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The Aftermath of *TS Tech*: The End of Forum Shopping in Patent Litigation and Implications for Non-Practicing Entities

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I. Introduction

The Federal Circuit closed its 2008 docket with *In re TS Tech USA Corp.*[1] The plaintiff at trial, Lear Corporation, had its principal place of business in Michigan.[2] The petitioners and defendants at trial, collectively "TS Tech," were from Ohio and Canada.[3] Curiously, Lear filed suit in the Eastern District of Texas. The plaintiff's choice to pursue trial in Marshall, Texas—population 23,798[4]—posed an inconvenience to all parties and witnesses. The defendants accordingly filed a motion seeking transfer to a closer venue, the Southern District of Ohio, pursuant to 28 U.S.C. § 1404(a).[5] The district judge denied the motion.[6] The Federal Circuit reversed and directed the Eastern District to transfer the case to the Southern District of Ohio.[7]

Over the past decade, the Eastern District of Texas has rocketed to the top of patent venue rankings with respect to filings. In 1990, one patent suit was filed in

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1 551 F.3d 1315 (Fed. Cir. 2008).

2 *Id.* at 1318.

3 *Id.*

4 City-Data.com, Marshall, Texas Profile, http://www.city-data.com/city/Marshall-Texas.html (last visited Mar. 11, 2010).

5 *In re TS Tech.*, 551 F.3d at 1318.

6 *Id.*

7 *See id.* (granting TS Tech's petition for writ of mandamus).

the district.[8] In the first ten months of 2007, a national record 312 patent cases were filed against 1,253 defendants.[9] The Eastern District is not home to any major cities or tech hubs.[10] The choice of hundreds of patentees nationwide to pursue their patent suits in the Eastern District constitutes forum shopping.

Forum shopping in the Eastern District is troubling given that many of the district's patentee-plaintiffs are non-practicing entities (NPEs).[11] NPEs are companies that acquire and hold patents.[12] They are "non-practicing" because they do not physically use their patents in producing or selling commercial goods or for research. Rather, NPEs hold patents only to litigate and license them.[13] Archetypically, an NPE will discover a corporation using a technology that may infringe one of the NPE's patents.[14] The NPE will then sue that corporation for infringement with the intent of settling the suit with a licensing agreement.[15] This business model of "search and sue" leads to the pejorative use of the term "patent troll" to refer to NPEs.[16]

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8 Ted Frank, *There Is a Role for Congress in Patent Litigation Reform*, AM. ENTERPRISE INST. FOR PUB. POL'Y RES.—AEI OUTLOOK SERIES, Feb. 2008, http://www.aei.org/outlook/27550.

9 *Id.*

10 *See* U.S. Marshal Service, Eastern District of Texas Courthouse Locations, http://www.usmarshals.gov/district/tx-e/locations/index.html (last visited July 8, 2010). The population of each city that hosts an Eastern District of Texas division is as follows: Beaumont, 110,553; Lufkin, 34,530; Marshall, 23,798; Sherman, 38,077; Texarkana, 36,611; Tyler, 97,705. City-Data.com, http://www.city-data.com (last visited Mar 11, 2010). The district's largest city is Plano with population 267,480. *Id.*

11 Daniel P. McCurdy, *Patent Trolls Erode the Foundation of the U.S. Patent System*, SCIENCE PROGRESS, Jan.12, 2009, http://www.scienceprogress.org/2009/01/patent-trolls-erode-patent-system. *See infra* Table 1 in Part II.B.1.

12 Sannu K. Shrestha, Note, *Trolls or Market-Makers? An Empirical Analysis of Nonpracticing Entities*, 110 COLUM. L. REV. 114, 115 (2010).

13 Paul B. Hunt, *The Importance of Recent Patent Law Decisions:* Bilski *and Beyond*, *in* THE IMPACT OF RECENT PATENT LAW CASES AND DEVELOPMENTS: LEADING LAWYERS ON UNDERSTANDING KEY DECISIONS, COUNSELING CLIENTS ON PATENT REFORM, AND RECOGNIZING UPCOMING ISSUES FACING CONGRESS 1, 5–6 (2009), 2009 WL 2966493.

14 McCurdy, *supra* note 11.

15 *Id.*

16 James F. McDonough III, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189, 191 (2006); Shrestha, *supra* note 12, at 114.

Regardless of whether one regards NPEs favorably or unfavorably, there is little dispute that patent litigation is central to the NPE business model.[17] Without it, NPEs have minimal leverage to obtain licensing revenues. NPEs and other patentee-plaintiffs nationwide often choose to litigate in the Eastern District of Texas because the district has proven to be plaintiff-friendly in patent infringement cases. Many thought *TS Tech* signaled the end of the Eastern District's popularity because the decision should have made transfer easier to obtain for defendants.[18] However, since *TS Tech*, the Eastern District continues to deny transfer at essentially the same rate as before the decision by the Federal Circuit. Nevertheless, recent Federal Circuit cases and ongoing patent reform efforts signal that venue rules are changing to the patentee-plaintiff's disadvantage.

This article proceeds as follows. Part II begins by introducing the NPE business model, arguments for and against NPEs, and the Eastern District of Texas' rise as the forum of choice in patent infringement cases. Part III analyzes the *TS Tech* decision specifically. Part IV reviews case law in the year since *TS Tech*, presents data demonstrating that *TS Tech* has had minimal impact on transfer rates in the Eastern District, and analyzes the district's resistance to venue changes. Part V reviews three Federal Circuit decisions from 2009 showing that the appeals court continues to reinforce the appropriate criteria for venue change. Finally, Part VI concludes that forum shopping in general—and the Eastern District of Texas phenomenon in particular—will end in the near future. These developments combined with broader judicial and legislative movements probably signal the end of the NPE as a viable business model.

II. Non-Practicing Entities and the Eastern District of Texas

A. The Non-Practicing Entity

1. The Business Model

NPEs are rarely the originator of their patents.[19] Most patents held by NPEs are acquired from the patent's original inventors—individuals or small busi-

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[17] *See* John R. Allison et al., *Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents*, 158 U. PA. L. REV. 1, 31–32 (2009) (revealing that NPEs own more than 50 percent of the most-litigated patents and account for over 80 percent of suits filed involving those patents).

[18] Hunt, *supra* note 13, at 4–5.

[19] *See* Todd Klein, EBay v. MercExchange *and* KSR Int'l Co. v. Teleflex, Inc.*: The Supreme Court Wages War Against Patent Trolls*, 112 PENN ST. L. REV. 295, 295–96, 300 (2007) (indicating that "[t]ypically, patent trolls are not inventors themselves").

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nesses[20]—or from a company under financial distress liquidating its patent portfolio.[21] Large NPEs may own hundreds and even thousands of patents.[22] There are approximately 220 NPEs in the United States who have raised around $6 billion in capital over the past decade.[23] Most NPE-owned patents are in technical fields relating to computers, electronics, software, and business methods.[24] Because NPEs rarely practice their patents, their patents seldom encompass an entire technology or commercial product. Instead, their patents usually cover components of a finished product.[25]

NPEs come in different forms. For instance, Science Progress describes Intellectual Ventures, the largest NPE as measured by patent holdings,[26] as a massive private equity fund with $5 billion in capital raised from investors.[27] Other NPEs, such as Alliacense and Rembrandt Technologies, are more litigious.[28] They selectively acquire patents that are likely to lead to successful litigation outcomes and high licensing fees.[29] Leanly staffed, their employees are mostly attorneys and accountants, with only a few engineers who examine prior art.[30]

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20 Shrestha, *supra* note 12, at 115.

21 *See* Rebecca A. Hand, EBay v. MercExchange*: Looking at the Cause and Effect of a Shift in the Standard for Issuing Patent Injunctions*, 25 CARDOZO ARTS & ENT. L.J. 461, 472–73 (2007) (citing the FTC's description of NPEs as "design firms that patent their inventions but do not practice them or patent assertion firms that buy patents from other companies (particularly bankrupt ones), not to practice but to assert against others").

22 PatentFreedom, Current Research, https://www.patentfreedom.com/research.html (last visited Mar. 23, 2010).

23 Small Business Labs, Patent Trolls Continue to Grow in Number and Power, http://genylabs.typepad.com/small_biz_labs/2009/04/patent-trolls-continue-to-grow-in-number-and-power.html (last visited Mar. 24, 2010) (citing PatentFreedom, https://www.patentfreedom.com).

24 Hunt, *supra* note 13, at 5 (stating that NPE inventions frequently cover business methods); Shrestha, *supra* note 12, at 145.

25 Elizabeth Pesses, *Patent and Contribution: Bringing the Quid Pro Quo into* eBay v. MercExchange, 11 YALE J.L. & TECH. 309, 315 (2008–2009).

26 McCurdy, *supra* note 11; Intellectual Ventures owns approximately 10,000–15,000 patents. PatentFreedom, *supra* note 22.

27 McCurdy, *supra* note 11.

28 *Id.*

29 *Id.*

30 Klein, *supra* note 19, at 298.

With ownership rights in hand, NPEs wait for others to infringe their patents.[31] NPEs usually detect possible infringement by reviewing recent patent applications with the United States Patent and Trademark Office (PTO) and scrutinizing the commercial market for products that make unauthorized use of their patents.[32] After identifying a possible infringing use, the NPE will file a patent infringement suit against the infringer, who may be using the patent as a component of a commercial product.[33] The $1.5–2.5 million cost of defending against a patent litigation suit[34] and the prospect of a permanent injunction or multi-million dollar damage remedy is sufficient in most cases to cause the defendant to settle and agree to a licensing arrangement with the NPE.[35]

NPEs can be strategic in the timing of their patent acquisitions and litigation. NPEs often acquire a ten-year old patent already in common commercial use, or observe an infringing use, but wait years "in hiding" before pursuing litigation against the alleged infringer.[36] By then the infringing use is more widespread.[37] In both cases, the unsuspecting defendant may have invested substantially in the development and production of a product and relied upon the product as a revenue source, only to then learn that the product may infringe the NPE's patent.[38] Under

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31 McCurdy, *supra* note 11.

32 Klein, *supra* note 19, at 300–01; McCurdy, *supra* note 11.

33 Gregory d'Incelli, *Has* eBay *Spelled the End of Patent Troll Abuses? Paying the Toll: The Rise (and Fall?) of the Patent Troll*, 17 U. MIAMI BUS. L. REV. 343, 346–47 (2009); Klein, *supra* note 19, at 300–01; McCurdy, *supra* note 11.

34 Robert R. Willis, *International Patent Law: Should United States and Foreign Patent Laws be Uniform? An Analysis of the Benefits, Problems, and Barriers*, 10 N.C. J.L. & TECH. 283, 304 (2009) (estimating that the cost of defending a patent infringement suit is $1.5 million); Peter Zura, *Employing Successful Strategies for Patent Litigation*, *in* RECENT TRENDS IN PATENT INFRINGEMENT LAWSUITS: LEADING LAWYERS ON ANALYZING SIGNIFICANT PATENT INFRINGEMENT CASES AND DEVELOPING SUCCESSFUL LITIGATION STRATEGIES 1, 1 (2010), 2010 WL 543328 (estimating average costs of $2.5 million for each side in a patent litigation dispute).

35 d'Incelli, *supra* note 33, at 347.

36 Klein, *supra* note 19, at 300.

37 McCurdy, *supra* note 11; *see* John M. Golden, *Principles for Patent Remedies*, 88 TEX. L. REV. 505, 559–60 n.303 (2010) (citing Richard Schmalensee, Standard-Setting, Innovation Specialists, and Competition Policy 5 (Apr. 30, 2009) (unpublished manuscript, on file at http://ssrn.com/abstract=1219784) ("[P]atent trolls hide their intellectual property until an opportune time and then emerge to extract royalties.")).

38 Shrestha, *supra* note 12, at 122.

such circumstances, the defendant will likely agree to pay the licensing fees demanded by the NPE to avoid an injunction that shuts down its product.[39]

The NPE business model of acquire, detect, sue, and license can be lucrative. For instance, Jerome Lemelson, by filing and amending hundreds of "submarine patents"[40] over many years and threatening suit against hundreds of companies, accumulated $1.5 billion in royalties.[41] In 2006, the Federal Circuit enjoined Research in Motion (RIM) from using the plaintiff-NPE NTP's patents, which concerned real-time wireless email technologies.[42] The permanent injunction would have shut down all 4.3 million Blackberries worldwide, effectively destroying RIM's business.[43] RIM agreed to pay NTP $612 million to settle and for the right to continue using technology covered by NTP's patents.[44] Other examples of NPEs acquiring many millions of dollars through litigation abound.[45]

Patent infringement litigation is consequently a central component of the NPE business model.[46] It should come as no surprise that a considerable and rising proportion of patent litigation—twelve to seventeen percent of all patent cases filed between January 1, 2000 and March 21, 2008—is NPE-initiated.[47] However, this eight-year average masks the increase in NPE-initiated cases during that period,[48]

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39 Shrestha, *supra* note 12, at 122.

40 *See* Frank, *supra* note 8 (describing the "submarine patent").

41 *See* Frank, *supra* note 8 (describing the "submarine patent").

42 NTP, Inc. v. Research in Motion, Ltd., 418 F.3d 1282, 1287 (Fed. Cir. 2005) (The Eastern District of Virginia was the district court).

43 Klein, *supra* note 19, at 297.

44 *Id.*; Associated Press, *Settlement Reached in BlackBerry Patent Case: Research in Motion Pays NTP $612.5 Million; Devices to Stay On*, MSNBC, Mar. 3, 2006, http://www.msnbc.msn.com/id/11659304/.

45 *E.g.*, Klein, *supra* note 19, at 297–98 (discussing the example of Forgent Networks who acquired patents on video compression technology and, through suits against forty defendants in 2004, accumulated over $100 million in licensing fees).

46 *See* Allison, *supra* note 17, at 24 (noting that NPEs "in the most-litigated-patent set fall almost entirely into only two classes: licensing companies in the business of buying up and enforcing patents ('trolls' by virtually anyone's definition) and companies started by an inventor that do not make products").

47 Shrestha, *supra* note 12, at 121.

48 *Id.* at 146 (noting the increase from 2000 to 2008 in the proportion of patent infringement suits initiated by NPEs).

which rose from under 100 before 2000 to over 450 in 2008 and 2009.[49] NPEs represent over 80 percent of the suits filed involving the most-litigated patents and NPEs own more than 50 percent of the most-litigated patents.[50] A survey of the ten most litigious NPEs shows that the majority of their cases were filed after 2003.[51] NPEs also tend to sue more defendants; the average patentee-plaintiff in 2008 sued 2.38 defendants while NPE-plaintiffs sued 3.96 defendants.[52] This trend has not gone unnoticed by industry executives. Hewlett Packard's[53] general counsel re-

[49] PatentFreedom, *supra* note 22. Another source notes that NPE litigation has risen 300 percent from 2001 to 2009. Wendy Freedman, *Trends and Developments: The Growing Impact of Venue and Economy on Patent Infringement Lawsuits*, *in* RECENT TRENDS IN PATENT INFRINGEMENT LAWSUITS: LEADING LAWYERS ON ANALYZING SIGNIFICANT PATENT INFRINGEMENT CASES AND DEVELOPING SUCCESSFUL LITIGATION STRATEGIES 1, 8 (2010), 2010 WL 543326.

[50] Allison, *supra* note 17, at 32.

[51] PatentFreedom lists most litigious NPEs by number of patent infringement suits filed. Below is a portion of a table. PatentFreedom, *supra* note 22.

Entity	Number of Cases	% of Cases Since 2003
Acacia Technologies	337	80%
Rates Technology Inc.	139	33%
Ronald A Katz Technology Licensing	129	92%
Millennium LP	110	92%
Plutus IP	77	100%
Sorensen Research and Development Trust	73	88%
General Patent Corp International	72	58%
Cygnus Telecommunications Technology LLC	69	45%
Papst Licensing GmbH	62	55%
F&G Research Inc.	56	91%

Table A: Most Litigious NPEs and Percentage of Their Cases That Came After 2003

[52] Freedman, *supra* note 49, at 8.

[53] Hewlett Packard (HP) is the ninth largest corporation in America by revenue. *Fortune 500: Our Annual Ranking of America's Largest Corporations*, CNN MONEY.COM, May 4, 2009, http://money.cnn.com/magazines/fortune/fortune500/2009/full_list/ (listing 2009's Fortune 500 companies in order). HP also owns over 30,000 patents. Kim Hart, *Patent Reform Bill Intro-*

marked that the company is consistently a target of patent infringement lawsuits and that "more than half the lawsuits have been filed by non-operating entities."[54]

2. Policy Debate

NPEs have their defenders[55] and detractors[56] who advance arguments for why NPEs are good or bad for society and innovation. Opponents of NPEs start with the premise that the purpose of the patent system is to foster innovation for the ultimate benefit of society. In contrast, most NPEs do not innovate, nor do they practice or commercialize their patents to benefit society.[57] Instead, they acquire patents and then sue corporations and inventors who do innovate and commercialize.

Negative consequences follow. First, detractors assert that NPEs impose a large unjustified cost on the judicial system and defendants because their infringement claims often lack merit and the licensing fees they reap are excessive.[58] Indeed, a PricewaterhouseCoopers study found that NPE-plaintiffs have a lower success rate than non-NPEs—29 percent versus 41 percent.[59] Second, the cost to

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duced in Congress Today, WASH POST ONLINE, March 3, 2009, http://voices.washingtonpost.com/posttech/2009/03/patent_reform_bill_introduced.html.

54 Hart, *supra* note 53.

55 *See generally* McDonough, *supra* note 16; Ho-Sung Chung, Note, *The Supreme Court Unjustly Declares Open Season on Patent Dealers*, 2009 U. ILL. J.L. TECH. & POL'Y 227 (2009); Shrestha, *supra* note 12.

56 *See generally* Klein, *supra* note 19, at 297; McCurdy, *supra* note 11.

57 McCurdy, *supra* note 11.

58 On frivolous claims, *see* Michael J. Meurer, *Inventors, Entrepreneurs, and Intellectual Property Law*, 45 HOUS. L. REV. 1201, 1218 (2008) ("Nevertheless, the decline of the public notice function of patents and the expansion of patentable subject matter to include business methods and software have contributed to the success of 'patent trolls'—parties who obtain patent royalties based on weak or frivolous infringement claims."); Jennifer Kahaulelio Gregory, Comment, *The Troll Next Door*, 6 J. MARSHALL REV. INTELL. PROP. L. 292, 301 (2007) ("A common assertion by victims of Patent Trolls is the infringement claims made against them are frivolous."). On excessive licensing fees, *see* Robin M. Davis, *Failed Attempts to Dwarf the Patent Trolls: Permanent Injunctions in Patent Infringement Cases Under the Proposed Patent Reform Act of 2005 and* eBay v. MercExchange, 17 CORNELL J.L. & PUB. POL'Y 431, 438 (2008) ("The questionable business practices of patent trolls extend beyond simple exploitation of general patents for excessive licensing fees."); Shrestha, *supra* note 12, at 114 ("Critics of these firms have labeled them 'patent trolls' and claim that they use weak and vague patents to extract excessive licensing fees or to engage in frivolous infringement litigation against product manufacturers.").

59 PricewaterhouseCoopers, *Report on New Patent Litigation Trends and the Increasing Impact of Nonpracticing Entities Released by PricewaterhouseCoopers*, PR NEWSWIRE, Jan. 25, 2009, http://www.prnewswire.com/news-releases/report-on-new-patent-litigation-trends-and-the-increasing-impact-of-nonpracticing-entities-released-by-pricewaterhousecoopers-82595262.html.

defendants of defending suits and paying high licensing fees is a significant burden on innovation and the economy.[60] For instance, the $612 million that RIM paid to NTP, and the billions other defendants pay in licensing fees and litigation, quite possibly cut their R&D and operation budgets. These costs might then be passed on to consumers in the form of higher prices, limited features and services, and reduced future innovation.

Despite these arguments, proponents of NPEs fundamentally disagree with the criticisms of the NPE model.[61] NPEs lawfully acquire and own patents, and in filing infringement claims, NPEs are simply enforcing their government-endowed patent rights.[62] Proponents also argue that NPEs present a number of benefits. NPEs help small inventors from whom they purchase their patents, because many small inventors lack the resources to bring their patented inventions to market.[63] Small inventors also lack the resources to license and enforce their patents, given that litigating a patent suit can cost up to $4 million.[64] By buying their patents, NPEs provide small inventors with liquidity that rewards small inventors and gives them funds needed to continue inventive activities.[65] NPEs license and enforce the patents they acquire, and grant a percentage of the resulting proceeds to the inventors.[66] NPEs are thus champions of small inventors; without NPEs, large corporations might be free to infringe patent rights at no cost. NPEs also serve a market-clearing function by acting as an exchange for patents.[67] Viewing patents as tradable assets, NPEs' buying and licensing activities helps create a liquid market for patents.[68] This helps accurately price patents, distinguishing valuable patents from worthless ones.[69] By helping small inventors and creating a liquid market for patents, NPEs only help innovation.

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60 McCurdy, *supra* note 11.

61 *Id.*

62 McDonough, *supra* note 16, at 221.

63 *Id.* at 211; Yuichi Watanabe, *Patent Licensing and the Emergence of a New Patent Market*, 9. HOUS. BUS. & TAX L.J. 445, 451–57 (2009).

64 Spencer Hosie, *Patent Trolls and the New Tort Reform: A Practitioner's Perspective*, 4 I/S: J.L. & POL'Y FOR INFO. SOC'Y 75, 80 (2008); McDonough, *supra* note 16, at 210.

65 Shrestha, *supra* note 12, at 130.

66 *Id.* at 126–27.

67 McDonough, *supra* note 16, at 211; Shrestha, *supra* note 12, at 128.

68 Watanabe, *supra* note 63, at 459–61.

69 *Id.*; Shrestha, *supra* note 12, at 128.

B. The Center of the Patent Litigation Universe: The Eastern District of Texas

The surge in patent litigation in the Eastern District was made possible by *VE Holding Corp. v. Johnson Gas Appliance Co.*[70] Patent venue is governed by 28 U.S.C. § 1400(b), which provides two options for venue: (1) where the defendant resides and (2) where the defendant commits infringement and maintains an established place of business.[71] In 1988, the general venue provision, 28 U.S.C. § 1391(c), was amended to make venue proper for a corporate defendant where there is personal jurisdiction over them.[72] In *VE Holding*, the Federal Circuit interpreted § 1400(b) in light of the amendments to § 1391(c).[73] The Court held that venue was proper wherever a defendant was subject to personal jurisdiction.[74] Because patent rights are federal, covering all jurisdictions, a patent holder is injured in every district where there is an act of infringement.[75] As a result, personal jurisdiction exists, and therefore venue is proper in every district where there is an infringing use or sale.[76] Because many patents find use in everyday commercial products sold nationwide, *VE Holding* effectively allows patentee-plaintiffs to file their infringement suits anywhere in the country.

Why patentee-plaintiffs have chosen the Eastern District of Texas is discussed in Part II.B.2. Part II.B.1 presents statistics illustrating the magnitude of the Eastern District anomaly.

1. The Numbers

The meteoric rise of the Eastern District of Texas reflects the unintended consequences of *VE Holding*'s liberal patent venue rules. In 1990, one patent case was

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[70] 917 F.2d 1574 (Fed. Cir. 1990).

[71] 28 U.S.C. § 1400(b) (2006) ("Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.").

[72] 28 U.S.C. § 1391(c) (2006); Alisha Kay Taylor, *What Does Forum Shopping in the Eastern District of Texas Mean for Patent Reform?*, 6 J. MARSHALL REV. INTELL. PROP. L. 570, 574–75 (2007).

[73] *VE Holding*, 917 F.2d at 1575. The prior interpretation of § 1400(b) limited venue to where the defendant resides, or has established a place of business and committed acts of infringement. Fourco Glass Co. v. Transmirra Prods. Corp., 353 U.S. 222, 223, 229 (1957).

[74] *VE Holding*, 917 F.2d at 1584.

[75] Taylor, *supra* note 72, at 576.

[76] *Id.*

filed in the district.[77] Figure 1 shows the increase in patent cases since 2000. In 2007, the district set a standing record for the number of patent cases filed in any district in any year with 368 patent cases.[78] From 2006–2008, the Eastern District led all districts in the number of patent cases filed.[79] The district's predominance over the nation's patent trial docket is anomalous. The other perennial top venues for patent litigation are major population and tech centers. From 1995–1999, before the Eastern District phenomenon, the five most popular districts for patent litigation districts corresponded with major tech hubs: Los Angeles, Silicon Valley, Chicago, New York City, and Boston.[80] A 1999 study demonstrated that some of a district's popularity in patent cases correlated with (a) the population of the district, and (b) the number of patents granted to inventors and companies residing in the district.[81] Excepting the Eastern District, these correlations continue today.[82]

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77 *See* Frank, *supra* at note 8, at 3.

78 *See infra* Figure 1.

79 *See infra* Figure 1.

80 Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?,* 79 N.C. L. REV. 889, 903–07 (2001) (finding that the top five districts were the Central District of California, Northern District of California, Southern District of New York, Northern District of Illinois, and District of Massachusetts).

81 *Id.*; Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 200–01 (2006–2007).

82 *See infra* Figure 1 (exception for the District of Delaware and the District of New Jersey, although Delaware is the place of incorporation for many defendants). *See also* Reed Albergotti, *The Most Inventive Towns in America*, WALL ST. J., July 22, 2006, at P1, *available at* http://online.wsj.com/article/SB115352188346314087.html. (ranking cities by the number of patents granted in 2005; 12 of the top 20 cities are in California and 2 are in New York).

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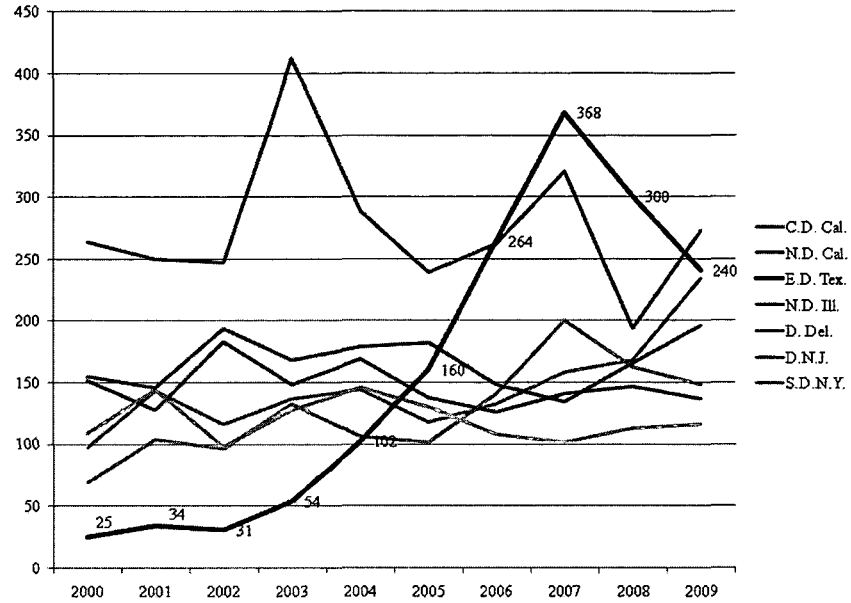

Figure 1: Most Popular Districts by Number of Patent Cases Filed, 2000–2009[83]

Even within the Eastern District of Texas, "judge shopping" occurs. The Eastern District has eight district judges and seven magistrates, yet over 80 percent of patent cases go to four district judges—Judge Ward, Judge Clark, Judge Folsom, and Judge Davis.[84] These judges receive their patent caseload primarily from two divisions, Marshall and Tyler.[85] Marshall is particularly popular. In 2007, the

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[83] Data collected from Stanford's Intellectual Property Litigation Clearinghouse (IPLC). SLS Home, Stanford IP Litigation Clearinghouse, http://www.law.stanford.edu/program/centers/iplc (last visited Aug. 3, 2010).

[84] *See* Leychkis, *supra* note 81, at 206.

[85] Andrew W. Spangler et al., *Litigating in the Eastern District of Texas, in* 922 PRAC. L. INST. PAT., COPYRIGHTS, TRADEMARKS, & LITERARY PROP. COURSE HANDBOOK SERIES 217, 226 (2008); United States District Court, Eastern District of Texas, Directory Information, http://www.txed.uscourts.gov/Directories/Court/Court.htm (last visited Mar. 21, 2010).

Marshall division accounted for 60 percent of the district's patent cases, or 10 percent of all U.S. patent cases.[86]

The Eastern District has attracted NPE and non-NPE plaintiffs alike. For example, the plaintiff, Lear, in *TS Tech* was not an NPE.[87] Similarly, non-NPE, Texas Instruments, was one of the first patent holders to see the wisdom of filing in Marshall.[88] Regardless, NPEs file the bulk of their infringement actions in the Eastern District.[89] Moreover, NPEs have preferences for particular Eastern District judges.[90]

District	NPE Filed Cases
E.D. Tex.	332
N.D. Cal.	156
C.D. Cal.	152

[86] *See* Frank, *supra* note 8, at 3.

[87] *See* Lear Corporation, About Lear, http://www.lear.com/jsp/common.jsp?page=al_aboutlear (last visited Mar. 22, 2010).

[88] Hosie, *supra* note 64, at 85.

[89] Leychkis, *supra* note 81, at 214; *see infra* Table 1.

[90] Leychkis, *supra* note 81, at 214–15. Table B below is from Leychkis' article showing the filing patterns of five NPEs from 1999–2006. *Id.*

Plaintiff NPE	Judge Ward	Judge Davis	Judge Folsom	Judge Clark	E.D. Tex. Total	All other districts
Ronald A. Katz Technology Licensing, LP	1	--	5	15	21	11
Data Treasury Corp.	--	--	15	--	15	5
Orion IP, LLC	--	11	--	--	11	1
IAP Intermodal, LLC	11	--	--	--	11	--
Rembrandt Technologies, LP	5	--	--	--	5	--

Table B: Where Patent Trolls File Their Suits, Filing Patterns Of Five NPEs Since 1999–2006

S.D.N.Y.	122
N.D. Ill.	100
N.D. Ga.	76
D. Del.	73
E.D.N.Y.	57
D.N.J.	56

Table 1: Cumulative Number of Patent Infringement Suits Filed by NPEs as of August 31, 2008[91]

Table 1 indicates that Marshall is almost a secondary place of business for many NPEs. As seen in Figure 1, the other popular venues for NPEs are populous districts, home to major tech companies, and research universities.[92] The 2008–2009 financial crisis, and ensuing recession, may have reduced the financing that NPEs require to fund litigation. The resulting slight decline in nationwide NPE-filing in 2009[93] may partially explain the decrease in the Eastern District's 2009 filing numbers.[94]

2. The Reasons

In 2001, Judge Ward of the Eastern District adopted new patent trial rules combining the Northern District of California's Local Patent Rules with modifications.[95] These modifications included accelerated timelines, broader discovery requirements, and severe sanctions for non-compliance.[96] Judge Ward's rules turned

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91 McCurdy, *supra* note 11.

92 *See* Leychkis, *supra* note 81, at 200–01; Moore, *supra* note 80, at 903–07.

93 PatentFreedom, *supra* note 22.

94 *See supra* Figure 1. The Eastern District of Texas saw a drop from 300 to 240 filed patent cases from 2008 to 2009.

95 Taylor, *supra* note 72, at 572 (adding that the rules were uniformly adopted by the rest of the district in 2005).

96 Spangler, *supra* note 85, at 236–47 (explaining that under the Eastern District's patent rules, many forms of discovery are mandatory, and providing a detailed list of court sanctions); Taylor, *supra* note 72, at 572–74 (noting that defendants must locate relevant prior art and present their invalidity contentions under a compressed schedule, and the court is rarely willing to allow delay for amendments to contentions; also, discussing tight deadlines for claim construction proposals and hearings).

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the Eastern District into one of the nation's fastest rocket dockets. At its prime, in the middle part of the decade, the district had a median filing-to-trial time of just twelve months for patent cases.[97] The national average was two years.[98] The Eastern District has slowed down considerably in recent years,[99] which may partially explain its decline in the number of patent cases filed in 2009.[100] Regardless, discovery still begins early in Eastern District patent cases.[101] Defendants in the Eastern District have only nine months to complete discovery, whereas defendants in Northern California have eighteen.[102] In 2006, the average Eastern District bench trial took 22.3 months versus 37.8 months nationwide; average jury trials took 21.1 months compared to 27.1 months nationwide.[103]

Speed kills defendants. A faster docket saves the plaintiff litigation costs and attorney fees.[104] Limited only by the six year statute of limitations on infringement actions,[105] the plaintiffs can bide their time, build their position, and locate evidence and witnesses before filing their suit.[106] Once hit with the plaintiff's suit, the out-of-town defendant, by contrast, must scramble to complete discovery and construct their case within the district court's tight schedule.[107]

District	Median Time To Termination (days)	Median Filing-To-Trial Time (days)
C.D. Cal.	226	802

97 Spangler, *supra* note 85, at 234.

98 Robert M. Parker, *The Eastern District Phenomenon*, 45 THE ADVOC. (TEX.) 27, 28 (2008).

99 *See infra* Table 2. The current filing-to-trial time is 25.5 months.

100 *See supra* Figure 1.

101 Spangler, *supra* note 85, at 234.

102 Leychkis, *supra* note 81, at 209.

103 *Id.*

104 Taylor, *supra* note 72, at 577.

105 35 U.S.C. § 286 (2006) ("Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.").

106 Leychkis, *supra* note 81, at 219.

107 *Id.*; Taylor, *supra* note 72, at 577.

N.D. Cal.	309	1046
E.D. Tex.	*367*	*777*
N.D. Ill.	213	894
D. Del.	383	694
D.N.J.	243	998
S.D.N.Y.	234	1031
W.D. Wis.	279	335
E.D. Va.	156	327

Table 2: Median Termination and Trial Times of Top Patent Venues and W.D. Wis. and E.D. Va.[108]

Speed alone does not explain the Eastern District anomaly. In light of the district's recent slowdown, other faster dockets are available.[109] However, the Eastern District has other qualities that draw patentee-plaintiffs nationwide. The district grants summary judgment at a rate of 10 percent.[110] This compares to 40 percent nationwide and 70 percent in the Northern District of California.[111] Of course, a lower summary judgment rate means that cases are more likely to go to trial.

As further proof that trials occur often, consider Table 2. The Eastern District has the second longest termination time, yet one of the shorter filing-to-trial times. A long termination time suggests that cases do not settle early before discovery and pre-trial proceedings. Instead, they frequently extend into discovery and trial. The District of Delaware is another district with this combination of long termination times and short filing-to-trial times. This partially explains why Delaware is also a surprisingly popular patent venue.[112]

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[108] Data collected from Stanford's IPLC. SLS Home, *supra* note 83.

[109] *See supra* Table 2. The E.D. Va. and W.D. Wis. reach trial in less than a year and the D. Del. is also faster.

[110] Leychkis, *supra* note 81, at 216.

[111] *Id.*

[112] *See supra* Figure 1 (indicating that the District of Delaware is popular); *supra* Table 2 (indicating that the District of Delaware has the longest termination time and one of the faster time-to-trial times).

Jury trials are always risky propositions for defendants, but especially in the Eastern District.[113] Recent surveys put the patentee-plaintiff win rate at trial in the Eastern District at 90 percent compared to 68 percent nationwide.[114] In the eighteen years preceding 2006, the district never once found a plaintiff's patent invalid.[115] Eastern District juries are perceived as distrustful of large corporations (i.e., defendants in patent infringement suits), with a history of handing out large plaintiff victories in railroad and asbestos cases.[116] Demographic studies show that in the area where presumably most of Marshall's jury pool originates, only 15.5 percent of local residents hold bachelor degrees, 5.1 percent hold graduate degrees, and 21.6 percent never completed high school.[117] A large portion of the district's population is elderly.[118] As a result, juries in the Eastern District tend to view IP rights and infringement actions as akin to trespass on real property.[119] Accordingly, they might be less likely than jurors in larger cities to comprehend the technology or patent policy arguments presented to them.[120]

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[113] *See* Leychkis, *supra* note 81, at 210 ("To say that juries in the Eastern District of Texas favor patent holders is something of an understatement—quite plainly, an Eastern District jury is the patentee-plaintiff's best friend.").

[114] *Id.*; Adam Shartzer, *Patent Litigation 101: Empirical Support for the Patent Pilot Program's Solution to Increase Judicial Experience in Patent Law*, 18 FED. CIR. B.J. 191, 215–16 (2009). Other sources put the patentee-plaintiff win rate at 88 percent. *See* Adam D. Kline, *Any Given Forum: A Proposed Solution to the Inequitable Economic Advantage that Arises when Non-Practicing Patent Holding Organizations Predetermine Forum*, 48 IDEA 247, 275 (2008); Frank, *supra* note 8, at 3. *But see* Dorothy R. Auth et al., *Selecting Forum and Venue for Your Patent Litigation*, 997 PRAC. L. INST. PAT., COPYRIGHTS, TRADEMARKS, & LITERARY PROP. COURSE HANDBOOK SERIES 601, 649 (2010) (citing Pacer, finding that the win rate in 2008 is only 71.9 percent in E.D. Tex., C.D. Cal. is only slightly lower at 68 percent, and other popular patent venues vary between 50 to 63 percent); William C. Rooklidge and Renee L. Stasio, *Venue in Patent Litigation: The Unintended Consequences of Reform*, 20 NO. 3 INTELL. PROP. & TECH. L.J., Mar. 2008, at 1, 2 (putting the figure for the Marshall division at 78 percent compared to 59 percent nationwide, citing LegalMetric).

[115] Shartzer, *supra* note 114, at 214–15.

[116] Leychkis, *supra* note 81, at 213–14; *but see* Spangler, *supra* note 85, at 261 (alternatively arguing that the plaintiff-friendly perception is overblown and that jury tendencies in the district vary greatly by division).

[117] Leychkis, *supra* note 81, at 219–20.

[118] *Id.* at 220.

[119] *Id.* at 213.

[120] *Id.* at 220; *but see* Parker, *supra* note 98, at 27 (arguing that Eastern District juries are not pro-plaintiff).

C. The Eastern District's Pre-*TS Tech* § 1404(a) Transfer Practice

Forum shopping and the Eastern District of Texas anomaly would be largely remedied if the Eastern District granted most motions seeking transfer. Venue transfer is governed by 28 U.S.C. § 1404(a). Under § 1404(a), a case may be transferred for convenience of parties and witnesses to another venue where the case could have been brought.[121] As in *TS Tech*, the vast majority of patent cases on the district's docket involve parties, witnesses, and evidence that reside entirely outside Texas, which weighs in favor of granting transfer.[122] However, the Eastern District of Texas is protective of its docket. In civil cases generally, the district grants transfer motions only one-third of the time as compared to nearly 50 percent nationwide.[123] In patent cases between 2004 and 2008, the Eastern District granted only fifteen out of forty-nine transfer motions or 30.6 percent of the time.[124]

Before *TS Tech*, the Eastern District's analysis of § 1404(a) motions seeking transfer followed Fifth Circuit precedent in form, but not substance. Under *In re Volkswagen AG*, transfer motions are decided using a two-step test.[125] First, the court must determine if the case could have been filed in the proposed transferee forum, meaning venue and personal jurisdiction requirements are satisfied there.[126] The transferee district requested by a defendant is usually where the defendant resides, and under § 1400(b), venue is proper where the defendant resides.[127] Thus, this threshold inquiry is usually satisfied.

Next, the court applies a set of private and public interest factors.[128] The private factors are: "(1) the relative ease of access to sources of proof; (2) the availability of the compulsory process to secure witnesses' attendance; (3) the willing

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[121] 28 U.S.C. § 1404(a) (2006) ("For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.").

[122] *See infra* note 180 and accompanying text. My own survey used Westlaw to locate all thirty-four E.D. Tex. patent cases where transfer of venue was sought and decided in 2009. The results show that only three of the cases involved a party from the district.

[123] Leychkis, *supra* note 81, at 216.

[124] *See infra* Table 3 in Part IV.A.

[125] *In re* Volkswagen AG, 371 F.3d 201, 203 (5th Cir. 2004); Network-1 Sec. Solutions, Inc. v. D-Link Corp., 433 F. Supp. 2d 795, 798 (E.D. Tex. 2006).

[126] *In re Volkswagen*, 371 F.3d at 203; *Network-1*, 433 F. Supp. 2d at 798.

[127] 28 U.S.C. § 1400(b); *e.g.*, *Network-1*, 433 F. Supp. 2d at 798.

[128] *In re Volkswagen*, 371 F.3d at 203; *Network-1*, 433 F. Supp. 2d at 798.

witnesses' cost of attendance; and (4) all other practical problems that make the case's trial easy, expeditious, and inexpensive."[129] The public factors are: "(1) the administrative difficulties flowing from court congestion; (2) the local interest in having local issues decided at home; (3) the forum's familiarity with the governing law; and (4) the avoidance of unnecessary conflict of law problems involving foreign law's application."[130] These factors compare the relative convenience of the current forum against the proposed transferee forum.

A review of the Eastern District's application of these factors pre-*TS Tech* shows the district's analyses was cursory at best and disingenuous at worst. In *Tinkers & Chance v. Leapfrog Enterprises, Inc.*, the defendant resided in the Northern District of California, sought transfer there, and alleged that the plaintiff was a California partnership.[131] The court denied transfer.[132] With respect to access to sources of proof, while most of the evidence was in California, the court argued that modern technology made access easy and rendered this factor unimportant as a general matter.[133] With respect to location of witnesses, the court found that the facts were inconclusive because the defendant failed to identify all the potential witnesses that it claimed were in California.[134] The Eastern District of Texas also had a special localized interest in the matter because potential acts of infringement in the district had an effect on the local economy.[135] Finally, the court adopted a strong presumption in favor of the plaintiff's choice of forum.[136]

Other cases show similar results and analyses. In *Symbol Technologies, Inc. v. Metrologic Instruments, Inc.*, the plaintiff resided in New York and the defendant resided in New Jersey; therefore, the defendant moved to transfer to the Southern District of New York.[137] Breezing through the factors, the court noted that while all relevant documentary evidence was located in New York or New Jersey, docu-

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[129] *Network-1*, 433 F. Supp. 2d at 798.

[130] *Id.*

[131] Tinkers & Chance v. Leapfrog Enter., Inc., No. Civ. A. 2:05-CV-349, 2006 WL 462601, at *1–2 (E.D. Tex. Feb. 23, 2006).

[132] *Id.* at *1

[133] *Id.* at *2.

[134] *Id.* at *3.

[135] *Id.*

[136] *Id.* at *4.

[137] Symbol Tech., Inc. v. Metrologic Instruments, Inc., 450 F. Supp. 2d 676, 677 (E.D. Tex. 2006).

ments would have to be exchanged regardless of where the case was tried.[138] The court concluded that the Eastern District of Texas was convenient for the New York plaintiff because the plaintiff chose to file in the Eastern District.[139] Since patent cases generally involve third party witnesses from all over the world, cost of attendance and compulsory process factors were neutral.[140] *Network-1 Security Solutions, Inc. v. D-Link Corp.* exhibits similar reasoning.[141] The plaintiff resided in New York.[142] The defendant resided in Taiwan and California and sought transfer to the Southern District of New York.[143] The court advanced the usual reasons: evidence could be exchanged electronically; witnesses may have been from all over the world so New York was no more convenient; the plaintiff's choice of forum was entitled to deference; and the district had a localized interest because the allegedly infringing sales occurred in the district.[144]

Pre-*TS Tech*, the Eastern District granted transfer where extraneous circumstances favored transfer. For example, where the court lacked personal jurisdiction over the defendant or judicial efficiency counseled transfer.[145] Commonly, the defendant in the Eastern District action "first-filed" a declaratory judgment action in the transferee forum against the Eastern District plaintiff that alleged non-infringement and was filed *before* the plaintiff sued for infringement in the Eastern District.[146] Alternatively, there was an ongoing infringement action in the transferee forum concerning the same patents and parties.[147]

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[138] *Id.* at 678.

[139] *See id.*

[140] *Id.* at 679.

[141] 433 F. Supp. 2d 795, 799–802 (E.D. Tex. 2006).

[142] *Id.* at 796.

[143] *Id.* at 796–97.

[144] *Id.* at 799–802.

[145] *E.g.*, Third Dimensions Semiconductor, Inc. v. Fairchild Semiconductor Int'l, Inc., No. 6:08-CV-200, 2008 WL 4179234, at *2 (E.D. Tex. Sept. 4, 2008) (holding that judicial economy favored transfer due to common issues); QR Spex, Inc. v. Motorola, Inc., 507 F. Supp. 2d 650, 668 (E.D. Tex. 2007) (lacking personal jurisdiction over defendant where defendant did not conduct any infringing sales in the state of Texas).

[146] *E.g.*, *Third Dimensions Semiconductor*, 2008 WL 4179234, at *1 (granting transfer where defendant filed declaratory judgment action in transferee district on May 17, 2008 at 12:01 AM; plaintiff filed instant action one hour later on May 17, 2008 at 1:00 AM); O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc., No. 2:04-CV-359, 2006 WL 887391, at *1 (E.D. Tex. Mar. 28, 2006) (granting transfer where defendant in Eastern District action filed declaratory judgment action

Absent such circumstances, the Eastern District rarely granted transfer. Considerations of convenience seldom mattered. Further, the Federal Circuit affirmed the district's § 1404(a) decisions.[148] "[A] district court's decision concerning a motion to transfer venue is reviewed for *abuse of discretion*."[149] Because the district followed the Fifth Circuit's § 1404(a) precedent, the district's cursory analysis was not an abuse of discretion.[150]

III. *In re TS Tech*: The Federal Circuit Takes Action

Given *D-Link*, the odds seemed stacked against petitioner TS Tech when it appealed the Eastern District's denial to the Federal Circuit.[151] Very little distinguished *TS Tech* from *D-Link* and the many other cases where the Eastern District denied transfer. The plaintiff, Lear Corporation, resided in Southfield, Michigan.[152] The defendants, TS Tech USA Corporation and its two subsidiaries, resided in the Southern District of Ohio and in Canada.[153] Defendants sought transfer to the Southern District of Ohio.[154]

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against plaintiff on May 20, 2004 in transferee forum; plaintiff later filed the current action on October 12, 2004).

[147] *E.g.*, Chi Mei Optoelectronics Corp. v. LG Phillips LCD Co., No. 2:07-CV-176, 2008 WL 901405, at *1 (E.D. Tex. Mar. 31, 2008) (granting transfer where defendant sued plaintiff in transferee forum for infringement on December 1, 2006 and plaintiff later sued defendant for infringement over patents covering similar technology on May 4, 2007); Kinetic Concepts, Inc. v. Bluesky Med. Group, Inc., No. 2:07-CV-188, 2008 WL 151276, at *1–2 (E.D. Tex. Jan. 15, 2008) (granting transfer where plaintiff sued defendant in transferee forum for infringement of a first patent and plaintiff later sued defendant in instant action for infringement of another patent that is a continuation of the application of the first patent); Aventis Pharm. Inc. v. Teva Pharm. USA Inc., No. 2:06-CV-469, 2007 WL 2823296, at *1 (E.D. Tex. Sept. 27, 2007) (granting transfer where plaintiff sued defendant in transferee forum and plaintiff later sued for infringement of another patent related to the same product).

[148] *In re* D-Link Corp., 183 Fed. App'x. 967, 968–69 (Fed. Cir. 2006) (interpreting 28 U.S.C. §1404(a) to affirm the Eastern District's denial of defendant's transfer motion).

[149] *Id.* at 968.

[150] *See id.* at 968–69 ("In reviewing a district court's ruling on a motion to transfer pursuant to § 1404(a), we apply the law of the regional circuit.").

[151] *See In re* TS Tech. USA Corp., 551 F.3d 1315, 1317 (Fed. Cir. 2008).

[152] Lear Corp. v. TS Tech. USA Corp., No. 2:07-CV-406, 2008 WL 6515201, at *1 (E.D. Tex. Sept. 10, 2008).

[153] *Id.* at *12.

[154] *Id.* at *1.

The Eastern District analysis proceeded in customary fashion with one exception. Recall that *Volkswagen* set out four private factors.[155] In *Lear*, the Eastern District added two more factors—"the plaintiffs' choice of forum" and "the place of the alleged wrong"—citing a prior Eastern District case that predated *Volkswagen*.[156] Under this six-factor test, the Eastern District concluded that the private factors disfavored transfer.[157] Deference to the plaintiff's choice of forum disfavored transfer.[158] The court strangely found the cost of attendance factor neutral because "neither the plaintiffs nor the defendant are located in Texas."[159] The place of wrong included the Eastern District, and the remaining private factors were neutral.[160] The public factors weighed against transfer since defendants' allegedly infringing products were sold in the district.[161] The court therefore denied transfer.[162]

The Federal Circuit ruled that the Eastern District of Texas clearly abused its discretion.[163] Judge Rader's opinion disagreed with the Eastern District on several key points. First, the district misconstrued the weight of the plaintiff's choice of forum, incorrectly treating it as a distinct factor.[164] Second, in assessing cost of attendance, the district failed to apply the "100-mile" rule established in *Volkswagen*.[165] Under this rule, "the factor of inconvenience to witnesses increases in direct relationship to the additional distance [beyond 100 miles] to be traveled."[166] The district disregarded the fact that all the identified key witnesses in Ohio, Michigan, and Canada would need to travel 900 more miles to attend trial in Texas

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155 *See supra* note 129 and accompanying text.

156 *See Lear*, 2008 WL 6515201, at *3 (citing Mohamed v. Mazda Motor Corp., 90 F. Supp. 2d 757, 771 (E.D. Tex. 2000). *Volkswagen* was decided by the Fifth Circuit in 2004. *See supra* note 126.

157 *See Lear*, 2008 WL 6515201, at *1–3.

158 *Id.* at *2.

159 *Id.*

160 *Id.* (indicating that parties' briefs indicated compulsory process was neutral and sources of proof could be transported electronically).

161 *Id.*

162 *Id.* at *4.

163 *In re* TS Tech. USA Corp., 551 F.3d 1315, 1321 (Fed. Cir. 2008).

164 *Id.* at 1320.

165 *Id.*

166 *Id.*

rather than Ohio.[167] Third, on access to sources of proof, the district erred in deciding this factor was neutral. Most of the evidence was located in or around the transferee forum and none was located in the Eastern District.[168]

Judge Rader also disagreed with the district's common argument that modern technology and electronic storage made the access factor neutral, countering that such an approach rendered this factor superfluous.[169] Discussing public factors, the existence of some infringing sales in the Eastern District was insufficient to give the district any special local interest in the matter.[170] Neither TS Tech nor Lear had any offices in the district and infringing sales occurred nationwide.[171] The effect of TS Tech's alleged infringing sales had "no more or less of a meaningful connection to this case than any other venue."[172]

Pre-*TS Tech*, the Eastern District's § 1404(a) analysis may have been hasty and possibly misleading. Nevertheless, the Federal Circuit took a bold departure from *D-Link* in finding that the district clearly abused its discretion in *TS Tech*.[173] The Federal Circuit's own *VE Holding* allows the plaintiffs to choose where to file.[174] In *TS Tech*, the Federal Circuit acknowledged that the Eastern District's analysis was correct for many factors.[175] As the Federal Circuit concurred in *D-Link*,[176] there is some merit to the Eastern District's contention that in this age of electronic storage and transportation, access of sources of proof can be an insignificant factor in the analysis.

On the other hand, the establishment of the Federal Circuit in 1982 was motivated by a need to unify patent case law across all jurisdictions, preventing the then

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[167] *Id.*

[168] *Id.* at 1321.

[169] *In re TS Tech.*, 551 F.3d at 1321.

[170] *Id.*

[171] *Id.*

[172] *Id.*

[173] *Cf. id.* ("There is no easy-to-draw line separating a 'clear' abuse of discretion from a 'mere' abuse of discretion in all cases . . . Nevertheless, we conclude that TS Tech has met its difficult burden of demonstrating a clear and indisputable right to a writ.").

[174] VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1575, 1576–83 (Fed. Cir. 1990).

[175] *See In re TS Tech.*, 551 F.3d at 1319–20 (noting that "several factors that the district court afforded no weight . . . were indeed neutral on the facts presented").

[176] *In re* D-Link Corp., 183 Fed. App'x. 967, 968–69 (Fed. Cir. 2006).

existing practice of plaintiffs picking jurisdictions that were more favorable in their construction of patent laws.[177] Seeing the Eastern District's continuing ascendance from *D-Link* in mid-2006 to its position atop the nation's patent trial docket, the Federal Circuit may have felt compelled to enforce its mandate. The Eastern District's failure to obey Fifth Circuit law on § 1404(a) gave the Federal Circuit an opportunity to find an abuse of discretion.

IV. The Eastern District Holds Its Ground

One might expect a reduction in patent filings in the Eastern District of Texas following *TS Tech*. While patentee-plaintiffs can file there, there is no guarantee the case will not be transferred out. Indeed, the Eastern District saw a decline in the number of patent cases filed in 2009,[178] perhaps due to plaintiff apprehension concerning new transfer rules. In addition, the district saw a spike in transfer requests in patent cases, from nineteen in 2008 to thirty-four in 2009.[179]

A. The Transfer Record Since *TS Tech*

The dataset in Tables 3, 4a, and 4b was compiled by using Westlaw to search for all Eastern District of Texas patent cases where the court decided a § 1404(a) motion.[180] Before *TS Tech*, the district granted transfer in 30.6% of cases (fifteen of forty-nine). Since *TS Tech*, the grant rate is 34.1% (fourteen of forty-one cases).

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[177] John B. Owns, Student Note, *Judge Baer and the Politics of the Fourth Amendment: An Alternative to Bad Man Jurisprudence*, 8 STAN. L. & POL'Y REV. 189, 195 (1997); Christopher G. Wilson, Note, *Embedded Federal Questions, Exclusive Jurisdiction, and Patent-Based Malpractice Claims*, 51 WM. & MARY L. REV. 1237, 1251 (2009).

[178] *See supra* Figure 1 in Part II.B.1.

[179] *See infra* Table 3.

[180] I searched all federal cases using the query: [("1404" & "TRANSFER" & "VENUE") & "PATENT" & "INFRINGEMENT" & DA(AFT 2000) & PR("E.D. TEX")]. I ignored results from before 2004 since very few transfer motions were filed before 2004. For 2009, I supplemented this with a second query: ["TRANSFER" & "VENUE" & ("GENENTECH" "TS TECH") & PR("E.D. TEX")] to check for cases citing the Federal Circuit's decision in *In re TS Tech*. Finally, I supplemented all searches by searching Westlaw's Federal Patent Cases database (FIPPAT-CS) using the following query: [PR("E.D. TEX") & "TRANSFER" /S "MOTION" & "VENUE" & DA(AFT 2003)]. I went through every case to assure that it was a patent case or if there were other reasons to not include it in my data (e.g. while a transfer motion was filed, the court never ruled on the motion). This method is concededly not complete and Westlaw may take many months before an order or decision is uploaded to its database). An analysis of Stanford IPLC's, which is more up to date, indicates that a few of the district's transfer orders are very brief (i.e. are not memoranda orders that explain the facts, law, and reasoning) and may contain strings that my search queries did not capture. However, my data collection method, while underinclusive, should approximate grant/deny trends and is consistent across years and judges.

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The data, therefore, reveals a trivial change in results. The inertial effect of the plaintiff's initial filing choice is still significant.

Year	Transfer Requested	Transfer Granted	Transfer Denied
2004	3	1	2
2005	6	1	5
2006	8	1	7
2007	13	7	6
2008	19	5	14
2009	34[181]	11–13[182]	21
2010[183]	7	1	6

Table 3: E.D. Tex.'s Transfer Record in Patent Cases from 2004 to 2009

Examining the post-*TS Tech* results by date and judge reveals little. It is conceivable that the Eastern District would only gradually become acclimated to *TS Tech*. In May 2009, the Federal Circuit confirmed and clarified its § 1404(a) transfer rules in *In re Genentech, Inc.*[184] Yet Table 4a, *infra*, indicates no progression over the course of the year. The grant rate in the first half of 2009 was 35.3 percent. The rate since then is 33.3 percent. Table 4b, *infra*, which tracks tendencies by judge, exposes no trends that the small sample size cannot account for.

[181] There were three cases where transfer was favored but under unique circumstances. One case was stayed pending action in transferee district, with the court noting that the factors favored transfer. Sanofi-Aventis Deutschland v. Novo Nordisk, Inc. (*Sanofi II*), 614 F. Supp. 2d 772, 773–74 (E.D. Tex. 2009). In another case, transfer was granted for the California defendants, but not the TX defendants. Balthasar Online, Inc. v. Network Solutions, LLC., 654 F. Supp. 2d 546, 553 (E.D. Tex. 2009). In a third case, both parties sought transfer. Digital-Vending Serv., Int'l. LLC v. Univ. of Phoenix, Inc., No. 2:08-CV-91-TJW-CE, 2009 WL 3161361, at *3–4 (E.D. Tex. Sept. 30, 2009) (granting plaintiff's motion to transfer to E.D. Va. and denying defendant's motion to transfer to D. D.C.).

[182] *Sanofi II*, 614 F. Supp. 2d at 773–74; *Balthasar*, 654 F. Supp. 2d at 553; *Digital-Vending*, 2009 WL 3161361, at *3–4.

[183] Because I used Westlaw, the data from 2010 is incomplete.

[184] 566 F.3d 1338, 1341–48 (Fed. Cir. 2009).

Date Range	Grants	Denials
Jan.–Mar. '09	4	6
Apr.–June '09	2	5
Jul.–Sept. '09	5	6
Oct.–Dec. '09	2	4
Jan.–Mar. '10	0	5
Apr.–June '10	1	1

Table 4a: E.D. Tex.'s Transfer Record in Patent Cases Since *TS Tech* by Date Range

Judge	Grants	Denials
J. Clark	2	3
J. Davis	2	4
J. Folsom	3	2
J. Ward	3	8
M.J. Everingham	3	4
M.J. Love	1	7

Table 4b: E.D. Tex.'s Transfer Record in Patent Cases Since *TS Tech* by Judge

The next section explains how the Eastern District incorporated the *TS Tech* holding, yet still denied transfer motions at similar rates.

B. The Eastern District's Modified Analysis

The Eastern District of Texas's use of a six private factor test in *Lear* was unusual. In most pre-*TS Tech* cases, the district followed the analysis required by *Volkswagen* and enforced in *TS Tech*. *TS Tech*, therefore, did little to change the form of the analysis.[185] Post-*TS Tech*, the court still begins by examining whether venue is proper in the transferee district.[186] The court then applies the four private and four public factors. In accordance with *TS Tech* though, the court now recog-

[185] *Cf.* MHL Tek, LLC v. Nissan Motor Co., No. 2:07-CV-289, 2009 WL 440627, at *2 (E.D. Tex. Feb. 23, 2009).

[186] Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *2 (E.D. Tex. Nov. 10, 2009); Orinda Intell. Prop. USA, Inc. v. Sony Corp., No. 2:08-CV-323, 2009 WL 3261932, at *2 (E.D. Tex. Sept. 29, 2009) (finding venue proper in transferee forum because infringing sales occurred there); Emanuel v. SPX Corp./OTC Tools Div., No. 6:09-CV-220, 2009 WL 3063322, at *3 (E.D. Tex. Sept. 21, 2009); Centre One v. Vonage Holding Corp., No. 6:08-CV-467, 2009 WL 2461003, at *5 (E.D. Tex. Aug. 10, 2009); Konami Digital Entm't Co. v. Harmonix Music Sys., Inc., No. 6:08-CV-286, 2009 WL 781134, at *3 (E.D. Tex. Mar. 23, 2009).

nizes that it is no longer good law to use *Lear*'s six-factor test and to consider the plaintiff's choice of forum as a distinct factor.[187]

However, the district's application of the factors might not be in line with the spirit of *TS Tech*. Summarizing *TS Tech*'s holding in informal terms, if the facts and parties have no relation with the Eastern District of Texas (other than infringing sales that also occur nationwide), then the case should be transferred. The Eastern District's post-*TS Tech* approach softens this informal holding. Since *TS Tech*, eleven cases have involved a Texas plaintiff. In ten of eleven, transfer was denied though the plaintiff was not necessarily from the Eastern District, there were no Texas defendants, and most witnesses and evidence were outside of Texas.[188]

Moreover, even in cases bearing no relation to Texas, if the parties, witnesses, and evidence were scattered geographically, then transfer was usually denied.[189] The Eastern District argued that such cases were not "regional" in nature, meaning the cases were not localized around the transferee forum. Therefore, the Eastern

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[187] Fujitsu Ltd. v. Tellabs, Inc., 639 F. Supp. 2d 761, 765 (E.D. Tex. 2009); Motiva LLC v. Nintendo Co., No. 6:08-CV-429, 2009 WL 1882836, at *2 (E.D. Tex. June 30, 2009); *MHL Tek*, 2009 WL 440627, at *3.

[188] Medidea, LLC v. Smith & Nephew, Inc., No. 2-09-CV-378-TJW, 2010 WL 1444211 (E.D. Tex. Apr. 12, 2010); Medidea, LLC v. Zimmer Holdings, Inc., No. 2-09-CV-258-TJW, 2010 WL 796738, at *1 (E.D. Tex. Mar. 8, 2010); Personal Audio, LLC v. Apple, Inc., No. 9:09-CV-111, 2010 WL 582540, at *1 (E.D. Tex. Feb. 11, 2010); Acceleron, LLC v. Egenera, Inc., 634 F. Supp. 2d 758, 763 (E.D. Tex. 2009) (noting that plaintiff was a one-person NPE incorporated in Delaware with its principal place of business in Tyler, Texas); *Emanuel*, 2009 WL 3063322 at *1; Versata Software Inc. v. Internet Brands, Inc., No. 2:08-CV-313, 2009 WL 3161370, at *1 (E.D. Tex. Sept. 30, 2009); ICHL, LLC v. NEC Corp. of Am., Nos. 5:08-CV-65, 5:08-CV-175, 5:08-CV-177, 2009 WL 1748573, at *1–2 (E.D. Tex. June 19, 2009) (indicating that the defendant argued that none of the parties resided in Texas while the plaintiff asserted that it had a direct connection to the Eastern District); Aloft Media, LLC v. Yahoo!, Inc., No. 6:08-CV-509, 2009 WL 1650480, at *1 (E.D. Tex. June 10, 2009); *MHL Tek*, 2009 WL 440627 at *1. In the one case that was transferred, both the plaintiff and one defendant were from the transferee forum. Techradium, Inc. v. Athoc, Inc., No. 2:09-CV-275-TJW, 2010 WL 1752535, at *24 (E.D. Tex. Apr. 29, 2010).

[189] *Deep Nines*, 2009 WL 3784372, at *4; *Emanuel*, 2009 WL 3063322, at *4–5, *7–9 ("Even if Plaintiff has no connection to the Eastern District of Texas, the Defendant has still failed to demonstrate that there is a localized focus of people, events, and evidence in or near the District of Minnesota."); *Aloft*, 2009 WL 1650480, at *3, *5 (explaining that the cost of attendance factor "may weigh against transfer or be neutral when the relevant witnesses are spread throughout the country or the world"); *Motiva*, 2009 WL 1882836, at *6 ("Here, while Defendants rely heavily on the fact that there are no documents and witnesses located in Texas, they ultimately fail to meet their burden-proof that this case is clearly more conveniently tried in the Western District of Washington."); *Konami*, 2009 WL 781134, at *4–5 (finding the cost of attendance and sources of proof factors neutral because the evidence and witnesses were from varied locations across the world).

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District is as convenient a forum as any other.[190] The district often distinguishes *TS Tech* on this ground.[191] An overview of how the Eastern District analyzes each private and public factor post-*TS Tech* follows.

1. Private Factor 1: Relative Ease of Access to Sources of Proof

The district's analysis of the location and costs of procuring evidence demonstrates disinclination against transfer. First, if any identified sources of proof are located in Texas—not just the Eastern District—this may weigh against transfer, even if most evidence is located elsewhere.[192] Only in instances where no evidence was located in the district, evidence was not geographically scattered,[193] and evidence was localized around the transferee forum did this factor favor transfer.[194] Second, the court sometimes found transfer disfavored by relying on the fact that the defendant failed to specifically identify evidence[195] or if the relevancy of identified evidence was unclear.[196] This reasoning was inconsistently applied; in one

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[190] *ICHL*, 2009 WL 1748573, at *6 ("[C]ourts which have denied transfer motions have focused on the lack of a common regional geographic area in and around the proposed transferee forum."); *MHL Tek*, 2009 WL 440627, at *4 ("The central location of this Court in relation to the parties involved in this suit makes it, at the very least, as convenient a location as the Eastern District of Michigan.").

[191] *Motiva*, 2009 WL 1882836, at *6 ("Though the Court acknowledges that this is a close case, it is readily distinguishable from cases such as *In re Genentech* and *TS Tech.* In those cases, it was undisputed that the vast majority of identified documents and witnesses were located in and around the transferee court."); *Konami*, 2009 WL 781134, at *4 ("Unlike *Volkswagen II* and *TS Tech,* here all of the documents and physical evidence are not located in and around the destination venue."); J2 Global Comm., Inc. v. Protus IP Solutions, Inc., Nos. 6:08-CV-211, 6:08-CV-262, 6:08-CV-263, 2009 WL 440525, at *4 (E.D. Tex. Feb. 20, 2009) ("[T]his case is distinguishable from *TS Tech* where the transferee district was much more convenient for all of the parties.").

[192] Mediostream, Inc. v. Microsoft Corp., No. 2:08-CV-3690, 2009 WL 3161380, at *3 (E.D. Tex. Sept. 30, 2009); *ICHL*, 2009 WL 1748573, at *7.

[193] The court denies transfer where the evidence is dispersed geographically. Mondis Tech. Ltd. v. Top Victory Elec. (Taiwan) Co., No. 2:08-CV-478 (TJW), 2009 WL 3460276, at *3 (E.D. Tex. Oct. 23, 2009); *Versata*, 2009 WL 3161370, at *3; *Konami*, 2009 WL 781134, at *9; *MHL Tek,*, 2009 WL 440627, at *2; Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc. (*Novartis I*), 597 F. Supp. 2d 706, 711 (E.D. Tex. 2009).

[194] *See* Vasudevan Software, Inc. v. Int'l. Bus. Mach. Corp., No. 2:09-CV-105-TJW, 2009 WL 3784371, *2–3 (E.D. Tex. Nov. 10, 2009) (indicating that evidence was localized in transferee forum); Fifth Generation Computer Corp. v. Int'l. Bus. Mach. Corp., No. 9:08-CV-205, 2009 WL 398783, at *4 (E.D. Tex. Feb. 17, 2009).

[195] *J2 Global*, 2009 WL 440525, at *3; Invitrogen Corp. v. Gen. Elec. Co., No. 6:08-CV-113, 2009 WL 331889, at *3 (E.D. Tex. Feb. 9, 2009).

[196] *Motiva*, 2009 WL 1882836, at *3; Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (Sanofi I), 607 F. Supp. 2d 769, 776 (E.D. Tex. 2009).

case, the court accounted for evidence not specified where said evidence was located in or near the Eastern District.[197] Third, despite *TS Tech*,[198] the district continued to argue that modern technology renders this factor unimportant and neutral.[199] In May 2009, the Federal Circuit restated that this factor cannot be rendered superfluous on technological grounds.[200] The district has since agreed.[201]

2. Private Factor 2: Availability of Compulsory Process

This factor weighs the power of the transferor and transferee forums to subpoena witnesses, forcing them to attend trial and discovery proceedings.[202] If the transferee forum is closer to the witnesses, it will have greater subpoena power and this should weigh in favor of transfer.[203] Yet even in such cases, the Eastern District frequently finds this factor neutral. The district argues that this factor only weighs in favor of transfer when the transferee forum had "absolute subpoena power," meaning that the transferee forum had subpoena power over *all* witnesses.[204] In the Eastern District's analysis, if the transferee forum had subpoena power over most witnesses or more witnesses than the Eastern District, this factor—at best—slightly favored transfer.[205] The district's remaining analysis resem-

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[197] Centre One v. Vonage Holding Corp., No. 6:08-CV-467, 2009 WL 2461003, at *6 (E.D. Tex. Aug. 10, 2009).

[198] *In re* TS Tech. USA Corp., 551 F.3d 1315, 1321 (Fed. Cir. 2008).

[199] Odom v. Microsoft Corp., 596 F. Supp. 2d 995, 1000 (E.D. Tex. 2009) (decided in January and holding that relevant evidence included source code, which is stored electronically); Jackson v. Intel Corp., No. 2:08-CV-154, 2009 WL 749305, at *2 (E.D. Tex. Mar. 19, 2009) ("[D]efendants have identified no documents or evidence located in Illinios that cannot be produced electronically or easily transported to Marshall."); *Sanofi I*, 607 F. Supp. 2d at 777 (decided in March 2009); *J2 Global*, 2009 WL 440525, at *2.

[200] *In re* Genentech, Inc., 566 F.3d 1338, 1345–46 (Fed. Cir. 2009).

[201] *Centre One*, 2009 WL 2461003, at *5 (decided in August); Acceleron, LLC v. Egenera, Inc., 634 F. Supp. 2d 758, 765 (E.D. Tex. 2009) (decided in June); *Motiva*, 2009 WL 1882836, at *3 ("[C]ourts have analyzed this factor in light of the fiction that voluminous documents must be transported from their physical location (supposing that electronically stored documents are, in fact, physical) to the trial venue."); Aloft Media, LLC v. Yahoo!, Inc., No. 6:08-CV-509, 2009 WL 1650480, at *2 (E.D. Tex. June 10, 2009) (decided in June); Aten Int'l. Co. v. Emine Tech. Co., 261 F.R.D. 112, 123–24 (E.D. Tex. 2009) (decided in June); Fujitsu Ltd. v. Tellabs, Inc., 639 F. Supp. 2d 761, 767 (E.D. Tex. 2009) (decided in June).

[202] *See* Fed. R. Civ. P. 45(b)(2), (c)(3).

[203] *See In re Genentech*, 566 F.3d at 1345 (reversing *Sanofi I*).

[204] *Acceleron*, 634 F. Supp. 2d at 765.

[205] Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *4 (E.D. Tex. Nov. 10, 2009); Mondis Tech. Ltd. v. Top Victory Elec. (Taiwan) Co., No. 2:08-CV-478 (TJW), 2009 WL

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bles the reasoning discussed under the sources of proof factor. The court looks to the number of witnesses on each side, but has found this factor to be neutral where the witnesses are dispersed geographically.[206] Further, this factor is found neutral if the court concludes that none of the witnesses outside the district are unwilling to attend trial in the Eastern District[207] or that deposition testimony could be videotaped.[208]

3. Private Factor 3: Cost and Convenience of Attendance

The Eastern District's analysis of this factor shifted in response to a Federal Circuit case, *In re Genentech*.[209] *TS Tech* enforced the Fifth Circuit's "100-mile rule" whereby inconvenience increases proportionally with the distance a witness must travel in excess of 100 miles.[210] After *TS Tech*, the Eastern District followed the 100-mile rule,[211] but used it to argue *against* transfer in applicable cases. First, where some witnesses were foreign, the court added up distances to argue that foreign witnesses would have had to travel farther if the transferee forum is in California.[212] Second, in cases where witnesses resided on both U.S. coasts, the court added up distances to find that its "central location" reduced travel for witnesses on both coasts.[213] Third, in cases where the witnesses were dispersed, the Eastern Dis-

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3460276, at *4 (E.D. Tex. Oct. 23, 2009); Emanuel v. SPX Corp./OTC Tools Div., No. 6:09-CV-220, 2009 WL 3063322, at *6 (E.D. Tex. Sept. 21, 2009); *Aten*, 261 F.R.D. at 124 .

[206] ICHL, LLC v. NEC Corp. of Am., Nos. 5:08-CV-65, 5:08-CV-175, 5:08-CV-177, 2009 WL 1748573, at *9 (E.D. Tex. June 19, 2009) (creating dispersion in this case by arguing that relevant witnesses should encompass more parties than what defendant proposed and the inclusion of this larger set of relevant witnesses created dispersion of the superset); Konami Digital Entm't Co. v. Harmonix Music Sys., Inc., No. 6:08-CV-286, 2009 WL 781134, at *6 (E.D. Tex. Mar. 23, 2009).

[207] Centre One v. Vonage Holding Corp., No. 6:08-CV-467, 2009 WL 2461003, at *6 (E.D. Tex. Aug. 10, 2009); Odom v. Microsoft Corp., 596 F. Supp. 2d 995, 1002 (E.D. Tex. 2009); Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (Sanofi I), 607 F. Supp. 2d 769, 777–78 (E.D. Tex. 2009).

[208] J2 Global Comm., Inc. v. Protus IP Solutions, Inc., Nos. 6:08-CV-211, 6:08-CV-262, 6:08-CV-263, 2009 WL 440525, at *5 (E.D. Tex. Feb. 20, 2009); Invitrogen Corp. v. Gen. Elec. Co., No. 6:08-CV-113, 2009 WL 331889, at *3 (E.D. Tex. Feb. 9, 2009); *Sanofi I*, 607 F. Supp. 2d at 777–78.

[209] 566 F.3d 1338 (Fed. Cir. 2009).

[210] *In re* TS Tech. USA Corp., 551 F.3d 1315, 1321–22 (Fed. Cir. 2008).

[211] Acceleron, LLC v. Egenera, Inc., 634 F. Supp. 2d 758, 766 (E.D. Tex. 2009); Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *4 (E.D. Tex. Nov. 10, 2009); Motiva LLC v. Nintendo Co., No. 6:08-CV-429, 2009 WL 1882836, at *5 (E.D. Tex. June 30, 2009).

[212] *E.g.*, *J2 Global*, 2009 WL 440525, at *4.

[213] MHL Tek, LLC v. Nissan Motor Co., No. 2:07-CV-289, 2009 WL 440627, at *4 (E.D. Tex. Feb. 23, 2009); Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc. (Novartis I), 597 F.

trict generalized the centralized location approach and added distances to show that it was no less convenient than the proposed transferee forum.[214]

Genentech overruled the first and second practices.[215] The Eastern District has since agreed that the 100-mile rule is not rigidly applicable to foreign witnesses[216] and the centralized location test is not good law.[217] Very recent Federal Circuit cases also militate against the third practice.[218] Finally, the Eastern District has found that in cases where the transferee forum was the Northern District of California (San Francisco, Silicon Valley) or the Southern District of New York (Manhattan), the costs of hotels, parking, meals and other expenses attendant to litigation would have been higher there as compared to divisions in the Eastern District, thus disfavoring transfer.[219]

4. Private Factor 4: All Other Practical Problems (Judicial Economy)

As the name suggests, this factor is a catchall for all other private considerations. For example, transfer may raise issues concerning judicial economy and the

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Supp. 2d 706, 713–14 (E.D. Tex. 2009); *see also* Elizabeth Durham, *Will All Roads Still Lead to the Eastern District of Texas? Transfer Practice After* Volkswagen *and* TS Tech, 21 No. 7 INTELL. PROP. & TECH. L.J. 12, 12 (2009).

[214] *Compare* ICHL, LLC v. NEC Corp. of Am., Nos. 5:08-CV-65, 5:08-CV-175, 5:08-CV-177, 2009 WL 1748573, at *11–12 (E.D. Tex. June 19, 2009) (denying transfer because witnesses dispersed in Los Angeles, Texas, Illinois, New Jersey, and defendants had worldwide operations); *with* PartsRiver, Inc. v. Shopzilla, Inc., No. 2:07-CV-440, 2009 WL 279110, at *2 (E.D. Tex. Jan. 30, 2009) (granting transfer where parties are in Washington and Northern California); Odom v. Microsoft Corp., 596 F. Supp. 2d 995, 1002 (E.D. Tex. 2009) (granting transfer where parties in Oregon and Washington); *and* Vasudevan Software, Inc. v. Int'l. Bus. Mach. Corp., No. 2:09-CV-105-TJW, 2009 WL 3784371, at *2 (E.D. Tex. Nov. 10, 2009) (granting transfer where witnesses localized around Northern California).

[215] *In re* Genentech, Inc., 566 F.3d 1338, 1344 (Fed. Cir. 2009).

[216] *Acceleron*, 634 F. Supp. 2d at 767; Mondis Tech. Ltd. v. Top Victory Elec. (Taiwan) Co., No. 2:08-CV-478 (TJW), 2009 WL 3460276, at *2 (E.D. Tex. Oct. 23, 2009); Novartis Vaccines & Diagnostics, Inc. v. Bayer Healthcare LLC (*Novartis II*), No. 2:08-CV-068 (TJW), 2009 WL 3157455, at *3 (E.D. Tex. Sept. 28, 2009).

[217] *Mondis*, 2009 WL 3460276, at *2; Aloft Media, LLC v. Yahoo!, Inc., No. 6:08-CV-509, 2009 WL 1650480, at *2 (E.D. Tex. June 10, 2009).

[218] *In re* Hoffman-La Roche, Inc., 587 F.3d 1333, 1336 (Fed. Cir. 2009); *In re* Nintendo Co., 589 F.3d 1194 (Fed. Cir. 2009).

[219] Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (*Sanofi I*), 607 F. Supp. 2d 769, 778 (E.D. Tex. 2009) (stating that San Francisco is more expensive than Lufkin); Sanofi-Aventis Deutschland v. Novo Nordisk, Inc. (*Sanofi II*), 614 F. Supp. 2d 772, 779 (E.D. Tex. 2009) (stating that New York is more expensive than Lufkin).

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"possibility of delay and prejudice."[220] The Eastern District favors transfer where the defendant first-filed a declaratory judgment action in the transferee forum.[221] Transfer is also favored when a pending action in the transferee forum concerning the same or substantially similar patents has progressed further in litigation than in the Eastern District.[222]

Judicial economy considerations can also militate against transfer. Where a pending action in the proposed transferee forum concerns the same or substantially similar patents and the Eastern District action has progressed further, transfer is disfavored.[223] Where a declaratory action filed in the proposed transferee forum is then transferred to the Eastern District, transfer back to the transferee forum is disfavored.[224] Transfer is also disfavored where the Eastern District has encountered the same parties or substantially similar patents in past cases.[225] In *Sanofi I*, the Eastern District found that this factor disfavored transfer for two reasons. First, the defendant in the current action had previously been a plaintiff in the Eastern District in an unrelated case.[226] Second, it was unclear whether the transferee forum had personal jurisdiction over the plaintiff.[227] The Federal Circuit in *Genentech* reversed *Sanofi I*, finding these two considerations irrelevant.[228]

5. Public Factor 1: Administrative Difficulties (Court Congestion)

This factor compares disposition speeds and judicial caseloads of the forums. Pre-*TS Tech*, the district commonly concluded that the Eastern District's faster time-to-trial disfavored transfer to the slower transferee forum.[229] The Eastern Dis-

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[220] *Mondis*, 2009 WL 3460276, at *4.

[221] *Sanofi II*, 614 F. Supp. 2d at 779–81.

[222] Fujitsu Ltd. v. Tellabs, Inc., 639 F. Supp. 2d 761, 768 (E.D. Tex. 2009).

[223] Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *5 (E.D. Tex. Nov. 10, 2009); J2 Global Comm., Inc. v. Protus IP Solutions, Inc., 2009 WL 440525, at *6 (E.D. Tex. Feb. 20, 2009) (indicating transferee district had stayed a pending related action).

[224] MHL Tek, LLC v. Nissan Motor Co., No. 2:07-CV-289, 2009 WL 440627, at *7 (E.D. Tex. Feb. 23, 2009).

[225] Jackson v. Intel Corp., No. 2:08-CV-154, 2009 WL 749305, at *4 (E.D. Tex. Mar. 19, 2009).

[226] Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (Sanofi I), 607 F. Supp. 2d 769, 778–79 (E.D. Tex. 2009).

[227] *Id.*

[228] *In re* Genentech, Inc., 566 F.3d 1338, 1346 (Fed. Cir. 2009).

[229] *E.g.*, Network-1 Sec. Solutions, Inc. v. D-Link Corp., 433 F. Supp. 2d 795, 800–01 (E.D. Tex. 2006).

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trict has since followed the Federal Circuit's lead[230] and now presumes this factor to be "speculative" in many cases.[231] In other applicable cases, the court found this factor neutral because the difference in time-to-trial is negligible.[232] The court has also required the plaintiff to present data showing that the transferee forum is slower in patent cases specifically.[233] Data for all civil cases generally is insufficient.[234]

Post-*TS Tech*, the Eastern District in some instances has still found that the relatively greater speed of the Eastern District's rocket docket disfavors transfer.[235] The court has also used the speculative nature of this factor to disregard a defendant's data showing that the Eastern District is slower or more congested.[236] For example, while the transferee district had a faster termination time, the Eastern District had a faster time-to-trial for the cases that reached trial.[237] Hence, this factor was inconclusive.[238] The court also disagreed that its heavy patent caseload created

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230 *In re Genentech*, 566 F.3d at 1347.

231 Versata Software Inc. v. Internet Brands, Inc., No. 2:08-CV-313, 2009 WL 3161370, at *4 (E.D. Tex. Sept. 30, 2009); Orinda Intell. Prop. USA, Inc. v. Sony Corp., No. 2:08-CV-323, 2009 WL 3261932, at *3 (E.D. Tex. Sept. 29, 2009); ICHL, LLC v. NEC Corp. of Am., Nos. 5:08-CV-65, 5:08-CV-175, 5:08-CV-177, 2009 WL 1748573, at *12 (E.D. Tex. June 19, 2009).

232 Emanuel v. SPX Corp./OTC Tools Div., No. 6:09-CV-220, 2009 WL 3063322, at *8–9 (E.D. Tex. Sept. 21, 2009) (indicating difference in median disposition time is negligible where Eastern District takes 9.7 months and transferee district takes 10.4 months); Invitrogen Corp. v. Gen. Elec. Co., No. 6:08-CV-113, 2009 WL 331889, at *4 (E.D. Tex. Feb. 9, 2009); Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc. (Novartis I), 597 F. Supp. 2d 706, 714 (E.D. Tex. 2009).

233 Odom v. Microsoft Corp., 596 F. Supp. 2d 995, 1003 (E.D. Tex. 2009).

234 *Id.*

235 Acceleron, LLC v. Egenera, Inc., 634 F. Supp. 2d 758, 767 (E.D. Tex. 2009); Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *5 (E.D. Tex. Nov. 10, 2009); Centre One v. Vonage Holding Corp., No. 6:08-CV-467, 2009 WL 2461003, at *7 (E.D. Tex. Aug. 10, 2009); Konami Digital Entm't Co. v. Harmonix Music Sys., Inc., No. 6:08-CV-286, 2009 WL 781134, at *8 (E.D. Tex. Mar. 23, 2009); Sanofi-Aventis Deutschland v. Novo Nordisk, Inc. (Sanofi II), 614 F. Supp. 2d 772, 781 (E.D. Tex. 2009); Aten Int'l. Co. v. Emine Tech. Co., 261 F.R.D. 112, 125 (E.D. Tex. 2009) ("parties' evidence relates that the median time to trial is 21.3 months in the Central District of California and 18 months in the Eastern District of Texas. Therefore, this factor weighs slightly against transfer").

236 Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (*Sanofi I*), 607 F. Supp. 2d 769, 780 (E.D. Tex. 2009).

237 *Id.*

238 *Id.*

congestion that slowed down its docket,[239] though the district's slowdown since its 2007 peak might suggest otherwise.[240]

6. Public Factor 2: Local Interest

The Eastern District has acknowledged *TS Tech*'s holding that it cannot claim a localized interest on the sole ground that nationwide infringing activity also occurred in the district.[241] However, the court has perhaps attempted to minimize the gist of *TS Tech*. The court has found this factor disfavors transfer so long as any party resides in Texas, even if a large number of parties are incorporated elsewhere.[242] This factor has been found neutral when the defendant resides in the proposed transferee forum[243] or when more infringing uses or sales occurred in the transferee forum.[244]

7. Public Factors 3 and 4: Familiarity with Law and Conflicts of Law

Familiarity with governing law is usually neutral and rarely argued by the parties since the governing law is federal patent law. Federal district courts presumptively have equal familiarity.[245] This factor disfavors transfer in instances

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[239] Motiva LLC v. Nintendo Co., No. 6:08-CV-429, 2009 WL 1882836, at *5 (E.D. Tex. June 30, 2009).

[240] *See supra* Tables 1 and 3 in Part II.B.1. Figure 1 shows that the number of patent cases filed has dropped from 368 in 2007 to 240 in 2009. Table 2 shows that the current median-to-trial time is over two years, up from less than a year circa 2004–2006.

[241] Novartis Vaccines & Diagnostics, Inc. v. Bayer Healthcare LLC (*Novartis II*), No. 2:08-CV-068 (TJW), 2009 WL 3157455, at *4 (E.D. Tex. Sept. 28, 2009); J2 Global Comm., Inc. v. Protus IP Solutions, Inc., Nos. 6:08-CV-211, 6:08-CV-262, 6:08-CV-263, 2009 WL 440525, at *7 (E.D. Tex. Feb. 20, 2009); Odom v. Microsoft Corp., 596 F. Supp. 2d 995, 1003 (E.D. Tex. 2009).

[242] *See* Acceleron, LLC v. Egenera, Inc., 634 F. Supp. 2d 758, 768 (E.D. Tex. 2009); Centre One v. Vonage Holding Corp., No. 6:08-CV-467, 2009 WL 2461003, at *8 (E.D. Tex. Aug. 10, 2009) (weighing against transfer where businesses had operations in Texas, despite being incorporated in Delaware).

[243] *See* Deep Nines, Inc. v. McAfee, Inc., No. 9:09-CV-89, 2009 WL 3784372, at *5 (E.D. Tex. Nov. 10, 2009) (holding that other considerations show the transferee forums no more convenient); Aloft Media, LLC v. Yahoo!, Inc., No. 6:08-CV-509, 2009 WL 1650480, at *7 (E.D. Tex. June 10, 2009).

[244] Invitrogen Corp. v. Gen. Elec. Co., No. 6:08-CV-113, 2009 WL 331889, at *4 (E.D. Tex. Feb. 9, 2009); *see generally* Konami Digital Entm't Co. v. Harmonix Music Sys., Inc., No. 6:08-CV-286, 2009 WL 781134, at *8–9 (E.D. Tex. Mar. 23, 2009).

[245] *Acceleron*, 634 F. Supp. 2d at 768; Aten Int'l. Co. v. Emine Tech. Co., 261 F.R.D. 112, 126 (E.D. Tex. 2009); *Novartis II*, 2009 WL 3157455, at *5; Emanuel v. SPX Corp./OTC Tools *Div.*, No.

where the Eastern District has confronted the same or similar parties and patents.[246] Conversely, transfer is favored where the transferee forum has prior experience with the patents and parties.[247] Transfer is also favored where the case involves state law claims and the transferee forum is in that state.[248] The "conflicts of law" factor is usually neutral and is rarely argued.[249]

V. The Federal Circuit Responds: *Genentech, Hoffman, Nintendo*

In 2009, the Federal Circuit reversed the district's denials of § 1404(a) transfer in three cases. The Federal Circuit's reversals discouraged the Eastern District of Texas' interpretation and application of *TS Tech* and reinforced its precedent. A discussion of the three cases follows.

A. *In re Genentech*: No Centralized Location Test

Genentech reversed *Sanofi I*.[250] The plaintiff, Sanofi, was a German corporation. The defendants, Genentech, Inc. and Biogen, Inc., had respective places of business in San Francisco and San Diego and sought transfer to the Northern District of California.[251] District Judge Clark denied the defendants' motion primarily on grounds that the parties, witnesses, and evidence were dispersed geographically.[252] The plaintiff's witnesses and records were located in Germany and Swit-

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6:09-CV-220, 2009 WL 3063322, at *9 (E.D. Tex. Sept. 21, 2009); *Konami*, 2009 WL 781134, at *9; *Invitrogen*, 2009 WL 331889, at *5; *Odom*, 596 F. Supp. 2d at 1003–04.

246 *Deep Nines*, 2009 WL 3784372, at *6.

247 Jackson v. Intel Corp., No. 2:08-CV-154, 2009 WL 749305, at *4 (E.D. Tex. Mar. 19, 2009) ("Defendant represents to the Court that over the course of twelve years, from 1994 through 2006, [plaintiff] litigated with more than 75 parties over the [disputed patent] in the Northern District of Illinois, his home district.").

248 *Odom*, 596 F. Supp. 2d at 1004; *see also* Mediostream, Inc. v. Microsoft Corp., No. 2:08-CV-3690, 2009 WL 3161380, at *5 (E.D. Tex. Sept. 30, 2009) (indicating plaintiff's decision to drop its California state law claims rendered this factor neutral; had plaintiff kept the claim, this would have favored transfer); *but see* Mondis Tech. Ltd. v. Top Victory Elec. (Taiwan) Co., No. 2:08-CV-478 (TJW), 2009 WL 3460276, at *4 (E.D. Tex. Oct. 23, 2009) (holding that the existence of a simple ancillary California contract claim does not make this factor favor transfer).

249 *Acceleron*, 634 F. Supp. 2d at 768; *Aten*, 261 F.R.D. at 126; *Emanuel*, 2009 WL 3063322, at *9; *Konami*, 2009 WL 781134, at *9.

250 *See In re* Genentech, Inc., 566 F.3d 1338, 1340 (Fed. Cir. 2009) (overturning the prior order denying motion to transfer).

251 *Id.* at 1340–41.

252 Sanofi-Aventis Deutschland GMBH v. Genentech, Inc. (Sanofi I), 607 F. Supp. 2d 769, 776–78 (E.D. Tex. 2009).

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zerland. Under a rigid application of the 100-mile rule, the cost of attendance and transportation would have been higher for European witnesses if trial were held in California.[253] Potential witnesses and evidence included "individuals . . . in eleven different countries and nineteen different states."[254] The court concluded that the Eastern District of Texas was "centrally located" for all the parties.[255]

The Federal Circuit ruled that that Eastern District misapplied the "central location" test, and held that the test is only applicable where some witnesses actually resided in the plaintiff's choice of forum.[256] Here, zero witnesses resided in the Eastern District.[257] Accordingly, the district could not qualify as a central location.[258] The court held that favoring transfer does not require that transfer is more convenient for *all* witnesses, but only that, on balance, transfer is more convenient.[259] In addition, the 100-mile rule does not apply rigidly for foreign witnesses since they must travel large distances for any U.S. venue.[260] The "bulk" of evidence in patent cases is presumed to reside with the defendant.[261] Thus, transfer to a district nearer to the defendant's residence makes access to sources of proof more convenient.[262]

The Federal Circuit reversed other trial findings. The defendants are not required to show that the witnesses they identify are "key witnesses."[263] The possibility that the Northern District lacked personal jurisdiction over the *plaintiff* was irrelevant because whether the case could have been brought there depends only on whether the transferee forum had personal jurisdiction over the defendants.[264]

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253 *Id.* at 778.

254 *Id.* at 777–78.

255 *Id.*

256 *In re Genentech*, 566 F.3d at 1344.

257 *Id.*

258 *Id.*

259 *Id.* at 1345.

260 *Id.* at 1344.

261 *Id.* at 1345.

262 *In re* Genentech, Inc., 566 F.3d 1338, 1345–46 (Fed. Cir. 2009).

263 *Id.* at 1343–44.

264 *Id.* at 1346.

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Transfer analysis is "case-by-case."[265] That the defendant, Genentech, had previously been a plaintiff in the Eastern District was irrelevant to whether *this* trial in the Eastern District was convenient for Genentech.[266] While the Eastern District had faster time-to-trial, this factor was speculative.[267] Circuit Judge Linn's thoroughness in addressing each finding by the Eastern District intimates that the "abuse of discretion" standard of review is likely now a fiction in reviewing § 1404(a) cases.

Interestingly, the Eastern District's transfer grant rate dropped after *Genentech*—from 45.5 percent (5 of 11) to 31.0 percent (9 of 29).[268] While *Genentech* cut off particular avenues of discretion previously available (e.g., not applying the 100-mile rule rigidly for foreigners; congestion is often speculative), the Eastern District found other ways to deny venue transfer requests. In the latter half of 2009, the district consistently denied transfer on grounds that the parties were dispersed geographically.[269] The Federal Circuit addressed this practice in late 2009.

B. *Hoffman* and *Nintendo*: No Dispersed Location Test

Decided on December 2, 2009, *In re Hoffman-La Roche Inc.*[270] reversed the Eastern District's denial of transfer in *Novartis I*.[271] The plaintiff, Novartis, resided in California. The defendants resided in Switzerland and Michigan.[272] The patent concerned a pharmaceutical drug whose development occurred in multiple jurisdictions. The Federal Circuit identified eighteen potential non-party witnesses and seven party witnesses residing in several jurisdictions.[273] The defendants sought transfer to the Eastern District of North Carolina where much of its research and development activity took place.

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265 *Id.*

266 *Id.*

267 *Id.* at 1347.

268 Information is based on my Westlaw survey. *See supra* Table 4a in Part VI.A.

269 *See supra* notes 189–191 and accompanying text.

270 587 F.3d 1333 (Fed. Cir. 2009).

271 *Id.* at 1338.

272 *Id.* at 1335.

273 *Id.* ("[T]he parties identified eighteen potential non-party witnesses: four from North Carolina, five from California, three from Maryland, one from Missouri, two from Alabama, two from Europe, and one, Dr. Nancy Chang, from Houston, Texas. The parties also identified seven potential party witnesses: three from North Carolina, three from New Jersey, and one from Colorado".).

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District Judge Folsom denied the motion on the grounds that the evidence and witnesses were dispersed geographically.[274] No evidence or witnesses were in the Eastern District of Texas. However, because this was a "nationwide" suit, Judge Folsom disfavored transfer because the Eastern District of Texas was no less convenient than the North Carolina court.[275] Judge Folsom also found that while the North Carolina court had subpoena power over some witnesses, it did not have "absolute subpoena power."[276] Hence, the compulsory process factor did not favor transfer.[277] Finally, because the infringing sales occurred nationwide, the transferee had no *greater* local interest in this dispute.[278] In conclusion, none of the factors favored transfer.[279]

The Federal Circuit rejected trial findings on nearly every factor. In his opinion, Circuit Judge Garjasa asserted: "[T]here appears to be no connection between this case and the Eastern District of Texas."[280] On sources of proof, the majority of evidence relevant to the infringement claim was in North Carolina. Judge Garjasa also reprimanded the plaintiff for transporting 75,000 pages of documents from its headquarters in California to the Eastern District of Texas in anticipation of litigation, calling it a "fiction . . . created to manipulate the propriety of venue."[281] On compulsory process, absolute subpoena power is not required for courts to favor transfer.[282] Compulsory process favored transfer because the North Carolina court had subpoena power over four non-party witnesses, while the Eastern District of Texas court had subpoena power over none.[283] North Carolina had a greater localized interest in the matter since the case questioned the work and reputation of sev-

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[274] Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc. (Novartis I), 597 F. Supp. 2d 706, 711–14 (E.D. Tex. 2009).

[275] *Id.* at 712–14.

[276] *Id.*

[277] *Id.* at 712–13.

[278] *Id.* at 714.

[279] *Id.* at 716.

[280] *In re* Hoffman-La Roche, Inc., 587 F.3d 1333, 1336, 1338 (Fed. Cir. 2009).

[281] *Id.* at 1336–37.

[282] *Id.*

[283] *Id.* at 1336.

eral scientists residing there.[284] Finally, the North Carolina court had a lighter patent docket.[285] Thus, the congestion factor favored transfer.[286]

The Federal Circuit displayed similar analysis in *In re Nintendo Co.*,[287] decided on December 17, 2009, reversing the Eastern District's denial of a motion to transfer venue in *Motiva*.[288] The plaintiff, Motiva, resided in Ohio. The defendants sought transfer to the Western District of Washington where one defendant resided.[289] The Eastern District's opinion in *Motiva* summarizes its approach:

> In those cases [*Genentech* and *TS Tech*], it was undisputed that the vast majority of identified documents and witnesses were located in and around the transferee court. Here, while Defendants rely heavily on the fact that there are no documents and witnesses located in Texas, they ultimately fail to meet their burden-proof that this case is clearly more conveniently tried in the Western District of Washington.[290]

The Federal Circuit rejected the Eastern District's view that denial of transfer was proper for a patent case bearing no relation to the Eastern District.[291] Geographic dispersion is not sufficient to counteract the fact that none of the witnesses or documents were located in Texas.[292] Moreover, Circuit Judge Rader's opinion disapproved the district's speculation that some evidence may be located at the defendants' satellite offices in California and New York.[293] Judge Rader asserted that the district court's hypothesis that evidence would come from disparate locations was based on questionable reasoning, already rejected in *Genentech*.[294] Part VI of this article discusses these recent developments and assesses the future implications

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284 *Id.*

285 *Id.*

286 *In re* Hoffman-La Roche, Inc., 587 F.3d 1333, 1336 (Fed. Cir. 2009).

287 *In re* Nintendo Co., 589 F.3d 1194 (Fed. Cir. 2009).

288 *Id.* at 1201.

289 *Id.* at 1196–97.

290 Motiva LLC v. Nintendo Co., No. 6:08-CV-429, 2009 WL 1882836, at *6 (E.D. Tex. June 30, 2009).

291 *See Nintendo*, 589 F.3d at 1199 (holding that although four Japanese witnesses would be inconvenienced, the remaining witnesses benefitted from transfer).

292 *See id.* at 1198–1200.

293 *Id.* at 1199.

294 *Id.*

for the Eastern District of Texas, forum shopping in patent cases, and the NPE business model.

VI. Implications of New Venue Law on Non-Practicing Entities

After being reversed four times by the Federal Circuit in 2009, the Eastern District of Texas should seemingly grant transfer motions more frequently. This section seeks to answer two questions. First, what is the likely future for the Eastern District and forum shopping in patent cases? Second, what are the resulting implications for the NPE business model?

A. The End of the Eastern District and Forum Shopping?

The Federal Circuit ended 2008 with *TS Tech* in which it departed from its history of affirming the transfer rulings of the Eastern District of Texas. In *TS Tech*, the Federal Circuit held that when the transferee forum is more convenient, the case should be transferred.[295] In 2009, the Federal Circuit pushed further in *Genentech*, holding that the district could not deny transfer on grounds that the district was centrally located.[296] The Federal Circuit ended 2009 with *Hoffman* and *Nintendo*, which make even clearer that the Eastern District cannot prevent the transfer of patent cases that bear no connection to the district.[297]

The Eastern District could continue denying transfer motions at current rates, but there is a strong likelihood of continuing reversals. Defendants, aware of *TS Tech* and its progeny, are likely to appeal any § 1404(a) denials.[298] In form, the Federal Circuit may recite the "abuse of discretion" standard, however, in substance, the Federal Circuit has given the Eastern District zero deference to its transfer rulings. If necessary, it appears the Federal Circuit will reverse the Eastern District's denials one-by-one. The inevitability of eventual transfer will likely become apparent to potential patentee-plaintiffs, who will then file their infringement claims elsewhere.

The Eastern District's disposition of *SMDK Corp. v. Creative Labs, Inc.* at the end of 2009 indicates a possible change of direction.[299] The plaintiff's principal

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[295] *See supra* Part III; *In re TS Tech.*, 551 F.3d at 1319.

[296] *See supra* Part V.A.

[297] *See supra* Part V.B.

[298] 28 U.S.C. § 1404(a) (1996).

[299] No. 2:08-CV-26, 2009 WL 5246368, at *1 (E.D. Tex. Dec. 11, 2009); *but see* Novartis Vaccines & Diagnostics, Inc. v. Wyeth, No. 2-08-CV-00067TJW-CE, 2010 WL 1374806, at *2–3, 5 (E.D.

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place of business was in Florida. The defendants resided in far-flung places like California, New York, Arkansas, Indiana, and Japan.[300] Judge Folsom noted that transfer to the Northern District of California may inconvenience some defendants, none of whom objected to the motion to transfer venue, but would be more convenient for the majority of defendants.[301] Further, the case had no connection to the Eastern District. Citing *Hoffman*, Judge Folsom granted transfer.[302]

On the other hand, three 2010 denials of motions to transfer venue create new reason for doubt that the transfer rates will increase in the Eastern District.[303] The three cases are distinguishable from the cases that the Federal Circuit overruled in that the plaintiffs in each case resided in Texas.[304] However, the Eastern District continues to underplay connections to the transferee forum, while overplaying any connections of the plaintiffs to the district.[305] The district disregarded the *Nintendo* and *Genentech* presumption that the majority of evidence and factual connections in patent cases is presumed to be located where the defendant resides.[306]

What may be more troubling about these cases is that, by focusing on the residence of the plaintiffs, they may inadvertently hint at a self-remedy for the plaintiffs. The plaintiffs can create shell subsidiaries or offices in the Eastern District to cheat any venue and § 1404(a) rules.[307] NPEs in particular could resort to

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Tex. Mar. 31, 2010) (denying transfer of venue, finding the Eastern District to be more centrally located than the Northern District of California and that access to sources of proof is an unimportant factor because most of the documents were not located in either venue); Realtime Data, LLC v. Morgan Stanley, Nos. 6:09CV326-LED-JDL, 6:09CV327-LED-JDL, 6:09CV333-LED-JDL, 2010 WL 1064474, at *1 (E.D. Tex. Mar. 18, 2010) (denying motion to transfer venue from the Eastern District of Texas to the Southern District of New York).

300 *SMDK*, 2009 WL 524636, at *1.

301 *Id.*

302 *Id.*

303 *See* eTool Dev., Inc. v. Nat'l Semiconductor Corp., No. 2-08-CV-196-TJW, 2010 WL 1000790, at * 1 (E.D. Tex. Mar. 15, 2010); MedIdea, LLC v. Zimmer Holdings, Inc., No. 2-09-CV-258-TJW, 2010 WL 796738, at *1 (E.D. Tex. Mar. 8, 2010); Personal Audio, LLC v. Apple, Inc., No. 9:09-CV-111, 2010 WL 582540, at *1 (E.D. Tex. Feb. 11, 2010).

304 *See eTool*, 2010 WL 1000790, at *1; *MedIdea*, 2010 WL 796738, at *1; *Personal Audio*, 2010 WL 582540, at *1.

305 *See generally MedIdea*, 2010 WL 796738, at *2–4; *Personal Audio*, 2010 WL 582540, at *3–7.

306 *In re* Genentech, Inc., 566 F.3d 1338, 1345 (Fed. Cir. 2009); *In re* Nintendo Co., 589 F.3d 1194, 1199 (Fed. Cir. 2009).

307 Kory D. Christensen, *Recent Developments in the Patent Reform Movement: Potential Benefits and Unintended Consequences*, *in* UNDERSTANDING PATENT REFORM IMPLICATIONS: LEADING

this strategy.[308] NPEs have no development or manufacturing operations and few employees.[309] Holding only intangible property rights and some attesting documents, NPEs could easily incorporate in Texas or set up a small office in the Eastern District. Given how central litigation is to the NPE business model, it is not duplicitous to call the Eastern District their principal place of business for venue purposes. However, the Federal Circuit would easily see through this form of fabricated venue.[310] The Federal Circuit would likely respond by modifying § 1404(a) analysis to minimize the weight of the plaintiff's location in the analysis. The court might adopt a presumption in favor of transfer if the defendant resides in the transferee forum.

Congress' proposed Patent Reform Act of 2009 went further by proposing a modification of § 1400(b), the patent venue provision.[311] The amendment would have barred parties from "manufacturing" venue by assignment or incorporation.[312] Venue would be proper only where (a) the defendant is incorporated; (b) the defendant has its principal place of business; (c) where the defendant is permanently located and has committed substantial acts of infringement; or (d) where the plaintiff resides if the plaintiff is a nonprofit or individual inventor.[313] The changes would overrule *VE Holding* by precluding NPEs from filing where they reside since NPEs are for-profit and not inventors.[314] The House bill called for similar amendments to § 1400(b). Under H.R. 1260, venue is proper only in districts where the defendant has significant operations, with exceptions for plaintiffs who are nonprofits, academic institutions, or individual "natural person" inventors.[315]

LAWYERS ON DEFINING KEY ISSUES, INTERPRETING CURRENT PROPOSED LEGISLATION, AND PROJECTING FUTURE DEVELOPMENTS 1, 8 (2009), 2009 WL 535243.

[308] Personal Audio LLC, MedIdea LLC, and eTool Development are likely NPEs. *See generally* Ipeg, *Texas Forum Shopping—Europe has its Share as Well*, (Mar. 13, 2010), http://www.ipeg.eu/blog/?p=1011.

[309] *See supra*, Part I.

[310] *Cf. In re* Hoffman-La Roche, Inc., 587 F.3d 1333, 1336–38 (Fed. Cir. 2009) (stating that plaintiff cannot alter value analysis by transporting documents to the Eastern District in anticipation of litigation).

[311] 28 U.S.C. § 1400(b) (2006); Patent Reform Act of 2009, S. 515, 111th Cong. § 8 (2009).

[312] *See id.*

[313] *Id.*

[314] *See supra* Part II.B.

[315] H.R. 1260, 111th Cong., § 10 (2009).

The Patent Reform Act of 2009 has not passed, but efforts have continued with the Patent Reform Act of 2009.[316] At present, the Senate bill keeps § 1400(b) as is, but adds § 1400(c).[317] Subsection (c) in effect codifies the *TS Tech* line of cases, requiring transfer upon a showing that the transferee forum is clearly more convenient than the current forum.[318] The provision is vague and the bill leaves § 1400(b) and *VE Holding* intact. However, as work on the bill advances, its measures could revert to resemble the stricter proposals found in the bill as introduced. Even if Congress' efforts fail, the Federal Circuit will assuredly take action. The Federal Circuit may revise its transfer analysis to weigh the defendant's location more heavily. Alternatively, the court may reverse *VE Holding*, reinterpreting current § 1400(b) to define patent venue in a manner similar to the original bill's amended § 1400(b). Either way, the Eastern District of Texas phenomenon will end. Forum shopping in patent cases more generally will end because Federal Circuit law applies across all jurisdictions.

B. The End of the Non-Practicing Entity?

Without the ability to forum shop, the NPEs will likely wither, but not die. Litigation is central to the NPE business model.[319] That does not imply that NPEs always bring frivolous claims.[320] While NPEs have made great use of the Eastern District, a substantial share of their litigation still arises in other forums.[321] NPEs with valid patents and meritorious infringement claims will continue to prevail. However, litigating in forums with slower dockets and less favorable conditions will lower expected returns. NPEs will face higher litigation costs because discovery and trials take longer. Defendants will be more inclined to litigate rather than settle and to litigate using scorched earth tactics that the Eastern District barred. NPEs will also face less favorable findings from judges and juries.

Unfortunately for NPEs, changing transfer and venue rules are only part of broader judicial and legislative movements discussed below.

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316 Patent Reform Act of 2009, S. 515, 111th Cong. § 8 (2009). Although the Act has not passed the full Senate yet, it was voted out of committee as amended on April 2, 2009. *See* The Library of Congress, http://thomas.loc.gov/cgi-bin/bdquery/z?d111:S.515: (last visited Sept. 16, 2010) (detailing the Patent Reform Act and noting its passage through committee).

317 *Id.*

318 *Id.*

319 *See supra* Part I.

320 *See* Hosie, *supra* note 64, at 79.

321 *See supra* Table 1 in Part II.B.1.

1. Judicial Developments

The following patent law cases reduce the efficacy of litigation as part of the NPE business model:

- Permanent Injunctions: The prospect of permanent injunctions often forces patent defendants to concede to large licensing fees.[322] After *eBay Inc. v. MercExchange, L.L.C.*, permanent injunctions are no longer awarded as a matter of course upon finding the defendant liable for infringement.[323] Justice Kennedy's concurrence argued that injunctive remedies would not serve the "public interest" when the plaintiff is an NPE.[324]
- Obviousness Standards: *KSR Int'l Co. v. Teleflex Inc.* adopts a more flexible test for obviousness, rejecting the prior "teaching, suggestion, motivation" (TSM) test.[325] The new obviousness standard makes it easier for the defendants to challenge the validity of the plaintiff's patent on obviousness grounds.[326]
- Declaratory Judgment Actions: *MedImmune, Inc. v. Genentech, Inc.* permits a licensee of a patent to file a declaratory judgment action alleging non-infringement or invalidity of licensor's patent, without terminating the license.[327] *SanDisk Corp. v. STMicroelectronics, Inc.* lowers the threshold for when declaratory judgment actions can be granted[328] When an intended licensee rejects the license offer, this creates standing for a declaratory action.[329] These two cases expand the circumstances under which a potential defendant can preemptively file a declaratory judgment action alleging non-infringement or invalidity of an NPE's patent.

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[322] *See supra* Part II.A.1.

[323] 547 U.S. 388, 394 (2006).

[324] *See id.* at 396–97.

[325] 550 U.S. 398, 407, 415, 417 (2007).

[326] *See* Klein, *supra* note 19, at 314; McCurdy, *supra* note 11.

[327] 549 U.S. 118, 137 (2007).

[328] 480 F.3d 1372, 1382–83 (Fed. Cir. 2007).

[329] *See id.*

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2. Congressional Reform Proposals

As far back as 2005, Congressional reform efforts recognized the impact of NPEs.[330] For example, some proposals would change the methods of calculating damage remedies, with the intent of reducing damage awards.[331] Because NPEs do not commercialize their patents, their damage remedy is a reasonable royalty, rather than lost profits.[332] A reasonable royalty is determined by considering the licensing fee the parties would agree to under a "hypothetical bargain."[333] However, courts have not settled on any consistent and precise methods of determining royalties from a "hypothetical bargain" and recent Federal Circuit cases indicate the law on reasonably royalties in patent cases is in a state of flux.[334]

Complicating matters, NPEs usually hold patents covering only a component of a defendant's infringing product.[335] However, courts increasingly have adopted the "entire market analysis" rule. Formally applied, this rule gives NPEs a royalty based on the proceeds of all sales of the entire infringing product, although the NPE's patent may only cover a minor component.[336] Realizing that a strict application of the rule overcompensates in such cases, the Federal Circuit has modified the rule by using a multiplier.[337] The NPE will receive a royalty equaling a royalty

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330 *See* Anna Mayergoyz, Note, *Lessons from Europe on How to Tame U.S. Patent Trolls*, 42 CORNELL INT'L L.J. 241, 253–54 (2009); McDonough, *supra* note 16, at 195–96 (noting that in 2005 (before *eBay)*, Congress considered implementing legislation denying injunctions specifically for NPE-plaintiffs).

331 Patent Reform Act of 2009, S. 515. 111th Cong. § 4 (2009); H.R. 1260, 111th Cong. § 5 (2009); Watanabe, *supra* note 63, at 477; Jonathan W. Parthum & Phillip J.C. Signore, *Patent Reform: The Debate Continues into 2010*, 997 PRAC. L. INST., PAT., COPYRIGHTS, TRADEMARKS, & LITERARY PROP. COURSE HANDBOOK SERIES 355, 361–63 (2010); Shrestha, *supra* note 12, at 136–37; Posting of Dennis Crouch to Patently-O, Patent Reform Act of 2009, http://www.patentlyo.com/patent/2009/03/patent-reform-act-of-2009.html (Mar. 3, 2009).

332 *See* Ted Sichelman, *Commercializing Patents*, 62 STAN. L. REV. 341, 405 (2010).

333 Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1554 (Fed. Cir. 1995).

334 *See e.g.*, Lucent Techs., Inc. v. Gateway, Inc., 580 F.3d 1301, 1324–26, 1332–33, 1335 (Fed. Cir. 2009), cert denied, Microsoft Corp. v. Lucent Techs., Inc., 130 S.Ct. 3324 (2010).

335 *See supra* Part II.A.1.

336 Brian J. Love, Note, *Patentee Overcompensation and the Entire Market Value Rule*, 60 STAN. L. REV. 263, 269–71 (2007).

337 *Id.* at 272–79; Posting of Amy Landers to Patently-O, 2007: Patent Reform: Proposed Amendments on Damages, http://www.patentlyo.com/patent/2007/04/2007_patent_ref.html (April 27, 2007); *e.g.*, *Lucent,* 580 F.3d at 1336, 1338–39. While the Federal Circuit held that the "entire market analysis" rule did not apply in this case, they also argued the rule can be applied liberally—the patented component need not be the "basis for customer demand" if the multiplier is suf-

base—total proceeds from sales of the entire product—times a multiplier representing the court's estimation of the patent's value as a fraction of the overall product.[338]

The Patent Reform Act of 2009 seeks to further reduce royalty rewards by tying damages to the patent's "specific contribution over the prior art."[339] For guidance, courts may consider the price of licensing a "similar noninfringing substitute in the relevant market."[340] "In some cases, this could push damages to zero if the non-infringing substitute is in the public domain."[341] The most recent version of the Senate bill rejects this proposal, perhaps in response to criticism that it raises uncertainty and judicial costs.[342] The current version of the bill gives courts and juries more discretion, while emphasizing sound methodology in computing damages and requiring documentation thereof, perhaps looking to courts of appeal to resolve any errant award amounts.[343] In any case, reform measures and the Federal Circuit's recent rulings will likely reduce damage awards. This will lower the expected return of litigation for NPEs.

The bill also provides for post-grant review of patents by the patent appeals board.[344] Relative to litigation, post-grant review provides a more expedient and economical means for alleged infringers to challenge the validity of patents.[345]

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ficiently small. Chief Judge Michel notes that defendants probably would not object to entire market analysis if the multiplier was 0.1 percent rather than 8 percent.

338 *See, e.g.*, *Lucent*, 580 F.3d at 1336 (indicating that the court applied an 8 percent rate, but notes this percentage can be adjusted at the court's discretion).

339 Patent Reform Act of 2009, S. 515. 111th Cong. § 4; H.R. 1260, 111th Cong. § 5; Shrestha, *supra* note 12, at 136–37; Crouch, *supra* note 330.

340 S. 515 § 4(c)(1)(B); H.R. 1260 § 5(c)(1)(B); Crouch, *supra* note 330.

341 Crouch, *supra* note 331.

342 *See, e.g.*, S. 515, § 4; Mark v. Campagna, *Understanding Patent Reforms in the Context of Litigation*, *in* UNDERSTANING PATENT REFORM IMPLICATIONS: LEADING LAWYERS ON DEFINING KEY ISSUES, INTERPRETING CURRENT PROPOSED LEGISLATION, AND PROJECTING FUTURE DEVELOPMENTS 1, 8 (2009), 2009 WL 535235; Watanabe, *supra* note 63, at 476–77.

343 S. 515 § 4 ("The court shall identify the methodologies and factors that are relevant to the determination of damages, and the court or jury, shall consider only those methodologies and factors relevant to making such determination."); Posting of Stephan Albainy-Jeini to Patently-O, Patent Reform Act of 2010: A Substitute S. 515, http://www.patentlyo.com/patent/2010/03/patent-reform-act-of-2010-an-overview.html (Mar. 8, 2010).

344 Parthum & Signore, *supra* note 331, at 369–70.

345 *Id.*; Campagna, *supra* note 342, at 5.

NPEs are often accused of holding patents of questionable validity.[346] If NPEs hold invalid patents, these proposals would harm NPEs by facilitating invalidity determinations of their holdings. Even if NPEs hold valid patents, post-grant review would still reduce a defendant's costs.

3. Leave it to the Courts

If recent patent reform efforts are any indication, Congress' current efforts are not likely to pass in the near future.[347] The Patent Reform Act of 2009, arguably Congress' strongest rebuke of NPEs yet, has still not passed. This hold-up is partly attributable to opposition from small inventors and their proponents.[348] Opponents view the bill as a money grab by America's largest corporations.[349] The bill effectively lowers infringement penalties on large corporations by reducing litigation costs, the likelihood of liability, and the severity of remedies.[350] The proposed change to § 1400(b), for example, is not intended to combat NPEs, but to guarantee home field advantage for large corporate defendants in patent suits. In addition, the bills' harsh measures overreacted to the NPEs by being over-inclusive, punishing small businesses along with NPEs.[351]

The passage of the Patent Reform Act would probably not significantly affect NPEs. If the bill does not pass, the judiciary will continue to combat the perceived abuses of the system by NPEs, from forum shopping to excessive licensing fees. If the bill does pass, the Senate's current version does little other than expand judicial discretion.[352] The current bill's pullback reflects the difficulty in identifying NPEs.[353] The 2010 bill's tenor is to have the judiciary decide whether a plaintiff is an NPE and adjust their analysis accordingly.

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[346] *See supra* Part II.A.2 and accompanying text.

[347] Christopher A. Cotropia, *The Individual Inventor Motif in the Age of the Patent Troll*, 12 YALE J.L. & TECH. 52, 65 (2009).

[348] *See, e.g.*, Parthum & Signore, *supra* note 331, at 364; Watanabe, *supra* note 63, at 475.

[349] *Id.*

[350] Cotropia, *supra* note 347, at 68; *see* Parthum & Signore, *supra* note 331, at 363–64.

[351] Cotropia, *supra* note 347, at 68.

[352] *E.g.*, in the current version of S. 515, § 8, no amendments are made to the patent venue provision, § 1400, except to add a subsection (c) that allows transfer of venue when the court finds the transferee forum is "more convenient." *See supra* Part VI.A. Consider also, current S. 515, § 4, which does not limit damages or specify how to compute them. Instead, the provision leaves it to the district court. *See supra* Part VI.B.2.

[353] *See* Cotropia, *supra* note 347, at 63–64.

Past holdings of the Federal Circuit and the Supreme Court indicate that NPEs face a gradual decline towards extinction. While never expressly identifying parties as "NPEs" or "patent trolls," the courts have steadily reduced their usefulness to NPEs.[354] The Federal Circuit's 2009 skirmishes with the Eastern District of Texas are representative of the Federal Circuit's attack on NPEs. Discouraging forum shopping was part of a larger effort to reduce the leverage that patent litigation provides NPEs.

VII. Conclusion

Over the past decade, the meteoric rises of NPEs and the Eastern District of Texas as a venue for patent litigation have gone hand in hand. The Eastern District has served as a second home for NPEs, providing a launching point for infringement suits that are central to the NPEs' business model. The Federal Circuit's decision in *TS Tech*, easing the requirements for § 1404(a) transfer of venue in patent cases, was seen by many to mark the end of the Eastern District as a haven for patent litigants. Instead, the Eastern District proved remarkably resilient, sparking a series of reversals from the Federal Circuit in 2009 concerning the requirements for transfer of venue. The appellate authority of the Federal Circuit ultimately prevails. As a result, the Eastern District of Texas phenomenon will end. Combined with the broader judicial and legislative movements, the *TS Tech* line of cases may also signal the decline of NPEs.

[354] A Westlaw search for the term "patent troll" or "non-practicing entity" in all federal cases reveals 14 results, all from district courts. The earliest mention of the term "patent troll" is in 2007.

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