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PATENT SUITS – MASSACHUSETTS IN, TEXAS OUT

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Recent developments show that patent litigation will increase in Massachusetts and almost certainly will decline in the popular court in Marshall, Texas, also known as the Eastern District (E.D.) of Texas.

As of late, E.D. Texas has become the *de facto* patent court in the United States, even though very few technology companies actually hail from that district. Consider that in the year 2000, there were 80 patent cases filed in Massachusetts and only 20 filed in E.D. Texas. By 2007, the number of cases in Massachusetts fell by over 20%, but the number of cases in E.D. Texas increased by 1800%. The reason for the increase is that E.D. Texas is perceived as being pro-patent holder (pro-plaintiff) and it is difficult to transfer cases out of that district, even when there is little connection between the parties and the court.

In late 2008, two developments occurred which should reverse this trend. First, the Federal Circuit, which presides over all patent appeals, ruled that where there is no connection between E.D. Texas and the parties, except for the fact that the alleged infringing product can be found in Texas, the case should be transferred to a court where there are more meaningful connections. Second, the Massachusetts District Court has adopted innovative new local rules for patent cases that should make litigation of patent cases more desirable there.

THE NEW STANDARD FOR VENUE

On December 29, 2008, in *In re TS Tech USA Corp*., the Federal Circuit ruled that it was "a clear abuse of discretion" for the district court in E.D. Texas to refuse to transfer a case out of the district where neither party had any significant contact with that district. Indeed, in *TS Tech*, the only connections to E.D. Texas were that 1) the plaintiff chose to file suit in that forum and 2) the defendant's alleged infringing product (a car part) was found there. The Federal Circuit found that the plaintiff's choice of forum was not significant and the mere presence of the infringing product in the district was not a basis to consider the matter a local Texas controversy.

The upshot of this decision is that when a plaintiff with no connection to E.D. Texas sues a defendant with no connection to E.D. Texas, save the fact that its product can be found there, the defendant will be able to transfer the case to a forum it prefers. For example, in the *TS Tech* case, a defendant was able to transfer the case from E.D. Texas to its own home district. Because most plaintiffs will not want to give the defendant the opportunity to choose the forum by a transfer motion, it is expected that "out of state" plaintiffs will rethink the wisdom of filing in E.D. Texas or other jurisdictions that have no real connection with the lawsuit. While this decision is based on regional circuit case law on civil procedure, and, thus, technically only applies to patent cases filed in Texas and other states in the

Fifth Circuit, it will likely have general applicability to cases filed in the rest of the United States.

It remains to be seen if the *TS Tech* standard will apply to patent holding companies that are incorporated in Texas and maintain a mailing address in E.D. Texas, but which are not operating companies. In other words, can a patent holding company that does not practice the patented invention avoid the result in *TS Tech* by incorporating in Texas and having an E.D. Texas address? Would these actions provide a sufficient local connection to make the ruling in *TS Tech* inapplicable? While resolution of that issue will likely be played out in the courts in the near future, it is be expected that many plaintiffs will seek to avoid such a venue fight and simply file in a district where the defendant has offices or is incorporated.

In sum, the *TS Tech* case has reset the standard for determining where patent cases should be litigated and should result in more cases filed in districts where defendants have meaningful connections to the litigation.

THE NEW MASSACHUSETTS LOCAL PATENT RULES

On November 24, 2008, the District of Massachusetts joined a growing trend among U.S. district courts and announced the adoption of local patent rules. These rules are designed to make it easier and more desirable to file and try patent cases in Massachusetts. As noted in the court's announcement, the Judges found "great merit" in the rules, which were proposed by a task force of the Boston Patent Law Association. Brian Moriarty of Hamilton Brook Smith Reynolds was a member of that task force.

The new patent rules should bring more order and predictability for patent infringement suits. Specifically, the new rules require the parties to prepare a joint pre-trial statement for the court's consideration that addresses and schedules significant aspects of patent cases, such as the early exchange of claim construction positions. The rules are innovative in that they specify that the district court should issue a "special tailored Scheduling Order" to address the needs of the parties and, thus, are unlike the local rules in other districts that impose inflexible mandatory dates for patent discovery.

These patent rules are expected to streamline claim construction, or *Markman*, hearings and rulings and make Massachusetts a more desirable forum for patent matters. In addition to the advantages afforded by these new rules, Massachusetts also offers other advantages for resolution of patent cases, including a well-respected court with significant experience in complex patent matters, a well-educated jury pool, and local access to a wealth of potential expert witnesses.

Patent holders should consider the Federal Circuit's newly announced views on venue and the new flexible local patent rules in Massachusetts when considering where to file a patent action. Patent defendants should consider whether a motion to transfer may now be an advisable strategic choice at the onset of litigation.

Intellectual property law continues to change. As is the case with any legal development, it is always advisable to work together with litigation counsel to develop strategies that meet your business goals.

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