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# JUDGE-MADE SOLUTIONS TO PATENT LITIGATION

SAPNA KUMAR\*

## INTRODUCTION

Although district court patent litigation as a whole is on the decline,<sup>1</sup> several district courts continue to experience large patent dockets. The Supreme Court's 2017 decision in *TC Heartland LLC v. Kraft Food Group Brands LLC* tightened venue requirements, making it harder for patent holders to sue in the Eastern District of Texas.<sup>2</sup> Consequently, courts such as the Northern District of California have experienced a rapid influx of cases, forcing individual judges to adopt docket management strategies.

In *Huge Numbers of Patent Cases: How One District Judge Manages Them*, Judge William Alsup discusses the current state of U.S. patent litigation and reveals strategies that he employs for managing his growing patent docket.<sup>3</sup> For example, if the Patent Trial and Appeal Board ("PTAB") institutes an inter partes review ("IPR") on patent claims that are at issue in

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1. See Dennis Crouch, *District Court Patent Litigation Way Down*, PATENTLY-O (Dec. 3, 2018), <https://patentlyo.com/patent/2018/12/district-patent-litigation.html> (observing patent litigation complaints are down by 45 percent compared to 2013); Doug Branch, *2018 Patent Litigation Study*, PwC, at 2 (May 2018), <https://www.pwc.com/us/en/services/forensics/library/patent-litigation-study.html> (observing that patent case filings have dropped to their lowest level since 2011, notwithstanding the rise in the number of patents granted).

2. See *TC Heartland LLC v. Kraft Food Group Brands LLC*, 137 S. Ct. 1514, 1517 (2017) (holding "that a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute"); Geneva Clark, *TC Heartland, Legal Trends, One Year Later*, LEX MACHINA (May 23, 2018), <https://lexmachina.com/tc-heartland-legal-trends-one-year-later/> (discussing how, one year after the Supreme Court's *TC Heartland* decision, litigation in the Eastern District of Texas dropped from 36 percent of all filings to 13 percent, and cases increased in other courts including the District of Delaware, Central District of California, Northern District of California, and District of New Jersey).

3. See William Alsup, *Huge Numbers of Patent Cases: How One District Judge Manages Them*, 18 CHI.-KENT J. INTELL. PROP. 111 (2019).

pending litigation, Judge Alsup stays the case.<sup>4</sup> By doing so, he can avoid wasting time and resources over claims that might ultimately be invalidated.

The problem that Judge Alsup describes with the current state of patent litigation is significant. The Judicial Conference has recommended that Congress add and fund additional judgeships in several districts with heavy patent loads, including the Northern District of California, District of Delaware, and Eastern District of Texas.<sup>5</sup> Yet, Congress has declined to do so, causing individual judges' dockets to rise and forcing courts to rely on visiting judges.<sup>6</sup>

The liberal use of stays provides a short-term solution, but nevertheless, is far from ideal. When a judge stays litigation, he or she extends the amount of time that the patent holder must wait for relief. And although the invalidation rate for claims has been high for IPRs in the PTAB, that will likely change in light of the Supreme Court's decision in *SAS Institute Inc. v. Iancu*.<sup>7</sup> Overall, it would make more sense for Congress to provide a comprehensive solution to provide greater uniformity in patent litigation across the country and to address the critical shortage of judges.

#### MANAGING THE "PLAGUE ON INNOVATION"

Judge Alsup begins his Essay by describing how the current patent system has become "a plague on innovation."<sup>8</sup> He observes that in the 1980s and 1990s, patent cases typically involved litigation between direct competitors, with only one or a few patents at issue, and the parties requesting a bench trial. Generally, the patent at issue was only litigated in one case.

4. *Id.* at 121.

5. See Examining the Need for New Federal Judges: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property, 115th Cong., 2nd Sess. (2018) (Statement of Judge Lawrence F. Stengel), at 6 (June 21, 2018), available at [www.uscourts.gov/file/24331/download](http://www.uscourts.gov/file/24331/download) (discussing, on behalf of the Judicial Resources Committee of the Judicial Conference, the "urgent" need for additional judgeships in the District of Delaware and Eastern District of Texas, as well as two judges to the Northern District of California); Erin Coe, *Delaware Keeps Pace With Crush of Patent Suits, For Now*, LAW360 (Oct. 20, 2017), <https://www.law360.com/articles/976463/delaware-keeps-pace-with-crush-of-patent-suits-for-now> (discussing the Judicial Conference's March 2017 recommendation that an additional judgeship be created for District of Delaware to help the court with its heavy docket).

6. See Jeff Mordock, *Delaware Court to Solve Judicial Shortage With Visiting Judges*, <https://www.delawareonline.com/story/money/2017/05/30/delaware-court-meet-case-demand-visiting-judges/354631001/> (observing that prior to Trump filling two District of Delaware vacancies, the court was forced to rely on four visiting judges from the less-busy Eastern District of Pennsylvania, as well as Third Circuit judges who sat by designation).

7. *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

8. Alsup, *supra* note 3, at 111.

Since that time, however, Judge Alsup notes that there was a major shift in the nature of patent litigation. The number of U.S. patent cases filed in district courts surged, including cases from non-practicing entities suing multiple defendants.<sup>9</sup> Many modern patent cases also involve a large portfolio of patents and a jury trial.<sup>10</sup> Frequently, the patents at issue in the litigation are simultaneously being litigated in other U.S. courts,<sup>11</sup> forcing multiple judges to waste time on what are potentially invalid claims.

Judge Alsup maintains that the U.S. Court of Appeals for the Federal Circuit (“Federal Circuit”) and the U.S. Patent and Trademark Office (“PTO”) have contributed to the upward trajectory of patent litigation. Shortly after the Federal Circuit’s creation, it adopted a clear and convincing standard for patent validity.<sup>12</sup> Although a majority of regional circuits already followed this approach,<sup>13</sup> the presumption had been eroded.<sup>14</sup> Judge Alsup argues that the PTO contributed to the problem by issuing bad patents that would then be presumed valid.<sup>15</sup> He acknowledges that the Supreme Court has provided some relief by granting certiorari on many cases in the past years and by frequently ruling against the patent holder.<sup>16</sup> But he observes that a “huge burden of IP cases” remain for district court judges, necessitating judges to adopt case management strategies.<sup>17</sup>

One such strategy that Judge Alsup employs is the frequent use of stays.<sup>18</sup> Given the high rate of claim invalidation in the PTAB, if it institutes an IPR for a patent at issue in pending litigation, he “almost always” issues a stay pending the resolution of the PTAB proceeding.<sup>19</sup> In cases in which only a subset of patents at issue in the litigation are subject to an IPR, he considers “how overlapping the patents are and how much discovery would be duplicated.”<sup>20</sup> Given that the IPR will go forward regardless of whether the

9. *Id.* at 114.

10. *Id.* at 114-15.

11. *Id.* at 114.

12. *Id.* at 117.

13. See Mark D. Janis, *Reforming Patent Validity Litigation*, 19 BERKELEY TECH. L. J. 923, 929 (2004) (discussing how in adopting the clear and convincing standard, the Federal Circuit was following the approach used by most regional courts of appeal).

14. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 NYU L. REV. 1, 6 (1989) (“As the presumption of validity was eroded by the regional courts, the research community considered the value of patents to be in decline.”).

15. See Alsup, *supra* note 3, at 117-18.

16. *Id.* at 119.

17. *Id.* at 120.

18. *Id.* at 121.

19. *Id.*

20. *Id.*

litigation is stayed, this approach allows him to take advantage of the PTAB's expertise and save time.

#### DOCKET MANAGEMENT THROUGH STAYS

District courts have broad power to stay litigation pending the outcome of another tribunal's proceeding.<sup>21</sup> Judge Alsup's practice appears to be a variation of the doctrine of primary jurisdiction. This doctrine is applicable if a claim "is originally cognizable in the courts," but "enforcement of the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body."<sup>22</sup> In this situation, "the judicial process is suspended pending referral of such issues to the administrative body for its views."<sup>23</sup>

There are several benefits to this approach. An agency generally has superior expertise compared to a generalist judge and can provide uniformity and coherency in the area of law that it has expertise in. Moreover, this approach shifts decision-making to the entity that Congress charged with regulating the function at issue.<sup>24</sup> Applying the doctrine of primary jurisdiction to patent law, the PTAB has been entrusted with the authority to decide whether patent claims are valid. PTAB judges possess technical backgrounds and may have more knowledge of patent law compared to generalist district court judges. Moreover, because validity challenges in the PTAB are based on a preponderance of evidence rather than a clear and convincing evidentiary standard,<sup>25</sup> it is easier for PTAB judges to invalidate claims compared to district court judges.<sup>26</sup>

However, there are also drawbacks to using stays. Many of the benefits from the doctrine of primary jurisdiction that exist in other areas of law do not exist for patent cases. Virtually all patent cases appeal to one specialized appellate court—the Federal Circuit. Congress gave the Federal Circuit the

21. See Jonathan Stroud et al., *Stay Awhile: The Evolving Law of District Court Stays in Light of Inter Partes Review*, 11 BUFFALO INTELL. PROP. L. J. 226, 229 (2015) (discussing the broad power of the district court to manage its docket).

22. *United States v. Western Pacific Railroad Co.*, 352 U.S. 59, 64 (1956).

23. *Id.*

24. See Richard J. Pierce, *Primary Jurisdiction: Another Victim of Reality*, 69 ADMIN. L. REV. 431, 436 (2017) (discussing the advantages and disadvantages of primary jurisdiction).

25. See *Novartis AG v. Noven Pharms., Inc.*, 853 F.3d 1289, 1294 (Fed. Cir. 2017) (discussing the difference in evidentiary standards between federal courts and the PTAB).

26. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016) (recognizing that a "district court may find a patent claim to be valid, and the agency may later cancel that claim in its own review.").

mandate to unify patent law and provide greater clarity to inventors.<sup>27</sup> It hears a high volume of patent cases and its judges are regarded as legal experts in the field.<sup>28</sup> Consequently, the Federal Circuit can provide any needed clarity in patent law on appeal.

Staying litigation can also delay the resolution of the issue before the court.<sup>29</sup> Under the Patent Act, the PTAB must decide IPRs within 12 months or show good cause, though several IPRs have taken longer.<sup>30</sup> Such delays might be justified to the extent that the PTAB's rate of canceling claims remains high.<sup>31</sup> But the Supreme Court's decision in *SAS Institute Inc. v. Iancu* now requires the PTAB to consider all challenged claims, not just those that the PTAB views as questionable.<sup>32</sup> Consequently, it is possible that the rate of cancellation will drop in the near future.

Another problem with the use of stays and other individual management practices is the lack of consistency in how patent litigation works in different district courts. Several courts with high volumes of patent cases, including the Northern District of California, frequently grant a stay pending an IPR. Others, like the Eastern District of Texas and the District of Delaware, rarely grant them.<sup>33</sup> Such divergency—whether through local rules or specialized

27. See H.R. Rep. No. 96-1307, at 2–3 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6461–62 (discussing how the Federal Circuit would end “the current legal confusion” caused by conflicting interpretations of patent law from regional circuits); Sapna Kumar, *Patent Court Specialization*, XX IOWA L. REV. (forthcoming) (discussing the formation of the Federal Circuit), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3362231](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3362231).

28. See Kumar, *supra* note 27 (discussing how the Federal Circuit is specialized by concentration and by subject matter).

29. Pierce, *supra* note 24, at 436–37 (discussing the advantages of the doctrine of primary jurisdiction).

30. 35 U.S.C. § 316(a)(11) (2012). Note, however, that several IPRs have run longer, especially cases with joinder. Bryan D. Beel, *PTAB May Wait Longer Than 12 Months to Issue Final Written Decisions in Cases of Joinder*, 1600 PTAB & BEYOND (Apr. 10, 2018), <https://www.1600ptab.com/2018/04/ptab-may-wait-longer-than-12-months-to-issue-final-written-decisions-in-cases-of-joinder/>.

31. There has generally been a 64 percent chance that all instituted claims would be found unpatentable in a PTAB trial and an 81 percent chance that one or more claims would be found unpatentable. See U.S. PATENT AND TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD, *Trial Statistics: IPR, PGR, CBM* (Dec. 2018), [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_201812.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_201812.pdf).

32. *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 1354–55 (2018).

33. See Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not in the Eastern District of Texas*, 98 J. PAT. & TRADEMARK OFF. SOC'Y 120 (2016) (noting that in August 2015, the Eastern District of Texas had the lowest rate of granting stays pending an IPR); Derek H. Swanson, *Staying Cases Pending PTAB's Decision to Institute IPR or CBM Review: A Survey of 10 Jurisdictions with the Most Patent Litigation*, MCGUIREWOODS, <http://media.mcguirewoods.com/publications/2015/Staying-Cases-Pending-PTABs-Decision.pdf> (July 2015) (discussing courts that are more and less likely to grant stays pending IPR or CBM review).

procedures—promotes fragmentation and undermines the Federal Rules of Civil Procedure.<sup>34</sup>

#### CONCLUSION

Judge Alsup's Essay highlights the fact that district court judges are facing an increasingly untenable situation concerning patent litigation, causing them to turn to individual strategies. Judicial stays free up judges' time through existing judicial powers while providing some advantages by allowing judges to rely on the PTAB's comparative expertise. However, judge-made solutions should ideally serve as only a temporary measure. Congress should first address the problem by increasing funding to overburdened district courts, including adding judgeships that are recommended by the Judicial Conference. Once courts are adequately funded, Congress should then facilitate the creation of procedural rules for patent litigation,<sup>35</sup> to allow for the efficient resolution of patent cases without harming uniformity of patent litigation.

34. See Megan M. La Belle, *The Local Rules of Patent Procedure*, 47 ARIZ. ST. L. J. 63, 66, 96 (2015) (discussing how local patent rules undermine uniformity in federal civil procedure).

35. See *id.* at 121 (proposing that Congress pass legislation authorizing the Supreme Court to develop uniform rules of patent procedure that are binding on district courts).