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Patent Pilot Program
Ready for Takeoff In New York

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NEW YORK may have recently become a little more inviting for patent holders looking to file suit to enforce their patent rights. On June 7, 2011, the Administrative Office of the U.S. Courts announced the 14 district courts that have been chosen to participate in a congressionally-mandated Patent Pilot Program (the program). The Southern and Eastern districts of New York are among the courts selected.[1] Now, when a plaintiff files a patent infringement action in one of these courts, if the case is assigned to a judge who has not, as part of this program, requested to hear patent cases, that judge can decline the case so that it can be assigned to a judge who has made such a request.[2] In other words, if you file a patent case in one of these courts, you are less likely to end up with a judge who would rather swim the East River—in February—than hear your patent case.

The participating judges in the Southern District are U.S. District Judges P. Kevin Castel, Denise L. Cote, Katherine B. Forrest, Thomas P. Griesa, John G. Koeltl, Colleen McMahon, Jed S. Rakoff, Shira A. Scheindlin, Laura Taylor Swain and Robert W. Sweet.[3] It is believed that the participating judges in the Eastern District are U.S. District Judges Brian M. Cogan, John Gleeson, William F. Kuntz II, Kiyo A. Matsumoto and Jack B. Weinstein.[4]

This article will explore how the Southern and Eastern districts' participation in the program might affect the speed, quality, cost, efficiency and frequency of patent litigation in these courts. While patent litigation in New York is not likely to spark the growth of the cottage industry that has developed in East Texas, some positive changes are likely to result.

Speed of Resolution

A Fall 2010 article reporting time-to-resolution of patent cases ranked the Southern and Eastern districts 21st and 22nd, respectively, of the 33 district courts with any appreciable volume of

patent litigation from 2000 to 2010.[5] Courts such as the Eastern District of Missouri, the Southern District of Texas and the Northern District of Ohio are resolving patent cases faster than the Southern and Eastern districts of New York. All of these courts, and several courts with a faster time-to-resolution than the Southern and Eastern districts of New York, have local patent rules. While local patent rules are certainly no guarantee of a faster time-to-resolution,[6] they do generally provide a timeline for litigation that, when adhered to, can have a case ready for trial in significantly less than two years.[7]

Neither the Southern nor Eastern District currently has local patent rules. While local patent rules were proposed for the Southern District as recently as 2006, they were never adopted. However, since the participation of these courts in the program was announced, members of local bar organizations have been working on a new draft of local patent rules to be presented for consideration by the courts' Rules Committees and/or one or more judges in each of these districts. The understanding among many New York patent litigators is that local patent rules are likely to actually be adopted this time. Adoption of local patent rules is likely to have the effect of decreasing the time to trial or other resolution of patent cases filed in these courts.

Another factor that may help speed cases along is the fact that the judges participating in the program have volunteered to do so. A common human tendency is to spend more time and effort doing things we enjoy doing. Judges, including those in the Southern and Eastern districts, are no different. Most attorneys have experienced or heard about cases in many districts that linger unattended on judges' dockets for years. One can hope that the judges who have volunteered to hear patent cases have done so because they enjoy patent cases, and that these cases will not linger unnecessarily.

Note, however, that patent cases will not be assigned exclusively to those judges who have volunteered. Instead, patent cases will be initially assigned at random among all district judges, and those judges who have not volunteered to participate in the program will have the option of declining the case. Human nature may come into play here also: A judge who has not volunteered to participate in the program may be reticent to decline a patent case out of concern that declining the case will be perceived poorly by his or her fellow district court judges. Nonetheless, it seems very likely that implementation of the program will result in more patent cases being assigned to judges who want to hear patent cases, and fewer patent cases being assigned to judges who do not. This should reduce the number of patent cases that linger unnecessarily due to inattentiveness from the court.

Finally, a judge's increased experience with patent litigation should also lead to faster time-to-resolution. For example, experience has shown that the construction of disputed claim terms—i.e., the *Markman* order, which sets forth the meaning of claim terms as defined by the court—is often the most critical ruling in patent cases that leads to settlement. Based on a 2011 report, the Southern and Eastern districts issued *Markman* orders from case filing on average in 22.6 months and 40.1 months, respectively.[8] Four of the five district courts with the fastest time-to-resolution as reported in the Fall 2010 article, however, issued *Markman* Orders faster than both the Southern and Eastern districts.[9] Accordingly, as the experience of the judges participating in the program increases, it should take less time to construe claims and less time to resolve infringement and validity issues on summary judgment, improving the time-to-resolution.

Quality and Predictability of Rulings

The stated purpose of the program is "to encourage enhancement of expertise in patent

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cases among district judges."[10] This purpose implies a premise that increased expertise will result in better quality, and more consistent, rulings. However, research has shown that at least half of this premise may be false, i.e., the program is not likely to lead to better quality rulings. A 2008 study found that district court judges with significant experience judging patent cases are reversed at roughly the same rate as judges with little such experience.[11] Similarly, administrative law judges in the International Trade Commission, whose cases are almost exclusively patent cases, do no better at claim construction than district court judges.[12] This research suggests that the program is not likely to result in higher rates of affirmance. Therefore, this is not likely to lead to improved quality of rulings, to the extent that a "quality" ruling is defined as one that holds up on appeal.

There are **41 district court judges** in the Southern District of New York. If the **Patent Pilot Program** works as intended, most patent cases will be **heard by only 10** of them.

But the program may lead to more consistent rulings and, therefore, increased predictability, especially as to issues that are not likely to be appealed. Lawyers who have litigated many patent cases in the Eastern District of Texas or the District of Delaware have grown to appreciate the benefits of litigating case after case before the same small group of judges. For example, our familiarity with a particular group of judges leads us to be able to predict, with a fair degree of accuracy, whether a case will survive a venue challenge, whether infringement contentions will be deemed sufficient, how the judge will rule on a discovery dispute, whether certain exhibits will be admitted at trial, the permitted scope of an inventor's testimony at trial, and how much time the parties are likely to be given to present their case to a jury. There are great benefits to this predictability, not the least of which is a reduction in time wasted bringing motions that will ultimately be denied or seeking discovery of information that will ultimately not be offered at trial.

There are 41 district court judges in the Southern District of New York. If the program works as intended, most patent cases will be heard by only 10 of them. There are 25 district court judges in the Eastern District. If the program works as intended, most patent cases will be heard by only five of them. This concentration of patent cases to this significantly reduced number of judges should lead to a higher degree of predictability, which will benefit the court and litigants alike.

Cost and Efficiency

If the program results in quicker resolution of cases, better quality and more predictable rulings, then the program should also result in matters that are litigated for less cost and with more efficiency. Generally speaking, a case that takes six years to resolve costs more than a case that takes a year and a half to resolve. This is, in part, a result of forced efficiency. When fact discovery must be completed in a six to eight month period, there is usually insufficient time for a "no stone left unturned" approach and, instead, the parties inevitably prioritize issues in a way that limits the time and money spent on discovery.

Predictability of judges' rulings can and should also result in reduced costs. For example, if litigants know that a particular judge rarely grants summary judgment in patent cases, that litigant will be less likely to spend the time—and incur the legal fees—that filing summary judgment motions requires. Similarly, fewer fees will be incurred drafting motions that will predictably be denied.

Frequency

If the program works as intended in the Southern and Eastern districts, these courts are likely to experience a marked increase in patent litigation. When deciding on a venue in which to file a patent case, a patent owner's decision often comes down to three simple questions: (1) Will I win? (2) How long will it take me to win? (3) How much will it cost me to win? As for the first question, patentees have fared relatively well in the Southern District. Of the 33 districts with the most patent litigation from 2000 to 2010, the Southern District ranked ninth in patentee win rate.[13] Patentees in the Eastern District, on the other hand, have not fared as well: That district ranked 31st.[14]

Proper implementation of the program in these district courts should lead to favorable answers to the second and third questions. Adoption of local patent rules, if those rules impose a meaningful timeline, should increase speed. In addition, the increased experience of the participating judges and their interest in patent cases should limit the delays that often befall large, complicated cases. Finally, faster time-to-resolution and better predictability of rulings should decrease the costs incurred in litigating patent cases in these districts.

Participation in the program could make it more difficult to transfer venue from the Southern or Eastern District to some other court once a patent case is filed. At a conference in Dallas in September 2011, one of the authors of this article, sitting on a panel with Chief Judge Randall R. Rader of the U.S. Court of Appeals for the Federal Circuit, asked Judge Rader if he believed a court's participation in the program should be a consideration when a court is deciding a motion to transfer venue. He answered that a court's participation should be a consideration.[15] Judge Rader's response is consistent with relevant case law.

One of the public interest factors that courts are to consider when faced with a motion to transfer venue is the court's familiarity with applicable law.[16] The stated purpose of the program is "to encourage enhancement of expertise in patent cases among district judges."[17] If the program is fulfilling this purpose, then a court's participation in the program should weigh in favor of denying a motion to transfer, especially if the proposed transferee court is not participating in the program.

Conclusion

While the Patent Pilot Program will not single handedly make the Southern and Eastern districts of New York major hubs of patent litigation, it will likely improve the speed, reduce the cost and improve the efficiency of patent litigation in these districts. These improvements may also ultimately increase the number of patent cases filed in these districts.

1. The 14 selected Patent Pilot Program courts are the: Central District of California; Northern District of California; Southern District of California; Southern District of Florida; Northern District of Illinois; District of Maryland; District of Nevada; District of New Jersey; Eastern District of New York; Southern District of New York; Western District of Pennsylvania; Western District of Tennessee; Eastern District of Texas and Northern District of Texas. See http://www.uscourts.gov/news/newsview/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx (last visited on Nov. 11, 2011).

2. Patent Cases Pilot Program, Pub. L. No. 111-349, 124 Stat. 3674.

3. Office of the District Court Executive, "Ten SDNY Judges to Participate in Patent Pilot Program Starting November 26," (Nov. 3, 2011), available at http://www.nysd.uscourts.gov/file/news/patent_pilot_program_press_release.

4. As of Nov. 15, 2011, the authors have directly confirmed the participation of only U.S. District Judges Cogan, Gleeson, Kuntz and Weinstein in the Patent Pilot Program.

5. Mark A. Lemley, "Where to File Your Patent Case," 38 AIPLA Q.J. 1, 6, 15-16 (2010).

6. Despite its local patent rules, the Eastern District of Texas ranks 28th in time-to-resolution, largely due to docket congestion. Id. at 15-16.

7. See, e.g., the Local Patent Rules for the Northern District of Ohio. Absent modification to the schedule created by these Rules, it should take considerably less than two years from filing of an Answer to trial.

8. LegalMetric Nationwide Report, "Markman Rulings in Patent Cases, September 1991-July 2011," at 4-6 (2011).

9. Id.

10. Patent Cases Pilot Program, supra note 2.

11. David L. Schwartz, "Practice Makes Perfect? An Empirical Study of Claim Construction Reversal Rates in Patent Cases," 107 Mich. L. Rev. 223, 255-56 (2008).

12. David L. Schwartz, "Courting Specialization: An Empirical Study of Claim Construction Comparing Patent Litigation Before Federal District Courts and the International Trade Commission," 50 Wm. & Mary L. Rev. 1699, 1719-21 (2009).

13. Lemley, supra note 5, at 8-9.

14. Id.

15. However, in Pinpoint, Inc. v. Groupon, Inc., Judge John F. Grady, in analyzing the "public interest" factors in a pending motion to transfer, stated that

> *[t]his district's participation in the Patent Pilot Program is not relevant here. This case was randomly assigned to us, and we did not decline to accept it. Similarly, the existence of our local patent rules does not affect our analysis because there is no indication that they would reduce the length of time it would take to resolve this particular case.*

Mem. Op. at 9-10, No. 11-c-5597 (N.D. Ill. Dec. 5, 2011), Dkt. No. 77. It remains to be seen whether other district courts, and ultimately the Federal Circuit, will take this same approach.

16. In re TS Tech USA Corp., 551 F.3d 1315, 1319 (Fed. Cir. 2008).

17. Patent Cases Pilot Program, supra note 2.