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## HAS DELAWARE BECOME THE “NEW” EASTERN DISTRICT OF TEXAS? THE UNFORESEEN CONSEQUENCES OF THE AIA

**Fabio E. Marino<sup>†</sup> & Teri H.P. Nguyen<sup>††</sup>**

### *Abstract*

*To stem the rising tide of patent suits brought by non-practicing entities (NPEs), Congress enacted the anti-joinder provisions of the Leahy-Smith America Invents Act (AIA) while, at nearly the same time, the Federal Circuit issued a series of decisions making it easier for defendants to transfer multi-defendant cases filed by NPEs away from the Eastern District of Texas. The unexpected result of these initiatives, however, has been that NPEs have selected the District of Delaware as their new “forum of choice,” making it the most popular forum for patent litigation in the country and displacing the Eastern District of Texas.*

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## INTRODUCTION

On September 16, 2011, President Obama signed into law the 2011 Leahy-Smith America Invents Act (AIA), aimed in part at curbing patent suits brought by non-practicing entities (NPEs).<sup>1</sup> Since that time, however, the number of patent cases filed in the District of Delaware has risen steadily, making it the most popular venue for patent litigation in the country, a position previously held by the Eastern District of Texas for many years.<sup>2</sup>

Ironically, the AIA's anti-joinder provisions, codified at 35 U.S.C. Section 299, were enacted by Congress to prevent patent holders from joining multiple defendants in the same action based merely on the assertion of the same patent(s).<sup>3</sup> In the decade preceding the enactment of the AIA, in fact, NPEs (sometimes derogatorily referred to as "patent trolls" by the patent defense bar) had made it a practice to sue multiple defendants and, in some instances, even entire industries, in a single patent infringement suit in the plaintiff friendly courts of the Eastern District of Texas.<sup>4</sup> When defendants with little to no connection to that forum tried to transfer cases to more defendant friendly jurisdictions, courts in the Eastern District of Texas often relied on the judicial economies achieved by having the same court address the issues common to all defendants (e.g., invalidity or claim construction) to deny transfer motions.<sup>5</sup>

While the AIA was making its way through Congress, however, the Federal Circuit granted a number of requests by defendants to transfer patent cases out of the Eastern District of Texas and, in the process, articulated a more lenient standard for transferring cases out of jurisdictions with little connection to the case.<sup>6</sup>

The cumulative effect of the enactment of the AIA with the more permissive jurisprudence on motions to transfer was to make it harder for NPEs to file multi-defendant cases in the Eastern District of Texas and keep them there. As a result, NPEs started looking for a new venue to file multi-defendant actions. Recent survey data on new

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1. Leahy-Smith America Invents Act of 2011, 35 U.S.C. § 299 (2012).

2. Alex Lawson, *Delaware Eclipses Texas as Patent Hot Spot*, LAW360 (Sept. 16, 2013), <http://www.law360.com/articles/473097/delaware-eclipses-texas-as-patent-hot-spot>.

3. 35 U.S.C. § 299.

4. Michael Liu, *Joinder Under the AIA: Shifting Non-Practicing Entity Patent Assertions Away from Small Businesses*, 19 MICH. TELECOMM. & TECH. L. REV. 489, 500-02 (2012).

5. *Id.*; see, e.g., *In re EMC Corp.*, 677 F.3d 1351, 1360 (Fed. Cir. 2012).

6. See, e.g., *In re EMC Corp.*, 677 F.3d at 1360; *In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221, 1223 (Fed. Cir. 2011); *In re Altera Corp.*, 494 F. App'x 52, 53 (Fed. Cir. 2012).

patent suit filings suggests that NPE's have found a new "forum of choice" in the District of Delaware, likely because most large U.S. corporations are incorporated in that jurisdiction and the courts in that district have been hesitant to grant motions to transfer filed by Delaware corporations.<sup>7</sup> This article examines how the enactment of the AIA's anti-joinder provisions and the recent transfer jurisprudence by the Federal Circuit have combined to bring about this dramatic shift in the geographic distribution of patent litigation.

### I. THE NPE OR "PATENT TROLL"

Non-practicing entities (NPEs) are companies that own patents, but instead of making products that practice the patents, they generate revenue by licensing and asserting patents against alleged infringers to extract license fees.<sup>8</sup> The 2012 NPE Activity Report prepared by RPX Corporation defines NPEs to include: (1) patent assertion entities (PAEs), (2) universities and research institutions, (3) individual inventors, and (4) non-competing entities (NCEs) or operating companies asserting patents outside their areas of products or services.<sup>9</sup>

According to a report by the Federal Trade Commission (FTC), the NPEs' business model focuses on "buying and asserting patents against companies that have already begun using them."<sup>10</sup> As a result, the NPEs' business model depends on generating more revenue from licensing and enforcement activities than the costs of obtaining such revenue.

### II. THE COST OF LITIGATION

NPEs assert that by buying patents from individual inventors, they enable small inventors to profit from their inventions when they

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7. 35 U.S.C. § 299; David O. Taylor et al., *The America Invents Act: Target, the Eastern District of Texas*, 15 SMU SCI. & TECH. L. REV. 471, 482 (2012); Erin Coe, *Texas Hang-Ups May Boost Patent Suits in Delaware*, LAW360 (May 8, 2009, 12:00 AM), <http://www.law360.com/articles/100540/texas-hang-ups-may-boost-patent-suits-in-delaware>.

8. PRESIDENT'S COUNCIL OF ECON. ADVISORS, NAT'L ECON. COUNCIL, & OFFICE OF SCI. & TECH. POLICY, EXEC. OFFICE OF THE PRESIDENT, PATENT ASSERTION AND U.S. INNOVATION (2013), *available at* [http://www.whitehouse.gov/sites/default/files/docs/patent\\_report.pdf](http://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf).

9. RPX CORP., 2012 NPE ACTIVITY REPORT 7 (2013), *available at* <http://www.rpxcorp.com/siteFiles/SiteManager/OBF995E82CFF591EE80EFE8AC69259E7.pdf>.

10. FED. TRADE COMM'N, *THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION* 50-51 (2011); BRIAN T. YEH, CONG. RESEARCH SERV. 42668, *AN OVERVIEW OF THE "PATENT TROLLS" DEBATE I* (2013).

would otherwise lack the abilities to do so on their own. Nathan Myhrvold, the CEO of Intellectual Ventures, articulated the NPEs' views on this subject in a recent interview:

Q: You just buy up patents and then you sue people, and I don't understand how that helps innovation and creativity in the world.

A: If people create something and don't get paid, that's a problem. It's very hard for individual inventors to get paid. For the same reason that private equity is valuable—broadly, that's a good thing—in the case of patents, many that own them aren't in a good position to take the next step.”<sup>11</sup>

Even opponents of NPE litigation have recognized that in the past:

[S]ome NPEs have played a valuable role in bringing innovations from small inventors to market. Some inventors lack the resources and expertise needed to successfully license their technologies or, if necessary, to enforce their patents. NPEs provide a way for these inventors to earn rents that they might not otherwise realize, thus providing them with greater incentives to innovate.<sup>12</sup>

However, empirical studies have shown that NPE litigation does not provide incentives for innovation. For example, one study found that NPEs impose costs on large technology companies and many small and medium firms, “making it even less likely that innovative start-ups are net beneficiaries of NPE activity.”<sup>13</sup> That same study reported that small and medium-sized companies make up 90% of the defendants sued by NPEs.<sup>14</sup> Another study reported that at least one company in the health information space had ceased innovation and development altogether while fending off patent infringement threats by an NPE.<sup>15</sup>

Professors Bessen and Meurer identified in their study three

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11. Darren Murph, *Intellectual Ventures' Nathan Myhrvold Defends Patent Trolling, Calls Tech Industry Immature*, ENGADGET (May 30, 2012, 2:33 PM), <http://www.engadget.com/2012/05/30/intellectual-ventures-nathan-myhrvold-defends-patent-trolling/>.

12. James Bessen & Michael J. Meurer, *The Direct Cost of NPE Disputes* (Boston Univ. School of Law, Paper No. 12-34, 2012), available at [http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ\\_MeurerM062512rev062812.pdf](http://www.bu.edu/law/faculty/scholarship/workingpapers/documents/BessenJ_MeurerM062512rev062812.pdf).

13. *Id.*

14. *See id.*

15. OFFICE OF SCI. & TECH. POLICY, EXEC. OFFICE OF THE PRESIDENT, PATENT ASSERTION AND U.S. INNOVATION (2013).

losses associated with NPE litigation.<sup>16</sup> First, the risk of litigation is a disincentive to innovation.<sup>17</sup> The anticipated risk of future lawsuit-related losses is factored into the cost of a firm's development of new technology and products, particularly for firms that invest heavily in research and development (R&D).<sup>18</sup> In fact, Bessen and Meurer reported that the more a firm spent on R&D, the more likely it was to be sued for patent infringement.<sup>19</sup> Their study concluded that even if incentives provided by NPE litigation to small inventors "were much more fertile than incentives provided to large technology firms—producing two, three or even ten times as many innovations—the incentives flowing to small inventors would not offset the much larger disincentives imposed on the technology firms."<sup>20</sup>

Second, the threat of NPE litigation may even hurt independent inventors who seek to sell or license their patents to larger firms.<sup>21</sup> The expectation of an NPE lawsuit may depress the amount a licensee or buyer is willing to pay for a patent.<sup>22</sup> Third, Bessen and Meurer posit that:

NPE activity may skew the research agenda of small firms away from disruptive technologies and toward mainstream technology and associated patents that can be asserted against big incumbents. Even worse, small firms are encouraged to divert investment from genuine invention toward simply obtaining broad and vague patents that might one day lead to a credible, if weak, lawsuit.<sup>23</sup>

Others investigating the "myths" about NPEs regarding benefits they provide to society, such as Michael Risch, have found little supporting evidence.<sup>24</sup> For example, the myth that NPEs are "vindicating the rights of small companies forced out of business by infringers" is unsupported by the evidence.<sup>25</sup> Risch's study showed that, in fact, very few of the initial owners of the patents later acquired by NPEs actually failed, and in fact, the patents were held

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16. James Bessen, Jennifer Ford, & Michael J. Meurer, *The Private and Social Costs of Patent Trolls* (Boston Univ. School of Law, Paper No. 11-45, 2011) available at <http://www.bu.edu/law/faculty/scholarship/workingpapers/Bessen-Ford-Meurer-troll.html>.

17. *See id.*

18. *See id.*

19. *Id.* at 21.

20. Bessen et al., *supra* note 16.

21. *Id.* at 22.

22. *See id.*

23. *See id.*

24. *See* Michael Risch, *Patent Troll Myths*, 42 SETON HALL L. REV. 457 (2012).

25. *Id.*

for a long time before they were asserted.<sup>26</sup>

The social benefits NPEs may offer, if any, are minimal and outweighed by the private and social costs they impose. Bessen and Meurer found that in 2011, the enforcement activities of patent trolls cost defendants and licensees \$29 billion, a dramatic 400% increase from \$7 billion in 2005.<sup>27</sup> The AIPLA recently reported that median litigation cost for defending claims of patent infringement by NPEs had a median of \$4 million per case where the amount in controversy exceeded \$25 million (Figure 1).<sup>28</sup>

**Figure 1.**

<b>Amount In Controversy</b>	<b>End of Discovery</b>	<b>Inclusive, All costs</b>
<b>Less than \$1 million</b>	\$300,000	\$600,000
<b>\$1-\$10 million</b>	\$750,000	\$1.25 million
<b>\$10-\$25 million</b>	\$1.5 million	\$2.4 million
<b>\$1-\$25 million</b>	\$983,000	\$1.75 million
<b>More than \$25 million</b>	\$2.5 million	\$4 million

Even though defending a patent infringement action is expensive, over a third of the costs imposed by NPEs on defendants involve assertions that do not even go to court.<sup>29</sup> Surveys of companies threatened by NPEs, but that settled without litigation, found that costs incurred resulted mainly from legal fees and settlement costs to patent holders, including costs associated with NPE-specific patent buying programs, clearance searches, and re-examinations of NPE patents.<sup>30</sup> Whether resolved in or out of court, it is clear that the direct and indirect costs of NPE assertions refute the

26. *Id.*

27. YEH, *supra* note 10, at 2; Bessen & Meurer, *supra* note 12 at 18-19.

28. AM. INTEL. PROP. LAW ASS'N., REPORT OF THE ECONOMIC SURVEY 35 (2013).

29. *See* Bessen & Meurer, *supra* note 12.

30. *Id.*

proposition that NPEs play a significant role in promoting innovation.

Although prosecuting a patent infringement action is also expensive, by suing several defendants in single lawsuit, NPEs capitalize on economies of scale<sup>31</sup> and charge forth with multiple lawsuits for the price of one.

NPEs using such tactics are typically willing to settle for small payments, often no more than the amount a defendant would spend on legal fees to defend the case.<sup>32</sup>

### III. LIKELIHOOD OF SUCCESS

Research published by PricewaterhouseCoopers, based on statistics collected from 1995 through 2012, found that while NPEs had an overall success rate of 24% at summary judgment, as compared to 34% for practicing entities, both had the same 66% success rate at trial.<sup>33</sup>

The majority of NPE litigations, however, result in settlements.<sup>34</sup> Not surprisingly, the majority of these settlements were for amounts below the defendants' estimated cost of defense.<sup>35</sup> This may be an indicator that at least some of the NPE-initiated litigation is driven by financial considerations rather than the merits. For example, in *Eon-Net LP v. Flagstar Bancorp*,<sup>36</sup> the Federal Circuit affirmed the district court's finding that Eon-Net filed an objectively baseless infringement action in bad faith and for an improper extortion-like purpose:

In addition to finding that Eon-Net filed an objectively baseless infringement action, the district court also determined that Eon-Net filed the lawsuit in bad faith and for an improper purpose. In particular, the district court found that Eon-Net's case against Flagstar had "indicia of extortion" because it was part of Eon-Net's

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31. Ahmed J. Davis & Karolina Jesien, *The Balance of Power in Patent Law: Moving Towards Effectiveness in Addressing Patent Troll Concerns*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 835, 850 (2012).

32. See, e.g., *Parallel Networks LLC v. Oriental Trading Company, Inc.*, No. 6:10-CV-00474 (E.D. Tex. Sept. 14, 2010).

33. PRICEWATERHOUSECOOPERS, 2013 PATENT LITIGATION STUDY 5 (2013), available at [http://www.pwc.com/en\\_US/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf](http://www.pwc.com/en_US/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf) (finding that NPEs have been successful 24% of the time overall versus 34% for practicing entities, due to the relative lack of success for NPEs at summary judgment. However, both have about a two-thirds success rate at trial).

34. Bessen et al., *supra* note 16, at 16; YEH, *supra* note 10, at 12.

35. See YEH, *supra* note 10; John R. Allison, Mark A. Lemley & Joshua Walker, *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 694 (2011).

36. *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1326-27 (Fed. Cir. 2011).

history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, where Eon-Net followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation.

The record supports the district court's finding that Eon-Net acted in bad faith by exploiting the high cost to defend complex litigation to extract a nuisance value settlement from Flagstar.<sup>37</sup>

The Federal Circuit went on to describe the uneven power enjoyed by NPEs:

In addition to its ability to impose high costs to defend against its meritless claims, Eon-Net placed little at risk when filing suit. As a non-practicing entity, Eon-Net was generally immune to counterclaims for patent infringement, antitrust, or unfair competition because it did not engage in business activities that would potentially give rise to those claims. And while Eon-Net risked licensing revenue should its patents be found invalid or if a court narrowly construed the patents' claims to exclude valuable targets, Eon-Net did not face any business risk resulting from the loss of patent protection over a product or process. Its patents protected only settlement receipts, not its own products.<sup>38</sup>

As another example, in a case in which the plaintiff sued 124 defendants for infringing a single patent, "the Court asked plaintiff why it elected to sue such a large number of defendants at once, as opposed to the more common approach of selecting a few target defendants to proceed against first."<sup>39</sup> In response, the Plaintiff, an NPE, responded that "its strategy made sense from a cost view" and that "its strategy was not to go after one defendant and ask for \$30 million" but "to go after a lot of defendants, get those issues resolved, hopefully by settlement."<sup>40</sup> Tellingly, "[w]hen the Court specifically inquired about what drives Plaintiff's early settlement demands, Plaintiff indicated that its process involves an analysis of Defendants' sales as well as Defendants' cost of defense."<sup>41</sup>

Another Plaintiff lawyer explained the "cost of defense settlement demand" as follows:

The more a patent is litigated, it tends to decrease in value as

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37. *Id.*

38. *Id.* at 1328.

39. *See* Memorandum Opinion and Order at 3, *Parallel Networks LLC v. Oriental Trading Company, Inc.*, No. 6:10-CV-00474 (E.D. Tex., Mar. 15, 2011).

40. *Id.* at 3-4.

41. *Id.* at 4.

people come up with better prior art or over-analyze the thing. An NPE [non-practice entity] intuitively understands that we could go for triples or home runs, but we can also go for singles and get a good return and work on other things. . . . The licensor is of the view that we don't want to fight so price at a level to where it is attractive not to fight.<sup>42</sup>

Said differently, NPEs are “willing to take less than they are entitled to in order to maintain the viability of the patent.”<sup>43</sup> As discussed further below, the AIA's anti-joinder provision was expected to discourage cost-of-defense suits by forcing plaintiffs to bring multiple suits against each of the alleged infringers separately, thereby increasing the NPEs' litigation costs.<sup>44</sup> Unlike companies that make products, NPEs are not vulnerable to counter claims or competitive harm to their business and/or reputation resulting from their involvement in litigation. Thus, the AIA attempted to level the playing field by making it more expensive for an NPE to assert a patent.

#### IV. FEDERAL RULE OF CIVIL PROCEDURE 20(a)(2): PERMISSIVE JOINDER OF PARTIES

Before the enactment of the AIA, Rule 20(a)(2) of the Federal Rules of Civil Procedure governed joinder of defendants in one action.<sup>45</sup> Under Rule 20(a)(2), persons may be joined in one action as defendants only if:

- (A) any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and
- (B) any question of law or fact common to all defendants will arise in the action.<sup>46</sup>

District courts were split in their application of Rule 20(a)(2), however, with courts in the Eastern District of Texas taking a different view than those in other jurisdictions. For example, in *MyMail v. AOL*, the plaintiff sued multiple defendants in a single

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42. David L. Schwartz, *The Rise of Contingent Fee Representation in Patent Litigation*, 64 ALA. L. REV. 335, 371 (2012) (ellipsis in original).

43. *Id.*

44. *Id.* at 382-83.

45. FED. R. CIV. P. 20(a)(2).

46. *Id.*

action alleging infringement of one patent.<sup>47</sup> Defendants moved to sever and transfer arguing that the claims did not arise out of the same transaction or occurrence as the claims against the other defendants.<sup>48</sup> The district court disagreed and concluded that the requirements of Rule 20 were met where “there is some connection or logical relationship between the various transactions or occurrences,” which “exists if there is some nucleus of operative facts *or* law.”<sup>49</sup> In *MyMail*, Rule 20’s joinder requirements were satisfied because all defendants shared a common legal question concerning the scope of the patent.<sup>50</sup>

In *Eolas v. Adobe*, another Eastern District of Texas court denied defendants’ request to sever because “[a]ll defendants are accused of infringing the patents in suit, and adjudicating infringement will require construing the claims and evaluating the patents’ innovation over the prior art. Thus, determining defendants’ liability will involve substantially overlapping questions of law and fact.”<sup>51</sup>

Courts in other jurisdictions, however, demanded more than the mere allegation that defendants infringe the same patent for purposes of joinder. In *Rudd v. Lux Products*, the district court stated that “[a]fter researching the issue, the Court determines that [the Eastern District of Texas’s] approach [to Rule 20] is in the minority.”<sup>52</sup> Indeed, the *Rudd* court reasoned that the *MyMail* approach “eviscerates the same transaction or occurrence requirement and makes it indistinguishable from the requirement that there be a common question of law or fact.” Allegations that unrelated defendants infringe the same patents—and even sold similar products—do not, without more, satisfy the requirements of Rule 20.<sup>53</sup>

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47. *MyMail, Ltd. v. AOL, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004).

48. *Id.*

49. *Id.* at 456.

50. *Id.* at 457.

51. Memorandum Opinion and Order at \*2, *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, No. 6:09-CV-446, 2010 WL 3835762 (E.D. Tex. Sept. 28, 2010); *see also* *Sprint Communications Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL3063414 (E.D. Tex. Sept. 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, No. 2-08-CV-446-TJW-CE, 2010 WL 918307 (E.D. Tex. Mar. 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233 (E.D. La. Aug. 24, 2010).

52. *Rudd v. Lux Products Corp.*, No. 09-CV-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011).

53. *JOAO Control & Monitoring Sys. of Cal. v. ACTI Corp.*, No. SA CV10-01909 DOC

Courts outside the Eastern District of Texas have acknowledged the prejudice and dilemma imposed on defendants from having to litigate patent infringement actions together. In *WiAV Networks*, a court in the Northern District of California described the NPE situation as follows: “Each defendant has simply been thrown into a mass pit with others to suit plaintiff’s convenience. In this connection, the accused defendants—who will surely have competing interests and strategies—are also entitled to present individualized assaults on questions of non-infringement, invalidity, and claim construction.”<sup>54</sup>

In 2012, the Federal Circuit finally addressed the joinder issues arising from the denial of defendants’ motion to sever and transfer in *In re EMC Corp.*, where it reversed the Eastern District of Texas decision denying severance of eighteen independent defendants.<sup>55</sup> The Federal Circuit held that joinder is not appropriate where different products or processes are involved: “We agree that joinder is not appropriate where different products or processes are involved. Joinder of independent defendants is only appropriate where the accused products or processes are the same in respects relevant to the patent. But the sameness of the accused products or processes is not sufficient.”<sup>56</sup> Claims against defendants can only be joined if “the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts.”<sup>57</sup> Absent an “actual link” between the facts, “independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical.”<sup>58</sup>

Although *In re EMC* was decided before the enactment of the AIA, and thus applied only Rule 20, it nevertheless reached a similar conclusion as it would have under Section 299 of the AIA: joinder requires more than the mere allegation that the same patent is infringed.

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(RNBx), 2011 WL 1519277, at \*1 (C.D. Cal. Apr. 19, 2011); *WiAV Networks LLC v. 3Com Corp.*, No. C 10-3448-WHA, 2010 WL 3895047, at \*3 (N.D. Cal. Oct. 1, 2010) (“[N]umerous courts have found that ‘joinder is often improper where [multiple] competing businesses have allegedly infringed the same patent by selling different products.’”).

54. *WiAV Networks*, 2010 WL 3895047, at \*2.

55. *In re EMC Corp.*, 677 F.3d 1351, 1359 (Fed. Cir. 2012).

56. *Id.*

57. *Id.*

58. *Id.*

## V. ENACTMENT OF THE AIA

The split of authority among the district courts regarding the construction of Rule 20(a) was expressly resolved by the signing into law of the Leahy-Smith America Invents Act (AIA).<sup>59</sup> Section 299 of the AIA, in fact, concerns the joinder of accused infringers and sets forth what allegations are insufficient to bind independent defendants together in one action or to consolidate separate actions for trial:

(a) Joinder of Accused Infringers—With respect to any civil action arising under any Act of Congress relating to patents, other than action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if:

(1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling *of the same accused product or process*; and

(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

(b) Allegations insufficient for joinder—For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents-in-suit.

(c) Waiver—a party that is an accused infringer may waive the limitations set forth in this section with respect to that party.<sup>60</sup>

It is clear that Congress enacted Section 299 not only with NPEs in mind, but also to address the problems arising from multi-defendant patent litigation practice in the Eastern District of Texas.<sup>61</sup> Indeed, the legislative history of the AIA confirms as much:

Section 299 of the AIA **legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v.***

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59. See Leahy-Smith America Invents Act of 2011, 35 U.S.C. § 299 (2012).

60. *Id.*

61. See H.R. Rep. No. 112-98, pt. 1, at 55 n.61 (2011).

*Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010)—**effectively conforming these courts’ jurisprudence to that followed by a majority of jurisdictions.** See generally *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011).<sup>62</sup>

While closely following the language of Rule 20, Section 299(a) adds the further requirement that the claim must arise out of the same transaction relating to *the same accused product or process*.<sup>63</sup> The requirement that the accused infringers be linked by more than a patent infringement allegation is consistent with the procedures followed by a majority of jurisdictions. Courts have traditionally held that claims against separate defendants arise out of the same transaction or occurrence only when the claims “refer[] to similarit[ies] in the *factual background* of a claim.”<sup>64</sup>

Although the legislative history of the AIA devoted relatively little attention to the joinder issue, it is plain from the text that Section 299(b) “represents Congress’s effort to limit the ability of plaintiffs to file multi-defendant patent infringement suits.”<sup>65</sup> Section 299(b) expressly precludes plaintiffs from bringing suits against multiple defendants where the only common links are issues stemming from the allegation that they infringe the same patent. The House Report accompanying H.R. 1249 (the bill that resulted in the AIA) explained

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62. *Id.* (emphasis added).

63. See 35 U.S.C. § 299.

64. *Coughlin v. Rogers*, 130 F.3d 1348, 1350 (9th Cir. 1997) (emphasis added); see also, *EIT Holdings LLC v. Yelp!, Inc.*, No. C 10-05623, 2011 WL 2192820, at \*2 (N.D. Cal. May 12, 2011) (finding joinder improper where defendants’ “websites implement different functionalities, through different software, that works in different ways”); *Sorensen v. DMS Holdings, Inc.*, No. 08-CV-559, 2010 WL 4909615, at \*1 (S.D. Cal. Nov. 24, 2010) (“alleging a common manufacturer and infringement of the same patent is not enough to support joinder where defendants are unrelated companies, selling different products”); *Children’s Network, LLC v. PixFusion LLC*, 722 F. Supp. 2d 404, 415 (S.D.N.Y. 2010) (“Joinder of unrelated parties into one action is generally inappropriate where, as here, the infringement of the same patent is alleged, but the products are different.”); *N.J. Mach. Inc. v. Alford Indus., Inc.*, No. 89-1879, 1991 WL 340196, at \*2 (D.N.J. Oct. 7, 1991) (finding joinder of “claims of infringement against unrelated defendants, involving different machines” improper where “the plaintiff fails to adequately allege or support any connection or substantial similarity between the machines of the proposed defendants”).

65. MAYA ECKSTEIN ET AL., THE (UNINTENDED) CONSEQUENCES OF THE AIA JOINDER PROVISION (2012).

that, “New 299 also clarifies that joinder will not be available if it [is] based solely on allegations that a defendant has infringed the patent(s) in question.”<sup>66</sup> The debate on the floor of the Senate specifically emphasized that infringement of the same patent was never enough to satisfy Rule 20, even before Section 299, outside the Eastern District of Texas:

Section 19(d) of the present bill adds a new section 299 to title 35. This new section bars joinder of accused infringers as codefendants, or consolidation of their cases for trial, if the only common fact and transaction among the defendants is that they are alleged to have infringed the same patent. ***This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.*** See *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011), and the committee report for this bill at pages 54 through 55.<sup>67</sup>

Section 299 thus makes it legally and economically more difficult to bring suit against multiple unrelated defendants. First, under the AIA, in order to bring suit against multiple defendants at the same time, the NPE must allege joint and/or several liability among the multiple defendants *and* the alleged infringement must relate to the *same transaction or occurrence . . . relating to the infringement of the same accused product or process.*<sup>68</sup> Second, NPEs will incur additional administrative costs filing and maintaining multiple lawsuits, sometimes in different venues. Having to split patent cases across multiple venues will increase the costs and burdens of litigation.<sup>69</sup> Furthermore, as noted above, “[t]he more a patent is litigated, [the more] it tends to decrease in value as people come up with better prior art or over-analyze the thing.”<sup>70</sup>

#### VI. NPES CONTINUE TO FILE RECORD NUMBER OF PATENT INFRINGEMENT CASES

In the days before the AIA went into effect, there was a noticeable spike in patent filings in the Eastern District of Texas. Many viewed the move as a “rush to the courthouse” to take

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66. H.R. Rep. No. 112-98, at 55 (2011), *available at* <http://www.gpo.gov/fdsys/pkg/CRPT-112hrpt98/pdf/CRPT-112hrpt98-pt1.pdf>.

67. 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (emphasis added).

68. 35 U.S.C. § 299.

69. Schwartz, *supra* note 42, at 383; Marla Butler, *Strategies for Dealing with the Non-Joinder Provision*, MANAGING IP, March 2012, at 42.

70. Schwartz, *supra* note 42, at 371.

advantage of the Eastern District-style multi-defendant practice before it went away forever. The weekly number of complaints filed in the Eastern District of Texas between September 2 and September 16, 2011, was over one hundred—nearly double the average over the preceding year.<sup>71</sup>

Indeed, the overall number of patent infringement cases brought by NPEs since the AIA was enacted has increased. In 2011, a total of 1551 NPE patent cases were filed nationally.<sup>72</sup> In 2012, a record 3054 new NPE patent infringement cases were filed, a 97% increase over 2011, and a 388% increase over 2008.<sup>73</sup> This increase, however, may be an artifact of the AIA. For example, as one study suggested, the “legislative changes could have the effect of inflating the number of cases filed, without reflecting a true increase in the amount of litigation.”<sup>74</sup> In other words, the post-AIA filings are likely due to NPEs filing multiple single-defendant cases rather than a single multiple-defendant lawsuit. This is supported by RPX data showing a 61% reduction in the number of defendants sued in each case since 2011: the 1551 NPE patent cases filed nationally in 2011 had an average of 3.6 defendants per case, whereas the 3054 NPE patent cases filed in 2012 had an average of 1.4 defendants per case.<sup>75</sup> In summary, the total number of defendants sued by NPEs decreased by 18% from 2011 to 2012, from 5329 defendants to 4351 defendants, respectively.<sup>76</sup> This comports with a recent Lex Machina study showing that the number of defendants sued by “patent monetization entities”<sup>77</sup> in 2012 actually decreased from 2011 (Figure 2).<sup>78</sup>

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71. INTEL. PROP. OWNERS ASS'N, IMPACT OF THE MISJOINDER PROVISION OF THE AMERICA INVENTS ACT 12 (2012) (citing data retrieved from Docket Navigator for the Eastern District of Texas).

72. RPX CORP., *supra* note 9, at 11.

73. *Id.*

74. Robin Feldman, Tom Ewing & Sara Jeruss, *The AIA 500 Expanded: The Effects of Patent Monetization Entities*, SOCIAL SCIENCE RESEARCH NETWORK 57 (April 9, 2013), [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2247195](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2247195).

75. RPX CORP., *supra* note 9, at 11.

76. *Id.*

77. Feldman et al., *supra* note 74. The term, “patent monetization entities” as used in this study describes “those whose primary focus is deriving income from licensing and litigation, as opposed to making products.” *Id.* at 19-20.

78. *Id.*

**Figure 2.**

<b>Year</b>	<b>Number of Defendants</b>
2007	2640
2008	1809
2011	6208
2012	4475

One possible explanation for the increase in 2011 and subsequent drop in 2012 is the “rush to the courthouse” phenomenon caused by the enactment of the AIA. Other commentators, however, have suggested that the enactment of Section 299 was at least partially successful in reducing the amount of NPE litigation activity, an indication that NPEs are now more discriminating when picking potential defendants.<sup>79</sup>

#### VII. SECTION 299 OF THE AIA DOES NOT APPLY TO PRE-TRIAL CONSOLIDATION

When H.R. 1249 (the bill that resulted in the AIA) was originally introduced, it “applied only to joinder of defendants in one action.”<sup>80</sup> But in a manager’s amendment, the bill was extended to also bar consolidation for trials of separate actions adding the phrase “or have their actions consolidated for trial.”<sup>81</sup> Senator Kyl’s initial skepticism with respect to the proposed expansion of the bill to preclude consolidation for trial was resolved after a review of legal authority that “reveals that under current law, even if parties cannot be joined as defendants under rule 20, their cases can still be consolidated for

79. See Lisa Shuchman, *Study: Eastern District of Texas Reclaims Top Spot for New Patent Suit Filings*, THE RECORDER (Jan. 15, 2013), <http://www.therecorder.com/id=1202584588647> (citing analysis by James Pistorino reporting the total number of defendants in all new suits in all districts nationwide declined by 15.4% from 14,201 in 2011 to 12,013 in 2012); RPX CORP., *supra* note 9 (reporting the total number of defendants added in 2012 decreased by 17% from 2011 total).

80. 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl).

81. *Id.*

trial under rule 42.”<sup>82</sup> Upon such review, Senator Kyl acknowledged:

If a court that was barred from joining defendants in one action could instead simply consolidate their cases for trial under rule 42, section 299’s purpose of allowing unrelated patent defendants to insist on being tried separately would be undermined. Section 299 thus adopts a common standard for both joinder of defendants and consolidation of their cases for trial.<sup>83</sup>

Significantly, Section 299(b) clarifies that the mere allegation that each accused infringer has infringed the same patent is insufficient to meet the “same transaction or occurrence” requirement of Section 299(a) (and Rule 20 of the Federal Rule of Civil Procedure).<sup>84</sup> In other words, accused infringers may not (1) be joined as co-defendants in one action, or (2) have their otherwise separate actions be consolidated for trial, based solely on allegations that they each infringed the patents-in-suit.

By delineating only two circumstances (joinder and consolidation for trial) in which multiple defendants cannot be forced to cooperate when their sole connection is the alleged infringing of a patent, Congress left the issue of consolidation for pre-trial purposes to the court’s discretion under Rule 42.

In other words, NPEs can *still* litigate multiple lawsuits against multiple defendants by seeking consolidation of the separately filed cases for pre-trial proceedings.

#### VIII. PRETRIAL CONSOLIDATION RULES ARE ABOUT JUDICIAL EFFICIENCY, NOT FAIRNESS TO DEFENDANTS

Although Rule 42 “provides a mechanism for district courts to better conserve judicial resources via consolidation for certain common issues such as pretrial, *Markman*, or trial,”<sup>85</sup> the opportunity to consolidate multiple actions for pre-trial purposes allows NPEs to regain some of the ground lost under the AIA.

Rule 42(a) permits consolidation “[i]f actions before the court involve a common question of law or fact.”<sup>86</sup> When a common question of law or fact exists, “[t]he court may (1) join the actions for hearing or trial any or all matters at issue in the actions; (2)

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82. *Id.*

83. *Id.*

84. Leahy Smith America Invents Act of 2011, 35 U.S.C. § 299(b) (2012).

85. Norman IP Holdings, LLC v. Lexmark Int’l, Inc., No. 6:11-CV-495, 2012 WL 3307942, at \*4 (E.D. Tex. Aug. 10, 2012).

<sup>86</sup> *Id.* at \*3.

consolidate the actions; or (3) issue any other orders to avoid unnecessary cost or delay.”<sup>87</sup> *In re EMC* made clear that district courts have considerable discretion to consolidate cases:

In exercising its discretion, the district court should keep in mind that even if joinder is not permitted under Rule 20, the district court has considerable discretion to consolidate cases for discovery and for trial under Rule 42 where venue is proper and there is only “a common question of law or fact.” Fed.R.Civ.P. 42(a); *see* 9A Wright et al., *supra*, § 2382 (“[T]he existence of a common question by itself is enough to permit consolidation under Rule 42(a), even if the claims arise out of independent transactions.”).<sup>88</sup>

The fact of the matter is that in patent cases most of the pre-trial issues bear directly on legal questions concerning the patent; for example, claim construction and validity are common to all actions involving the same patent.

For example, in *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, Judge Davis explained the goals and benefits of Rule 42 in light of the AIA:

This Court has limited resources and constantly strives to employ efficient and cost-saving case-management procedures for the benefit of the parties, counsel, and the Court. *See WordCheck Tech, LLC v. Alt-N Techs, Ltd.*, No. 6:10-cv-457 (E.D. Tex. July 20, 2011) (permitting limited early discovery to facilitate early mediation discussion); *Parallel Networks, LLC v. Abercrombie & Fitch*, No. 6:10-cv-111 (E.D. Tex. Mar. 15, 2011) (employing an early Markman proceeding to efficiently resolve a multi-defendant case). In response to the AIA’s joinder provision, plaintiffs now serially file multiple single-defendant (or defendant group) cases involving the same underlying patents. This presents administrative challenges for the Court and, left unchecked, wastes judicial resources by requiring common issues to be addressed individually for each case. For example, what was once a single motion to substitute parties (or join a plaintiff) becomes multiple motions. *See, e.g., Klausner Techs., Inc. v. The Broadvox Holding Co., LLC*, No. 6:11-cv-575 (E.D. Tex. June 6, 2012) (order granting motion to substitute plaintiff—over thirty similar motions were filed in related cases). These must each be processed by the Court and staff, including review of the underlying motions and docketing individual orders addressing each motion. More substantive motions, particularly where the same arguments are

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87. *Id.* at \*3-4.

88. *In re EMC Corp.*, 677 F.3d 1351, 1361 (Fed. Cir. 2012).

used in each individual case, present even more difficulties. There, the Court is required to waste time digesting duplicate arguments to ensure that new arguments are not hidden among the plethora of common arguments.

Federal Rule of Procedure 42 provides a mechanism for district courts to better conserve judicial resources via consolidation for certain common issues such as pretrial, *Markman*, or trial. The Federal Circuit has recently reiterated that district courts may consolidate matters that share a common question of law or fact. See *In re EMC*, 677 F.3d at 1360; see also *C.R. Bard, Inc. v. Med. Components, Inc.*, No. 2:12-cv-32-TS-EJF, slip op. at 2-3 (D. Utah July 25, 2012) (recognizing that the AIA does not affect a district court's ability to consolidate related patent cases for pretrial matters).<sup>89</sup>

When asked how receptive he thought judges would be to requests to consolidate for pretrial purposes actions filed against individual defendants asserting the same patents, retired Judge Everingham stated:

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 . . . . There are some real inefficiencies from the multiple trial aspect and judges should decrease these inefficiencies by consolidating trials whenever possible.<sup>90</sup>

A review of Docket Navigator's Patent Litigation Statistics shows a significant increase in the number of motions to consolidate or relate actions filed since the AIA passed (Figure 3).<sup>91</sup>

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89. *Norman IP Holdings*, 2012 WL 3307942, at \*4.

90. David O. Taylor et al., *supra* note 7, at \*483; see also *Abbott Diabetes Care, Inc. v. Dexcom, Inc.*, 2007 WL 2892707, at \*3 (D. Del. Sept. 30, 2007) ("Decisions to consolidate cases are discretionary, but often courts balance considerations of efficiency, expenses, and fairness.")

91. Table reflects motions to consolidate and/or relate as reported by Docket Navigator. See *Patent Litigation Statistics*, DocketNavigator (Oct. 8, 2013), <https://www.docketnavigator.com/stats/>. Table also only reflects instances where the motion was granted, denied, and/or stipulated to by the parties. It does not reflect partial grants/denials, nor instances where the motion was deemed moot by the court.

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**Figure 3. 2010 and 2011 Motions to Consolidate/Relate Actions**<sup>92</sup>

	2010		2011	
	Granted	Denied	Granted	Denied
<b>E.D. Texas</b>	10	5	15	0
<b>N.D. Cal.</b>	8	5	28	37
<b>D. Delaware</b>	1	7	6	1

**Figure 4. 2012 and 2013 Motions to Consolidate/Relate Actions**<sup>93</sup>

	2012		2013 (YTD)	
	Granted	Denied	Granted	Denied
<b>E.D. Texas</b>	141	11	117	4
<b>N.D. Cal.</b>	34	18	23	9
<b>D. Delaware</b>	12	0	13	0

While these statistics alone do not prove cause and effect, they are consistent with the general perception that NPEs are finding ways around the AIA by filing separate actions, against a large number of defendants for infringement of the same patents and consolidating

92. Table reflects motions to consolidate and/or relate as reported by Docket Navigator. *Id.* Table also only reflects instances where the motion was granted, denied, and/or stipulated to by the parties. It does not reflect partial grants/denials, nor instances where the motion was deemed moot by the court.

93. Table reflects motions to consolidate and/or relate as reported by Docket Navigator. *Id.* Table also only reflects instances where the motion was granted, denied, and/or stipulated to by the parties. It does not reflect partial grants/denials, nor instances where the motion was deemed moot by the court.

them for all pre-trial purposes.

Given that only about 3% of patent cases actually go to trial, the likelihood that an NPE might have to conduct several trials against multiple defendants is low.<sup>94</sup> As one commentator recognized, “[t]hese consolidated defendants cannot be tried together, but as trial is highly unlikely anyway, the only real effect that the AIA appears to have had is to require additional filing fees from the plaintiff.”<sup>95</sup>

#### IX. THE MOVE TO DELAWARE

To take advantage of the pre-trial consolidation mechanisms of Rule 42(a), however, NPEs must file the cases within the same district (and make sure the cases are assigned to the same court).<sup>96</sup> NPEs forced to maintain patent cases across multiple venues—rather than the single forum of choice—will face substantial increases in the costs and burdens of litigation.<sup>97</sup> Having the cases assigned to multiple courts also provides the potential for inconsistent results on issues such as claim construction and validity.

NPEs, however, appear to have found a way to overcome this obstacle. When the AIA passed, some legal commentators hypothesized that it may shift the patent litigation spotlight to Delaware, where the vast majority of companies are incorporated.<sup>98</sup> Recent data reveals a trend among NPEs to file in the District of Delaware, confirming those earlier predictions.<sup>99</sup>

The Eastern District of Texas has historically been considered a haven for patent troll litigation due to its reputation for having plaintiff-friendly rules and juries.<sup>100</sup> This has not changed since the

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94. Mark Lemley, *Where To File Your Patent Case*, 38 AIPLA Q.J. 401, 413 (2010) (“While on average only 2.8% of patent cases go to trial, a far higher percentage make it to trial in the District of Delaware, the Eastern District of Texas, the Western District of Wisconsin, and the Eastern District of Virginia.”).

95. Brenna Legaard, *Has Patent Reform Changed Texas?*, LITIGATION JOURNAL, Spring 2013, at 8-13, available at <http://www.osblitigation.com/lj2013-spring.pdf>.

96. Multidistrict litigation under 24 U.S.C. Section 1407 has also become a strategic solution to Section 299.

97. See Schwartz, *supra* note 42, at 383; Butler, *supra* note 69.

98. Ryan Davis, *Del. May Eclipse Texas as Top Patent Venue Under AIA*, LAW360 (Oct. 28, 2011, 2:00 PM), <http://www.law360.com/articles/278301/del-may-eclipse-texas-as-top-patent-venue-under-aia>.

99. Press Release, Perkins Coie, Unprecedented Patent Case Concentration (Sept. 16, 2013), available at <http://www.perkinscoie.com/unprecedented-patent-case-concentration/>.

100. Ted Frank, *Why is the Eastern District of Texas home to so many patent trolls?*, POINTOFLAW.COM, (Aug. 24, 2011, 11:35 AM), <http://www.pointoflaw.com/archives/2011/08/why-is-the-east.php>; Julie Creswell, *So Small a*

passage of the AIA; the Eastern District of Texas remains a popular forum for NPEs. RPX data concluded that in 2012, the majority of NPE patent filings originated in the Eastern District of Texas representing 32% of new cases filed and 36% of total defendants.<sup>101</sup> The District of Delaware (24% of NPE cases filed in 2012; 20% of total defendants) came in second, followed by the Central District of California (10% of NPE cases filed in 2012; 9% of total defendants) as the forum of choice by NPEs.<sup>102</sup>

In 2013, the headline changed: “Delaware Eclipses Texas as Patent Hot Spot.”<sup>103</sup> According to a mid-year analysis of patent filings, in 2012, 992 patent cases were filed in the District of Delaware.<sup>104</sup> Through September 10, 2013, 1015 patent cases had been filed in Delaware, surpassing the 920 patent cases filed in the Eastern District of Texas.<sup>105</sup> The number of new patent cases filed in Delaware now amounts to 23.87% of the national total.<sup>106</sup>

Delaware’s rise in popularity as a destination for NPEs can be the result of many factors. One hypothesis is the District of Delaware’s relatively strict jurisprudence on issues of venue and *forum non conveniens*. An analysis of transfer decisions from the District of Delaware shows that unless there is a related litigation pending in another district or the defendants’ operations are regional in nature, transferring a case out of Delaware is more difficult than in the Eastern District of Texas.

For example, in *Intellectual Ventures I LLC v. Checkpoint Software Techs.*, Judge Stark denied defendants’ motion to transfer, reasoning that the Federal Circuit opinions finding an abuse of discretion in the Eastern District of Texas cases discussed above did not affect his analysis under Third Circuit law.<sup>107</sup> In so doing, Judge Stark spelled out the key differences between the Fifth Circuit jurisprudence and that of the Third Circuit with respect to transfer

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*Town, So Many Patent Suits*, THE NEW YORK TIMES, Sept. 24, 2006, available at [http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2006/09/24/business/24ward.html?pagewanted=all&_r=0).

101. RPX CORP., *supra* note 9, at 15.

102. *Id.*

103. Lawson, *supra* note 2.

104. Perkins Coie, *supra* note 99.

105. *Id.*; see also, Lawson, *supra* note 2.

106. Perkins Coie, *supra* note 99.

107. See, e.g., *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) (granting mandamus); *In re Acer America Corp.*, 626 F.3d 1252 (Fed. Cir. 2010) (same); *In re Hoffman-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (same); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009) (same); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2009) (same).

motions:

Transfer analysis under the law of the Third Circuit differs from that in the Fifth Circuit in at least the following significant respects: (i) plaintiff's choice of forum is explicitly a factor to be weighed (and weighed heavily) in the Third Circuit, while in the Fifth Circuit, it is error to consider plaintiff's preference as a separate factor, *see TS Tech*, 551 F.3d at 1320 ("Fifth Circuit precedent clearly forbids treating the plaintiff's choice of venue as a distinct factor in the § 1404(a) analysis."); (ii) in the recent Federal Circuit cases, the parties generally were not incorporated in Texas, whereas in almost all the cases arising in this District, most if not all of the defendants (and often the plaintiffs as well) are incorporated in Delaware, which the Federal Circuit has recognized as an important factor, *see Micron*, 645 F.3d at 1332, 2011 WL 1815975, at \*18 ("[G]iven that both parties were incorporated in Delaware, they had both willingly submitted to suit there, which weighs in favor of keeping the litigation in Delaware."); and (iii) the Fifth Circuit has endorsed a "100 mile rule," which provides that "when the distance between a plaintiff's chosen venue for trial and the potential transferee venue is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled," *TS Tech*, 551 F.3d at 1320 (internal citations and quotation marks omitted); *see also Genentech*, 566 F.3d at 1343, while no such rule has been recognized in the Third Circuit.<sup>108</sup>

The District of Delaware has historically placed a heavy emphasis on a plaintiff's choice of forum if it is the plaintiff's "home turf," in which case it is presumptively entitled to "paramount deference."<sup>109</sup> In Delaware, an entity's "home turf" includes its state of incorporation, and there is little sympathy for parties, namely defendants with nationwide sales and operations, who are later sued there.<sup>110</sup>

In *In re Link\_A\_Media Devices*, however, the Federal Circuit

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108. *Intellectual Ventures I v. Checkpoint Software*, 797 F. Supp. 2d 472, 487 (D. Del. 2011) (evaluating the private and public interest factors under *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d. Cir.1995)).

109. *In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011).

110. *Netgear, Inc. v. Ruckus Wireless, Inc.*, No. 10-999-SLR, 2011 WL 3236043, at \*3 (D. Del. Aug. 5, 2011) (denying motion to transfer and stating, "As always, the court stresses that, because defendant is a Delaware corporation, it has no reason to complain about being sued in Delaware"); *XPRT Ventures, LLC v. Ebay, Inc.*, No. 10-595-SLR, 2011 WL 2270402, at \*3 (D. Del. June 8, 2011) (denying motion to transfer even though several defendants were incorporated in Delaware and several—including plaintiff—had their principal place of business outside of Delaware).

criticized a District of Delaware decision denying transfer for its “heavy reliance” on a party’s state of incorporation in its *Jumara* analysis, stating that the court “placed far too much weight on the plaintiff’s choice of forum,” and that its “heavy reliance on the fact that [the defendant] was incorporated in Delaware was similarly inappropriate.”<sup>111</sup> Later, in *In re Altera*, the Federal Circuit again evaluated a petition for writ of mandamus concerning the District of Delaware’s denial of a motion to transfer and stated that, “[defendants’] status as Delaware corporations is not entitled to controlling weight insofar as no office or employees are located in Delaware.”<sup>112</sup> Nevertheless, the Federal Circuit denied mandamus and distinguished *In re Link\_A\_Media* where all of the parties were Delaware corporations.<sup>113</sup>

Whether these recent Federal Circuit decisions addressing the District of Delaware’s venue analysis will translate into more transfers out of Delaware remains to be seen. But the raw numbers from Docket Navigator’s patent litigation statistics suggests some reprieve for defendants with more transfer motions granted in 2013 following *In re Link\_A\_Media* than in previous years:

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111. *In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011).

112. *In re Altera Corp.*, 494 F. App’x 52 (Fed. Cir. July 20, 2012).

113. *Id.* at 54 (“On that view, this case is clearly distinguishable; in its thorough opinion, the district court endeavored to evaluate each of the *forum non conveniens* factors in light of the same arguments raised in the petition, and there is no clear indication that the court failed to meaningfully consider the merits of the transfer motion. Moreover, as noted above, in this case, unlike *Link\_A\_Media*, there are rational grounds for denying transfer given that all of the parties (not just a single defendant) had incorporated in Delaware and some witnesses would potentially find Delaware more convenient.”).

**Figure 5. Delaware Transfer of Venue Orders (Convenience)<sup>114</sup>**

Year	Granted	Denied
2010	5	2
2011	7	12
2012	14	18
2013	20 <sup>115</sup>	13

#### CONCLUSION

Our review of the combined effect of the enactment of the AIA and the evolving jurisprudence regarding motions to transfer in various judicial districts reveals that the statistically significant increase in NPE patent filings in the District of Delaware cannot be dismissed as a statistical anomaly, but rather appears to be the fruit of a calculated strategy adopted by the NPE bar to circumvent if not the letter, at least the spirit of the anti-joinder provision of the AIA. Until and unless the Federal Circuit harmonizes the transfer jurisprudence

114. Table reflects the outcome of motions to transfer for forum non conveniens as reported by Docket Navigator. See *Patent Litigation Statistics*, DocketNavigator (Oct. 8, 2013), <https://www.docketnavigator.com/stats/>. Table also only reflects instances where the motion was granted, denied, and/or stipulated to by the parties. It does not reflect partial grants/denials, nor instances where the motion was deemed moot by the court.

115. Our analysis of the orders granting and denying transfer motions reveal an interesting split within the District of Delaware at least with respect to the “home turf” issue. In recent opinions, it is clear that Judges Sleet and Andrews do not consider an entity’s state of incorporation to be its “home turf.” In other words, a plaintiff’s choice of forum is not accorded paramount weight when it chose to sue in its state of incorporation but is not physically located there or has chosen to maintain operations elsewhere. Judge Stark, on the other hand, disagrees stating that Delaware is “home turf” as long as a company is incorporated in Delaware regardless of location of principal place of business. Compare *Signal Tech LLC v. Analog Devices, Inc.*, No. 11-CV-01073, 2012 WL 1134723 (D. Del. Apr. 3, 2012) (J. Andrews), and *Joao Control & Monitoring Sys. v. Ford*, 12-CV-01479, 2013 WL 4496644 (D. Del. Aug. 21, 2013) (J. Sleet), with *Graphics Prop. Holdings, Inc. v. ASUS Computer Int’l, Inc.*, No. 12-CV-00210-LPS, 2013 WL 3295618, at \*7-8 (D. Del. June 28, 2013) (J. Stark) (“The Court agrees with those cases that include a corporate entity’s state of incorporation as part of its ‘home turf.’”). For example, of the twenty transfer motions granted in the District of Delaware in 2013, ten were issued by Judge Andrews, and seven issued by Judge Sleet.

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between Third Circuit and the Fifth Circuit district courts, it is likely that this trend will continue and Delaware will take the “mantle” of forum of choice for NPEs away from the Eastern District of Texas.