Lawyer Insights

Three Key Things to Know about WDTX Patent Litigation

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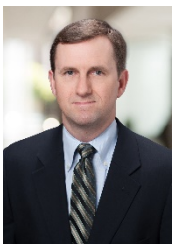
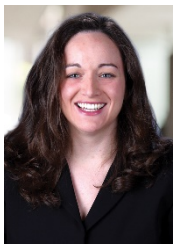
Published in The Texas Lawbook | December 3, 2020


In the two years since U.S. District Judge Alan Albright took the bench, the Western District of Texas has risen to one of the busiest courts in the country for patent litigation. With approximately 20% of all new patent cases now being filed in Waco, it is important to understand key procedures and trends that will impact your case in this latest patent litigation hot bed, whether as a plaintiff or a defendant.

The first two years of Judge Albright's tenure has resulted in a set of local patent rules that provide welcome predictability and benefits for both parties – including an early understanding of the other side's position and thus an opportunity for early resolution. While there is still a relatively small number of decisions, trends in early motion practice tend to favor plaintiffs. That is, motions to dismiss have not been very successful and cases filed in the WDTX tend to stay in the WDTX.

Local Rules Provide Something for Everyone

Among his first tasks after taking the bench, Judge Albright introduced a set of local patent rules and a default scheduling order intended to advance patent cases to trial within 18 months of filing a complaint. These rules were modeled on the EDTX and NDCA local patent rules but were refined by Judge Albright's experience as a magistrate and patent litigator. The rules include mandatory initial infringement contentions being served by the plaintiff prior to the initial case management conference and invalidity contentions from the defendant approximately eight weeks later. The early infringement contentions require a plaintiff to disclose infringement positions early in the case, putting the defendant on clear notice of which patent claims are being asserted and how the claims specifically apply to the accused device, composition or process with particularity. This is a benefit to defendants seeking clarity on the scope of the dispute and the scope of potential liability. The early invalidity contentions, however, require a defendant to invest in prior art searches and a detailed analysis to apply that art to the asserted claims with particularity early in the case. Plaintiffs may not like disclosing infringement theories early, and defendants may want more time for exploring invalidity searches. However, a practical effect of Judge Albright's rules is that each side can evaluate the merits of a case relatively early in the proceedings, which typically translates to cost savings and potentially early resolution.

Following the exchange of initial contentions, the parties engage in claim construction proceedings to determine the meaning of any disputed claim language. This process culminates in a claim construction hearing that takes place approximately six months after the initial case management conference. Judge Albright has recently amended his claim construction practice to add presumptive limits to the number of terms to be addressed: 10 terms per side in cases involving one or two patents; 12 terms for three to five patents; and 15 terms for more than five patents. A party may seek leave to address additional terms.

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A significant feature of Judge Albright's local patent rules is that discovery, other than that required with the initial contentions and for claim construction, is stayed until after the claim construction hearing. Since many patent cases, especially those brought by nonpracticing entities, have a significant disparity with respect to the burdens of fact discovery, delaying discovery (and the costs associated therewith) to a later stage in the proceedings can be a significant benefit to defendants. That is, in Waco a defendant may choose to litigate with an NPE on the merits through claim construction – a significant and often determinative milestone in a patent case – as opposed to paying an early settlement that may be priced less than costly discovery.

In general, a fast track to trial tends to favor the plaintiff. This is especially true in patent cases now, since an early trial date is one of the factors considered by the Patent Trial and Appeal Board when exercising discretion to deny a petition for *inter partes* review. The American Invents Act includes a one-year statutory period following service of a complaint alleging infringement during which a defendant accused of infringement may file a petition requesting IPR. Institution, however, is not automatic; the PTAB has discretion in whether to institute an IPR; and the PTAB in *Apple v. Fintiv, Inc.* has recently set out a set of discretionary factors the Board may consider when deciding whether to initiate an IPR. One of these factors is the proximity of the court's trial date to the Board's projected statutory deadline for a final written decision. Given that the timeline for an IPR is typically six months from filing to an institution decision and 15 to 18 months from petition to final decision, the fast track under the WDTX's local patent rules will always be a relevant factor no matter how quickly a petition for IPR is filed. Indeed, the PTAB has declined to initiate several IPRs in otherwise timely filed petitions citing the WDTX case management order setting a trial date earlier than the projected IPR trial date. Thus, rather than having one year in which to bring an IPR after being sued, for defendants in the WDTX, the practical time limit to avoid discretionary rejection of an IPR petition may be closer to three months or less from the complaint being served. This means defendants in WDTX must decide nearly immediately whether to invest in an IPR or potentially forfeit the option to do so. Given that the WDTX case is likely to be past claim construction if an IPR is instituted, the case is not likely to be stayed. Thus, defendants choosing an IPR should be prepared to go forward in tandem with the IPR and the district court case.

Early Motions to Dismiss Under 35 U.S.C. § 101 Have Not Been Well Received

Not long after the Supreme Court's decision in *Alice Corp v. CLS Bank*, defendants in patent cases started attacking the validity of patents in motions to dismiss under Fed. R. Civ. P. 12(b) for lack of patent eligible subject matter. Although these motions were often successful, following the Federal Circuit's decisions in *Berkheimer v. HP Inc.* and *Aeirtas LLC v. Sonic Corp.*, plaintiffs adapted and started including factual allegations in the complaint that the asserted claims cover patent eligible subject matter. Since factual allegations generally must be taken as true for determination of a Rule 12 motion, this tactic significantly slowed the rate of successful Rule 12 dismissals under 35 U.S.C. § 101.

This is especially true in Waco, where Judge Albright has denied every motion to dismiss under 35 U.S.C. § 101. In rejecting these early motions, Judge Albright has noted in *Aeirtas* that it is a "rare case … where it is appropriate to resolve Section 101 eligibility of the patents-in-suit as a Rule 12(b) motion to dismiss." Indeed, in *Slyce v. Syte*, Judge Albright had deemed Rule 12 motions for patent eligibility to be presumptively improper in view of (1) a patent's presumption of validity, (2) the likelihood that claim construction is required to resolve patent eligibility, (3) the requirement to resolve all fact findings in favor of the patentee in a Rule 12 motion, and (4) the unpredictability in the law under 35 U.S.C. § 101. A defendant looking for an early dismissal under *Alice* is clearly facing headwinds in Waco.

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Judge Albright Does Not Let Go of Patent Cases Filed in his Court Easily

Judge Albright has gone out of his way to attract patent cases to Waco and has shown a clear reluctance to give up cases that are filed in his court. Defendants have filed a number of motions to transfer to other districts, and Judge Albright has denied all but one. The first transfer granted by Judge Albright came in September of this year in response to a motion by LG. Notably; this motion was granted within weeks of the Federal Circuit granting mandamus directing the transfer of a different case against Adobe after its motion to transfer was denied. Recently, the Federal Circuit has granted petitions for mandamus on motions to transfer to both Nitro Fluids LLC and Apple. It remains to be seen whether the Federal Circuit's grant of three mandamus petitions directing transfer will change Judge Albright's approach on this issue or alter the trend of transfer motion denials.

In the case of requests of intradistrict transfer from Waco to another court in the WDTX, such as Austin, Judge Albright has typically granted those requests, while keeping the cases on his docket. Thus, if the underlying goal of a defendant's motion to transfer out of Waco was to get the case in front of a different judge (rather than simply to litigate in a more convenient forum or have a different jury pool) that strategy has been largely thwarted. Recently, Judge Albright has changed his procedure for requesting an intradistrict transfer. Previously, Judge Albright would accept stipulations or unopposed motions requesting the transfer. Now, however, defendants are required to file a well-supported opposed motion to transfer demonstrating the propriety of the intradistrict transfer under 28 U.S.C. § 1404(a).

Conclusion

With only one jury trial being completed in Judge Albright's court in a patent case, and that verdict going to the defendant, it is far too early to tell if juries will be receptive to perceived outsiders bringing their patent disputes to Waco. What is clear, however, is that the WDTX is a jurisdiction that is tailored to litigating patent cases with a judge who is well-versed in technology and patent law. The court's local patent rules and practices, as well as Judge Albright's individual trends, provide some pros and cons for each side but generally offer parties a predictable forum in which to litigate. Included in this predictability is a low success rate by defendants on motions to dismiss or transfer a case out of the district. Although clearly not the same as its sister jurisdiction in East Texas, the WDTX will likely continue to attract patent cases and remain a robust forum for patent litigation for the foreseeable future.

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