libn.com
powered by Long Island Business News

DREW BERWEGER: There will likely be an uptick in patent infringement litigation in this area. || Photo by Judy Walker

Change of venue

By: Bernadette Starzee June 9, 2017

A recent U.S. Supreme Court decision has created upheaval in the patent litigation world, placing sharp limits on where patent infringement lawsuits can be filed.

In a unanimous May 22 decision in ***TC Heartland LLC v. Kraft Foods Group Brands LLC***, the land's highest court ruled that patent lawsuits could only be brought in districts within states where the infringing defendant is incorporated or in districts where there has been an act of infringement and the defendant has a regular and established place of business.

Previously, patent infringement suits could be brought anywhere the alleged infringement took place – such as if the alleged infringer's product was sold in a local Costco.

"This decision is going to radically change where defendants in patent infringement lawsuits will be sued," said **Drew Berweger**, an associate at **Scully, Scott, Murphy & Presser**, an intellectual property law firm in Garden City. "Before this case, for several decades, defendants could be sued in any district court in the country where they sold a possibly infringing article."

The ruling "will alter the map of where future infringement battles will be fought," said John Gallagher, an intellectual litigation partner at Hoffmann & Baron in Syosset.

For instance, he noted, fewer battles will play out in the Eastern District of Texas, a jurisdiction reputed to be friendly to patent owners and where more than a third of the approximate 4,500 patent infringement cases nationwide were filed in 2016.

"Over time, the courts in the Eastern District of Texas adopted strict limits on discovery and established firm deadlines from filing of complaint to trial," Gallagher said. "You would get a relatively quick trial for patent infringement, but perhaps more importantly, there was a perception that a jury composed of residents from the Eastern District would favor patentees. The Eastern District of Texas became the jurisdiction of choice for many patentees, and because of the perception that the jury would go for the patentee, it pushed many defendants to settle early rather than go to trial in that district."

The No. 2 district in the country for patent infringement cases is Delaware, where about 10 percent of suits were filed in 2016.
Because many companies are incorporated there, "the District of Delaware will likely become a more popular location for patent litigation," **Berweger** said.

New York is also home to many companies, whether they are incorporated or headquartered or have major operations here.
"The Southern District and Eastern District [which include New York City and Long Island] in New York will probably see an uptick in the number of patent litigations," **Berweger** said.

Within a week of the Heartland decision, "people were already filing motions in the Eastern District of Texas to move to another location – either to where the defendant is incorporated or has committed acts of infringement and has an established place of business," **Berweger** said.

Generally speaking, defendants would prefer to defend cases in their own backyard, he said.

"Apple would want to be sued in California, where they're centered and very popular, rather than the Eastern District of Texas," **Berweger** said. "The ruling gives defendants more predictability and control over where they can be sued."

By contrast, "if you're a company on Long Island and you want to enforce your patent, you may be forced to file far from home in the alleged infringer's backyard – say, Oklahoma," Gallagher said. "Residents of Oklahoma may not have heard of the Long Island company, and the company has to spend more effort, time and money to enforce patents."

Further, "if you are looking to enforce your patent against multiple infringers, in the past you could file a number of litigations in the same district where infringing products were sold," Gallagher said. "Under the new rule, the company may have to file in multiple jurisdictions at additional cost."

It remains to be seen how "a regular and established place of business" will be interpreted by the courts.

"It's a question that is going to be litigated in the district courts, who will look at the extent of activity a company has in a particular location," Gallagher said. "For instance, Apple has stores throughout the country. Is having a brick-and-mortar store sufficient enough for Apple to be considered having a regular and established business in that location? Will the court look at the amount of revenue generated from that location? We don't know."

If brick-and-mortar stores are deemed a regular and established place of business, it may impact where manufacturers place stores in the future.

"If Samsung, for instance, has a store in the Eastern District of Texas, I could see a situation where they might close that store so a plaintiff can't sue them there," **Berweger** said.

Berweger said the Supreme Court's recent decision was not unexpected.

"It aligns patent litigations with other types of litigation with regard to where you can be sued," he said. "Patent litigation was previously out of step with other areas of litigation."