

Commentary

The Impact Of The Federal Circuit's Recent *Micron* Decision On Forum Shopping In Patent Cases

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The Federal Circuit's February 29, 2008 decision in *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, 2008 U.S. App. LEXIS 4387 (Fed. Cir. 2008), casts some doubt on the popular practice of forum shopping by patentees. As has been widely noted, patentees seeking plaintiff-friendly and patent-friendly courts have, in recent years, made the Eastern District of Texas the unlikely capital of patent litigation. The *Micron* decision suggests that accused infringers may now find it easier to avoid litigating in venues having no meaningful connection to the litigation.

Micron is one of the four leading manufacturers of dynamic random access memory (DRAM) chips. The other industry leaders are Samsung Electronics, Hynix Semiconductor, and Infineon Technologies. Defendant MOSAID owns several patents in the field. Between 2001 and 2005, MOSAID filed and litigated patent infringement actions against Samsung, Hynix and Infineon. MOSAID settled with Samsung and Hynix in 2005 and settled with Infineon in 2006.¹

In 2001-02, MOSAID sent four strong warning letters to Micron suggesting that Micron license the MOSAID technology. In a June 14, 2005 conference call with analysts, MOSAID expressed its intent to return to court to enforce its patent portfolio. MO-

SAID's 2005 Annual Report stated that the company planned the "aggressive pursuit" of a "strategy . . . to license the remaining DRAM manufacturers."²

On July 24, 2006, as part of the settlement of the Infineon litigation, the parties in that case filed a joint motion to vacate the claim construction and summary judgment rulings which had been, at least in part, unfavorable to MOSAID. On that same day, Micron filed, in the Northern District of California, the action which is the subject of the Federal Circuit opinion, seeking a declaratory judgment of noninfringement of 14 MOSAID patents. On the following day, MOSAID filed an infringement action against Micron, in what the Federal Circuit described as "the well-known patent forum" of the Eastern District of Texas, asserting seven patents and adding two small DRAM manufacturers as defendants.

MOSAID filed a motion to dismiss the California action for lack of subject matter jurisdiction under Article III of the Constitution. The district court granted the motion, finding that Micron lacked any reasonable apprehension of suit. The court further indicated that even if there had been subject matter jurisdiction the court would have exercised its discretion not to take the case.

On appeal, the Federal Circuit relied on the United States Supreme Court's decision in *Medimmune Inc. v. Genentech, Inc.*,³ which was decided only after the district court dismissed the Micron action. In *Medimmune*, the Supreme Court rejected the "reasonable apprehension of suit test" that had previously been

applied by the Federal Circuit in deciding whether there was subject matter jurisdiction over declaratory judgment actions in patent cases,⁴ in favor of what the *Micron* court characterized as a “new more lenient standard for declaratory judgment jurisdiction.”⁵ The *Medimmune* court explained that jurisdiction for a declaratory judgment action requires “that the dispute be ‘definite and concrete, touching the legal relations having adverse legal interests’; and that it be ‘real and substantial’ and ‘admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.’”⁶ Subject matter jurisdiction thus hinges on “whether the facts alleged under all the circumstances show that there is a substantial controversy between parties having adverse legal interests of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”⁷ In *Sandisk Corp. v. ST Microelectronics, Inc.*, the Federal Circuit, relying on *Medimmune*, had stated that “where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.”⁸

In reversing the district court in *Micron* and determining that Micron’s declaratory judgment action was a justiciable case or controversy, the Federal Circuit observed that “[t]he record evidence at the time of the filing in the California district court strongly suggested that MOSAID would sue Micron soon.”⁹ As Federal Circuit put it: “the parties in this dispute are really just contesting the location and right to choose the forum for their inevitable suit.”¹⁰

The Federal Circuit went on to explain, though, that, even where a justiciable case or controversy exists, the Declaratory Judgment Act affords courts discretion to decide whether to take a declaratory judgment action.¹¹ However, according to the Federal Circuit, where the objectives of the Declaratory Judgment Act in patent cases are served — *i.e.*, “to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights,”¹² — dismissal is rarely proper.¹³

The *Micron* court observed that “the now more lenient legal standard facilitates or enhances the availability of declaratory judgment jurisdiction in patent cases” and presents “unique challenges.”¹⁴ Specifically, the court posited that “[g]iven the greater likelihood of jurisdiction for declaratory judgment filers, these potential [infringement] defendants will have greater opportunity to race to the courthouse to seek a forum more convenient and amenable to their legal interests. By the same token, patent holders will similarly race to protect their convenience and other perceived advantages.”¹⁵ In such instances, “[d]istrict courts, typically the ones where declaratory judgment actions are filed. . . will have to decide whether to keep the case or decline to hear it in favor of the other forum, most likely where the infringement action is filed.”¹⁶

The Federal Circuit decided that a “district court judge faced with reaching a jurisdictional decision about a declaratory judgment action with an impending infringement action either filed or on the near horizon should not reach a decision based on any categorical rules. The first-filed suit rule, for instance, will not always yield the most convenient and suitable forum.”¹⁷ In the Federal Circuit’s view, “the trial court weighing jurisdiction . . . must consider the real underlying dispute: the convenience and suitability of competing forums.” In other words, “where the two actions [are] filed almost simultaneously . . . the transfer analysis essentially mirrors the considerations that govern whether the [declaratory judgment] court should decline to hear the case.”¹⁸ Thus, “[i]nstead of relying solely on considerations such as tenuousness of jurisdiction, broadness of case, and degree of vestment [in the case] or automatically going with the first filed action, the more appropriate analysis takes account of the convenience factors under 28 U.S.C. § 1404(a).”¹⁹

The *Micron* court stated that “[t]he convenience and availability of witnesses, absence of jurisdiction over all necessary or desirable parties, possibility of consolidation with related litigation, or considerations relating to the interest of justice must be evaluated to ensure the case receives attention in the most appropriate forum.”²⁰ In the court’s view, “robust consideration of these factors will reduce the incentives for a race to the courthouse because both parties will realize that the case will be heard or transferred to the most convenient or suitable forum.”²¹

In favoring a thorough consideration of all of the § 1404 convenience factors over any categorical rule, the Federal Circuit's decision parallels the recent decision of the Fifth Circuit in *In re Volkswagen of America, Inc.*²² Given that the Federal Circuit applies the law of the regional circuit in reviewing transfer decisions,²³ the Federal Circuit applies Fifth Circuit law in reviewing transfer decisions by the courts of the Eastern District of Texas.

In *Volkswagen*, the Fifth Circuit held that the Eastern District court had erred in requiring *Volkswagen*, which had moved to transfer a car accident case to the situs of the accident, "to show that the balance of convenience and justice substantially weighs in favor of transfer."²⁴ Acknowledging that Fifth Circuit precedent on the issue had "not been 'the model of clarity,'" the Fifth Circuit held that a party seeking transfer under § 1404 need only "show good cause."²⁵ Thus, "a moving party must demonstrate that a transfer is '[f]or the convenience of parties and witnesses, in the interest of justice.'"²⁶ The Fifth Circuit concluded that although the district court had correctly enumerated the factors that had to be considered in deciding a transfer motion, the lower court had abused its discretion in "failing meaningfully to analyze and weigh them."²⁷

Applying the § 1404 considerations, the Federal Circuit held that the Northern District of California was "the more appropriate forum for the dispute between Micron and MOSAID."²⁸ The fact that MOSAID, a Canadian company, had a U.S. base of operations, tilted the balance in favor of California. The court further said that transferring the case to the Texas court would have been an abuse of discretion.

Thus, the *Micron* decision makes clear that, as a practical matter, potential infringers seeking to avoid an unfriendly forum are more likely, in the wake of *Medimmune*, to be able to maintain a preemptive declaratory judgment action in a forum of their own choosing, particularly if that forum is a convenient one. Beyond that, the *Micron* decision may be read to suggest that even in the absence of a declaratory judgment action, a district court faced with a motion to transfer an infringement action, pursuant to 28 U.S.C. § 1404, should give "robust consideration" to the relevant convenience factors. That may reduce the likelihood that plaintiff-friendly courts will retain patent infringement cases having no meaningful connection to the jurisdiction.

Endnotes

1. *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, 2006 U.S. Dist. LEXIS 81510 *2 (N.D. Cal. 2006).
2. *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, 2008 U.S. App. LEXIS 4387 *3 (Fed. Cir. 2008).
3. 127 S.Ct. 764 (2007).
4. *Id.* at 774 n.11.
5. *Micron*, 2008 U.S. App. LEXIS 4387 at *15.
6. *Medimmune*, 127 S. Ct. at 771.
7. *Id.*
8. 480 F.3d 1372, 1381 (Fed. Cir. 2007).
9. *Micron*, 2008 U.S. App. LEXIS 4387 at *9.
10. *Id.*
11. *Id.* at *12-*13.
12. *Goodyear Tire and Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 956 (Fed. Cir. 1987).
13. *Micron*, 2008 U.S. App. LEXIS 4387 at *12.
14. *Id.*
15. *Id.* at *17-*18.
16. *Id.* at *15-*16.
17. *Id.* at *18.
18. *Id.*
19. *Id.* at *16.
20. *Id.* at *18-*19.
21. *Id.* at *19.
22. 506 F.3d 376 (5th Cir. 2007).

23. *Storage Tech. Corp. v. Cisco Sys.*, 329 F.3d 823, 836 (Fed. Cir. 2003).
24. 506 F.3d at 384.
25. *Id.*
26. *Id.*
27. *Id.*
28. *Micron*, 2008 U.S. App. LEXIS 4387 AT *19. ■