

# 'Waive' Goodbye: Developments in Patent Litigation

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The seemingly endless war between certain types of patent owners (often so-called "nonpracticing entities" or NPEs) and certain types of defendants (typically corporations perceived to have deep pockets) has been fought on many fronts over the last decades. Such plaintiffs file sketchy complaints, asserting patents of dubious validity, in courts that are perceived as a bit too friendly to patent owners. Legislation that is thought to tip the scales in favor of one side or the other is often introduced. It is seldom enacted.

In recent years, defendants have made gains in the courts in three important areas. First, in 2015, "Official Form 18" was removed from the federal rules. It had listed the skimpiest requirements for pleading patent infringement, often relegating defendants to guess what they'd done wrong, and inoculating plaintiffs from motions to dismiss.

Second, in [Alice Corp. Pty. Ltd. v. CLS Bank Int'l](#), 134 S. Ct. 2347 (2014), the Supreme Court ruled that many inventions directed to certain nontechnological areas such as business methods were not eligible for protection under the patent laws. As the so-called *Alice* defense proliferated, it came to be accepted that the defense could be raised under Fed. R. Civ. P. 12(b)(6) on a motion to dismiss for failure to state a claim. See, e.g., [Content Extraction & Transmission v. Wells Fargo Bank](#), 776 F.3d 1343 (Fed. Cir. 2014).

The third prodefendant development involved the venue in which patent infringement actions could be brought. Notwithstanding the ostensibly restrictive venue rule of 28 U.S.C. §1400(b), for 27 years the Federal Circuit had adhered to a precedential holding that an underthe radar amendment to the general venue statute had made it permissible to sue a corporation for patent infringement in any district where it was subject to personal jurisdiction. See [VE Holding Corp. v. Johnson Gas Appliance Co.](#), 917 F.2d 1574 (Fed. Cir. 1990). However, in [TC Heartland v. Kraft Foods Group Brands](#), 137 S. Ct. 1514 (2017), the Supreme Court has now ruled that the Federal Circuit had been incorrect all along, and that venue in patent cases should have been restricted as the Supreme Court had previously ruled in 1957.

What is ironic is that, for certain defendants, the ability to seek and obtain an early disposition on the merits under *Alice* has now become a ball and chain that prevents such defendants from escaping — under *Heartland* — from certain federal venues that are perceived as overly hospitable to NPEs and other patent owners.

Applying *Heartland* to newly filed cases was easy: if the plaintiff did not establish strict compliance with Section 1400(b), a case would be dismissed or transferred. But what about the hundreds of cases that had been filed in districts like the Eastern District of Texas that were in various procedural stages at the time *Heartland* was decided? What has now become clear is that plaintiffs who believed they had secured a favorable venue are not giving it up without a fight. And plaintiffs are winning quite a few of those fights.

As defense counsel have come to learn, an objection based upon improper venue can be waived; and, as we shall see, there are any number of ways for this to happen. For that reason, defendants have asked courts to excuse their waivers on the basis that *Heartland* changed the law. But that argument has been repeatedly rebuffed by courts concluding that *Heartland* merely reaffirmed the viability of the Supreme Court's 1957 decision, which could not have been overturned by the Federal Circuit in *VE Holding*. See, e.g., *Navico v. Garmin Int'l*, No. 2:16cv190 (E.D. Tex. July 11, 2017) (collecting cases).

With that escape valve largely closed, defendants have had to argue that there was no waiver in the first place. And they may have been surprised to learn how many ways one can waive the defense of improper venue. Of course, it has long been known that improper venue can be waived if it is not included in an answer or a Rule 12 motion. See Fed. R. Civ. P. 12(h)(1). But, as defendants are learning, it is not enough to formally preserve a venue defense in an answer if one then proceeds to litigate a case on the merits for a year or more. See, e.g., *Infogation Corp. v. HTC Corp.*, No. 16cv01902 (S.D. Cal. July 5, 2017).

Another creative way to waive venue is to file a motion to change venue, *not* under 28 U.S.C. §1406, which exists to cure a problem where venue is laid in the *wrong* district, but instead under Section 1404, which presupposes that venue is *proper* (albeit inconvenient) in the district where the plaintiff has filed. See, e.g., *Amax v. Acco Brands Corp.*, No. 1610695 (D. Mass. June 29, 2017).

There was at least some irony when the realization dawned that a waiver could occur where a defendant had filed some motion under Rule 12 and failed to include improper venue as a basis for the motion. Thus, a defendant who considered it advantageous to nitpick the specificity and plausibility of the plaintiff's pleading under Rule 12(b)(6) may have shut the door on later making an exit from an inhospitable venue.

But perhaps the supreme irony has begun to play out in cases where a defendant exercised its newfound ability to file a motion to dismiss for failure to state a claim based upon the absence of patenteligible subject matter. In *Realtime Data v. Carbonite*, No. 6:17cv121 (E.D. Tex. July 11, 2017), less than two weeks before the Supreme Court would issue its *Heartland* decision, the defendant had filed a motion to dismiss for failure to state a claim asserting lack of patenteligible subject matter under *Alice*. Later, after the *Heartland* decision, the defendant moved to dismiss for improper venue. The magistrate judge issued a report and recommendation urging that the motion to dismiss for improper venue be denied. Given the Fifth Circuit's "strict approach" as to the timing of Rule 12 motions (i.e., defendants who wish to assert improper venue must do so at the time of "the first significant defensive move"; namely, an answer or a Rule 12 motion), venue was deemed waived.

If defendants caught in this waiver trap are to find any relief, it seems unlikely that this will happen in connection with the waiver rules themselves, which are broad and encompass other defenses like improper service of process. These defendants seem more likely to convince a higher court that *Heartland* truly changed the law.

It is easy for a district court to now say, with hindsight, that the venue rules never really changed because the Federal Circuit could not have overruled the Supreme Court's 1957 decision. But was it realistic to expect a litigant to move for dismissal or transfer based on improper venue when any district court was almost certainly going to obey the Federal Circuit's decadesold decision in *VE Holding*? And if one had attempted to go to the Federal Circuit (which would have had to be on mandamus, a daunting prospect in any circumstance), the Federal Circuit would have likely reaffirmed *VE Holding* (as it did when TC *Heartland* sought relief). Should defendants stuck in a venue that might finally be found improper a decade later really be expected to then seek certiorari at the Supreme Court; and on the off chance that certiorari is granted, proceed through briefing on the merits and oral argument in the hope of overturning a 27yearold Federal Circuit decision? Yes, as

some courts recently noted, TC Heartland and its doggedly stubborn attorneys did all that — why couldn't you?

But in the real world of patent litigation, how many of us have clients that would have supported this sort of quixotic attempt to right a wrong on a nondispositive ruling regarding a procedural issue that might well be mooted by a settlement or a Patent and Trademark Office proceeding — all to avoid a finding of waiver at some later date?

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