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How West Texas Patent Trial Speed Affects PTAB Denials

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The U.S. District Court for the Western District of Texas stands at the center of a rapidly escalating trend among patentees to sue in that district's Waco division because of its speed to trial under U.S. District Judge Alan Albright.

Indeed, the number of patent infringement suits filed in the Waco Division has grown by 845% in just two years: from 90 cases in 2018 to over 850 cases in 2020.

Many attribute the growing popularity of this venue to Judge Albright's default schedule and standing orders, which keep patent disputes moving swiftly and on a predetermined timeline toward claim construction and trial.[1]

Another often-cited factor is the growing number of high-tech companies that have a footprint in the Austin area, earning it the nickname "Silicon Hills."

Many defendants sued in Waco have sought to have the case transferred on the basis of convenience, either to a district closer to corporate headquarters or to the Austin division. In the meantime, they must remain in the district, subject to Judge Albright's expeditious schedule.

The speed of Judge Albright's schedule also has a unique interplay with patent challenges before the Patent Trial and Appeal Board under the agency's precedent in the 2018 NHK Spring Co. Ltd. v. Intri-Plex Technologies Inc. decision and the 2020 Apple Inc. v. Fintiv Inc. decision.[2] These decisions govern the PTAB's discretion to deny institution when the district court in a related patent infringement action is expected to conduct trial before the PTAB is expected to issue a final decision.

In this article, we examine how Judge Albright has been handling intradistrict and interdistrict transfer motions and analyze the 39 institution decisions issued by the PTAB in 2020 that address NHK-Fintiv in the context of parallel litigation in the Western District of Texas.

The Western District of Texas and Venue

In recent years, a growing number of California-based companies have flocked to the Austin, Texas, metropolitan area, citing lower costs of living than Silicon Valley and more favorable tax and economic policies.[3] Austin is among the Texas municipalities subject to the jurisdiction of the Western District of Texas, along with Waco, San Antonio, Del Rio, El Paso, Midland-Odessa and Pecos.

A natural consequence of occupying a location to conduct business regularly is that doing so may give rise to having a regular and established place of business in that locale, within the meaning of the venue statute, Title 28 of the U.S. Code, Section 1400(b).[4] And a defendant not resident in the U.S., i.e., a foreign entity, may be sued in any district.[5]

Yet even if venue is proper, a defendant may seek to transfer on the basis of convenience under Section 1404(a). Among cases assigned to Judge Albright in Waco, it has not been uncommon for defendants to seek transfer out of the district or to elsewhere within it. In the context of contested motions to transfer out of the district, Judge Albright has granted interdistrict transfers three times out of 20; or in 15% of cases.[6] He has granted intradistrict transfers between Waco to Austin seven times, including one retransfer from Austin back to Waco.[7]

Eight of these transfer determinations have been reviewed on mandamus by the U.S. Court of Appeals for the Federal Circuit, which affirmed Judge Albright four times[8] and reversed him four times.[9] Most recently, this month, in the In re: SK Hynix Inc. decision, the Federal Circuit imposed a stay of substantive proceedings until an outstanding motion to transfer was ruled upon, highlighting that the motion had yet to be decided after sitting on the docket for seven months.[10]

In this decision and others, the Federal Circuit has emphasized that "once a party files a transfer motion, disposing of that motion should unquestionably take top priority."[11] Setting aside how promptly courts are expected to resolve motions to transfer, the process of petitioning the outcome on mandamus before the Federal Circuit — while faster than the average appeal — can take anywhere from one to six months for a decision on review.

Assuming a decision on a contested motion to transfer will take time and may be subject to interlocutory review by the Federal Circuit, defendants must be mindful of how the passage of time can impact other aspects of their litigation defense strategy, including PTAB challenges.

Judge Albright's Schedule and the PTAB's NHK-Fintiv Calculus

Under NHK-Fintiv, defendants face significant pressure to pursue inter partes review more quickly than ever before. That is because these decisions compel petitioners to avoid, to the extent possible, a scenario in which the court will adjudicate validity before the PTAB will. A related concern for petitioners is to minimize the degree to which the court and the parties have invested resources addressing issues of validity in the litigation, which may include claim construction. These concerns emanate from the six factors outlined in NHK and Fintiv.[12]

While these factors are enumerated as distinct considerations, the PTAB generally takes "a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review."[13] The growing influence of these decisions has brought about a proposed rulemaking as well as a lawsuit under the Administrative Procedure Act in the last year.[14]

Judge Albright's default schedule provides that a Markman hearing will be conducted within five months of the date of the initial case management conference.[15] The schedule also provides that a trial date

will be set at the Markman hearing, the expected trial date being within one year of that hearing or as soon as practicable.[16] This works out to an expected trial date less than two years from the filing of the complaint, in many cases within 18 months.

Juxtaposed against the PTAB's six-month window to decide whether to institute, followed by its one-year timeline to issue a final written decision on patentability, this situation puts defendants under tremendous pressure to file any petitions as soon as possible after being sued.

We analyzed the 39 institution decisions issued in 2020 that address the NHK-Fintiv factors in the context of parallel litigation in the Western District of Texas. Of those 39, the PTAB denied institution in 15 cases (38%) and granted institution in 24 cases (62%).[17] With regard to the individual NHK-Fintiv factors, we identified some notable trends.

The first factor considers whether a stay exists or is likely to be granted if a proceeding is instituted.[18] A common feature across all 39 cases is that a stay of the litigation was not in place and had not been requested. Patent owners often argue that Judge Albright is unlikely to stay pending IPR, citing statements by the judge in interviews that he will not do so absent special circumstances.[19]

Patent owners have also cited the fact that Judge Albright has denied every contested motion to stay pending a post-grant proceeding.[20] While the sample is small — only five — the statement remains true. In general, the PTAB has been unwilling to "speculate on how Judge Albright would rule on a motion based on actions taken in different cases with different facts or extrajudicial interviews."[21] This makes the first NHK-Fintiv factor neutral.

The second and third NHK-Fintiv factors, proximity of the court's trial date and investment in the parallel proceeding by the court and parties, are closely related.[22] The four fact patterns that resulted in denial of institution cited trial dates set to occur within one,[23] four,[24] five,[25] or six months[26] of institution.

In one case, however, the PTAB granted institution despite a trial date's being set "eight months before the statutory due date of the final written decision in this proceeding."[27] There, the PTAB highlighted two previously instituted IPRs relying on the same art and similar arguments and observed that the PTAB would address additional claims.[28]

Whether a trial date is set or merely tentative can be a murky issue — with different panels of the PTAB analyzing the issue differently. Whether a court's expected trial date should be taken at face value or can be called into question based on the circumstances is something the PTAB has been addressing on a case-by-case basis.[29]

In one case, trial had been continued indefinitely due to COVID-19 but the PTAB credited statements by Judge Albright that the case should proceed as if still set for trial on the original date and that, if the parties were to waive a jury demand — which they did — he would conduct trial earlier.[30]

Yet there are more examples of the PTAB's discounting an expected trial date as tentative or uncertain because specific dates had not yet been selected, or because COVID-19 had forced the court to continue trial.[31] The PTAB has also focused on the proximity of the trial date and the expected final decision date to reason that they are close enough, such that this factor does not weigh against institution.[32]

The NHK-Fintiv factors also consider whether the petitioner was diligent and pursued a challenge before

the PTAB expeditiously — but what does that mean?[33] Fintiv observes that "it is often reasonable for a petitioner to wait to file its petition until it learns which claims are being asserted against it."[34] By this standard, a petition is filed expeditiously if the petitioner files "promptly after becoming aware of the claims being asserted."[35]

Under Judge Albright's default schedule, plaintiffs serve their preliminary infringement contentions one week before the initial case management conference.[36]

The PTAB has found that petitioners who have filed within two[37] or three[38] months of suit being filed, or "less than four weeks after serving its invalidity contentions and nearly six months before the statutory deadline"[39] have been expeditious. The PTAB described the petitioner as "exceptionally diligent" for filing the petition before the case management conference and before the patent owner had identified the asserted claims.[40]

By contrast, the PTAB has denied institution where the delay in seeking IPR was unexplained. In one case, the PTAB did not credit the petitioner's excuse of waiting until after the court ruled on indefiniteness because the substance of the petition did not depend on that ruling and included disclaimers to that effect.[41] The PTAB found that this lent some credence to the patent owner's argument that the delay was unjustified and strategically motivated.[42]

Another notable factor is whether the investment in the parallel proceeding by the court and the parties is untethered to the issue of validity or mostly directed to ancillary issues.[43] In one case, the PTAB granted institution after observing that investments in the litigation to date, including on claim construction, revolved around infringement and a procedural motion.[44]

Regarding the fourth factor, overlap between issues raised in the petition and in the parallel proceeding, petitioners have an opportunity to minimize concern regarding overlap by stipulating that they will not raise the same grounds before the court.[45] The PTAB has found this compelling, even where the stipulation is narrowly drawn to the grounds in the petition.[46]

Strategic Takeaways

Petitioners who want to pursue challenges before the PTAB should have a defensible position on diligence — whether they take the most conservative path and file before the asserted claims have been identified, or trust the guidance in Fintiv that doing so promptly after finding out is sufficient.[47] Based on examples in 2020, filing promptly appears to be within two to three months after being sued, but the board may tolerate additional delay if it is justified and explained.

For example, the PTAB found that multiple amendments to the complaint,[48] joint motions to extend deadlines,[49] and a lapse between the complaint and identification of claims[50] were valid excuses. The transfer calculus can also be affected by the stage of the litigation, in that the court may consider the transferor forum's familiarity with the issues in the case.[51] While the Federal Circuit has warned that disposition of a motion to transfer should take top priority, the case for convenience is analyzed at the time the motion is filed, so the earlier the better.[52]

Ultimately, this remains a quickly evolving and dynamic situation, in part due to COVID-19[53] and in part due to what cannot be predicted about the incoming leadership and future policy at the U.S. Patent and Trademark Office. That said, the larger economic trends that have made Austin a hub for high-tech

companies will likely sustain interest in the Western District of Texas as a quickly moving patent venue. We expect more notable trends and dynamics to emerge in the years to come.

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[1] Britain Eakin, West Texas Judge Says He Can Move Faster Than PTAB, Law360 (Nov. 27, 2019), available at https://www.law360.com/articles/1224105/west-texas-judge-says-he-can-move-faster-than-ptab; Greg Lantier, Ben Ernst and Wenbo Zhang, A Guide To West Texas Patent Cases Before Albright: Part 1, Law360 (July 1, 2020), available at https://www.law360.com/articles/1285636/a-guide-to-west-texas-patent-cases-before-albright-part-1; Victor Johnson, Judge Albright's Latest Rules Ensure the WDTXs Place as the New Patent Rocket Docket, IP Watchdog (Nov. 27, 2020), available at https://www.ipwatchdog.com/2020/11/27/judge-albrights-latest-rules-ensure-wdtxs-place-new-patent-rocket-docket/id=127632/.

[2] NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc., No. IPR2018-00752, 2018 WL 4373643 (P.T.A.B. Sept. 12, 2018) (precedential); Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495 (P.T.A.B. Mar. 20, 2020) (precedential).

[3] Jean Folger, Why Silicon Valley Companies Are Moving to Texas, Ivestopedia, Business Essentials (Dec. 17, 2020), available at https://www.investopedia.com/why-silicon-valley-companies-are-moving-to-texas-5092782.

[4] TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S.Ct. 1514 (2017); see also In re Cray, 871 F.3d 1355 (Fed. Cir. 2017).

[5] 28 U.S.C. §1391(c)(3); see, e.g., Canopy Growth Corporation v. GW Pharmaceuticals plc, Civil No. 6:20-cv-01180 (W.D. Tex. Dec. 22, 2020), ECF No. 1 (complaint alleging that "[v]enue is proper in this judicial district pursuant to 28 U.S.C. §1391(c)," noting that "GW is a foreign entity and may be sued in any judicial district pursuant to 28 U.S.C. §1391(c)(3)").

[6] DynaEnergetics Europe GmbH et al v. Hunting Titan, Inc., No. 6:20-cv-00069, ECF No. 41 (W.D. Tex. June 16, 2020); Moskowitz Family LLC v. Globus Medical, Inc., No. 6:19-cv-00672, ECF No. 50 (W.D. Tex. July 2, 2020); Parus Holdings Inc. v. Apple Inc., No. 6:19-cv-00432, ECF No. 161 (W.D. Tex. Aug. 20, 2020).

[7] Data Scape Limited v. Dell Technologies Inc. et al, No. 6:19-cv-00129, ECF No. 44 (W.D. Tex. June 7, 2019); Freshub, Inc. et al v. Amazon.com, Inc. et al, No. 6:19-cv-00388, ECF No. 29 (W.D. Tex. Sept. 9, 2019); VLSI Technology LLC v. Intel Corporation, No. 6:19-cv-00254, ECF No. 78 (W.D. Tex. Oct. 7, 2019); Hammond Development International, Inc. v. Amazon.Com, Inc. et al, No. 6:19-cv-00355, ECF No. 65 (W.D. Tex. Mar. 30, 2020); Voxer, Inc. et al v. Facebook, Inc. et al, No. 6:20-cv-00011, ECF No. 54 (W.D. Tex. June 22, 2020); Hammond Development International, Inc. v. Amazon.Com, Inc. et al, No. 1:20-cv-00342, ECF No. 89 (W.D. Tex. June 24, 2020); VLSI Technology LLC v. Intel Corporation, No. 1:19-cv-00977, ECF No. 352 (W.D. Tex. Nov. 20, 2020) (granting plaintiff's emergency motion to re-transfer from the Austin division to the Waco division in light of the Austin division's continued closure frustrated the

original purpose of the transfer, subject of two decisions by the Federal Circuit on mandamus, Fed. Cir. Case Nos. 21-105 and 21-111).

[8] Fed. Cir. Nos. 21-111, 20-130, 20-127, 20-104.

[9] Fed. Cir. Nos. 21-105, 20-142, 20-135, 20-126.

[10] In re: SK hynix Inc., No. 21-113, ECF No. 10 (Fed. Cir. Feb. 10, 2021).

[11] In re Apple Inc., 979 F.3d 1332, 1337 (Fed. Cir. 2020).

[12] The "factors" are: (1) whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted; (2) proximity of the court's trial date to the PTAB's projected statutory deadline for a final written decision; (3) investment in the parallel proceeding by the court and the parties; (4) overlap between issues raised in the petition and in the parallel proceeding; (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and (6) other circumstances that impact the PTAB's exercise of discretion, including the merits.

[13] Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495, at *3 (P.T.A.B. Mar. 20, 2020).

[14] Ian Lopez, Patent Office Considers New Rules for Denying Patent Reviews, Bloomberg Law (Oct. 29, 2020), available at https://news.bloomberglaw.com/ip-law/patent-office-considers-new-rules-for-denying-patent-reviews; Dani Kass, Apple, Google Challenge IPR Discretionary Denial Precedent, Law360 (Aug. 31, 2020), available at https://www.law360.com/articles/1306002/apple-google-challenge-ipr-discretionary-denial-precedent.

[15] Waco Division, U.S. District Judge Albright, Sample Order Governing Proceedings - Patent Cases, available at https://www.txwd.uscourts.gov/judges-information/standing-orders/.

[16] Id.

[17] Of the 15 cases where institution was denied, 12 cases were related to the same dispute. In that dispute, trial was set to occur within at least six months of the PTAB's decision on institution. VLSI Tech. LLC v. Intel Corp., No. 6:19-cv-00254, -00255, -00256 (W.D. Tex.).

[18] Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495, at *3 (P.T.A.B. Mar. 20, 2020).

[19] E.g., IPR2020-00983, Paper 11 at 6 (Dec. 16, 2020).

[20] IPR2020-00984 Paper 11 at 8 (Dec. 9, 2020) ("Patent Owner asserts that it has identified five opposed motions to stay in view of PTAB proceedings filed with this District Court, and that all five motions were denied . . . . Patent Owner further contends that despite the assigned judge sitting on the bench for two years and having more than 480 active patent cases, the court has never granted an opposed motion to stay in light of pending IPR or PGR proceedings").

[21] IPR2020-00459, Paper 17 at 35 (Sept. 14, 2020).

[22] Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495, at *4 (P.T.A.B. Mar. 20, 2020).

[23] IPR2019-00406, Paper 27 (June 10, 2020).

[24] IPR2020-01055, Paper 10 (Dec. 14, 2020).

[25] IPR2019-01393, Paper 12 (Feb. 5, 2020).

[26] IPR2020-00106, Paper 17 (May 5, 2020).

[27] IPR2019-01537, Paper 14 at 62 (Mar. 11, 2020).

[28] Id.

[29] See, e.g., IPR2020-00686, Paper 9 at 13 (Sept. 23, 2020) ("We recognize that panels of the Board have assessed this factor on a case-by-case basis. On one hand, the Fintiv panel took the district court's trial schedule at 'face value' and declined to question it 'absent some strong evidence to the contrary.' . . . . On the other hand, the Sand Revolution panel was persuaded by the uncertainty in the schedule (including that caused by the parties agreeing to jointly request rescheduling of the trial date on several occasions and the global pandemic) despite a scheduled trial date . . . . .")

[30] IPR2019-00406, Paper 27 at 10 (June 10, 2020).

[31] See, e.g., IPR2019-01393, Paper 24 (June 16, 2020); IPR2020-00470, Paper 13 (Aug. 18, 2020); IPR2020-00686, Paper 9 at 13 (Sept. 23, 2020) ("Whether the Texas court's trial takes place before, contemporaneously with, or after our final written decision statutory deadline involves substantial speculation. Accordingly, this factor is, at best, neutral …."); IPR2020-00846, Paper 9 (Oct. 21, 2020); IPR2020-00847, Paper 9 (Oct. 21, 2020); IPR2020-00859, Paper 13 (Nov. 5, 2020); IPR2020-00983, Paper 11 (Dec. 16, 2020); IPR2020-01007, Paper 15 (Dec. 7, 2020).

[32] See, e.g., IPR2020-00846, Paper 9 at 14 (Oct. 21, 2020) ("This proximity inquiry is a proxy for the likelihood that the trial court will reach a decision on validity issues before the Board reaches a final written decision. A trial set to occur soon after the institution decision is fairly likely to happen prior to the Board's final decision, even if the trial date were postponed due to intervening circumstances. Here, however, where the trial is scheduled for only three months before the final decision, and there is at least some persuasive evidence that delays are possible, the efficiency and system integrity concerns that animate the Fintiv analysis are not as strong all other things being equal. Accordingly, this factor is, at best, neutral ….")

[33] Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495, at *5 n.21 (P.T.A.B. Mar. 20, 2020).

[34] Id.

[35] Id.

[36] Waco Division, U.S. District Judge Albright, Sample Order Governing Proceedings - Patent Cases, available at https://www.txwd.uscourts.gov/judges-information/standing-orders/.

[37] IPR2020-00984, Paper 11 (Dec. 9, 2020).

[38] IPR2020-01044, Paper 13 (Dec. 17, 2020).

[39] IPR2020-00470, Paper 13 at 19 (Aug. 8, 2020).

[40] IPR2020-01007, Paper 15 at 16 (Dec. 7, 2020); IPR2020-01008, Paper 10 at 16 (Dec. 7, 2020); IPR2020-01009, Paper 8 at 16 (Dec. 7, 2020).

[41] IPR2020-01055, Paper 10 at 13 (Dec. 14, 2020).

[42] Id.

[43] Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC, IPR2019-01393, Paper 24 at 10 (P.T.A.B. June 16, 2020) (informative); IPR2020-00686, Paper 9 at 17 (Sept. 23, 2020); IPR2020-00686, Paper 9 at 19 (Sept. 23, 2020); IPR2020-00846, Paper 9 at 18 (Oct. 21, 2020).

[44] IPR2020-00686, Paper at 16 (Sept. 23, 2020) ("The risk of duplication is most prominent for issues of invalidity, as we have no authority to address issues of infringement or Texas court procedures . . . . Aside from Petitioner having served its initial invalidity contentions, we see no other significant investment by the parties or the Texas court in issues related to invalidity."); see also Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC, IPR2019-01393, Paper 24 at 10-11 (P.T.A.B. June 16, 2020) (informative) ("[T]he district court's two-page Markman Order in this case does not demonstrate the same high level of investment of time and resources as the detailed Markman Order in Fintiv."); IPR2020-00686, Paper at 16 (Sept. 23, 2020) ("Patent Owner does not explain whether any of the claim construction issues disputed in the Texas court bear on validity or how the expected claim construction order might affect this proceeding. Petitioner does not propose any claim terms for construction in this proceeding."); IPR2020-00984, Paper 11 at 18-19 (Dec. 9, 2020) ("The weight to give claim construction orders, however, varies because some district courts may postpone significant discovery until after the issuance of a claim construction order, while others may not.").

[45] Sand Revolution II, LLC v. Continental Intermodal Group – Trucking LLC, IPR2019-01393, Paper 24 at 11-12 (P.T.A.B. June 16, 2020) (informative) ("Petitioner's stipulation . . . mitigates to some degree the concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions.").

[46] See, e.g., IPR2020-00459, Paper 17 (Sept. 14, 2020); IPR2020-00686, Paper 9 (Sept. 23, 2020); IPR2020-00846, Paper 9 (Oct. 21, 2020); IPR2020-00847, Paper 9 (Oct. 21, 2020); IPR2020-00859, Paper 13 (Nov. 5, 2020); IPR2020-00984, Paper 11 (Dec. 9, 2020); see also IPR2020-01044, Paper 13 at 15 (Dec. 17, 2020) ("Petitioner stipulates 'that, if IPR is instituted, they will not assert in the Texas case any ground that they would have been estopped from asserting by operation of 35 U.S.C. § 315(e)(2) had a FWD in this IPR previously issued.' . . . . Petitioner's broad stipulation ensures that the PTAB proceeding is a 'true alternative' to the District Court proceeding.").

[47] Apple Inc. v. Fintiv, Inc., No. IPR2020-00019, 2020 WL 2126495, at *5 (P.T.A.B. Mar. 20, 2020).

[48] IPR2019-01366, Paper 13 (Feb. 10, 2020).

[49] IPR2019-01393, Paper 24 (June 16, 2020).

[50] IPR2020-00845, Paper 16 (Oct. 8, 2020).

[51] ParkerVision, Inc. v. Intel Corporation, No. 6:20-cv-00108 (W.D. Tex. Jan. 26, 2021); Uniloc 2017 LLC v. Apple Inc., No. 6:19-cv-00532 (W.D. Tex. Jun. 22, 2020) (reversed).

[52] See, e.g., Parus Holdings Inc. v. Apple Inc., 6:19-cv-00432 (W.D. Tex. Aug. 20, 2020) (granting transfer and noting "this case is in its early stages, meaning any increase in judicial economy from the Court's experience in these early stages of litigation is likely to be limited").

[53] Andrew Karpan, Top WDTX Judge Delays Jury Trials Until April, Law360 (Feb. 4, 2021), available at https://www.law360.com/articles/1352256/top-wdtx-judge-delays-jury-trials-until-april; Ryan Davis, Albright Orders Daily COVID-19 Tests At Intel Patent Trial, Law360 (Apr. 10, 2020), available at https://www.law360.com/articles/1354281/albright-orders-daily-covid-19-tests-at-intel-patent-trial.