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The Imminent Outpouring from the Eastern District of Texas¹

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I. Introduction

Within the next few months the Supreme Court is likely to redefine and constrain patent venue, retroactively, by holding that a 2011 venue update from Congress³ has for all patent cases filed after January 6, 2012 overridden the former definition of corporate "residence."⁴ The law for the previous three decades had been that a corporation was deemed a resident of any district where it is had minimum contacts sufficient for *in personam* jurisdiction.⁵ There was no limitation to places where the corporation had a regular and established place of business. Hence, most companies of any significant size could be sued anywhere in the country. Under that regime,

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³ Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, 125 Stat. 758. Section 208 of the law revised the language of the general venue statute, 28 U.S.C. § 1391 in several respects, including how to determine residence of a corporate entity. The paragraph begins with the phrase "Except as otherwise provided by law," which Heartland contends takes corporate venue out of this section for patent infringement cases.

⁴ The case is *In re TC Heartland*, 821 F.3d 1338 (Fed. Cir. 2016), *cert. granted sub nom. TC Heartland LLC v. Kraft Food Brands Group LLC*, 138 S.Ct. 614 (Dec. 14, 2016). Heartland, the accused infringer, contended that the new introductory phrase for Section 1331, "Unless otherwise provided by law," had the effect of limiting corporate venue to the districts specified in Section 1400(b), *i.e.*, a district in the state of incorporation or a district in which the corporation has a regular and established place of business and has committed an alleged act of infringement. The Federal Circuit panel held that the patent venue section, 28 U.S.C. § 1400(b), remained unchanged, *i.e.*, venue is in any district where the corporation has sufficient contacts for *in personam* jurisdiction.

⁵ The 1988 law stated: "For purposes of venue under this chapter" [*i.e.*, Chapter 87 of the Judicial Code], a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." Witlingly or unwittingly, this greatly broadened patent venue, because Chapter 87 includes the patent venue section, 28 U.S.C. §1400(b). In 1990 the Federal Circuit so held in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991). The Federal Circuit decision is unfortunately often characterized as something of a close call, but the statute could hardly have been read any other way.

starting in the late 1990s, the Eastern District of Texas became a haven for patent suits, even though most defendants lacked any physical facilities or offices there.

The grant of certiorari in *In re TC Heartland* is thought to portend a reversal of the Federal Circuit's ruling that patent venue was unchanged by the 2011 enactment, and to declare instead that the venue overhaul in 2011 has quietly returned us to pre-1988 days, when the only venues available against a corporation in a patent infringement case were (i) a district in the state of incorporation, or (ii) a district wherein the corporation had a regular and established place of business and had allegedly committed an act of infringement (typically selling). As far as I know, prior to last year's Federal Circuit decision in *Heartland* no one in the patent law field considered the 2011 changes to have had any impact on patent venue. The briefing in *Heartland* made us aware of the issue, but the Federal Circuit ruled that no change to patent venue had occurred.⁶ Now, the Supreme Court's December grant of certiorari in the case is widely seen as a signal for a coming reversal. (Why else would the high Court have taken this case, scheduled to be argued March 27 and decided by the end of June?) The expected reversal will mean that the 2011 changes did in fact greatly narrow the meaning of corporate residence in patent cases, and that this change has been effective since January 2012. This in turn would mean that except for suits against local merchants, venue in the Eastern District of Texas, among other places, has been improper, not merely inconvenient, in the majority of patent cases filed there after January 2012. The pending cases cannot stay there unless that defense has somehow been waived or is now waived. The purpose of this article is to explore what will likely happen to all those cases. 1,171 of them were pending as of February 23 of this year.⁷

The more generalized question of where future patent case filings across the country will go has been investigated in depth in these pages by Professors Colleen Chien and Michael Risch.⁸ My questions are preliminary to that one: (1) In the flurry of expected motions to dismiss or transfer due to improper venue in the wake of the expected Supreme Court ruling, which of the presently pending patent cases in the Eastern District of Texas will stay there, due either to defendants' having established facilities in the district or due to waiver of the defense? (2) Which cases will have to be dismissed or transferred, not for convenience reasons but because the venue is improper and has been since 2012? (3) If transferred, where will they go?

To begin, venue, in the sense of proper vs. improper venue, is a personal defense

⁶ *Heartland*, 821 F.3d at 1341-43.

⁷ Pacer search conducted Feb. 23, 2017, for all pending cases with code 830 (patent).

⁸ Colleen V. Chien and Michael Risch, *Recalibrating Patent Venue*, (Santa Clara Univ. Legal Studies, Research Paper No. 10-1, Oct. 6, 2016), available at <https://ssrn.com/abstract=2834130> (hereafter Chien-Risch); See also Colleen V. Chien and Michael Risch, *Recalibrating Patent Venue*, PATENTLY-O (Oct. 6, 2016)

available to each defendant in a civil litigation.⁹ If the district is not one of the ones authorized for a patent suit against a particular defendant, that defendant has a right under 28 U.S.C. §1406 to have the case against it either to be dismissed or transferred to a proper district, provided that right has not been waived. Note that this has nothing to do with convenience transfers, which are governed by a different statutory section and have created their own significant stir in recent years.¹⁰ Here we are dealing instead with an unconditional statutory right to get out of the erroneous forum. In the Eastern District the majority of patent defendants in pending cases are not incorporated in Texas and lack anything that could be argued to be a regular and established place of business in the district.¹¹ The district is, rightly or wrongly, thought to be a favorable forum for patentees, so except for the defendants who have somehow waived their right to challenge venue, we should expect in the wake of the Supreme Court ruling a flood of motions to dismiss or transfer these cases. What will be the outcome? Here are a few beginning points to consider:

- a) Nearly all the 1,000+ now-pending patent cases in the Eastern District of Texas were filed *after* the venue statute was changed by Congress in 2011, and made effective for all cases filed after January 2012.¹²
- b) The courts prefer transfers over dismissals in a case of improper venue.
- c) Where there are multiple defendants in a case, each one has the right to obtain a dismissal or transfer, leaving the others in place, perhaps with a stay order pending the outcome in a transferee district.

I will set out herein some predictions that --

1. Most defendants in the pending in the Eastern District of Texas will seek to exit

⁹ See, e.g., *Commercial Casualty Ins. Co. v. Consolidated Stone Co.*, 278 U.S. 177, 179 (1929) (venue is a personal privilege, which the defendant "may assert, or may waive, at his election").

¹⁰ 28 U.S.C. § 1404 (providing for convenience transfers or dismissals). Mandamus petitions for this kind of venue transfer have been frequent in recent years. See, e.g., *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008) (mandamus granted); *In re Telular Corp.*, 319 Fed. Appx. 909 (2009) (mandamus refused).

¹¹ However, an exception to this applies to the corridor around Plano, in the Sherman division of the Eastern District of Texas. A number of high-tech facilities have blossomed there in recent years. See Section II(a).

¹² If the venue is now seen as improper, it will not be due to any 2017 change in the law, but to a widespread misunderstanding of the existing statutory law since 2012. There can be no contention here about the new venue rules being only prospective in their application, as there might have been if the new law's effective date had not come explicitly from Congress. See *Landgraf v. USI Film Prods.*, 511 U.S. 244 (1991) (an effective date set by statute controls for cases filed after that date).

- that district if they can.
2. Some defendants will be subject to proper venue in the Eastern District under either the old or new version of the venue law, because they have established facilities in the district.
 3. Many defendants will find they have waived their venue objections, because they did not plead improper venue in their answers or move for a transfer on the improper-venue ground.
 4. Hundreds of the pending cases will need to be dismissed or transferred due to improper venue.
 5. The various districts for the transferred cases are difficult to predict, the only statutory requirement being that the transferee district be one where venue would have been proper under the 2011 enactment.
 6. If the transfers lead to situations where the same patent is involved in more than one district, multidistrict litigation procedures will likely be invoked and implemented.

II. Some Defendants Will Have to Remain In The Eastern District of Texas

(A) Regular And Established Place of Business In the Eastern District

To check on established facilities within the Eastern District, we collected online information on large high-tech employers in two cities in the district -- Plano and Beaumont -- to identify some multinational companies who might be subject to venue under the expected Supreme Court ruling by virtue of their having a regular and established place of business in the district, and then looked to see how many of them were defendants in pending patent cases there. Plano in particular has grown many high-tech company offices in recent years; Beaumont less so, but still substantial. The 70 companies found to have 100 or more employees in one of those two cities were defendants in 76 presently pending patent cases in the district. These entities would appear to have no basis for urging improper venue.¹³ At present inflow/outflow rates, this leaves over 1,000 cases still to be considered.¹⁴

One other venue provision should be mentioned. Foreign corporations are in a special subclass for venue, unchanged in the 2011 enactment: "A nonresident alien

¹³ As stated earlier, we are disregarding the related but different possibility of changing the venue on the ground of convenience. See 28 U.S.C. § 1404.

¹⁴ The number of pendencies of course changes day by day, as older cases are settled or occasionally resolved judicially and new ones are filed. It is assumed that the pendency number will not change much between now and the date of the forthcoming Supreme Court decision, in all probability before the Court's term ends in June.

can be sued in any district.¹⁵ However, while a significant number of cases are against U.S. subsidiaries of foreign parent corporations, few are against the foreign parents themselves, so this provision is unlikely to have a major retroactive venue impact.

(B) The Waiver Problem

(1) Waiver By Answer

When the expected deluge of motions to dismiss or transfer are filed, the various plaintiffs' lawyers will look for waivers of improper venue by the movant parties. A defendant might have waived in a number of ways its right to stay out of a district where venue was improper. The first way is by failure to challenge propriety of venue in the answer or by a motion to dismiss under Rule 12(b)(3). Many current Eastern District defendants have omitted any assertion of improper venue in their answers, probably because they thought, along with nearly everyone else, that the venue statute from 1988 was still in effect.¹⁶ A sampling of answers filed in the Eastern District in 2015 bears this out. Roughly one-third of the answers conceded proper venue, either explicitly or by making no assertion that the venue was improper. Another third did contain an improper-venue allegation. The final third of answers were something of a mixed bag, complaining about inconvenient venue, a different matter and one which would not forestall waiver, or making vague statements about incorrect venue. We shall therefore assume, for convenience of this discussion, that improper-venue was waived in about two-thirds of the pending cases, and that only in some 400 cases the defendants' answers preserved, at least temporarily, a defense of improper venue. Very likely among the waived cases are the 76 cases against companies having facilities in the district.

One may ask why were there so few venue preservations? In an environment where no one knew the venue rules had been changed,¹⁷ ethical lawyers likely followed their duty to refrain from pleading or arguing matters on which they believed they

¹⁵ 28 U.S.C. §1391. This provision was held to override the corporate venue constraint of a regular and established place of business normally applied in patent cases prior to 1988. *See Brunette Mach. Works, Ltd. v. Kockum Indus. Inc.*, 406 U.S. 706 (1972) (venue for alien company is any district where personal jurisdiction lies, not the special patent venue provisions).

¹⁶ For the same reason, these defendants also failed to move under Rule 12(b) for a dismissal or transfer on the ground of improper venue.

¹⁷ A perusal of Bloomberg's PTC Journal for the years 2012-2015 produced no mention of the new venue law's possible applicability to patent cases. Nor does any federal court case prior to *TC Heartland* mention it. Indeed, with the Federal Circuit panel ruling unanimously to the contrary, how would anyone other than the *TC Heartland* lawyers have known of the new regime?

lacked any basis in law or fact. These attorneys will now be chagrined to learn from the Supreme Court that they did have bases all along to challenge venue, and that their professional thinking has brought about a waiver of their clients' rights to exit the Eastern District of Texas. We now consider whether all this be rendered moot by belatedly amending the defendant's answer to assert improper venue.

(2) Amend the Answer?

Some lawyers may ask for leave to amend their answers to insert a venue challenge, or to move *nunc pro tunc* under Rule 12(b)(3) for a dismissal on that ground. While Rule 15(a)(2) in many circumstances allows leave to amend a pleading, its applicability here is doubtful. The structure of Rule 12 indicates that a waiver occurs upon failure to plead improper venue or move under that rule,¹⁸ and that only an amendment "allowed as a matter of course" will undo it. That kind of amendment occurs if made within 21 days of the original pleading,¹⁹ so it will not likely change things much in our investigation.²⁰ Such motions will therefore likely be denied, in order to maintain the orderly flow of patent cases in the district and to prevent undoing of judicial work done in the interim under the venue waiver. Mandamus will not likely work either, for the same reasons.

Venue waivers under the present conditions cannot be avoided by arguing that the new regime is a recent change in the law, or by urging that the change should be applied prospective only. The change here was a statutory one, and Congress explicitly made it applicable to all cases filed after January 5, 2012,²¹ virtually all of the court's present docket.

(3) Waiver By Permissive Counterclaim

Even in those cases where the answer did contain an improper-venue challenge, there are other ways for a waiver to have occurred. While there is no need for a formal follow-on motion attacking venue, invoking the court's jurisdiction by the

¹⁸ Rule 12(h) states that a party "waives any defense" listed in the rule (including venue) by failing to move under the rule or to assert the defense in a responsive pleading or in an amendment thereto that is allowed "as a matter of course."

¹⁹ Rule 12(h), FRCP refers to Rule 15(a)(1) for amendments made "as a matter of course," and that rule specifies amendments made within 21 days of serving a pleading. Hence, only a very few venue recent waivers are apt to be cured this way.

²⁰ See *Zabin v. Buxton*, 121 F.Supp. 720 (D.Vt. 1954) (allowing amendment would permit circumvention of the waiver framework on venue.) There is some logic to this. Efficiency of the judicial system would be compromised if a court were issuing rulings validly at one time, only to be rendered invalid later due to revival of a venue defense that had been waived.

²¹ Pub. L. 112-63, § 105. The prospective-only finding applies sometimes to case law, but not to a statutory command regarding effective date.

filings of a permissive counterclaim will trigger such a waiver.²² The typical counterclaim for declaratory judgment does not waive the pleaded venue defense (because it is very likely compulsory),²³ but many other common counterclaims, such as one for infringing factually unrelated patents of the defendant or one for trademark infringement, are permissive and would trigger waiver. This possibility needs to be investigated for defendants who had otherwise preserved their improper venue challenge by pleading it.

(4) Waiver By Moving for Summary Judgment

There are still other ways for an inadvertent post-answer venue waiver to come about. One is by making a motion for summary judgment, a common happening in patent litigation. Interestingly, it has been held that taking discovery is not a waiver;²⁴ and neither is going to trial.²⁵ It is thought that if you have pleaded improper venue to no avail you are being forced into these steps. But moving for summary judgment may be a different matter. In at least two appellate cases such a motion has been ruled a venue waiver.²⁶ Apparently it is thought that you are not obliged or forced to invoke the power of the court in this way. If this rule is applied in the Eastern District cases where the forthcoming dismiss-or-transfer motions will be made, a number of waiver findings may result. During the period studied by Love

²² See Wright & Miller, *Federal Practice & Procedure* (4th ed.) § 3829 ("The other context in which the problem of waiving a venue defense by conduct most frequently arises is with regard to a party who has made a proper objection to venue but who, either then or later, also seeks affirmative relief in the action, ordinarily by counterclaim but occasionally by impleader or crossclaim"); 1A Fed. Proc., L. Ed. § 1.718 (proceeding to trial after the venue objection is overruled is not a waiver). Some courts find waiver even by pleading of a compulsory counterclaim, but these decisions are regarded by commentators as erroneous.

²³ Case decisions squarely holding so are surprisingly difficult to find. The proposition is well established in trademark law. See *Commerce Bancorp, Inc. v. Bankatlantic*, 57 Fed.R.Serv.3d 437 (D.N.J. 2004) and cases therein cited. And the reverse proposition, *i.e.*, that patent infringement is a compulsory counterclaim in an action for declaratory judgment of noninfringement or patent invalidity, is well established. See, e.g., *Polymer Indus. Prods. Co. v. Bridgestone/Firestone, Inc.*, 347 F.3d 935 (Fed. Cir. 2003); *Akzona, Inc. v. E.I Du Pont de Nemours & Co.*, 662 F. Supp. 603 (D. Del. 1987).

²⁴ 1A Fed. Proc., L. Ed. § 1.708.

²⁵ *Id.* This applies provided the defendant in some manner maintains its challenge to venue while proceeding to trial.

²⁶ See *Heyward v. Public Housing Administration*, 238 F.2d 689 (5th Cir. 1956); *Thompson v. U.S.*, 312 F.2d 516 (10th Cir. 1962). In both cases it is unclear whether there had been a proper challenge in the defendants' answers. *But see Winslow Mfg. Co. v. Peerless Gauge Co.*, 202 F.Supp. 931 (N.D.Ohio 1958) (filing of a counterclaim after the defendant had challenged the venue of the court was sufficient to waive the challenge of venue impropriety); *Marquest Med. Prods., Inc. v. EMDE Corp.*, 496 F. Supp. 1242, 1250 n.2 (D. Colo. 1980) (Courts have deemed personal jurisdiction and venue waived by reason of moving for summary judgment).

and Yoon, 2014 through the first half of 2016, summary judgment motions were filed in just under 5% of the cases in the district.²⁷

III. The Stay-Where-They-Are Cases

(A) Some Cases Will Remain In E.D. Tex. Due To Regular Places of Business In The District

This topic has been treated above,²⁸ and, as shown, is likely to result in at least 76 cases having to remain in the Eastern District because the defendants in those cases have regular places of business there. The great stampede of patent plaintiffs into the Eastern District of Texas began around 1998. In 1997 only 10 patent cases were filed there. Over the intervening years the number mushroomed, and despite recent declines it remains well over 1,000 filings per year. The nation's economy and demographics were not static over these years. Plano, Texas, a Dallas suburb just over the district border into Eastern Texas, has seen a particular rise in high-tech facilities and operations, such that venue there would be proper even under the Supreme Court's anticipated ruling. Venue as to these defendant companies remains proper. They will have to stay put in the Eastern District, absent a transfer on convenience grounds.

(B) Many Will Stay Put: Improper Venue Has Been Waived

As discussed above, venue has been waived one way or another in up to half of the pending cases.²⁹ They will be obliged to stay in the Eastern District, even if the waivers were due to a misunderstanding of current statutory law. They will proceed in the normal course of things, toward settlement of the great majority, and, as usual, trial in a few.³⁰

²⁷ See the excellent article by Professor Brian Love and James Yoon, *Predictably Expensive: A Critical Look At Patent Litigation In the Eastern District of Texas*, 20 STAN. TECH. L. REV. 1 (2017) (hereafter Love-Yoon), at 18 Table 6. They show 227 motions for summary judgment were filed in the 2-1/2 year period 2014-16, 40 of which were granted. The normal practice is for defendants to make such motions in cases that do not settle early if they have a case-dispositive issue they view as amenable to such a motion. Summary judgment is a relatively rare tactic for plaintiff-patentees, because for a patentee to have a case-dispositive position it needs to prevail on both validity and infringement, and enforceability as well if raised. A defendant needs only one such ground to win the case.

²⁸ See Section II (a).

²⁹ See Section II (b)(1).

³⁰ See Love-Yoon, *supra* note 25. Address statistics they compiled for the period Jan. 1, 2014 through June 30, 2016, they show 4,963 patent case terminations in the Eastern District during that period (Table 4), and only 43 by trials (Table 7). The figures square with the approximately 1% trial dispositions observed nationwide over the past two decades of patent litigation.

IV. Where Will The Many To-Be-Transferred Cases Go?

Where venue is improper and has not been waived, *i.e.*, in some 500 pending cases, what will happen? The simplest and quickest solution, of course, is for the Eastern District judges simply to dismiss this batch of cases, leaving plaintiffs to refile in a proper district if it is not too late to do so. However, courts generally prefer, as mentioned above, transfers rather than dismissals as the remedy. Given that the great majority of Eastern District patent plaintiffs are non-practicing entities,³¹ it is hard to say how often they would refile elsewhere and how many would simply give up if they are dismissed. This raises the question: For those cases transferred, probably the great majority of the non-waived movants, to what districts will they be sent? The related and larger subject of projecting venues for cases to be filed nationwide post-*Heartland* has been excellently investigated by Professors Chien and Risch.³² They project that 52% of operating company plaintiffs and 60% of non-practicing entity plaintiffs (NPEs) would, under the expected reversal, have to choose different districts from where they sued in the past several years.³³ They project Delaware, Central California, and New Jersey as the top choices for operating company plaintiffs, and Delaware, Eastern Texas, and Northern California for NPE plaintiffs.³⁴

(A) Listen To One of the Parties?

In deciding on a transfer forum, one approach would be to listen to the plaintiff on this subject to decide where she wants the case to go. After all, it could be argued that the plaintiff was in good faith in choosing Eastern Texas, since no one could realistically have known until now that it was an improper place for the plaintiff to sue in. So perhaps the plaintiff's wish among proper transferee districts should have some weight, provided it is also a convenient district. On the other hand, the defendant has been stuck in a district contrary to its corporate statutory right not to be sued there. Significant money may have then been spent in the wrong place, possibly leading to court orders that might not be followed in the transferee court.³⁵

³¹ See Love-Yoon, Table 2, showing that 94.7% of the district's incoming patent cases during their investigated period were divided among computing and telecom (the great majority, 91.8%), pharmaceutical and medical (2.8%), and other (53%), and that the proportion of patent acquiring entity (PAE) plaintiffs was a somewhat astounding 93.9%.

³² See Chien-Risch, *supra* note 6.

³³ *Id.* at p. 34.

³⁴ *Id.* at p. 35. The projected choice of Eastern Texas will most likely involve local merchants as defendants, as well as some larger companies that have significant facilities there, along with a few companies that are incorporated in Texas and can be sued in any of the four Texas districts.

³⁵ The rule is different for convenience transfers. There the propriety of the case being in the transferor court is not challenged, so the orders of that court will generally remain in effect after transfer, unless and until the transferee court changes them. *See Chrysler Credit Corp. v. Country Chrysler Inc.*, 928 F.2d 1509 (10th Cir. 1991).

Another option would be to look to where patent cases were lodged prior to the great inflow to Eastern Texas in the late 1990s. Many current defendants are likely properly suable in those districts, because the current locations of their facilities largely match where high-tech companies were located twenty years ago. Which districts were those?

(B) Send Them To 1997's Busiest Patent Venues?

As mentioned, the inflow to Eastern Texas began about 1998. If we look at one year before that, 1997, Eastern Texas drew only 10 patent case filings in that year.³⁶ The great majority of patent cases settle, and most of the remaining ones are terminated by summary judgment. A few are tried. The six districts with the most 1997 patent case filings, and their district-wide recent patent *trial* experience, are:

- N.D. Cal (172 cases filed in 1997) -- currently *trying* 10 patent cases per year
- C.D. Cal. (162 cases filed in 1997) -- currently *trying* 6 patent cases per year
- N.D. Ill. (116 cases filed in 1997) -- currently *trying* 3 patent cases per year
- S.D.N.Y. (79 cases filed in 1997) -- currently *trying* 7 patent cases per year
- E.D. Va. (70 cases filed in 1997) -- current trial data unknown
- D. Del. (60 cases filed in 1997) -- currently *trying* 30 patent cases per year³⁷

Perhaps now the successful venue movants in the Eastern District of Texas should if possible be distributed among those six then-popular patent litigation districts. Venue in at least one of them would likely be proper today under the 2011 venue statute, because the defendant companies would likely now have regular and established facilities in at least one of them.

(C) Send Them To Patent Pilot Judges' Districts?

Another choice would be to send these cases to districts having a patent pilot program in which their judges participate. There are presently 12 districts other than Eastern Texas that have such judgeships.³⁸ As of January 2016 there were 66

³⁶ There were 2,041 patent filings nationally that year.

³⁷ This includes a substantial number of bench trials in ANDA cases.

³⁸ They are Central California, Northern California, Southern California, Northern Illinois, Maryland, New Jersey, Nevada, Eastern New York, Southern New York, Western Pennsylvania, Western Tennessee, Eastern Texas, and Northern Texas. FEDERAL JUDICIAL CENTER, *Patent Pilot Program: Five-Year Report* (April 2016) at 3.

patent-designated judges spread among the 13 pilot districts.³⁹ The six largest numbers of patent judges are in Northern Illinois (13); Southern New York (10); Central California (6); Southern California, New Jersey, and Western Pennsylvania (5 each). Some of these overlap with the 1997 patent-heavy districts listed above.

While the patent pilot judges seem to like patent cases, they may not welcome the large volume of them that could be involved if this option is chosen for transfers by the Eastern District judges. Moreover, despite their apparent openness to it, pilot judges have not drawn much patent work in the first five years of the pilot program's existence.⁴⁰ While patent-designated judges presided over the termination of an average 160 cases per judge, almost all of these were settlements, many of which require little work by judges.⁴¹ Perhaps it would be more meaningful to go by the numbers of patent trials in the districts. By that measure the 1997 districts listed earlier may be better choices.

(D) What Will Happen To Split-up Cases?

Since enactment of the America Invents Act in 2011, plaintiffs have not been permitted to join non-cooperating entities as accused infringers on the sole basis that the same patent is involved in the claims against them. However, in practice such entities are frequently coordinated for pretrial purposes, as a matter of judicial efficiency. Moreover, cooperating entities that can still be joined in a single action include local merchants who are suable as sellers, solely because direct patent infringement (selling, using) does not require any proof of a mental state. What will happen when these local entities get separated from their vendors due to the outgoing stream of improper-venue defendants?

One option is for the judges to stay or administratively close the actions as to the local merchants, pending outcomes of the cases against their transferred vendors. While possible, stays are relatively uncharacteristic in the Eastern District of Texas.

For practicing entities who are sued in separate cases in the Eastern District and now are transferred to more than one other district, an option is for one of the

³⁹ *Id.*

⁴⁰ *Id.* at 7, Table 2. The Federal Judicial Center report, through January 2016, measures judges' patent experience by two metrics: number of cases assigned to them, and number of cases terminated by them. Terminations run about 160 cases per judge on average, but this figure is somewhat lopsided by inclusion of 1,033 terminated cases *per judge* in the Eastern District of Texas. The next largest number of patent judge dispositions over the five years studied by the FJC was Central California with 209 terminations per judge, followed by Northern Texas with 176.

⁴¹ Love-Yoon reports on the number of patent cases settled within the first year: Central California 64%; Eastern Texas 84%. Admittedly, many of the 96% patent cases that settle do require substantial judicial work before settling.

parties to seek action by the Judicial Panel on Multidistrict Litigation (JPML).⁴² This panel of seven federal judges has been in existence for nearly fifty years, with its members changing every few years. When cases involving the same patent are pending in a plurality of districts, the panel has power to order all of them transferred for pretrial purposes to a single district judge somewhere.⁴³ It need not be to any of the originally pending districts. Under this procedure, known as multidistrict litigation (MDL), "pretrial" actually includes most of the important happenings in patent litigation, such as discovery, protective orders, Markman orders, and even summary judgments.⁴⁴

To trigger the MDL procedure, all it takes is a petition to the panel by one party to one case. While that party is most often a defendant, the petition could be by the plaintiff. If the panel decides that a transfer is in the interest of judicial efficiency and the needs of the parties, it chooses a transferee judge carefully, based largely on judicial availability. It could conceivably end up that everyone is sent back to the Eastern District of Texas. Importantly, it has nothing to do with whether venue would have been proper in the transferee district for any of the defendants involved. Hence the Supreme Court ruling and the 2011 venue statute have no binding effect on the panel. This option could therefore resolve many of the questions arising from the expected ruling in *TC Heartland*.

Many defendants in MDL proceedings opt to waive any venue objections they may have had if they had been sued in the transferee court. They proceed to trial there -- often jointly with other consenting defendants -- if summary judgment has not intervened to invalidate the patent involved. Others settle. As a result, patent cases are seldom still pending after the transferee court is finished its work. We rarely see a patent case go back to its original district for a trial.⁴⁵

IV. Summary

We expect the Supreme Court to reverse the Federal Circuit decision in *TC Heartland*, and to rule that the 2011 venue statute changed patent venue for all cases filed after January of 2012. This would establish venue constraints that would not have been met for most cases now pending in the Eastern District of Texas. Those defendants lacking a regular and established place of business in the district will, unless they have waived the defense of improper venue, be entitled as of right

⁴² Note that transfers by the district judge can only be to districts where the respective defendants could properly have been sued under the 2011 law. 28 U.S.C. § 1406. Transfers by the JPML, by contrast, can by statute be to any district, since the cases are, at least theoretically, only being sent there for pretrial proceedings.

⁴³ See Paul M. Janicke, The Judicial Panel On Multidistrict Litigation: Now A Strengthened Traffic Cop For Patent Venue, 32 THE REVIEW OF LITIGATION 497, 513 (2013).

⁴⁴ *Id.*

⁴⁵ *Id.* Only one such patent case is reported to have been tried in its original district in the 49-year existence of the JPML. *Id.* at note 2.

to either a dismissal or a transfer to a district where the case might have been properly brought under the now-understood venue rules.

Of the 1,200 or so patent cases pending at any given time in the Eastern District, at least 70 cases are ones where a multinational defendant has a regular and established place of business in the district, mostly in Plano, and would be properly suable in the district under either the old or the new venue rule. The same is true for local merchants sued in the district as a device to get at the source defendant. Of the remainder, probably about half have inadvertently waived the defense of improper venue by failing to assert it in their answers or by a motion under Rule 12(b). Amendment of their answers to include this defense seems unlikely to be granted, because, unlike most other pleading amendments, it would disrupt and nullify the waiver rule specified by Rule 12 and would tend to undo the judicial work done when the waiver was in effect.

Net result: The 600 or so waiver cases, plus the 70 or more where venue is proper even under the new Supreme Court enlightenment, will likely have to stay in the Eastern District. The roughly remainder of the patent docket will be subject to dismissal or transfer. Some of those defendants will elect to stay in the Eastern District in order to support their customers who have been sued there. For those who will be transferred, where they will actually end up is hard to predict. They may have been transferred to districts that were popular venues twenty years ago, or to districts having judges who participate in the patent pilot program, and in either case they may be further reassigned by the Judicial Panel on Multidistrict Litigation.

For new cases to be filed in the future, all we can safely say is that the Eastern District of Texas is likely to see far fewer of them. A stampede to Delaware, the state of incorporation for many entities, is equally unlikely if the present judicial understaffing there remains. At the minute, Delaware is assigned only four full-time judgeships. They seem to have more than enough to do, and docket jams are unattractive for many patent plaintiffs who want to get their cases filled and settled quickly. We shall have to wait and see.