

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

Broad Access to Federal Courts For Intellectual Property Plaintiffs

We report on four recent appellate decisions involving plaintiffs' access to federal courts, holding that: (i) the broad corporate-residence standard for venue continues to apply to patent cases; (ii) there is personal jurisdiction over an ANDA filer in every district in which it foresees selling its generic drug; (iii) owners of foreign trademarks may bring unfair competition claims against U.S. owners of the same marks; and (iv) dismissal on forum non conveniens grounds is improper where the foreign forum is not shown to provide redress for U.S. intellectual property law disputes.

Patent: General Venue Statute

Venue in patent cases is an important issue for practitioners and for the courts. For over 25 years, venue has been proper in a patent case in any district court that has personal

LEWIS R. CLAYTON and ERIC ALAN STONE are litigation partners at Paul, Weiss, Rifkind, Wharton & Garrison. SANA CHAUDHRY, an associate at the firm, assisted in the preparation of this column.



By
**Lewis R.
Clayton**



And
**Eric Alan
Stone**

jurisdiction over the defendant. Thus, many cases are filed in districts where the defendant is not headquartered or incorporated, but where it sells the product in dispute.

In a closely watched decision, the Federal Circuit reaffirmed the breadth of venue in patent cases under the existing laws.

Many commentators have suggested that this is why a substantial percentage of patent cases in the United States are filed in the Eastern District of Texas, where some “perceive[]” the procedures and track record “to be friendly to plaintiffs.” Ryan Davis, “Fed. Circ.’s Pass On Patent Venue Sends Fight To Congress,” Law360 (April 29, 2016), <http://www.law360.com/articles/790800/fed-circ-s-pass-on-patent-venue-sends-fight-to-congress>.

In a closely watched decision, the U.S. Court of Appeals for the Federal Circuit reaffirmed the breadth of venue in patent cases under the existing laws, rejecting an argument that 2011 amendments to the general federal venue statute inherently limited venue in patent cases. See *In re TC Heartland*, No. 2016-105, slip op. at *1 (Fed. Cir. April 29, 2016).

The patent-specific venue statute, 28 U.S.C. §1400(b), provides that venue is proper “where the defendant resides” or has committed acts of infringement and has a regular place of business. For decades, the Supreme Court held that §1400(b) was the “sole and exclusive provision controlling venue” in patent cases, and it could not be supplemented by the arguably broader provisions of the general venue statute, 28 U.S.C. §1391. See *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957). In 1988, however, Congress amended §1391 to add the introductory

clause, “[f]or the purposes of venue *under this chapter...*” (emphasis added).

In 1990, the Federal Circuit held that this amendment incorporated the general-venue definition of corporate residence into the patent venue statute, and thus that venue is proper in a patent suit wherever there is personal jurisdiction over the defendant. See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). *VE Holding* remained unchallenged precedent for decades. In 2011, however, Congress again amended §1391, in relevant part adding this language to §1391(a): “Applicability of section.—Except as otherwise provided by law.” The Federal Circuit’s decision in *TC Heartland* addressed whether this amendment effectively overruled *VE Holding*, such that §1400(b) would again exclusively govern patent cases.

Kraft sued Heartland for patent infringement in the District of Delaware. Heartland is not incorporated or resident in Delaware, but 2 percent of its sales of the accused product are in Delaware. Heartland moved to transfer venue or to dismiss for lack of personal jurisdiction, arguing that the 2011 amendments to §1931 overruled *VE Holding* and codified *Fourco*. The district court rejected Heartland’s arguments. See *TC Heartland*, No. 2016-105, slip op. at *3–4.

In a decision by Judge Kimberly Moore, the Federal Circuit held that nothing about the 2011 amendments

to the general venue statute reflected congressional intent to overrule *VE Holding* or to codify *Fourco*. On the contrary, congressional reports since the 2011 amendments have continued to recognize *VE Holding* as the governing law. Id. at *6–8.

Heartland had significant amicus support from entities decrying rampant forum shopping in patent litigation, and in some instances decrying forum selling by the Eastern District of Texas. Supporters of patent-venue reform will now have to look to Congress, where a pending bill, the Venue Equity and Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. §2(a) (2016), would limit venue to districts with some increased connection to the suit, such as where (i) the defendant is incorporated or has its principal place of business, (ii) the defendant committed an act of infringement and has a physical facility tied to the infringing act, or (iii) the named inventor conducted research and development that led to the patent application. Whether this Congress will pass such a law, particularly during an election year, remains unclear.

Patent: Personal Jurisdiction

The Federal Circuit decided an important personal-jurisdiction case in the context of Abbreviated New Drug Applications by companies seeking an FDA approval for a generic drug. The court held that there is personal jurisdiction to sue the generic-drug applicant for patent infringement in any district in

which the applicant expects to sell its drug if approved, which effectively means that there is personal jurisdiction over generic-drug applicants in all federal district courts. See *Acorda Therapeutics v. Mylan Pharm.*, – F.3d –, 2016 WL 1077048 (Fed. Cir. March 18, 2016).

The decision arose from appeals in two unrelated cases in Delaware, each against Mylan, one arising out of Mylan’s ANDA filing to make a generic version of Acorda Therapeutics’ multiple-sclerosis drug, Ampyra®, and the other out of Mylan’s ANDA filings to make generic versions of AstraZeneca’s diabetes drugs Onglyza® and Kombiglyze®. Id. at *1.

Mylan is headquartered in West Virginia, but is registered to do business in Delaware pursuant to a registration statute. It unsuccessfully moved to dismiss both Delaware cases for lack of personal jurisdiction. Judge Gregory Sleet in the AstraZeneca case and Judge Leonard Stark in the Acorda case concluded that Delaware had specific personal jurisdiction over Mylan, each relying on, but construing differently, the Supreme Court’s decision in *Daimler AG v. Bauman*, 134 S.Ct. 746 (2014). Id. at *2. In *Daimler*, the court confirmed that there is general jurisdiction (as opposed to specific jurisdiction) over a corporate defendant only where it is “essentially at home,” which usually means where the corporation is incorporated or headquartered.

The Federal Circuit in *Acorda* first had to decide whether to address

specific jurisdiction over Mylan in Delaware or general jurisdiction. The majority's opinion, written by Judge Richard Taranto and joined by Judge Pauline Newman, held that because Mylan's ANDA filing was a "costly, significant" step that Mylan knew would lead to sales in Delaware, Mylan had engaged in, and after approval would continue to engage in, acts "purposefully directed" at Delaware. *Id.* at *3. The majority therefore held that there was specific jurisdiction over Mylan in Delaware for a patent-infringement suit arising out of the ANDA filing and subsequent making, using, selling or offering for sale the product in Delaware. See *id.* at *4. The majority did not reach general jurisdiction.

Judge Kathleen O'Malley concurred, but wrote separately because she would have decided the issue based on Mylan's consent to general jurisdiction. See *id.* at *8. Consent was, according to Judge O'Malley, the simpler and less fact-intensive question. She would have held that Mylan had consented to general jurisdiction in Delaware because it had registered to do business there.

Unfair Competition

Acts of unfair competition under §43(a) of the Lanham Act include false association and false advertising. See 15 U.S.C. §1125. The U.S. Court of Appeals for the Fourth Circuit held that an owner of a foreign mark may pursue false association/false advertising claims against the

U.S. owner of the same mark, regardless of whether the foreign-mark owner used its mark in the United States. See *Belmora v. Bayer Consumer*, – F.3d –, 2016 WL 1135518 (4th Cir. March 23, 2016).

Bayer Consumer AG owns the trademark "FLANAX" in Mexico, and has been selling naproxen sodium pain killers under that mark in Mexico since the 1970s. Bayer's FLANAX products are well known in Mexico and to Mexican-Americans. Bayer has never owned or used the FLANAX mark in the United States; instead, its sister company sells naproxen sodium pain killers under the brand "ALEVE" here. In 2004, Belmora registered and started using the FLANAX mark in the United States in selling naproxen sodium pain killers. Belmora's FLANAX packaging mimicked Bayer's Mexican FLANAX packaging. Belmora also made statements to distributors, telemarketers, and retailers implying that it "now made" a product in the United States that was the same as the "very well-known" FLANAX product Bayer had been selling for "many, many years in Mexico." *Id.* at *2.

Bayer successfully petitioned the U.S. Trademark Trial and Appeal Board (TTAB) to cancel Belmora's FLANAX mark, arguing that Belmora sought to deceive Mexican-American consumers into thinking they were buying Bayer's product. *Id.* at *3. Belmora appealed to the district court, and Bayer separately sued Belmora for false association and false advertising under the

Lanham Act. The cases were consolidated, and the district court reversed the TTAB's decision and dismissed Bayer's Lanham Act claims for lack of standing. The district court held that an owner of a foreign mark who has never used the mark in commerce in the United States cannot assert priority rights over a mark registered in the United States. See *id.*

The Fourth Circuit vacated and remanded. It rejected the proposition that a plaintiff's use of its mark in commerce in the United States is a condition precedent to bringing a §43(a) claim. The court found a "primary lesson" in *Lexmark International, Inc. v. Static Control Components*, 134 S.Ct. 1377 (2014) that courts must adhere to the statutory language in interpreting the Lanham Act. The Fourth Circuit held that the district court had conflated trademark infringement claims under §32, which authorizes suit only by a registrant, with unfair competition claims under §43(a), which has no similar requirement. *Belmora*, 2016 WL 1135518, at *6–7. A §43(a) claim is available to "[a]ny person who believes that he is or is likely to be damaged" by defendant's acts. Therefore, the question was not whether Bayer used the FLANAX mark in United States commerce, but whether Bayer believed it was "likely to be damaged" by Belmora's use of the FLANAX mark.

The court then applied the two-fold *Lexmark* inquiry to determine whether Bayer had standing to bring each claim: whether the acts

of unfair competition fell within the “zone of interests” protected by the Lanham Act, and whether Bayer had sufficiently pleaded proximate causation of a cognizable injury. *Id.* at *8. Bayer provided evidence that it heavily promoted FLANAX in border areas to Mexicans and Mexican-Americans crossing into the United States, establishing that Belmora’s use of FLANAX may have caused consumers to buy Belmora’s products rather than Bayer’s products (either FLANAX in Mexico or ALEVE in the United States) and establishing proximate causation. See *id.* at *8–12.

Copyright: Alternative Forum

The Federal Circuit revived a U.S. lawsuit that had been dismissed on forum non conveniens grounds, holding that a federal court may not dismiss an intellectual-property case based on domestic infringement without first finding that the foreign forum can provide relief for acts of infringement occurring in the United States. See *Halo Creative & Design v. Comptoir Des Indes*, No. 2015-1375, 2016 WL 945227 (Fed. Cir. March 14, 2016).

Halo is a Hong Kong company that designs and sells high-end furniture in the United States, where its designs are protected by two design patents, 13 copyrights, and a common law trademark. Comptoir is a Canadian competitor to Halo, manufacturing furniture in China, Vietnam, and India and selling it in the United States. *Id.* at *1.

In October 2014, Halo sued Comptoir for patent, copyright, and trademark infringement in federal court in the Northern District of Illinois. The district court dismissed on forum non conveniens grounds, finding that the Federal Court of Canada was an adequate forum to adjudicate Halo’s copyright claims.

The Federal Circuit reversed and remanded, in an opinion by Judge Timothy Dyk. The court held that Comptoir had not shown that Canada was an adequate forum to adjudicate the intellectual property rights at issue. Under *Piper Aircraft Co. v. Reyno*, 102 S.Ct. 252 (1981), the doctrine of forum non conveniens requires that a district court first analyze whether the alternative forum is both adequate and available to hear the case, and then balance private and public interests to determine whether dismissal is warranted. Here, the parties agreed that Canada was an available forum, but disagreed about its adequacy.

For adequacy, the “ultimate question” is whether the alternative forum “could provide ‘some potential avenue for redress for the subject matter of the dispute.’” *Halo*, 2016 WL 945227 at *4 (citing *Stroitelstvo Bulg. v. Bulgarian-Am. Enter. Fund*, 589 F.3d 417, 421 (7th Cir. 2009)). Emphasizing the territorial nature of intellectual property laws, the Federal Circuit found Comptoir had failed to show that Canadian law provides remedies for extraterritorial infringement. The only evidence Comptoir offered was a webpage printout showing that the Federal Court of

Canada has jurisdiction to adjudicate intellectual property rights, but saying nothing about whether Canadian copyright law applies extraterritorially or whether a Canadian court would adjudicate an extraterritorial infringement dispute. *Id.* at *5.

The Federal Circuit also rejected the district court’s reliance on the Berne Convention for the Protection of Literary and Artistic Works, which requires “national treatment,” meaning that foreign authors enjoy in signatory countries the same protection for their copyrighted works as those countries’ own authors. See S. Treaty Doc. No. 99-27, 1161 U.N.T.S. 3. The Berne Convention does not, however, require Canada to apply its laws extraterritorially or to provide remedies for extraterritorial infringement. See *Halo*, 2016 WL 945227, at *2. The Federal Circuit was also troubled by the district court’s speculative reasoning that since the United States has recognized the possibility of applying foreign copyright law, Canada could perhaps do likewise. See *id.* at *5.