one of the earliest patent venue decisions from a district court post *TC Heartland*.

Some predicted that California, particularly the Northern District, would see an influx of patent cases that would normally have otherwise been filed in the Eastern District of Texas. Others, however, felt that plaintiffs will seek out more favorable districts, such as Delaware.

I recently conducted a virtual roundtable with leading patent attorneys from four firms across the country in order to find out what they think the impact of these decisions will be and what patent litigators who might not be familiar with the Northern District of California need to know.

PARTICIPANTS:

Brad Lyerla, chair of the Patent Litigation and Counseling Practice with Jenner & Block.

David Newman, chair of the Intellectual Property Practice with Gould & Ratner.

Ravi Ranganath, a seventh-year associate with Fenwick & West who recently completed a clerkship in the Northern District of California with the Honorable Jon S. Tigar.

Edward Kwok, partner in the Intellectual Property Practice with VLP Law Group.

QUESTION: Do you believe the bulk of cases will be filed in California particularly in the Northern District? Why?

Brad Lyerla

Lyerla: I don't expect many of the patent cases that would have been filed in the Eastern District of Texas to now be filed in the Northern District of California. The Northern District is simply not a favorable venue for plaintiffs. The judges and juries there aren't sympathetic to patent plaintiffs, and the local patent rules are perceived as favoring defendants. Plaintiffs will try to file somewhere else. Delaware is the most likely district to benefit.

Newman: I believe that there won't be a huge increase of patent complaints filed in the Northern District of California as a result of the *TC Heartland* decision. If plaintiffs study the win rates of contested motions in the Northern District they won't want to file there. According to Legal Metrics, 63% of motions filed there that are contested are granted. So a defendant who files a Patent Trial & Appeal Board proceeding (for example, an Inter Partes Review) to contest the validity of the asserted patent at the US Patent & Trademark Office proceeding and also files a motion to stay the Northern District litigation (pending the outcome of the PTAB ruling on validity) will win such a motion more than half the time. This compares to a win rate of 34% in the Eastern District of Texas and 54% win rate in Delaware.

Because so much hinges on a stay motion in modern patent litigation cases, this predominant statistic influences where plaintiffs should consider filing their patent complaint. If the stay is granted, the momentum shifts significantly in favor of the defendant/accused infringer who, consequently, won't have to fight on two fronts simultaneously. Also, the issue of the defendant's infringement is taken off the table and only the validity of the patent will be at stake for at least one year.

The grant of a defendant's motion to stay, undermines a plaintiff/patentee's position because the potential to take discovery regarding accusations of infringement will be delayed at least one

year, pending the outcome of the PTAB proceeding. Also, it's more likely that a patent will be determined invalid during a PTAB proceeding than in the Northern District because the PTAB will use a broader rule of interpretation of the claims of the challenged patent (broadest reasonable interpretation) than in a district court. For example, if the size of a "bull's eye" of a dart board is enlarged there is a higher likelihood that a dart will land in such a broadened bull's eye. Likewise, the PTAB expands the interpretations given to terms of a patent claim, which increases the likelihood of invalidating the patent.

Ranganath: At the Court, we were certainly on the lookout for a surge of patent cases following *TC Heartland*. When I left, about three to four months after the *TC Heartland* decision, I had not personally seen a noticeable increase. There could be a couple of reasons for this: Cases were assigned off the wheel to other judges, or plaintiffs were waiting to figure out the contours of the venue law before making these decisions. But my sense is that non-practicing entities had long ago eliminated the Northern District as a potential venue for patent cases. With the advent of *TC Heartland*, they might instead try their luck in Delaware, the Central District of California, and other districts where judges have experience with patent cases, where defendants might be subject to suit, and where they might have better prospects on substantive legal issues like Section 101 patent-eligibility.

Kwok: Besides the place of incorporation, its head-quarters, a corporation is likely to have many other places where it maintains a "regular and established place of business." *In re Cordis*, the 1985 case cited in *In re Cray*, uses a third-party secretarial service in the district – something the Cray court discussed as a supporting factor for finding venue in the district.

This is especially true with large companies. In my experience, proper venue that can be found in the Northern District will likely also be found in the Central District – which covers Orange County and Los Angeles, or the Southern District (San Diego). They're simply large markets that companies can't avoid investing services to support. Outside of California, many large metropolitan areas offer a lot of choices too. Seattle, Boston, the Southern District of New York, and the Eastern District of Virginia come to mind.

QUESTION: What impact will all this activity have on business, if any?

Lyerla: The Supreme Court and Federal Circuit decisions will likely have a positive impact on businesses. Most patent litigation is bad for business and *TC Heartland/Cray* will, to some degree, suppress the number of patent litigations that will be filed in the near future.

David Newman

Newman: The *TC Heartland* decision follows the trend of eroding patent holder rights. As patents and mechanisms to enforce patents become weaker, the high-tech economy of Northern California will begin to diminish as foreign companies encounter fewer obstacles in their way to compete against companies with weaker IP rights. As discussed above, the availability of PTAB proceedings that tend to disfavor patentees and the likelihood in the Northern District that the patentee's complaint will be set aside for at least a year (usually while the defendant continues to infringe and take away a patentee's market share) when a defendant's motion to stay is granted could negatively affect the ability of tech companies/patentees in Northern California to protect jobs in the area.

Other actions have eroded patentee rights and may encourage infringers, including the Supreme Court decision in the Alice case. This ruling established a much easier path for defendants to invalidate software and business method patents on the grounds of a lack of patentable subject matter. Because software companies bolster much of the economy in Northern California, these pro-infringer rulings may start to have a negative effect on much of Northern California.

Kwok: Very few businesses I know make significant business decisions based on patent forum-shopping. I doubt much impact would be seen in surrounding business in pro-patentee districts.

The decision in the *TC Heartland* case would, of course, significantly affect hospitality services in the Eastern District of Texas, as well as the airlines.

QUESTION: What pitfalls await litigants not intimately familiar with the local rules, procedural quirks and judges in the Northern District of California?

Lyerla: I'm not expecting a large influx of patent cases in the Northern District as a result of the *TC Heartland/Cray* cases. Regardless, the Northern District's rules are among the oldest patent local rules in the district courts. Everyone is familiar with them. In fact, they served as a model for the patent local rules used in several other districts.

Ravi Ranganath

Ranganath: Litigators who predominantly practiced in Texas will have to make adjustments when operating in the Northern District. While perhaps not as regimented as some other districts, the Northern District expects litigants to know the local rules and strictly comply with them, particularly for things like sealing motions that can be complicated procedurally. The patent local rules have been extensively litigated in the Northern District, so if there is any ambiguity, you can expect at least one of the judges would have resolved your question in a prior case.

Unlike in Texas, technology tutorials in the Northern District are expected to be live. Attorneys need to be prepared for the judge to ask questions. They also need to make sure that the members of the team most familiar with the technology are present and ready to address any issues that may come up. Judges typically don't expect to have formal testimony, for example from experts, at tutorials, which are off-the-record and less formal than motion hearings. Attorneys don't need to prepare a flash-style presentation with voiceover, as is common in Texas.

In Texas, pleadings-based motions might remain pending until the case has advanced close to trial. But in the Northern District, judges will often resolve such motions (or at least hold a hearing) before or at the same time as a case management conference. That means potentially case-dispositive, pleadings-based motions (such as Section 101 motions to dismiss or for judgment on the pleadings) are typically resolved very early in the case. Sometimes they're sorted out before the Court even sets a schedule. Patent defendants in Texas with meritorious pleadings motions might have had to participate in a case and engage in costly discovery for several months while their motions remained pending. In the Northern District, these defendants have an opportunity to exit the case early with minimal expense.

Kwok: The most significant aspects of the Northern District local rules concern adequate preparation of one's case at a very early stage of litigation, affecting invalidity contention issues, and discovery strategies. It's very important to retain counsel, or associate counsel, who has considerable experience in litigating in the district.

QUESTION: What tips and suggestions do you have for those who don't have much experience litigating in the district?

Lyerla: Although I don't expect to see a substantial increase in patent cases filed there, those who expect to litigate in the Northern District should get good local counsel on their team, if they're not familiar with litigating in the district.

Newman: The Northern District has very comprehensive patent local rules that have multiple deadlines triggered by the initial case management hearing held at the outset of litigation matters. Those deadlines move quickly, and those who haven't litigated in the Northern District previously may underestimate the amount of work necessary to provide sufficient details to comply with the local patent rules. Parties must have cases organized carefully and staffed appropriately in order to properly and timely file infringement contentions, invalidity contentions, claim construction briefs, etc., all required under Northern District local patent rules.

Ranganath: Unlike other jurisdictions, the Northern District is very strict about communications with chambers. In the Northern District, law clerks, as far as the litigants go, essentially don't exist. That is, they're not accessible to attorneys. That means attorneys should never attempt to contact a law clerk or the judge directly – something that may be different in other jurisdictions. Instead, they first need to go to the courtroom deputy. They also should be prepared to get a response that's not helpful. While communications with chambers are generally discouraged, ex parte communications are looked at as particularly problematic and should be avoided at all costs.

Judges in the district can have up to 200 civil cases at any given time, with more motions on the calendar than they can realistically hear. That means hearings routinely get moved or vacated entirely. When attorneys file motions, they should carefully consider scheduling. Motions must be noticed for hearing at least 35 days after filing. Before filing a motion, attorneys need to check the judge's calendar to determine the normal law and motion days and the first available hearing date, paying particular attention to dates when the judge is either not available or dates that have been closed to further settings. While it's tempting to notice a hearing for the earliest possible date, and it might be more advantageous to clients' interests to do so, it might give a law clerk only two weeks to sort through 50-plus pages of argument and then draft an order on the motion. If attorneys can allow additional time, chances are the law clerk responsible for the motion will be happy, which is always a good thing.

In drafting case management conference statements, attorneys should address all topics set out in the judge's standing order and submit a proposed schedule that clearly highlights any disputes. They should try to avoid presenting legal arguments in case management

statements. While it's helpful to let the Court know issues that may come up in the case, briefing those issues for a CMC will not help an attorney's case. Some judges will prefer a "baseball arbitration" style of resolving disputes, where the Court will either adopt one party's proposal or another party's proposal. That means it's wise to avoid taking extreme positions with the expectation that a judge may "split the baby."

Edward Kwok

It's always important to talk to your local counsel about courtroom decorum and other local customs. Differences exist between jurisdictions. For example, while in Texas it might be common to have local counsel state their appearance, introduce trial counsel, and then slip to the back while others handle substantive issues, the Northern District expects the counsel who appear to be able to talk through any issues or questions the judge may raise. Despite the severe limitations on their time, judges in the district have a great deal of respect for the courtroom and take motion hearings and case management conferences seriously, spending personal time preparing and reviewing papers and not simply relying on law clerks and bench memos. Judges are usually prepared nearly as much as attorneys and may have a tentative order drafted. Attorneys should treat hearings with the appropriate respect.

Kwok: Navigating the local rules and procedure quirks are really domains of the legal counsel. Attorneys should choose carefully. A client can usually require the primary counsel to associate experienced secondary counsel, especially if the secondary counsel is chosen by the client.