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The America Invents Act: Target, the Eastern District of Texas

Jim Harlan
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The America Invents Act:
Target, The Eastern District of Texas

Panelists:

Jim Harlan, General Counsel, Xtera Communications, Inc.
Chad Everingham, Partner, Akin Gump Strauss & Feld LLP; Former Magistrate Judge, U.S. District Court for the Eastern District of Texas
Douglas M. Kubehl, Partner, Baker Botts L.L.P.
Lisa A. Dolak, Professor at Law, Syracuse University College of Law
David O. Taylor, Assistant Professor at Law, SMU Dedman School of Law

PROFESSOR DAVID TAYLOR:

Let me introduce our panel. Down at the end we have Chad Everingham, a former Magistrate Judge for the Eastern District of Texas. He was introduced earlier, but I just wanted to remind you that now he is a Partner at Akin Gump and he is heading the firm's Longview, Texas office. He focuses his practice now on patent-infringement litigation. While he was magistrate judge he presided over more than 400 civil cases, the vast majority of which were patent-infringement cases. Prior to his clerkship, he graduated from Baylor Law School as the highest-ranking student in his graduating class.

Our next panelist is Jim Harlan. Jim is the Senior Vice President and General Counsel at Xtera Communications. Xtera is a global telecommunication equipment manufacturer located in Allen, Texas, which is located in the Eastern District of Texas. As General Counsel, Jim is responsible for all legal issues, including issues relating to patent-infringement litigation. He has experience working as in-house counsel for other significant technology companies including both Siemens Corporation and Research in Motion. Jim graduated most recently with his MBA from the University of Texas at Dallas. Prior to that, Jim received both his master's degree and his law degree from Wayne State University.

The fourth member of our panel is Doug Kubehl. Doug is a Partner at the Dallas, Texas law firm Baker Botts, working out of the Dallas office. He focuses his practice on patent-infringement litigation, and he has handled numerous patent-infringement cases throughout the United States district courts, including California, Oklahoma, Texas, South Carolina, and New Jersey. He has also handled cases in the U.S. Court of Appeals for the Federal Circuit and has successfully represented both large and small companies as well as patentees and accused infringers. Doug has been recognized as a Texas Super Lawyer multiple times and graduated magna cum laude from the University of Minnesota Law School.
I want to start the panel by indicating some results of my own research related to statistics and patent-infringement lawsuits. With regard to the filing of complaints, statistics have shown that, for several years, patent owners have targeted the Eastern District of Texas. According to statistics maintained by the Lex Machina database, the Eastern District of Texas ranked first, second, and then first again out of all federal district courts in terms of the number of patent complaints filed there in 2008, 2009, and 2010. But, not only that, statistics show that dramatically more accused infringers appear to be named in cases in the Eastern District of Texas. From 2008 through September 15, 2011, the day before the enactment of the America Invents Act (AIA), the number of accused infringers named in initial complaints filed in the Eastern District of Texas far exceeded the number of accused infringers named in initial complaints filed, for example, in the Northern District of California. Specifically, while the Eastern District of Texas had a mean of about nine accused infringers in each case, the Northern District of California had a mean of about two infringers per case.

Mr. Everingham, my first question is for you. With those statistics in mind, why do you think that patent owners target the Eastern District of Texas? Specifically, why do you think there are relatively more defendants named in each case in the Eastern District of Texas?

CHAD EVERINGHAM:

Looking back historically over time, beginning in 2000 and 2001, patent owners obtained a series of favorable verdicts. If you were looking for a place to file your patent case, as a plaintiff’s lawyer you would naturally be inclined to file where you think that juries would be more receptive to those types of cases.

In East Texas, historically, the city of Marshall had a reputation for having plaintiff-friendly juries. My private practice in Marshall focused primarily on defense, and the city had a reputation that dated back to cases filed against the railroad. Plaintiffs naturally thought of that forum as a place where they might be able to get a plaintiff-friendly jury pool. Moreover, judges in the Eastern District were not afraid of patent cases. Therefore, if you were an advocate with a patent case wondering where to file it, you would be more inclined to file it in a court that is willing to look at it as opposed to one that would be more inclined to grant summary judgment or transfer the case elsewhere.

With respect to why more defendants are joined, comparatively speaking, the joinder law in the Fifth Circuit and the Eastern District has been more liberal. Accordingly, the law allowed the joinder of more defendants

than it might have in some other districts. For purposes of efficiency and possibly in response to some of the decisions from the circuit on venue, patent owners joined multiple parties as accused infringers in order to make better cases for venue in a location where they thought would have a more favorable forum. I think the role of the advocate naturally caused the filings to increase and the number of accused infringers to increase.

**Professor David Taylor:**

Mr. Kubehl, before the new rules went into effect, as we know, joinder and consolidation were governed by Federal Civil Procedure Rules 204 and 42.5 Given your experience litigating patent-infringement cases, how did these rules apply in practice?

**Douglas Kubehl:**

I will address that by looking at the time period immediately before the AIA went into effect. However, I think it is helpful to first look back fifteen or twenty years.

Back then, cases were typically competitor versus competitor. Cases where non-practicing entities (NPE) or patent trolls were suing groups of defendants were rare. Though in those cases, patentees who had potential suits against multiple competitors generally sued only one of those parties—usually a much weaker adversary or one with strong ties to a favorable jurisdiction. Then, as you began trying the case, you began developing an argument that gives the court knowledge of the patent. This provides good reason to keep the case there and try other cases in the same court.

As we got into the early 2000s, we saw the advent of more cases filed by non-practicing entities against multiple defendants. We also saw some decisions out of districts, like the Eastern District of Texas, that treated cases with multiple defendants more favorably because they allegedly infringed the same patent or did similar acts alleged to infringe the patent. It was relatively easier to keep a case in a given jurisdiction with multiple defendants involved. The MyMail case, in 2004, is an example of this.6 Around the 2004 there was a confluence of law, where non-practicing entities began suing multiple groups of defendants. This was becoming the norm. The pinnacle was the day before the AIA went into effect; this was the last chance to file against multiple defendants. Some cases had sixty, eighty, or even one hundred defendants, all having allegedly infringed the same patent in the same manner. That is the evolution of how we got up to the doorstep of the AIA.


PROFESSOR DAVID TAYLOR:

I want to talk about the venue issue and choosing your forum, which seems to be related here. On the one hand, we have the new rules governing joinder and consolidation for trial, and then we have the law related to transfer and inconvenient forum. As we know, in the last four years or so the U.S. Court of Appeals for the Federal Circuit has granted mandamus several times directing district courts, including the District of Delaware and the Eastern District of Texas, to transfer cases because of an inconvenient forum. Leading up to the legislation that we are focused on today, the legislative history behind the new Act focuses at least in part on the Eastern District of Texas (although in the context of precedent related to joinder, not necessarily related to transfer).7

Mr. Harlan, you are General Counsel for a company located in the Eastern District of Texas. You might be a plaintiff in one case and a defendant in another. Do you think the new rules are really about joinder, or is it a venue provision in disguise?

JIM HARLAN:

I think time will tell, but Mr. Everingham and Mr. Kubehl hit on a lot of these venue issues. It is interesting to note that before the AIA, it did not matter where you were located as long as the entire group of defendants was allegedly infringing the same patent.

Based on the MyMail case and its progeny, if you were brought into the Eastern District, there you stood.8 There were some exceptions, but, post AIA, one of the intentions was to make it more difficult for the newly created entities to sue multiple defendants. But what we have actually seen is that, for the filings after September 16, 2011, you will have thirty or forty cases with the same plaintiff with the singular defendant in the same court. In other words, they are not in separate jurisdictions, which is interesting.

I would think that, if a plaintiff were to sue forty or so defendants, they would be distributed among different jurisdictions. However, you do not see that. It is almost like there has been a muted effect so far. I am curious how judicial efficiency and economy will affect the discussion and if, in fact, the goal of making these NPEs file cases against multiple defendants in a single jurisdiction will fall by the wayside.

PROFESSOR DAVID TAYLOR:

Ms. Dolak, I want to ask you a question. The America Invents Act9 and this provision that we are talking about is the new 35 U.S.C. § 299 relating to

joinder and consolidation.\textsuperscript{10} It is fairly unique in that it is effectively reversing the Federal Rules of Civil Procedure. But it is doing this in the context of only one type of litigation—patent-infringement litigation. Why do you think Congress created a new special rule for this type of case?

\textit{Lisa Dolak:}

I think the best evidence of that is what Congress told us or what the legislative history suggests. The legislative history suggests the rule had two somewhat contradictory goals: (1) codify the proper interpretation of Rule 20 and (2) conform the law regarding joinder and patent cases across the land, in accordance with the law in the majority of jurisdictions.

My belief that these two goals are in tension is evidenced by the countless interpretive issues regarding Rule 20 and the new § 299, which could occupy an entire conference. For example, if the goal of the new Act was to conform the law of the Eastern District of Texas and other minority jurisdictions with the majority of jurisdictions, does that mean that the law in the rest of the jurisdictions has not changed? That cannot be the case because the rest of the jurisdictions have Rule 20, which says one thing, and § 299, which says something else, and they are different on their face; the language of the statute has to mean something. Again, that is just an example of the kinds of trouble we may get into here.

It is notable because it is an example of a procedural rule that is aimed at a particular cause of action. This conflicts with the entire foundation of the Federal Rules of Civil Procedure, which, of course, were designed to promote uniformity. So, I think we know why Congress told us it was passing the Act. It is a remarkable step that has been taken with regard to uniform procedural rules.

\textit{Professor David Taylor:}

Ms. Dolak, you mentioned the change in the approach from a uniform rule as opposed to a rule directed toward one cause of action. In terms of the pleading standard or potentially the discretion granted to district courts, the federal rules are very liberal in terms of granting discretion and relatively liberal in terms of a pleading standard. This seems to go against that.

\textit{Lisa Dolak:}

Yes, I think that is right. I understand Rule 20 to confer significant discretion on the district courts. Also, the discretion is at the insistence of the parties, that is, the parties may request joinder but do not have to in circumstances that satisfy Rule 20.\textsuperscript{11} It seems that the new statute aims at least apparently to remove some of the discretion from the courts and certainly to

\textsuperscript{11} \textit{Fed. R. Civ.} P. 20.
deprive some power from plaintiffs who would otherwise seek to join defendants. The big question is how much power or in what circumstances does the new statute take away that power or that option, at least, from the plaintiffs.

**PROFESSOR DAVID TAYLOR:**

That brings up the question of how the new rule is different from the Federal Rules of Civil Procedure. We have been talking about the effect, but, Mr. Everingham, can you compare the Rule 20 and Rule 42 approaches with the new rule? What is the new test?

**CHAD EVERINGHAM:**

Under the language of Rule 20, joinder is permissible if the two requirements are met: “same transaction, occurrence, or series of transactions or occurrences” and the “common question of law or fact” requirement. Under § 299, persons may be joined as accused infringers if there is a right to relief asserted against them jointly, severally, or, in the alternative, related to the making, using, selling, offering for sale, or importing into the United States the same accused product or process, and there are common questions of law and fact involving each defendant. Further, there is an explicit caveat in the statute where plaintiff’s allegations that the defendants infringed the same patent or patents of the suit are insufficient to satisfy the requirements of the statute. Essentially, you must have multiple defendants making, using, or selling the same product or process and common questions of law and fact. Only alleging that the same patent was infringed is not enough. That is the requirement of the new statute.

**PROFESSOR DAVID TAYLOR:**

You are right that the new rule not only applies to questions of permissive joinder but also to consolidation for trial. Mr. Harlan, do you think this is a significant change? Do you think it is an important change with respect to the test applied to determine whether consolidation for trial is appropriate?

**JIM HARLAN:**

Yes, the consolidation for trial is 299(b). It is interesting because you can pull in 28 U.S.C. section 1407, about multi-district litigation. There is

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12. *Id.*
14. *Id.* at (b).
15. *Id.*
a suggestion out there in the blogosphere that, despite the fact that there are multiple cases by the same plaintiff against multiple defendants, all pretrial issues would be consolidated in the interest of judicial economy. A unique issue with patents is that most of the pretrial issues go to the fundamental legal decisions defining what a patent is, i.e. a Markman hearing. You can get a case consolidated under § 1407 under the pretrial guise and then get a single Markman hearing so that a judge does not have to construe the same claim set or opposing claim terms multiple times. This will be an interesting to find out how much multi-district litigation the AIA produces.

**Professor David Taylor:**

I think we will return to multi-district litigation. I want to focus on that in some detail because I think it might be a significant effect of the new rule.

I want to go back to the interpretive question. The language “same accused product or process” is subject to some interpretation. I have done some research and writing in this area and I have found there are at least two interpretations. These interpretations are based on dictionary definitions of the word “same,” and whether “same” means the “one thing under discussion” or if instead there is a different dictionary definition of “same” that means basically “imperceptibly different,” so there are two separate things, but they are imperceptibly different. So, those are at least two interpretations I have come up with that might affect the application of the new statute.

Ms. Dolak, do you have a view as to how “same accused product or process” should be interpreted or what that significance is in that dispute over interpretation?

**Lisa Dolak:**

In my years of teaching and writing in the area of civil procedure and patents, particularly with regard to procedural issues, I have developed a healthy respect for nuance and the interpretive issues can come out of this kind of language. We have to go back to the legislative history and examine

17. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996) (holding that “the construction of a patent, including terms of art within its claim, is exclusively within the province of the court.”) (a Markman hearing refers to the common practice of pretrial claim construction hearings by District Court Judges).

18. Merriam-Webster’s Collegiate Dictionary 1099 (11th ed. 2003), available at http://www.merriam-webster.com/dictionary/same (including definition of “same” as “being the one under discussion or already referred to” and noting that “same may imply . . . that the things under consideration are one thing and not two or more things”).

19. *See id.* (including definitions of “same” as “resembling in every relevant respect,” “corresponding so closely as to be indistinguishable,” and “equal in size, shape, value, or importance—usually used with the”).
Congress's intended meaning. Congress said it was trying to both codify the law of Federal Civil Procedure Rule 20— the correct law of Rule 20—and to follow the majority of jurisdictions.21

Many of these jurisdictions were more restrictive and interpreted the “same transaction or occurrence” language that appears in both Rule 20 and the new statute23 as being satisfied when multiple defendants had their own individual products, and these products had some differences, but they operated the same way or they had a common component. Congress was content with that interpretation, at least from what is reflected in the legislative history.24 This supports the notion that “same product or process” is not Professor Taylor's first dictionary definition. It would leave plaintiffs and courts with room to interpret “same product or process” broadly. It would also suggest that the law in the more restrictive jurisdictions has not changed, which is not the case because those jurisdictions are now operating under a new statute with more language and requirements than the previous rule.

Another possible interpretive issue involves standards. When single plaintiffs accuse multiple defendants of infringement on the specific ground that they have incorporated the same standards technology or the same standard in their products, there is an argument that makes them the same product, or maybe it does not, even though they have not acted together other than in the context of the standard-setting organization. There is even an argument that may be made that the alleged infringers are practicing the same process, even though they are not selling the same product, as long as the product operates in the same way and in accordance with the standard.

There are also interpretive issues when setting the two statutes side by side. Moreover, there is an interpretive issue outside of patent cases: in non-patent cases, has the meaning of Rule 20 changed by virtue of the fact that it is now different from the statute? We will confine our discussion today to patent cases.

PROFESSOR DAVID TAYLOR:

Mr. Harlan, what is your view as to the better interpretation of 35 U.S.C. § 299?

JIM HARLAN:

Sometimes, I feel like our profession gets a little too focused on a word's meaning. For example, when someone said, "what is 'is'?" It is the same.

You talk to a jury, and it is the same product. Are they the same product? You look at one and you look at the other. They both may be covered by a standard like 802.11. They both may be wireless devices. One is a cellphone and one is a wireless access point. They both have Wi-Fi. Are they the same? The jury will say the products are not the same. One is a cellphone, and you cannot call your friend on a wireless access point by Linksys.

Conversely, there is the Chrimar case in Delaware.25 This case raises an interesting argument about the standards that Ms. Dolak discussed regarding the standard-setting organizations and whether or not something is the same product.26 You would think that, if all of these people are sitting together and creating a standard, it should be the same. That is why we have a certain type of outlet that we all plug our electronics into—we follow a uniform standard. It looks like the same product, even though one is made by GE and one is made by Lucent. I am wondering how the "same product or process" will be defined and how it will be interpreted over the ensuing months, if not years.

LISA DOLAK:

This interchange illustrates the potential for interpretive issues. Another aspect of this has to do with the new 35 U.S.C. § 299 on its face. This statute has subsections (a) and (b). Subsection (b) states that "accused infringers may not be joined . . . based solely on allegations that they each have infringed the patent or patents in suit."27 Allegations alone are not enough. Subsection (a) contains requirements regarding same product or process.28 If Congress were aiming to lump defendants together because they are accused of infringing the same product or process, then subsection (b) would have been enough. However, there is apparently an additional restriction required by subsection (a) that goes beyond the requirements of subsection (b).

All of the words of a statute have to be given meaning just like all of the words of a claim have to be given meaning. That is another issue—if Congress were aiming at one thing, then did it swing more broadly than it intended to? And what kind of interpretive issues did it create as a result? There is enough reason for parties to litigate this issue of interpretation of the

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26. Id. at Complaint at 5–6.


28. Id.
new statute. Potentially, we are going to see some differing interpretations coming from the district courts on this issue.

JIM HARLAN:

As I look at § 299 (a)(1), where it discusses “any right to relief . . . same accused product or process,” I cannot help but think about the Entire Market Value (EMV) Rule as being a right to relief in a damages context. How is the “same accused product or process” going to impact the Entire Market Value Rule or damages when a manufacturer only makes the graphics accelerator in an Xbox 360?

Yes, people buy the Xbox 360 for its capability and its graphics, so there is an argument that the Entire Market Value Rule applies there. However, if I am involved in a lawsuit where you do not have the “same accused product or process” so the right to relief might be different, is this § 299(a)(1) going to embolden the EMV or erode it? It will be interesting to see.

PROFESSOR DAVID TAYLOR:

Mr. Everingham, as a former judge considering these types of situations where you have interpretive issues, from a judge’s view, what factors would predominate analyzing how the new statutory sections should be interpreted?

CHAD EVERINGHAM:

One thing is for sure—whatever I say here, the courts will do the opposite. I suspect the judges’ decisions will be driven by a couple of things. The first: whether judges will resort to legislative history. If they do, there is room for a more expansive definition of “same product or process.”

In one of the cases that I am aware of, joinder is being attempted where there are multiple types of computers running the same software program, for instance. Is this the same product or not the same product? There may be room for a more expansive view and one more consistent with the jurisdictions in the majority than for a judge who does not resort to legislative history. If the judge looks at the statute on its face, then I think there is room for quite a narrow view of what “same product or process” is.

I think the other thing that would drive a judge’s analysis on how he or she would construe the statute is whether it is venue regulation dressed up as a joinder issue. If the judge gets the idea that a party is trying to end-run the circuit’s decisions on venue in a way that is inconsistent with that particular judge’s views as to the purpose of the statute, then the judge has a lot of tools at his or her discretion that may influence how the judge reads the statute.

29. Id.

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The next topic will be the effects of the new statute. I am curious to see the different views as to what the effects will be. Someone mentioned earlier that there might be an increase in multi-district litigation (MDL). Does anyone believe that this statute will increase multi-district litigation?

I think it will. Depending on how the courts come down on the question of whether the defendants have the right to have a venue motion heard and determined independently of the consolidation review when you file serial cases on the same day in the same venue. If the cases are spread out all over the country, then I think you will see more MDL proceedings.

One thing that people who are more familiar with MDL proceedings than I am can answer will be whether a Markman ruling in an MDL proceeding is binding on the judge that tries the case and instructs the jury since this is a question of law. Sometimes Markman issues do not arise until the parties are in a trial, as we all well know. The efficiencies that may be created by an MDL proceeding may eventually break down once the cases are transferred to the originating courts because, in MDL proceedings, the defendants do not have the right to a trial in the MDL court. In the MDL court, there are only pretrial proceedings. Those are questions that I think this conference in a couple of years will have a better handle on, but I think you will see an increase in them.

As a follow to your comment about efficiencies, do any of you think this will actually create efficiencies or inefficiencies? If there is MDL, is that really more efficient than having the trials in the different jurisdictions, or maybe there are some convenience factors associated with that for the particular defendants in those cases? Compare this to the old way that we had litigated cases, in which typically all of the defendants in one case would be in one court, and maybe they could have been transferred if they were separate cases, but instead they were consolidated. Does this create efficiencies or inefficiencies?

I am not sure if I can compare it to the MDL. It seems like MDL compared to the old way would be fairly similar. There would have been a single judge consolidating everything, and all of the defendants would be in the same court with consolidated discovery.

There are definitely challenges for defendants with the new way of doing things. There can be forty separate cases filed on the same patent, often
in the same jurisdiction. Delaware is a popular jurisdiction because most companies are incorporated there, and, at least historically, it has been very difficult for companies to argue for transfer outside of Delaware because they sought Delaware for its corporate formation. Defendants in these cases are faced with more difficult interactions with the other defendants. These defendants may form joint-defense groups, whose decisions, such as for arguing for consolidated discovery, may be decided by the judge.

There may be some advantages to that because the discovery evidence that the other defendants receive from the plaintiff, such as deposition testimony or documents, flow readily to all defendants. But, defendants may have a disadvantage because they may want to keep evidence out of the trial with respect to another defendant in the case. If I am in a multiple telecommunications providers' case, and I am representing AT&T with ongoing consolidated discovery, I do not necessarily want information regarding Sprint's damages coming into my case.

So, there are a lot of moving parts to deal with that might have already been dealt with in the old way of doing things. Now, we have some choices in the new way of doing things. How much do defendants want to work together? Is it as easy for defendants to work together as it used to be? Probably not. There are some inefficiencies and some challenges for defendants.

**CHAD EVERINGHAM:**

Will this encourage the strategy of filing against one defendant and waiting to file against other defendants? I am sure that the ability to form joint-defense efforts and common-interest groups is being prepared.

**DOUGLAS KUBEHL:**

That is something that I have been considering. We may see a return to the recent past when the strategy was to pick an attractive defendant, get the case going, get the judge familiar with the patent, then bring in other defendants from the other suits and hope that the judge consolidates the cases. It is very difficult for these defendants to then transfer their case because it is not judicially efficiency.

**CHAD EVERINGHAM:**

Maybe a *Markman* opinion that is adverse to what it would be for the other defendant would occur.

**DOUGLAS KUBEHL:**

A defendant in the first wave may be at a disadvantage wherein other people can piggyback on all of the work the initial defendant has done who has had to front the bill for this work. A defendant in the second wave has a final decision from the *Markman* hearing that has already occurred. It is tougher for defendants in a lot of ways.
**Professor David Taylor:**

We have been talking about efficiencies with respect to discovery. The second part of the new statute affects consolidation for trial. In thinking about that, it seems like the statute will potentially encourage multiple trials on the same issue. In patent cases, the issue is invalidity. This seems like it will allow multiple bites at the invalidity “apple.” Ms. Dolak, do you think this is correct? Do you think this is good thing or bad? Will there be efficiencies or just the expected inefficiencies?

**Lisa Dolak:**

I have a particular worldview that I must confess: I do not like invalid patents in the marketplace, and this is why I advocated liberal declaratory judgment standards. Assuming the ultimate decisions are correct at the district court or at the Federal Circuit, there is something to be said about the multiple bites at the apple opportunity that could be created by this. There will be trade-offs. For defendants, it is going to be very challenging to know and not be able to foresee if working together would be good or bad before it is too late to reverse that choice. There is no question that the new law prohibits consolidation for trial. Again, this is a radical change as compared to Rule 20.

**Professor David Taylor:**

While the new statute may not allow consolidation for trial, I think there is at least an argument that it may still allow for consolidation for pretrial purposes. Mr. Everingham, you discussed the point about holding one Markman hearing. How receptive do you think judges will be to the request to consolidate, even though there were multiple cases that were filed, for pretrial purposes, including a Markman hearing?

**Chad Everingham:**

Most judges would do that even under the old law. If there is an opportunity to do one Markman instead of seventeen, I am all for one. I think the judge should give every party in all of the cases an opportunity to be heard. I do not know that I agree with that multiple bites of the invalidity apple will eliminate invalid patents. I think there is a greater likelihood of eliminating invalid patents because there are multiple trials on the same patent. But, I am not sure that a patent is more or less invalid because it is tried in a jurisdiction that is more disposed to find validity than one that is more favorable to patent owners. There are some real inefficiencies from the multiple trial aspect and judges should decrease these inefficiencies by consolidating trials whenever possible.
PROFESSOR DAVID TAYLOR:

Even if judges would like to consolidate, there may be an argument that the new statute prohibits it. Does anyone believe the new statute will prohibit consolidation for pretrial purposes?

LISA DOLAK:

I will point out that there are cases where courts, even under the old law, have refused to consolidate even for pretrial purposes on the grounds that the defendants have the right to make their own individualized assertions of their own individualized defenses, even if all of the defendants have an enablement defense. There are different ways of presenting and nuancing there.

DOUGLAS KUBEHL:

In my cases, the judge is consolidating. The assumption is that there will be a common market, and defendants will work together on discovery. While there are twelve different cases, each case with a different defendant, is nothing being said about having a common trial. But, sua sponte, that is the way it has happened. The defendants will have to launch a challenge to stop this.

As I primarily represent defendants, I like the idea of multiple bites at the apple on the validity side. I do not know if we are going to see this in the future. There will be arguments with respect to invalidity that, when there is one transaction with the same facts and the patent has been issued, there should be only one trial on the issue of validity. And if a person is not successful, then there will be separate infringement trials. I would love to have separate invalidity trials for every one of these cases.

PROFESSOR DAVID TAYLOR:

When you are representing the accused infringer only?

CHAD EVERINGHAM:

I am not saying that is a bad thing.

DOUGLAS KUBEHL:

I would think, from a judge’s perspective, that would be a bad thing. It would clog the dockets with these common questions. From many judges’ perspectives, we should have a single trial.

PROFESSOR DAVID TAYLOR:

I want to talk about strategies for patent owners with respect to their forum. Earlier we talked about how the Eastern District of Texas is a highly sought after forum. Maybe the legislature was trying to change the rules on joinder to affect the choice of venue and where the cases are actually held and tried. I am curious if anybody has any thoughts, from the perspective of
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DOUGLAS KUBEHL:

I think one of them is what we have discussed here. I would pick a defendant who has strong ties to the forum and is not going to get transferred out, and I would start a case against that defendant. Once I got my scheduling conference and some sort of substance where I could argue that now the court sort of understands the patent, I would at that point file my suits against other defendants and suggest to the court that there is enough room in the schedule to have a common Markman hearing. If we must have two Markman hearings, then we could put a lot of weight into just one.

JIM HARLAN:

This has all been my personal opinion, none of which reflects my on my corporation, but with respect to strong ties to a forum, I would make a policy argument prohibiting lawsuits involving technology companies that are subject to multiple patent infringement claims from occurring in Collin County. I know of a couple companies in particular that have moved their headquarters into Dallas County because they did not want to be in the Eastern District of Texas. That is, they did not want to be in the forum already. I know of a company, for example Huawei, that moved into Collin County from Dallas County. You are left to wonder: is there not somebody at the helm of patent litigation that is aware of what that company did? It has thus become a target. It is easily connected to the Eastern District of Texas—its headquarters in Texas is now in the Eastern District of Texas, and it has closest ties to that venue. This buttresses that concept.

I have had this discussion with the Mayor of Plano, and he had never heard of this before. I have also shared this discussion with other general counsels and know of a few that have moved out of Plano and into Dallas for this reason. But, it is because they are in a litigious industry that is subject to the newly formed entity pursuit.

LISA DOLAK:

The more experience a court has with a patent, the more likely it will consolidate the case and less likely it will transfer it. because of convenience. The court also considers the length of time that has passed. A period of six months would militate against transfer and in favor of consolidation, assuming the court has been active with the patent during that time.

I think the statute is consistent with the rationale that consolidation for pretrial purposes is encouraged. In other words, the notion behind the new

§ 299(b) is consolidation requires more than the defendants getting sued under the same patent.33 In that effect, the statute makes this same patent irrelevant for joinder and consolidation for trial purposes. But, for pretrial purposes, its silence leaves it perfectly acceptable for consolidation along the same rationale that the courts have already developed. But I am interested in hearing the argument for interpreting it as borrowing consolidation for pre-trial purposes.

**PROFESSOR DAVID TAYLOR:**

One approach is consistent with the view that it is permissive joinder. That is an action taken by the parties when they name a party in a lawsuit—they join multiple accused infringers in one complaint and name them in a single complaint. Another idea, under Rule 42,34 is that the word joinder is used with respect to what the judge does, when the judge actually combines parties into one lawsuit. I think an alternative interpretation, not necessarily correct in my view, is that when it says “joinder” they are not just identifying what parties can do when they choose to name accused infringers, but also what judges can do in terms of combining accused infringers into one trial. So, I throw that out there as a possibility and am curious if any of you have a view on that.

**DOUGLAS KUBEHL:**

In some cases, it certainly would be helpful not to be lumped in with everybody else for pretrial—for the Markman hearing in particular. Oftentimes, the normal thing to do is to form a joint-defense group. Six months down the road, when it really comes time to determine what the claim terms are and how they are going to be interpreted, there may be problems. There are some differences between how the products work and different interests—one defendant would like to construe it this way and another would like to construe it that way.

Joint-defense groups especially get into trouble when the court has rules limiting the number of terms that can be used. Now, the parties are limited to a handful of terms that they are even allowed to bring up—maybe five. Some terms are very important to one defendant, some are not important, and others actually hurt their case. So, what are they going to do? Are they going to argue that the Court should not consolidate because the defendants have divergent interests? Well, now they are inviting discovery of all joint defense communication because there were no common interests. It is another difficult spot. I think the resolution usually is that the joint-defense group works together and finds the best, middle of the road position they can that works for everybody and just lives with it.

Professor David Taylor:

One aspect we have not mentioned is that, under the statute, the accused infringers have the option to waive the heightened requirements. Do you think that will happen often? Are there certain situations where it is more likely appropriate that accused infringers would do that?

Chad Everingham:

I think that it depends on whether they think there is going to be an advantage by doing so. Chief Judge Leonard Davis of the Eastern District of Texas, for instance, has procedures that he has used in some cases in which you have multiple defendants and the demands on each defendant are relatively low. In those, he will typically accelerate your Markman hearing and invite early summary judgment motions. If you were in a situation where you had a case that could be resolved on a one or two-term abbreviated Markman, there would be a reason for the defendants who were all joined together to forego splitting everything to transfer all over the country. Depending on the type of case, the decision would be driven by whether they thought there were advantages by being joined together. I think there are situations where parties should at least consider waiving protection.

Douglas Kuehhl:

Certainly for the smaller companies in a case that otherwise would be able to ride the coattails of the big boys.

Chad Everingham:

Absolutely.

Lisa Dolak:

You have to think about this pretty early on though, right?

Chad Everingham:

No question.

Lisa Dolak:

You are not going to be able to wait around.

Chad Everingham:

What is waiver in this context?

Lisa Dolak:

Right. Is it express waiver?

CHAD EVERINGHAM:
Implied?

LISA DOLAK:
Implied waiver?

CHAD EVERINGHAM:
Participation in the case, like an arbitration clause? There are all sorts of things.

PROFESSOR DAVID TAYLOR:
I think we have heard some significant issues and questions with respect to the new § 299.36 I, at least briefly, wanted to address some of the other aspects of the America Invents Act.37 In fact, in patent-infringement litigation, there are a few. One is the change to the false-marking statute and the ability to bring false-marking cases. Mr. Everingham, could you describe the change with respect to bringing false-marking cases?

CHAD EVERINGHAM:
There were many false-marking cases filed—a lot in the Eastern District of Texas and all over the country, in response to a Federal Circuit decision that essentially held that marking product or product packaging with an expired patent number constituted false marking.38 To the extent that you add manufacturers selling products, they were not policing those expired patents. There was a potential claim that could be brought by essentially anybody as a type of a qui tam suit to recover penalties for false marking. That became a sort of a cottage industry and, in the new statute, Congress limited it to competitor-type situations. Essentially, the amended statute provides that simply marking a product with an expired patent does not give rise to a false marking claim.39 It has really restricted the range of claims that can be made under the false marking statute.

PROFESSOR DAVID TAYLOR:
I want to highlight these topics, and if you guys have any questions related to them we can get into more detail. Mr. Kubehl, I think one of the panel members earlier mentioned the elimination of the best mode defense in

38. See Pequignot v. Solo Cup, 608 F.3d 1356, 1362 (Fed. Cir. 2010).
39. See 35 U.S.C. § 292(b) (2006) (restricting the potential claimants to “a person who has suffered a competitive injury as a result of a violation”).
The America Invents Act: Target litigation. Strangely, the best mode requirement still exists at the Patent Office, but it does not exist in litigation. Do you think this is a good thing? Do you think it is going have any real effect on litigation?

*Douglas Kubehl:*

I am not sure it will have much of an effect. The best mode defense is one that is very hard to prove. Proving the objective state of mind of the inventor—that he or she knew that this was the best way of practicing it, and was not disclosed to the Patent Office, is very difficult to prove and rarely used. Accordingly, it was abrogated as an invalidity or unenforceability defense. Some have suggested, as you have just pointed out, it is still a requirement at the Patent Office. Section 112 of the statute still requires that it must satisfy the best mode.

Could you argue that, by failing to disclose the best mode, you have unclean hands or some other equitable defense that would prevent you from enforcing that patent? It seems probably far-fetched, given that Congress said it is not an inflated defense and to neither try to backdoor it as an inequitable conduct defense. It is probably unlikely that we will see that.

*Chad Everingham:*

Do you think that it is admissible at trial—failure to comply with the statute?

*Douglas Kubehl:*

I cannot imagine that. It would seem that the prejudice would outweigh the probative value. Would it be relevant to a question of the case? Would you admit it?

*Chad Everingham:*

Probably.

*Douglas Kubehl:*

It seems so prejudicial. I mean, the jury is going to hear.

*Chad Everingham:*

We tried to keep out evidence that went solely to a client’s inequitable conduct, for instance. We have tried to take that away from the jury and to try that to the bench because this representation can be prejudicial. I think the failure to comply with a §112 requirement that has been removed is an issue in litigation. I think it would be removed.


LISA DOLAK:

Or even get discovery on it.

CHAD EVERINGHAM:

Right, unless it went to an equitable defense. If he had unclean hands, for example, it would not come in before the jury.

PROFESSOR DAVID TAYLOR:

Another new aspect of the law is the effect of the advice of counsel defense or the effect of using the advice of counsel defense with respect to a claim of willful infringement. The America Invents Act includes a new section on that.42 Mr. Kubehl, is this just a codification of recent cases we have had in the last five years on the advice of counsel defense and its use at trial, or is there some difference?

DOUGLAS KUBEHL:

I think there might be a difference. Under the previous law, you could not use the lack of an opinion as evidence of willfulness. Better said, you could not draw an adverse inference. But you certainly were allowed to admit the evidence and argue that, in totality of the circumstances, the jury should consider that sometimes people get opinions of counsel and, here, they did not. You were allowed to consider that; you cannot do that anymore. It is a meaningful change.

PROFESSOR DAVID TAYLOR:

One other aspect of the law that was discussed earlier in the context of meaningful change is supplemental examination and its effect in litigation as to determining whether there is going to be a claim of inequitable conduct. Mr. Harlan, do you think the availability of supplemental examination is a significant change that will affect litigation?

JIM HARLAN:

After Therasense,43 I agree with the panelists this morning that it will not be used very often. Corporations rarely go back and correct something they did not previously know. It is different if they knew about it and were able to correct it. I simply do not see it being used that often.

I know that, in other corporations where I have worked, once the patent gets into the stream of the process, the engineers begin working on the next thing. As those things go about their way, they are occasionally reviewed by patent committees for their value to the company. Are they still relevant?


Do they still apply to product? But, I do not think there is anyone in the background. There may be some engineer who may not know that they should have disclosed that information, probably because they were not properly educated by their in-house intellectual property team. This is one of those situations that I was reflecting on for a couple of days, trying to come up with an applicable scenario. When, in reality, would a big corporation do that? Like I mentioned, big companies have their processes, and this would be something they would have to actually put into their process. On the other hand, with small companies, you are just trying to put out all the fires. Is this something that gets on your radar screen when you have eight other things going on? Again, I do not know how often it will be used, and I think time will tell.

Lisa Dolak:

Unless you are getting ready to sue.

Jim Harlan:

Yes, there is some truth to that, too.

Douglas Kubehl:

I have thought about this not so much from the company’s perspective but as a patentee’s lawyer looking at a case in which the other side is putting together invalidity contentions. For invalidity contentions, in the cases for which we have to explain why, as defendants, we think the patent is invalid; there is a tendency to throw in the kitchen sink. This includes more than the different defenses, but all of the prior art we could ever possibly imagine.

Of course, you are rarely of the opinion that you should lead with your very best defense. Put it in alphabetical order, for example—do not make it easy. So, as a plaintiff, I may be sitting there with four hundred pages of invalidity contentions that are pretty daunting. I have an option to submit that to the Patent Office a few months before trial, and the Patent Office has three months to act on it. This is unlike a regular reexamination, in which the references are all laid out nicely, and it is mapped out for the reviewer. Then, all he or she has to do is say, “Yep, I agree the claim is rejected because of that.” Now, he has to wade through four hundred pages and determine whether there are good references in the invalidity contentions. I think both sides should think about supplemental examination.

Certainly, as defendants, we ought to think about supplemental examination for invalidity contentions. Maybe the defendant should have Exhibit A, which is believed to consist of very strong references, and Exhibit B, consists of good references as well. Somehow, get them out there. Another thing you can do as a defendant is to prepare a request for reexamination. In that case, if the plaintiff does submit that stack of four hundred pages to the Patent Office, you can instantly file a request for reexamination, which has the nice mapping and the very best reference for the Patent Office. A gambling plaintiff may try to do that, hoping the Patent Office will let the three
months pass and say, "All looks good to me." Then all of the prior art is blessed by the Patent Office.

Professor David Taylor:

One aspect of that, talking about supplemental examination, is that the current rules and regulations that have been issued do not appear to require that the prior art, for purposes of supplemental examination, relate to a claim of inequitable conduct. In fact, it is fairly unlimited in scope, which creates this type of gaming of the system that we might see. The last aspect of the America Invents Act that I want to highlight is the Federal Circuit jurisdictional fix. Ms. Dolak, could you address what Congress did with respect to the Federal Circuit's jurisdiction?

Lisa Dolak:

Congress abrogated the rule in Holmes Group v. Vornado,\(^44\) which expanded the appellate jurisdiction of the Federal Circuit. The Supreme Court held in Holmes that the Federal Circuit did not have jurisdiction over appeals unless the district court's jurisdiction was based on arising-under jurisdiction\(^45\)—in other words, the well-pleaded complaint rule. Basically, the patent owner's complaint was the basis for jurisdiction. Accordingly, if there were even a compulsory counterclaim that came up in a suit, for example, by a trade dress plaintiff against a defendant who then countersued for patent infringement, the Federal Circuit did not have jurisdiction over that appeal. This resulted in patent appeals going to other circuits, which of course is inconsistent with the entire purpose of the creation of the Federal Circuit. So, Congress changed the language of the Federal Circuit's jurisdictional statute in the AIA to add, in addition to the old style arising-under jurisdiction, the Federal Circuit shall have exclusive jurisdiction of an appeal from a final decision of a district court in any civil action either arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, an act of Congress relating to patents.\(^46\) Interestingly, along the way it made a related change that affects the interaction between the state and the federal trial courts in this regard. Congress provided that no state shall have jurisdiction over any claim for relief arising under the Patent Act.\(^47\) It also added a new removal section, which authorizes removal of a civil action from state court in which any party asserts a claim for relief arising out of the Patent Act.\(^48\) In those situations, any party can remove, not just defendants. Basically, it reinforced the lack of state court jurisdiction

\(^{44}\) 535 U.S. 826, 834 (2002).

\(^{45}\) Id.


\(^{47}\) Id.

\(^{48}\) Id.
over patent claims and expanded the appellate jurisdiction of the Federal Circuit.

Professor David Taylor:
I want to open it up to questions.

Audience Question #1:
Recently, there have been a number of cases on the malpractice side. There were some varying results as to whether the Federal Circuit has exclusive jurisdiction over these cases based on its jurisdiction arising out of the patent. What are your thoughts on that?

Lisa Dolak:
In these malpractice cases, the Federal Circuit is basically saying that, when it is an issue unique to patent law, the case needs to stay in federal court. It is along the same rationale that, if it is a malpractice case filed in state court, the defendant lawyer or firm can remove to the federal court. If it is removed, then of course the plaintiff would try to remand back to state court. The issue at the district court would be whether or not this is an issue unique to patent law keeping it in federal court. That is the whole issue in these cases; when does an issue fall on which side of the line? Things like blown deadlines do not seem to be unique to patent law, whereas things that go to whether a particular patent claim should have been asserted or whether causes of actions have been served would tend to be something that would call for interpretation of the patent. Therefore, it would be an issue unique to patent law. It seems that these changes I just talked about will tend to make it more likely that these malpractice claims will be properly heard in federal court and not in state court.

Audience Question #2:
Oftentimes, we are talking about settlement agreements. When there is a breach of a settlement agreement, we frequently say it was a breach of contract, and that, even though it was about patents, it does not necessarily arise out of patent law. In many cases, malpractice cases are very similar to breach of contract cases.

Lisa Dolak:
Well, I actually think that a lot of the Federal Circuit’s jurisprudence on what constitutes an issue unique to patent law and therefore the Federal Circuit ought to apply its own law instead of the law of the jurisdiction where the case has generally gotten much too broad.

Professor David Taylor:
I think we are out of time. I want to thank the panel. This has been very informative and fun.