



INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Is East Texas the Patent-Suit Capital? Venue-Rule Law Sent to Congress

By some accounts, the nation's patent litigation capital is Marshall, Texas, a small town not far from the Louisiana border that is home to one of the courthouses of the U.S. District Court for the Eastern District of Texas.

Over 300 patent cases were filed in the Eastern District in 2008, 50 percent more than the Northern District of California, and far surpassing the filings in California's Central District, Delaware, the Southern District of New York, the Eastern District of Virginia and Massachusetts. According to some news reports, litigation, including patent litigation, is a significant factor in the local economy.

Court Is 'Quick on the Draw'?

East Texas is not a high-tech center, and there is no evidence that it is a hotbed of patent infringement. Patent plaintiffs are attracted to the Eastern District because of a perception that the court moves quickly and efficiently in patent cases and, some argue, by the view that the court is a favorable forum for patent holders. Because there is typically little, if any, connection between the Eastern District and the parties or the infringing activity, this concentration of patent litigation can persist only because judges in the Eastern District typically deny motions to transfer venue.

Supporters of the status quo say the court offers litigants efficiency and speed, and that patent cases, where most witnesses work for a party or are experts, can be litigated anywhere. Critics are concerned that the local court may have a perceived or actual incentive to tilt in favor of plaintiffs to encourage new filings. In response to these concerns, legislation before Congress would significantly restrict venue rules in patent cases.

LEWIS R. CLAYTON is a litigation partner at Paul, Weiss, Rifkind, Wharton & Garrison LLP, and co-chair of the firm's intellectual property litigation group. E-mail: lclayton@paulweiss.com. GILLIAN SINNOTT, an associate with the firm, assisted in the preparation of this article.

By
**Lewis R.
Clayton**



However, the Eastern District of Texas patent docket may shrink substantially, not by act of Congress, but because of two recent U.S. Court of Appeals opinions, one by the Fifth Circuit, and another by the Federal Circuit.

On Oct. 10, 2008, a sharply divided Fifth Circuit, sitting en banc, ruled 10-7 that a writ of mandamus should be issued directing the transfer of a products liability case filed in the Eastern District of Texas. *In re Volkswagen of America Inc.*, 545 F.3d 304 (5th Cir. 2008). *Volkswagen* arose from a car accident that occurred in Dallas, which is located in the Northern District of Texas. *Volkswagen* moved for a transfer to Dallas under 28 U.S.C. §1404(a), which allows for change of venue for "the convenience of parties and witnesses, in the interest of justice...." The en banc majority ruled that the trial court had "clearly abused its discretion" in keeping the case, although the Eastern District of Texas had "no connection to the parties, the witnesses, or the facts...."

Writ Orders Transfer of Case

Venue decisions in patent cases are reviewed by the U.S. Court of Appeals for the Federal Circuit. In ruling on venue (or other nonpatent issues) the Federal Circuit applies the law of the circuit where the district court sits. On Dec. 29, 2008, the Federal Circuit made use of the *Volkswagen* opinion to issue a writ of mandamus ordering transfer of a patent case pursuant to 28 U.S.C. §1404(a) from the Eastern District of Texas to the Southern District of Ohio. *In re TS Tech USA Corp.*, 2008 WL 5397522 (Fed. Cir. Dec. 29, 2008).

Plaintiff in *TS Tech* is Lear, a corporation based in Michigan. It sued *TS Tech* and its affiliates, which are based in Ohio and Ontario, Canada,

alleging infringement of Lear's patent covering vehicle headrest assemblies. Besides the fact that some Honda vehicles using the allegedly infringing headrests had been sold in Texas, the case had no connection to the state. The Federal Circuit had no trouble finding that the trial court had "clearly abused its discretion in denying transfer from a venue with no meaningful ties to the case."

The Court of Appeals found that the trial court improperly treated Lear's decision to choose the Texas forum as an independent factor in the forum non conveniens analysis. Instead, the deference due plaintiff's choice of forum is fully accounted for by the requirement that a defendant seeking transfer show that the transferee venue is "clearly more convenient" than the transferor court. The trial court also ignored the Fifth Circuit's "100-mile rule," which holds that when the proposed venue is more than 100 miles distant from the existing venue, "the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled."

And the district court "disregarded Fifth Circuit precedent" in finding that the citizens of the Eastern District of Texas had a "substantial interest" in having the case tried locally because several vehicles with infringing headrests had been sold there. Because those cars were sold throughout the country, the Eastern District has "no more or less of a meaningful connection to this case than any other venue."

Post-'TS Tech'

After *TS Tech*, it is difficult to see how venue can be sustained in the Eastern District of Texas unless one of the parties resides there, or significant acts of infringement not merely attributable to nationwide use of a product or process took place within the district. As several transfer motions are now pending in Eastern District cases, we will find out shortly how the District's judges construe *TS Tech*.

Patents

Ricoh Co. Ltd. v. Quanta Computer Inc., 2008 WL 5336903 (Fed. Cir. Dec. 23, 2008), considered what the Federal Circuit called

“important and previously unresolved” issues concerning the scope of liability for contributory patent infringement. Under §271(c) of the Patent Act, anyone who “offers to sell or sells” a component of a patented item or an apparatus for practicing a patented process knowing it to be specially made or adapted for use in infringing the patent and not “a staple article or commodity of commerce suitable for substantial noninfringing use” is liable as a contributory infringer.

Quanta sold optical disc drives that can perform processes patented by Ricoh. The drives as a whole are capable of substantial noninfringing use. However, Ricoh introduced evidence that it claimed shows that the drives include software and hardware designed to perform the patented processes that do not have any noninfringing use. A majority of the Federal Circuit panel found that such a showing would be sufficient to establish contributory infringement. Otherwise, the majority found, liability for contributory infringement could be evaded simply by combining an apparatus designed to infringe with a separate component that performs another function.

Drawing on the U.S. Supreme Court’s opinion in *Metro-Goldwyn-Mayer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005), which considered contributory infringement under the Copyright Act, the panel majority held that “[w]hen a manufacturer includes in its product a component that can only infringe, the inference that infringement is intended is unavoidable.” Rejecting that analysis, the dissent argued that the statutory language, which focuses on sales and offers to sell, requires consideration of the product in the form in which it is sold, rather than of the product’s components. The “larger product” Quanta sold, as opposed to the product’s components, was capable of noninfringing uses. Finding contributory infringement in this context, the dissent believed, would violate the “public interest in access to unpatented devices.”

Trademark

The famous “Grand Theft Auto” video games are set against backdrops modeled on actual American cities. One version of the game features a virtual strip club called the “Pig Pen,” which resembles a real East Los Angeles strip club called “Play Pen Gentleman’s Club.” The Play Pen’s owners sued the distributors of the game for trade dress and trademark infringement under the Lanham Act. *E.S.S. Entertainment 2000 Inc. v. Rock Star Videos Inc.*, 547 F.3d 1095 (9th Cir. 2008), affirmed summary judgment dismissing the claim.

The Ninth Circuit held that, in view of First Amendment concerns, the use of trademarks in artistic works is actionable only where the use has no relevance to the work’s artistic goals or is explicitly misleading about the work’s source or content.

Applying this test liberally, the court held that the level of a trademark’s relevance to a

work’s artistic goals only has to be “above zero” and that including a club similar to the Play Pen in the game to capture the “look and feel” of East Los Angeles was sufficient to meet this requirement, even though depicting a strip club was not the game’s main artistic goal. The court also rejected the argument that game players would be misled to believe that the Play Pen sponsored the game. It reasoned that, apart from offering “a form of low-brow entertainment,” the game and the Play Pen had nothing in common, and that no reasonable consumer would conclude that a little-known strip club operator produced a game like *Grand Theft Auto*.

Section 2(a) of the Lanham Act prohibits registration of a trademark that disparages any person. In *In re Heeb Media LLC*, Application Serial No. 78558043 (Nov. 26, 2008), the Trademark Trial and Appeal Board (TTAB) upheld rejection of an application to register the mark “HEEB” for clothing and entertainment events on the grounds that “heeb” is disparaging of Jews. The TTAB rejected the applicant’s argument that use of the mark was an effort to make the term “a symbol of pride and progressive identity among today’s Jews.” The applicant argued that it distributes a magazine named “Heeb” that describes itself as “The New Jew Review” and is supported by major Jewish organizations and is aimed at a Jewish readership.

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The board held that whether a proposed trademark is disparaging does not depend on the applicant’s intentions, but must be determined “from the standpoint of a substantial composite of the referenced group (although not necessarily a majority) in the context of contemporary attitudes.” The board noted that all of the available dictionary definitions characterized “heeb” as derogatory and that a substantial number of Jews—particularly older Jews—found the term disparaging.

Vulcan Golf LLC v. Google Inc., 2008 WL 5273705 (N.D. Ill. Dec. 18, 2008), illustrates the difficulty of certifying a plaintiffs class in an intellectual property case. The *Vulcan* court rejected an attempt to certify a class of all individuals or owners of marks whose personal name or mark is the same as any domain name “registered, trafficked in or used for commercial gain” by Google or other defendants. The proposed class would have asserted claims under the Anti-Cybersquatting Protection Act and for contributory and vicarious trademark infringement. Class certification

was inappropriate because of the many issues that would have to be resolved individually for each class member, including ownership and distinctiveness of trademarks and various affirmative defenses.

Copyright

In *Gottlieb Development LLC v. Paramount Pictures Corp.*, 2008 WL 5396360 (S.D.N.Y. Dec. 29, 2008), plaintiff sued for copyright infringement when the “Silver Slugger”—a pinball machine with distinctive designs that was distributed by the plaintiff—appeared in the background in a scene in the movie “What Women Want.” Rejecting that claim and relying on *Ringgold v. Black Entertainment Television Inc.*, 126 F.3d 70 (2d Cir. 1997), the court found that the Silver Slugger appeared so fleetingly in the film that an average viewer would not identify it as anything other than a generic pinball machine. There was therefore no substantial similarity between the Silver Slugger and the pinball machine that viewers saw in the movie of the kind required to support an infringement claim. For similar reasons, the court rejected plaintiff’s trademark claims, finding no likelihood that viewers would be confused as to whether Paramount, the film’s distributor, sponsored the Silver Slugger, or whether plaintiff sponsored the film.