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Note from the Editors

As a result of the current economic downturn, in-house legal departments face increased pressure to contain costs while still protecting their companies' interests. Selecting outside counsel committed to efficient legal representation is an important first step. Staying on top of important trends helps outside counsel make more informed decisions. Morrison & Foerster is committed to providing clients with the best information and efficient and effective legal representation. As part of our commitment to provide clients with timely and valuable information, we strive to make our IP Quarterly Newsletters full of insightful analysis of substantive IP issues. In this issue, we cover some of the more important takeaways from two recent cases, as well as the continuing impact of *eBay Inc. v. MercExchange, L.L.C.*

For defendants in patent cases, assessing risks in litigation involves understanding the venue where they have been sued. The Federal Circuit's ruling in *In re TS Tech USA* could have broad implications for defendants seeking to transfer out of venues with higher perceived risks or costs. Our first article analyzes *TS Tech* and decisions from the Eastern District of Texas on motions to transfer in the wake of the Federal Circuit's order.

Our second article discusses *In re Bilski*, one of the most notable decisions from the Federal Circuit in 2008, which dealt with business method patents and the appropriate test for patent-eligible subject matter.

Finally, this May will mark the third anniversary of *eBay Inc. v. MercExchange, L.L.C.*, in which the Supreme Court

overturned the Federal Circuit's "general rule" that courts should issue permanent injunctions in patent cases absent "exceptional circumstances." We examine how *eBay* has affected a patentee's odds of securing a permanent injunction.

We hope you find Morrison & Foerster's IP Quarterly Newsletter a useful resource. Our client alerts will continue to provide you with analysis of major breaking IP news. This includes the recent developments in the U.S. Senate related to patent reform. Should patent reform legislation be enacted this congressional session, look to us as the source for analysis on how the new laws affect the IP legal landscape. And stay tuned for information about our upcoming spring and summer IP seminars, which will provide clients with the opportunity to interact with and hear from many of our attorneys on a variety of important areas of IP law. ■

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Transfer Motions in the Eastern District of Texas After *Volkswagen* and *TS Tech*

By Jason Crotty

Two recent appellate decisions have significantly changed the legal landscape regarding motions to transfer patent cases in the U.S. District Court for the Eastern District of Texas. The district's initial opinions following these appellate decisions suggest that more cases will be transferred from the Eastern District, but that some types of cases — particularly multi-defendant cases with parties that are distributed across the country — may remain. Since the Eastern District has become one of the leading venues for patent litigation, the impact of these rulings could have a major influence on the distribution of patent cases throughout the country.

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In recent years, the Eastern District of Texas has become a hotbed for patent litigation. The initial appeal of the district was the relatively quick time to trial and its reputation as a venue that was favorable to plaintiffs. Other potential advantages of the district may have included the impression that few cases were resolved on summary judgment and the disinclination of judges in the district to stay cases pending reexaminations. Further, if a plaintiff

filed suit in the Eastern District, there was a strong probability that the case would stay there — even if the only connection to the district was the sale of an accused product that was sold nationwide — because the court rarely granted motions to transfer. As a result, the district has generated a patent infringement docket that is disproportionate to the population or the number of technology-oriented companies in the district. And it was not unusual to see major patent cases where none of the parties had any direct connection to the district. But that may be changing.

Until recently, the odds of a patent case being transferred out of the Eastern District were low.¹ The broad outlines of the governing law are straight forward: in assessing a motion to transfer, the court must consider “the convenience of parties and witnesses.” 28 U.S.C. § 1404(a). The convenience determination involves both public and private interest factors. *See, e.g., LG Elecs., Inc. v. Hitachi, Ltd.*, No. 9:07CV138, 2007 WL 4411035, at *2 (E.D. Tex. Dec. 3, 2007).

Courts balance the following “public” interest factors: (1) the administrative difficulties caused by court congestion; (2) the local interest in adjudicating

local disputes; (3) the unfairness of burdening citizens in an unrelated forum with jury duty; and (4) the avoidance of unnecessary problems in conflict of laws. The “private” factors are: (1) the plaintiff's choice of forum; (2) the convenience of the parties and material witnesses; (3) the place of the alleged wrong; (4) the cost of obtaining the attendance of witnesses and the availability of the compulsory process; (5) the accessibility and location of sources of proof; and (6) the possibility of delay and prejudice if transfer is granted.

Although the governing law was not disputed, the application of the law to the facts was perceived by some as unduly favoring plaintiffs. As the AIPLA *amicus* brief in *Volkswagen* stated: “The routine filing of patent infringement complaints in the Eastern District of Texas that have essentially no connection to that district has been encouraged by the seeming reluctance of courts in that district to transfer cases under § 1404(a).”²

However, the first appellate case to significantly influence transfer law in the district was a case relating to a car accident, not a patent case. In *Continued on Page 3*

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Volkswagen, an accident in Dallas — which is located in the Northern District of Texas — led to a product liability case filed in the Eastern District of Texas. *In re Volkswagen of America, Inc.*, 545 F.3d 304 (5th Cir. 2008) (*en banc*). Volkswagen moved to transfer the case to the Northern District, arguing that the vehicle was purchased in Dallas, the accident occurred in Dallas, the witnesses were Dallas residents, and Dallas police and paramedics responded to the accident, among other things. *Id.* at 315-16. Volkswagen asserted that no parties, no witnesses, and no sources of proof were located in the Eastern District. *Id.* Judge Ward denied the motion, finding that access to proof was equal, due in part to advances in technology; the cost of attendance neutral because no key witnesses were identified and the cost of travel to Marshall was minimal; and that the Eastern District had an interest in the case because residents of the Eastern District would be interested in knowing whether defective products were being sold close to Marshall. *Id.* at 316. The case eventually ended up before the full Fifth Circuit, which granted Volkswagen's petition for a writ and ordered the case transferred.

The Fifth Circuit opinion surveyed transfer law and found several errors in the district court's reasoning. *Id.* at 316-18. The court held that the district court's analysis of the sources of proof read the requirement out of the analysis, as the factor is still relevant despite technological advances. Because all of the documents and physical evidence were in Dallas, that factor favored transfer. *Id.* at 316. As to the availability of compulsory process, the Northern District had absolute subpoena power for all witnesses, so that factor also favored transfer. *Id.* As to the cost of attendance for willing witnesses, the court referenced its hundred-mile rule: "[w]hen the distance between an existing venue for trial of a matter and a proposed venue under § 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled." *Id.* at 317 (quoting *In re Volkswagen I*, 371 F. 3d 201, 204-205 (5th Cir. 2004)). This factor also favored transfer. Finally, the court held that the "having localized interests decided at home" factor strongly favored transfer, as virtually everything relating to the accident was in Dallas. *Id.* at 317-18. The court soundly rejected the district court's reasoning on this factor:

Furthermore, the district court's provided rationale — that the citizens of Marshall have an

interest in this product liability case because the product is available in Marshall, and that for this reason jury duty would be no burden — stretches logic in a manner that eviscerates the public interest that this factor attempts to capture. The district court's provided rationale could apply virtually to any judicial district or division in the United States; it leaves no room for consideration of those actually affected — directly and indirectly — by the controversies and events giving rise to a case. That the residents of the Marshall Division "would be interested to know" whether a defective product is available does not imply that they have an interest — that is, a stake in the resolution of this controversy. Indeed, they do not, as they are not in any relevant way connected to the events that gave rise to this suit. In contrast, the residents of the Dallas Division have extensive connections with the events that gave rise to this suit.

Id. at 318. Thus, the court found that the "district court's errors resulted in a patently erroneous result" and issued the writ directing transfer. *Id.*

It did not take long for a patent infringement defendant to take the issue to the Federal Circuit. In *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008), Lear Corporation sued TS Tech in the Eastern District,

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alleging that certain automobile headrest assemblies infringed its patent. *Id.* at 1318. Lear asserted that TS Tech sold its products to Honda, which in turn sold its cars throughout the United States, including the Eastern District. *Id.* TS Tech moved to transfer, arguing that all of the physical and documentary evidence and the witnesses were located in Ohio, Michigan, or Canada. *Id.* The district court denied the motion, and TS Tech filed a petition for a writ of mandamus in the Federal Circuit.

The Federal Circuit found that TS Tech had met the standard for a writ and found that the district court had clearly abused its discretion. Applying Fifth Circuit law, the Federal Circuit found several key instances in which the district court's order did not comply with *Volkswagen*.³

- First, the district court gave too much weight to Lear's choice of venue, finding that the plaintiff's choice is not a distinct factor but instead corresponds to the burden of proof required to show that the proposed transferee district is clearly more convenient. *Id.* at 1320.
- Second, the district court ignored Fifth Circuit precedent regarding

cost of attendance of witnesses, which states that when the distance between the existing venue and a proposed venue is more than a hundred miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled. Because all of the key witnesses were in Ohio, Michigan, or Canada, this factor strongly favored transfer. *Id.*

- Third, the district court "erred by reading out of the § 1404(a) analysis the factor regarding the relative ease of access to sources of proof." *Id.* at 1320-21. Because the vast majority of the physical and documentary evidence was in Ohio, Michigan, or Canada, the factor favored transfer, even if some electronic documents could be easily transported. *Id.* at 1321.
- Fourth, the district court disregarded Fifth Circuit law in analyzing the public interest in having localized decisions decided at home. There were no meaningful connections between the case and the Eastern District; none of the parties had an office in Texas, no witnesses resided in Texas, and no evidence was in Texas. The Federal Circuit rejected the argument that the Eastern District had a substantial interest because several vehicles were sold in the district as the

vehicles were sold throughout the country and "the citizens of the Eastern District of Texas have no more or less meaningful connection to this case than any other venue." *Id.*

Accordingly, the Federal Circuit granted the writ and directed the district court to vacate its order denying transfer and to transfer the case to the Southern District of Ohio.

There have been just a few decisions in the Eastern District on motions to transfer in the six weeks since *TS Tech* issued. Although it is difficult to speculate based on these decisions, the cases suggest trends, and it is clear that *Volkswagen* and *TS Tech* have changed the way transfer motions are decided in the Eastern District.

In *Odom v. Microsoft*, Magistrate Judge Love (of Tyler) transferred a case to the District of Oregon. *Odom v. Microsoft Corp.*, No. 6:08-CV-331, Memorandum Opinion and Order, slip op. at 13 (E.D. Tex. Jan. 30, 2009). The plaintiff, Mr. Odom, an Oregon resident, ran a consulting company based in Portland, and accused Microsoft, a Washington company, of infringing a patent. *Id.* at 1-3. The accused product was Office 2007 and Microsoft argued that the relevant development team, documents, witnesses, and source code were located in Redmond, Washington. *Id.* at 2. Moreover,

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Odom had provided consulting services to Microsoft's counsel (and directly to Microsoft) and that activity was centered in Oregon. *Id.* at 1-2. Those services were governed by various agreements that Microsoft alleged were relevant to its defenses. *Id.* at 11. The court noted the recent cases of *Volkswagen* and *TS Tech* and assessed the transfer factors.

As to the relative ease of access to the sources of proof, the court held that the two venues were "equally convenient," rejecting the argument that the physical location of electronic information such as source code was highly relevant to the analysis since it can be easily accessed from many locations and can easily be sent to any part of the country. *Id.* at 6. The court distinguished *TS Tech* on this basis, stating that *TS Tech* appeared to be emphasizing the "physical nature of the evidence at issue" (*e.g.*, the headrests) rather than electronic evidence. Nevertheless, the court found that the convenience of the witnesses — almost all of whom were in the Pacific Northwest — favored transfer. *Id.* The court specifically noted that it was "not a case where witnesses are spread out all over the country or the world," suggesting that

the outcome might have been different if that had been the case.⁴ *Id.* at 8. The court found most of the other factors neutral with the exception of the localized interest, where the court found that Oregon had a stronger interest because of the "extensive ties to the events that gave rise to" the action. *Id.* at 11. Similarly, the court found that an Oregon court would have more familiarity with the potentially relevant agreements relating to Odom's consulting, which were governed by Oregon law. *Id.* at 12. In contrast, Texas has no meaningful relationship to the action, other than it was plaintiff's choice of forum. "In summary, there is little convenience to the parties for this case to remain in Texas, while there are several reasons why it would be more convenient for the parties to litigate this case in Oregon." *Id.* at 13.

In *PartsRiver v. Shopzilla*, Judge Folsom granted a motion to transfer the case to the Northern District of California. *PartsRiver, Inc. v. Shopzilla, Inc.*, No. 2:07-CV-440, Order, slip op. at 4 (E.D. Tex. Jan. 30, 2009). The court noted the "regional nature" of the case and found that California would clearly be more convenient for the parties and the potential witnesses. *Id.* The plaintiff and six of the seven defendants were located in California. *Id.* The court further noted that the original patent owner was also in

California, most witnesses would be from California and Washington, and many documents would be located in those locations. *Id.* In sum, the court found "that the overall nature of this case, considering all of the involved parties, is regional and would therefore be more conveniently handled by the Northern District of California." *Id.*

In *Novartis v. Hoffman-La Roche, et al.*, the *Odom* court's observation that transfer might be inappropriate if the parties were distributed across the country proved prophetic, as Judge Folsom denied a motion to transfer under those circumstances.⁵ *Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc.*, No. 2:07-CV-507, Order, slip op. at 10-11 (E.D. Tex. Feb. 3, 2009). In *Novartis*, as the court noted, "Plaintiff points out that the relevant proof in this case is spread throughout the nation — as [the accused product] was developed in North Carolina, was approved by the FDA in Washington D.C., is presently manufactured in Colorado and Michigan (and Switzerland), and is sold throughout the United States." *Id.* at 4. Moreover, the plaintiff was located in California, and the defendants were located in Colorado, North Carolina, and New Jersey. *Id.* at 4-5. The North Carolina defendant had moved to transfer the case there. The court found that:

[T]he Eastern District of Texas is a centrally located venue for this

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How to Prosper in a Post-*Bilski* World

By Eric Acker and Thomas Chen

INTRODUCTION

Business methods are back in the spotlight a decade after the Federal Circuit first opened the floodgates to their controversial patenting. In October 2008, the full court issued its long-awaited decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (*en banc*), which claimed simply to reaffirm the U.S. Supreme Court's two-part "machine-or-transformation" test for patent-eligible processes. *Bilski* was followed in January 2009 by the Federal Circuit's revision of *In re Comiskey*, which also addressed the patent eligibility of business methods. While these two decisions make clear the Federal Circuit's affirmation of the "machine-or-transformation" test for process patents, they also leave unanswered questions that present both ongoing challenges and opportunities.

BACKGROUND

Of the four statutory categories of patent-eligible subject matter set forth in Section 101 of the Patent Act, "process" (or "method") patents historically have generated the most controversy due to the often-challenging task of distinguishing unpatentable laws of nature, natural phenomena, abstract ideas, and

mathematical algorithms from their sometimes patentable applications. Making these distinctions was further complicated by the modern information age and the rapid proliferation of computers utilizing applied mathematics and science.

The Federal Circuit's landmark decision in *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368 (Fed. Cir. 1998), expanded the scope of patentable subject matter and opened the door to widespread business method patenting. By finding that a process or method satisfied Section 101 if it produced a "useful, concrete, and tangible result," *State Street* spurred industries that previously had never sought patent protection to begin doing so aggressively. Because business method patents were often vaguely drafted and relevant prior art was difficult to find, they quickly became highly controversial and the subject of significant litigation.

IN RE BILSKI

Bilski claimed a method of hedging risk in the field of commodities trading that did not require the use of a computer or other apparatus. After the Patent Office rejected his claims as

patent-ineligible subject matter, *Bilski* appealed to the Federal Circuit. After hearing oral arguments and before the panel decision was issued, the Federal Circuit took the unusual step of *sua sponte* ordering *en banc* review to clarify the proper standard for patent eligibility under Section 101.

In its *en banc* decision, the Federal Circuit held that a process claim is "surely patent-eligible under § 101 if: (1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing." The court also articulated various subsidiary considerations to further limit this "machine-or-transformation" test. For example, the mere recitation of "field-of-use" limitations (such as commodities trading) and "insignificant postsolution activity" does not satisfy the test. Instead, a machine or transformation "must impose meaningful limits on the claim's scope," and a transformation "must be central to the purpose of the claimed process" to render it patent-eligible.

Bilski clearly reveals the Federal Circuit's intent to narrow patent-eligible subject matter for process patents. The court stated that Section
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101 limits the scope or “pre-emptive footprint” of process claims in order to prevent patents from covering substantially all uses of a fundamental principle. Yet, the exact limits imposed by *Bilski* remain unclear because the precise contours and boundaries of the new “machine-or-transformation” test were not defined. As Judges Newman and Rader separately lamented in their respective dissents, the *Bilski* majority did not clarify exactly what it means to be “tied to” a “particular machine” or to “transform” a “particular article.” It likewise remains unclear when a machine or transformation recitation will successfully “impose meaningful limits” on claim scope, or fail as “insignificant postsolution activity.”

Answering these important questions simply was unnecessary in *Bilski* because, by *Bilski*’s own admission, his invention was not linked to a “machine.” The invention also failed the “transformation” prong because only legal or business relationships were altered by *Bilski*’s claimed process, which the court concluded were insufficient because they are “not physical objects or substances, and they are not representative of physical objects or substances.”

IN RE COMISKEY

Bilski was followed in January 2009 by the Federal Circuit granting a rehearing *en banc* to revise its earlier decision in *In re Comiskey*, 499 F.3d 1365 (Fed. Cir. 2007). *Comiskey* had invented various methods and systems for mandatory arbitration. Some of his claims required the use of a telephone or computer and some did not. In September 2007, the *Comiskey* panel had held that (1) the method claims

As Judges Newman and Rader separately lamented in their respective dissents, the *Bilski* majority did not clarify exactly what it means to be “tied to” a “particular machine” or to “transform” a “particular article.”

that did not involve a machine were unpatentable mental processes, and (2) the system or “module” claims, which recited various well-known technologies for performing the method — such as computers and telephones — were patent-eligible subject matter involving the use of machines.

The revised *Comiskey* decision retains its original holding that the method claims that did not recite a machine were unpatentable mental processes, but notably retreats from the earlier holding that the system or “module” claims were patent-eligible subject matter sufficiently tied to a “machine.” Instead, the panel noted that those claims might be patentable subject matter, but remanded that determination back to the Patent Office without further explanation or guidance.

Comiskey illustrates the continuing uncertainty over what it means to be “tied to a machine” under *Bilski*. The court simply sidestepped an opportunity to clarify the machine-or-transformation test, instead leaving that task to the Patent Office. It thus remains to be seen when the Federal Circuit will provide further guidance regarding the *Bilski* standard.

LOOKING FORWARD: PROSECUTING AND LITIGATING PROCESS PATENTS AFTER *BILSKI*

The Federal Circuit’s remand in *Comiskey* may reflect a reluctance on its part to further develop the machine-or-transformation requirement in the face of possible Supreme Court review. If *certiorari* is sought and denied in *Bilski*, the Federal Circuit may adopt a more proactive role in developing the machine-or-transformation

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test.¹ Until then, the post-*Bilski* era promises to be an uncertain time for companies engaged in procuring and litigating process patents, particularly in the areas of business methods and related software.

Yet, while uncertainty exists, the Federal Circuit has provided hints to guide both patent prosecutors and litigants in the post-*Bilski* world.

Bilski offers a potential blueprint for prosecutors to avoid Section 101 rejections because, as Judge Mayer notes in his dissent, “clever draftsmanship” may be used to bring nearly any process claim within the confines of the machine-or-transformation test. This could be accomplished, for example, simply by integrating a machine into an otherwise patent-ineligible process. The challenge for prosecutors will be, on the one hand, not unduly limiting claim scope, while, on the other hand, not merely adding “insignificant postsolution activity” that fails to meet the *Bilski* test. Alternatively, it may be advantageous to claim inventions as a “system” or “device,” rather than as a “process” or “method,” to avoid the application of *Bilski*.

Accused infringers can potentially capitalize on *Bilski* by filing early

summary judgment motions dedicated to establishing invalidity under Section 101. An early summary judgment motion for invalidity under Section 101 may substantially reduce litigation costs for accused infringers. Unlike establishing invalidity under Sections 102, 103, or 112, or unenforceability for inequitable conduct, which may require extensive discovery and analysis, patent eligibility under Section 101 is a legal question based on the asserted claims and case law.² In addition, attacking patent eligibility early in litigation may force patentees to inadvertently or reluctantly adopt positions that surrender claim scope and thus bolster noninfringement positions. In contrast, patent plaintiffs may be able to use positions taken by accused infringers in these Section 101 fights regarding the breadth of claims to improve their infringement positions.

CONCLUSION

Bilski, and the now-revised *Comiskey* decision, raise almost as many questions regarding the patentability of process claims as they answer. Yet, until more definitive guidance emerges from the Federal Circuit and, perhaps, the Supreme Court, savvy patent applicants and litigants (both plaintiffs and defendants) may be able to use this uncertainty to their strategic advantage in both the prosecution and litigation of process claims. ■

Bilski offers a potential blueprint for prosecutors to avoid Section 101 rejections because, as Judge Mayer notes in his dissent, “clever draftsmanship” may be used to bring nearly any process claim within the confines of the machine-or-transformation test.

¹ In one post-*Bilski* decision, the Federal Circuit held that a patent claiming a market paradigm for bringing products to market failed the “machine or transformation” test. *In Re Ferguson*, 2009 U.S. App. LEXIS 4526 (Fed. Cir. March 6, 2009). In doing so, the Court stated that “a marketing force is not a machine or apparatus” and that “a machine is a concrete thing, consisting of parts, or of certain devices and combination of devices.” *Id.* at *9.

² *But see In re Comiskey*, 554 F.3d 967, 975 (Fed. Cir. 2009) (“While there may be cases in which the legal question as to patentable subject matter may turn on subsidiary factual issues, *Comiskey* has not identified any relevant fact issues that must be resolved in order to address the patentability of the subject matter of *Comiskey*’s application.”); *Arrhythmia Research Tech., Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1056 (Fed. Cir. 1992) (“Whether a claim is directed to statutory subject matter is a question of law. Although determination of this question may require findings of underlying facts specific to the particular subject matter and its mode of claiming, in this case there were no disputed facts material to the issue.”); *State St. Bank & Trust Co. v. Signature Fin. Group*, 149 F.3d 1368, 1370 (Fed. Cir. 1998) (noting that “[t]he following facts pertinent to the statutory subject matter issue are either undisputed or represent the version alleged by the nonmovant”).

eBay Turns Three: Injunctive Relief Hard to Come by for Non-Practicing Entities

By David Melaugh, Deok Keun Matthew Ahn, and Angela Rella

This May marks the three-year anniversary of the United States Supreme Court deciding *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). That decision overturned the Federal Circuit’s “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.” *Id.* at 391. In its place, the Supreme Court directed courts considering whether to award injunctive relief to apply the traditional four-factor test, requiring a plaintiff to demonstrate: “(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.” *Id.* Though the Court noted that neither “a plaintiff’s willingness to license its patents” nor “its lack of commercial activity in practicing the patents” was a *per se* bar to injunctive relief, *id.* at 393, commentators nevertheless opined that, post-*eBay*, non-practicing entities would find it harder to obtain permanent injunctive relief.

Have those initial predictions proved true? Have non-practicing entities found it difficult to obtain injunctive relief post-*eBay*? The short answer: Yes. Morrison & Foerster has followed the cases interpreting and applying *eBay* on behalf of its clients. We are often asked to advise both plaintiff and defendant clients on the likelihood of obtaining injunctive relief in light of *eBay*. We have identified more than 70 cases citing *eBay* to either grant or deny permanent injunctive relief. Apart from default judgments, there appears to be only *one* case in three years in which a court granted a non-practicing entity permanent injunctive relief.

The one case awarding a non-practicing entity injunctive relief was *CSIRO v. Buffalo Technology*, 492 F. Supp. 2d 600 (E.D. Tex. 2007). There, it was important to the court that the plaintiff was “a research institution and relies heavily on the ability to license its intellectual property to finance its research and development.” *Id.* at 604. The court noted that CSIRO “compete[s] internationally with other research groups — such as universities — for resources, ideas, and the best scientific minds to transform those ideas into realities.” The court concluded that denial of an injunction would “directly and negatively impact CSIRO’s research and development efforts and its ability to bring new technologies into fruition.” *Id.* at 606. It is also possible that CSIRO’s status as a foreign government’s national science agency played a role in the court’s conclusion.

Outside of research institutions, no non-practicing entity has been successful in obtaining permanent injunctive relief. It also bears noting that, where the plaintiff is a practicing entity, post-*eBay* cases suggest that the award of injunctive relief is still quite common - practicing entities successfully obtained such relief in almost 90% of the cases identified in our research. [The chart linked here is our detailed tracking of these cases.](#) ■

		Injunction Granted?		
		Yes	No	
Entity Practices?	Yes	53	7	60
	No	1	13	14
		54	20	

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litigation. The sources of proof in this case are many and are spread across the nation. While transfer to North Carolina would make access to *some* proof easier, this court is not convinced that access to all evidence would be so. In fact, important evidence on the West Coast relating to the development of the patented invention would be far more difficult to reach if this case were transferred to the East Coast.

Id. at 5 (emphasis in original).

Accordingly, the case was distinguishable from both *Volkswagen* and *TS Tech*, where the physical evidence was confined to a “limited region.” *Id.*

As to the other factors, the court noted that neither district would have subpoena power over all of the potential witnesses, again due to the national distribution of the parties, evidence, and witnesses. *Id.* at 7. Because transfer would simply reallocate the inconvenience from one forum to another, that factor did not favor transfer. *Id.* at 8. The same was true of the cost of attendance for witnesses. *Id.* at 9. The court found that the other factors were neutral

and that the defendant had not clearly demonstrated that transfer was appropriate. *Id.* at 10-11.

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While they offer only a limited (and early) perspective, these three cases suggest several potentially important changes in Eastern District transfer practice. First, where none of the parties have a connection to the Eastern District and there is another jurisdiction that plainly has a substantial connection to the case or is far more convenient, the case has a high probability of being transferred. In other words, where the parties, evidence, and witnesses are confined to a single geographic region outside of Texas, that case may be transferred. Second, where the parties are from multiple geographic regions across the country and no single venue would clearly be more convenient, transfer is less likely. In such cases, the Eastern District is arguably more centrally located for many of the parties. Third, in assessing whether transfer is appropriate, electronic evidence appears to be less significant than physical evidence and the location of the witnesses.

As a result, many single-defendant patent infringement cases that have little relationship to the Eastern District will either not be filed there or may be transferred to districts that are more convenient for the parties. Other

districts may therefore see an increase in patent infringement cases and the Eastern District may see a decrease. However, multi-defendant cases may continue to be filed in the Eastern District, and there is a good possibility that unless there is a single geographic region that is clearly more convenient, those cases will continue to be litigated in the Eastern District of Texas. ■

¹ The possible exception was where a judge in another district had significant substantive experience with the patent in suit and/or the parties and technology. See *Chi Mei Optoelects., Corp. v. LG Philips LCD Co.*, No. 2:07-CV-176, 2008 WL 901405, at *2 (E.D. Tex. Mar. 31, 2008); *Kinetic Concepts, Inc. v. Bluesky Med. Group*, No. 2:07-CV-188, 2008 WL 151276, at *2 (E.D. Tex. Jan. 15, 2008); *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, No. 2:04-CV-359, 2006 WL 887391, at *2 (E.D. Tex. Mar. 28, 2006); *LG Elecs.*, 2007 WL 4411035, at *3; *Zoltar Satellite Sys., Inc. v. LG Elecs. Mobile Comm'ns Co.*, 402 F. Supp. 2d 731, 735-36 (E.D. Tex. 2005).

² AIPLA *Volkswagen* amicus brief at 2.

³ The district court's order in *TS Tech* was issued on September 10, 2008, and the Fifth Circuit's *en banc* decision in *Volkswagen* was not issued until October 10, 2008. However, the earlier Fifth Circuit panel decision in *Volkswagen* was issued in 2007, *In re Volkswagen of Am., Inc.*, 506 F.3d 376 (5th Cir. 2007), and the Federal Circuit also cited that decision.

⁴ The court also rejected the argument that Microsoft could not complain that litigating in Texas would be inconvenient because it has already been involved in numerous patent infringement actions in the Eastern District of Texas.

⁵ Morrison & Foerster represents plaintiff Novartis Vaccines and Diagnostics, Inc., in this action.

Intellectual Property Practice News

AWARDS & ACCOLADES

Morrison & Foerster's IP practice continued to garner recognition in the first quarter of 2009, capturing major honors from **Chambers & Partners, Asia Pacific Legal 500**, and **Managing IP**. In awarding the firm's IP practice with more top rankings than any other firm in the world, **Chambers Global** bestowed upon our IP practice *Band One* rankings for *Global IP*, *Global IP Life Sciences*, and *USA IP*. One client was quoted by Chambers Global as saying: "*this firm constantly exceeds our every expectation — it is absolutely one of the best firms out there.*" The firm was further honored with a *Band One* ranking for *Japan IP* in the new **Chambers Asia** survey. The Asia Pacific Legal 500 ranked us *Band One* in *Japan for IP International Firms and Joint Ventures*. Our *Patent Prosecution*, *ITC Section 337*, and *Trademark* practices were also honored in *Managing IP*, earning *Tier 2*, *Tier 3*, and *Tier 4* rankings, respectively.

The Daily Journal's 2009 list of California's Top IP Lawyers included more attorneys from Morrison &

Foerster than any other firm. The firm's lawyers included on list are:

Top 25 California IP Portfolio Managers

- Kate Murashige
- Catherine Polizzi

Top 75 California IP Lawyers

- Vincent Belusko
- Michael Jacobs
- Rachel Krevans
- Harold McElhinny
- James Pooley

FROM THE DOCKET

Discovery Sues Amazon.com Over eBook Technology

In another high profile IP case, Morrison & Foerster is representing Discovery Communications in a patent infringement suit filed in March against Amazon.com, Inc., in the District of Delaware, alleging infringement of a patent issued to Discovery Communications for electronic book technology. Discovery alleges that Amazon's sale of the Kindle and Kindle 2 products and its electronic book delivery infringe one of Discovery's patents. Joseph LaSala, general counsel of Discovery, said in a statement about this action:

"We believe they [Kindle and Kindle 2] infringe our intellectual property rights, and that we are entitled to fair compensation. Legal action is not something Discovery takes lightly."

San Francisco partner **Michael Jacobs** is leading the team for Discovery.

Reexamination Victory for Acon Laboratories

In the latest success story for Morrison & Foerster's leading Patent Reexamination

In awarding the firm's IP practice with more top rankings than any other firm in the world, Chambers Global bestowed upon our IP practice *Band One* rankings for *Global IP*, *Global IP Life Sciences*, and *USA IP*.

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practice, we achieved a favorable ruling for Acon Laboratories in a three-year patent reexamination proceeding.

In 2005, Zyon International, Inc., sued Acon for alleged infringement of two U.S. patents, both directed to assaying devices for in-field urine analysis.

Acon retained Morrison & Foerster to defend the patent infringement action in court and to invalidate Zyon's patents in the PTO in an *ex parte* patent reexamination proceeding. The patent examiners rejected the claims of Zyon's patents based primarily on obviousness as set forth in the 2007 Supreme Court decision in *KSR v. Teleflex*. Zyon appealed the examiners' final rejection, but the Board of Patent

Appeals and Interferences in the PTO affirmed the examiners' final rejection in February 2009. Zyon can still appeal the Board's decision to the Federal Circuit.

As a result of the PTO's ruling, the pending litigation was terminated at an early stage, saving our client the time and expense associated with patent litigation. These decisions show that reexamination, even *ex parte* reexamination, can be a powerful tool to invalidate patents at a much lower cost than litigation.

San Diego Partner **Peng Chen** led the preparation of the request for reexamination.

Evapco Wins Summary Judgment

In a victory for our client Evapco, Inc., on January 8th, a district court judge granted summary judgment for Evapco and dismissed patent infringement

claims made by Clearwater in *Clearwater Systems Corp. v. Evapco, Inc.* The ruling in the District Court of Connecticut follows the issuance of a favorable *Markman* order for Evapco and hearings last fall at which arguments were heard on two patent infringement claims as well as a claim for breach of contract.

Clearwater Systems and Evapco are both manufacturers of non-chemical water treatment devices. Clearwater first filed suit in 2005, alleging theft of trade secrets and other business law torts. Clearwater also alleged that Evapco infringed two Clearwater patents, one claiming a device for non-chemical water treatment ("267 patent") and the other claiming a method for non-chemical water treatment ("739 patent").

About Morrison & Foerster's Intellectual Property Practice

Morrison & Foerster maintains one of the largest and most active intellectual property practices in the world. The IP practice provides the full spectrum of IP services, including litigation and alternative dispute resolution, representation in patent and trademark prosecution, and business and licensing transactions. Morrison & Foerster's IP practice has the distinguishing ability to efficiently and effectively handle issues of any complexity, in any venue, involving any technology. For more information about the IP practice, please visit www.mofo.com.

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