2020-135

United States Court of Appeals for the Federal Circuit

IN RE: APPLE, INC.,
Petitioner,

On Petition for a Writ of Mandamus to the United States District Court for the Western District of Texas No. 6:19-cv-00532-ADA, Hon. Alan D. Albright

BRIEF *AMICUS CURIAE OF US INVENTOR, INC.* IN SUPPORT OF PETITION FOR REHEARING AND REHEARING *EN BANC*

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Dated: December 23, 2020

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2020-135

Short Case Caption In re Apple, Inc.

Filing Party/Entity US Inventor, Inc.

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box**. Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 12/23/2020

Signature: /s/Christopher M. First

Name: Christopher M. First

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☑ None/Not Applicable
US Inventor, Inc.		None.

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☐ None/Not Applicable ☐ Additional pages attached

Christopher M. First	Heim, Payne and Chorush LLP	
Alden G. Harris	Heim, Payne and Chorush LLP	

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

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6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

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STATEMENT OF INTEREST

US Inventor is an inventor-led and -funded nonprofit advocacy organization. We represent more than 10,000 independent inventors with the small businesses they founded, own, and operate. We seek to educate lawmakers, agencies, and courts on matters affecting our members. We are neither lawyers nor lobbyists, merely inventors who have been harmed by unintended consequences of policies from the past.

Our members would rather tinker in our garages or launch new products, but we recognize policymakers and courts benefit from knowing our experiences and viewpoints as they make and apply patent law. US Inventor supports the efforts of the "little guy" inventors: seeking reliable patent protection for our inventions, creating jobs, and promoting innovation. Our experience with innovation, patents, and creating small businesses affords a unique perspective on the important issues presented in this appeal.

STATEMENT OF AUTHORSHIP & FUNDING

Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(e), *Amicus Curiae* US Inventor, Inc. states no party or its counsel authored this brief in whole or part; no party or its counsel contributed money intended to fund preparing or submitting the brief; and no person other than *amicus*, its members or counsel contributed money intended to fund preparing or submitting this brief.

I. INTRODUCTION

The Magna Carta admonished thirteenth-century jurists "to no one deny or delay right or justice." MAGNA CARTA 1215 cl. 40 (Eng.). The rules governing the Federal Judicial system echo this—courts must "secure the just, speedy, and inexpensive determination of every action and proceeding." Fed. R. Civ. P. 1. Specifically, the transfer statute permits change of venue only for "the convenience of parties and witnesses, in the interest of justice." 28 U.S.C. §1404(a). These principles of swift and inexpensive justice are easy to agree with but are sometimes difficult to implement.

This Court's recent §1404 jurisprudence falls short of the dual aims of "convenience" and "justice." *In re Apple* is the crest of a wave of reversals eroding the deference afforded to district courts' §1404 rulings. As a result, mandamus petition practice has exploded. This Court issued about **ten times** as many §1404 mandamus decisions as the Fifth Circuit since 2008,[1] even though the Fifth Circuit's overall caseload is **493%**

[1] Pet. for Reh'g 2, Dkt. No. 59.

higher than the Federal Circuit's.[2] This drastic increase in filing stems from the Court's treatment of mandamus petitions on patent venue issues, which amounts to de facto interlocutory review. Rather than promote convenience, this once unheard-of use of mandamus injects cost and delay, barring individual inventors and small companies from equal access to justice.

US Inventor writes to respectfully urge the Court to restore efficiency and access to justice by granting the petition for rehearing *en banc* and reaffirming deference to district courts' evidentiary decisions on §1404 motions.

II. ARGUMENT

A. Mandamus Intervention Promotes Neither "Convenience" Nor "Justice"

Mandamus practice under §1404 is costly. One example: Josh Malone, member of this *amicus*, spent hundreds of thousands of dollars litigating venue as an independent inventor going up against a billion-

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[2] UNITED STATES COURTS, U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT FEDERAL JUDICIAL CASELOAD STATISTICS B-8 (March 31, 2019), https://www.uscourts.gov/statistics/table/b-8/federal-judicial-caseload-statistics/2019/03/31

dollar company. Mr. Malone filed in the Eastern District of Texas—where he lived, birthed his invention, and stood the most to lose. The defendant, who had deliberately copied his invention, spared no expense to move the matter out of Texas to its preferred venue. Mr. Malone and his licensee incurred more than $500,000 in expenses defending serial venue challenges from a large corporation, including multiple transfer-related mandamus petitions before this court, even though he simply filed where he lived.[3] He prevailed each time, but every instance injected additional unnecessary cost and delay. Years later, Mr. Malone prevailed in the case.[4] AIPLA statistics suggest a typical Federal Circuit appeal costs about $200,000 per side.[5] These burdens come on top of the already high

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[3] *See In re Telebrands Corp.*, No. 18-140 (Fed. Cir. 2018); *In re Telebrands Corp.*, No. 16-106 (Fed. Cir. 2015).

[4] Ruth Simon, Four-Year Water Balloon Fight Ends With $31 Million Truce, Wall Street Journal (May 20, 2019, 5:47 PM), https://www.wsj.com/articles/four-year-water-balloon-fight-ends-with-31-million-truce-11558388873 ("The balloon battle highlights the legal pitfalls for inventors, who can find themselves enmeshed in costly patent disputes. Mr. Malone said that he [and the licensee] spent about $20 million in legal fees during nearly four years of litigation.")

[5] American Intellectual Property Law Association, 2019 Report of the Economic Survey 50-52 (2019) [hereinafter "AIPLA Survey"] (describing costs of litigation by stage).

cost of litigating §1404 in the district court, layered over the many legal hurdles inventors face before a patent even issues. These expenses are a drop in the bucket for large corporations, yet effectively deter small businesses from pursuing all but company-saving infringement cases.

Based on statistical data compiled for this brief, when this Court grants mandamus, it adds an average delay of more than *six months* to the schedule of a given case. *In re Apple* admonished the district court for "barrel[ing] ahead on the merits in significant respects" and expressed agreement with "Apple's concern over the rapid progression of this case." No. 20-135, Dkt. 55, at 5 (Fed. Cir. 2020). If district courts were to delay virtually every patent case pending a §1404 decision, that practice would inject still *more* cost and delay even into cases in which mandamus has been neither sought nor obtained.

Since 2008, petitioners have sought transfer to the Northern District of California ("NDCA") as much as the next ten forums combined.[6] Many of these petitions originated in Texas courts. NDCA is one of the most expensive litigation venues in the United States; patent

[6] Pet. for Reh'g 15.

litigation in NDCA costs about 33% more, on average, than patent litigation in Texas (between $100,000 to $1,700,000 more per side depending on the size of the case).[7] Granting mandamus imposes still more cost and delay on top of the cost and delay already incumbent in the mandamus process.

B. Litigants Pursue Mandamus for Reasons Other than Convenience

Each factor of the Fifth Circuit's venue test targets reduced cost or delay. *In re Volkswagen AG*, 371 F.3d 201, 203 (5th Cir. 2004). Yet §1404 mandamus petitions typically impose hundreds of thousands of dollars in new costs and inject months of additional delay. Even if granting mandamus reduces cost or inconvenience for *some* witnesses, these gains cannot plausibly outweigh the immense burdens encouraged by this Court's recent jurisprudence. As a result, §1404 mandamus practice has made patent litigation less convenient, not more.

Since accused infringers cannot expect, on average, to reduce costs or delay by seeking mandamus review of §1404 convenience decisions, why do they do it? It is simple: many §1404 mandamus petitions arise for

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[7] AIPLA Survey, supra, at I-141, I-143-45.

reasons unrelated to convenience. One such reason may be because patentee win rates are significantly lower in NDCA than in other patent-heavy fora.[8] Another reason for seeking mandamus review may be the costs and delays themselves—accused infringers are often large companies better equipped to bear these burdens. Delaying the case, increasing costs, and outspending the patentee all create leverage, which these companies can exert to obtain a more favorable settlement.[9]

Whatever the motivations of mandamus petitioners, the results of their efforts are clear. Barriers to entry in patent litigation have increased, making it harder than ever for small companies and individual inventors to assert their rights. Even as the number of patents granted annually has increased, the number of patent cases filed annually has declined:

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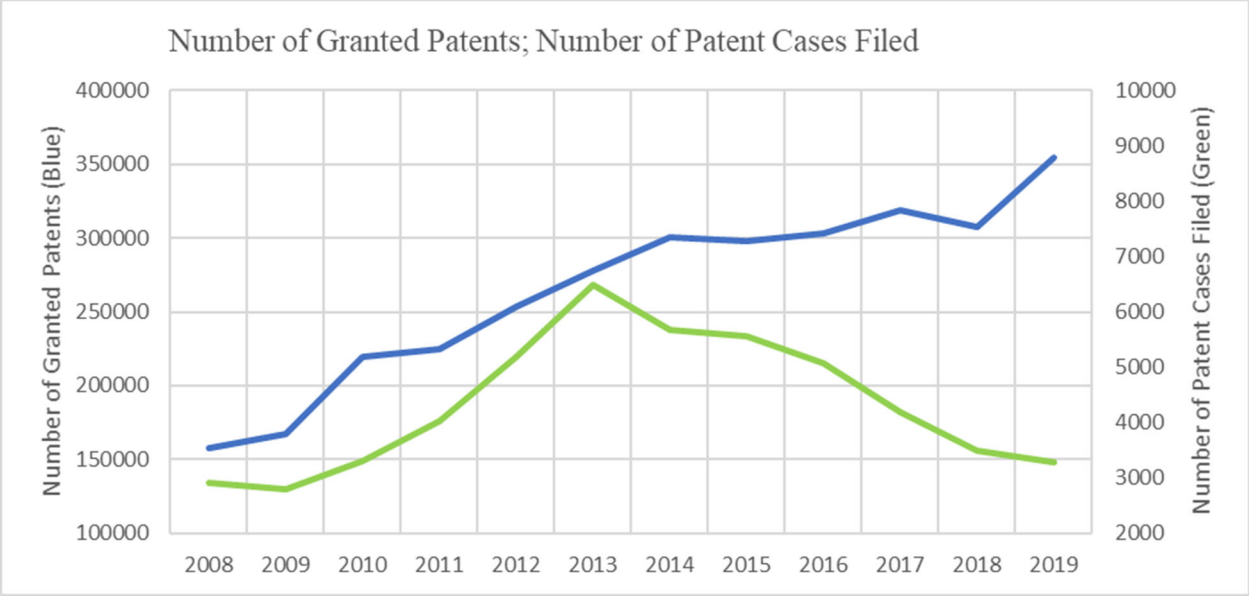
[8] Pet. for Reh'g 15 n.8 (NDCA-26%; CDCA-36.4%; DDE-45.3%; EDTX-40.3%; WDTX-33.3%).

[9] David Orozco, *Strategic Legal Bullying*, 13 N.Y.U. J. L. & BUS. 137, 156-57 (2016) [hereinafter "Orozco"] ("[T]hese rent-seeking activities impose transfer costs, greatly weaken the small party's negotiating power, and greatly increase the likelihood of a settlement advantageous to the legal bully.").



It is more difficult and unappealing to enforce one's patent than it has ever been before.

The high costs and risks associated with enforcing one's patent rights has led to the rise of so-called "efficient infringement," in which large, powerful infringers "refuse or delay negotiation and/or payment" of patent royalties and "resort to 'diversionary tactics' in litigation," thereby "using the courts or agencies to obtain better terms and conditions than could be achieved through good faith negotiations."[10] Scholars note that "litigation time reduces the litigation payoff of the patent owner." *Id.*

[10] Bowman Heiden, *Patent "Trespass" and the Royalty Gap*, 34 SANTA CLARA HIGH TECH. L.J. 179, 212 (2018).

Even "Boris Teksler, Apple's former patent chief, observes that 'efficient infringement', where the benefits outweigh the legal costs of defending against a suit, **could almost be viewed as a 'fiduciary responsibility', at least for cash-rich firms that can afford to litigate without end**."[11] This Court's increased use of mandamus encourages these tactics, hurts small businesses, and erodes the rule of law and fair access to justice.

C. Forcibly Relocating All Patent Litigation to Corporate Headquarters Flouts Precedent and Denies Reality

1. *Misapplication of Mandamus Review*

In most cases, small businesses file in the forum that will allow them access to justice that is fair, timely, and efficient. Fifth Circuit precedent defers to a plaintiff's choice of venue, which it factors into the evidentiary burden on a §1404 motion. *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 315 (5th Cir. 2008) (en banc), *cert. denied*, 555 U.S. 1172 (2009). *Volkswagen* held that the movant's "good cause" burden "reflects the appropriate deference" to this factor. *Id.* In evaluating whether a movant

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[11] "The trouble with patent-troll-hunting," The Economist (Dec. 14, 2019), https://www.economist.com/business/2019/12/14/the-trouble-with-patent-troll-hunting (emphasis added).

has met that burden, Supreme Court precedent allows trial judges wide discretion because they are best situated to evaluate the record. *Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988). Indeed, the Fifth Circuit has "never relied on [misapplication of law to fact] as a basis for granting a petition for mandamus." *Apple*, Dkt. 55, at 32 (Moore, J., dissenting).

The decision here reflects the trend in this Court's recent §1404 mandamus jurisprudence. The district court used its discretion to find Apple had not met its "significant burden." The majority held that this was not just wrong, but that it was so "patently erroneous" to warrant *reversal*, rather than remand. That the trial judge and one-third of the panel believed not just that mandamus review was not warranted, but that the ruling was substantively **correct**, underscores the impropriety of granting mandamus relief on a discretionary issue like convenience. *Apple*, Dkt. 55, at 33 (Moore, J., dissenting) ("Though the standard of review is not de novo, because the majority has approached the case as though it is, let me add—I agree with the district court and I would have denied transfer de novo.").

Put simply: how could mandamus be warranted when multiple federal judges agree the underlying ruling was correct? This is not the

purpose for which mandamus was intended. This Court should reaffirm its commitment to the discretion of trial court judges, who are best positioned to make determinations about the credibility and weight of evidence.

2. *A Corporation's Sheer Size Should Not Override the Sound Discretion of the Trial Judge*

Apple—a massive company with a sizable footprint in Texas—is well-established here.[12] Apple extracts talent, tax incentives, and other resources from Texas, including the Western District specifically.[13] Yet

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[12] Apple to Build New Campus in Austin, Apple Newsroom (December 13, 2018), https://www.apple.com/newsroom/2018/12/apple-to-build-new-campus-in-austin-and-add-jobs-across-the-us/ ("Apple's newest Austin campus will be located less than a mile from its existing facilities. The 133-acre campus will initially accommodate 5,000 additional employees, with the capacity to grow to 15,000, and is expected to make Apple the **largest private employer in Austin** … Austin already represents the largest population of Apple employees outside Cupertino.") (Emphasis added).

[13] Apple Expands in Austin, Apple Newsroom (December 13, 2018), https://www.apple.com/newsroom/2019/11/apple-expands-in-austin/ ("With the construction of our new campus in Austin now underway, **Apple is deepening our close bond with the city and the talented and diverse workforce that calls it home** … Apple is steadily growing in Austin with approximately 7,000 employees in the city — more than a 50 percent increase in the past five years alone.") (Emphasis added).

Texas is "inconvenient" for such massive corporations in one specific aspect: patent litigation. This sizable presence is why Apple and others cannot—and do not—challenge the *propriety* of venue, but merely the convenience. *Compare* §1400(b) *with* §1404.[14]

Yet for years, large corporations like Apple have repeatedly sought, and often received, extraordinary relief from this Court. They allege that litigating in Texas Federal District Courts is not just inconvenient, but that the decisions of its Article III judges are so egregious that they require mandamus intervention.[15] These challenges arise even though §1404 denials usually turn on the movant's failure to meet the high

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[14] *See also* Dennis Crouch, Who Says its Not Convenient? Mandamus on 1404(a) Convenience, PatentlyO (December 10, 2020), https://patentlyo.com/patent/2020/12/convenient-mandamus-convenience.html ("In this case, it is clear that W.D. Texas is a proper venue for Apple; It also seems like it is pretty darn convenient. Apple has 8,000+ employees in the district and maintains its second-largest headquarters outside of Cupertino. One of the accused products is made in the district. And, even if Apple needs to fly-in witnesses it will be OK because the company is in the process of building its own 192 room hotel in the district.").

[15] *See, e.g.*, *In re Apple, Inc.*, 581 F. App'x 886, 893 (Fed. Cir. 2014) (Bryson, J., dissenting) ("The only explanation for the majority's decision [] is that…the majority in fact has chosen simply to substitute its judgment for that of the district court as to whether transfer should be ordered.")

evidentiary standard imposed by Fifth Circuit precedent. But the mere fact that a massive company *also* has a large presence elsewhere should not override the sound discretion of trial judges.

Because trial judges are best positioned to weigh the evidence, stripping them of their discretion causes puzzling results. Take here: the record shows Apple has an enormous presence in Texas. It manufactured one of the accused products in the Western District. Apple is even building its own hotel on campus in the Western District, to make traveling to Texas *even more convenient* for its employees. And yet, the majority reversed the trial judge's discretionary denial of Apple's attempt to flee the district where it maintains its second largest presence. As the dissent noted, "the majority's criticism amounts merely to a disagreement with the district court's weighing of its thorough fact findings." *Apple*, Dkt. 55, at 32. This result, and others like it, are puzzling not just to other Federal Circuit judges, but the bar at large.[16]

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[16] Dennis Crouch, Federal Circuit Usurps Judge Albright's Judicial Power, PatentlyO (November 10, 2020), https://patentlyo.com/patent/2020/11/federal-albrights-judicial.html ("The majority opinion here nitpicks its way through Judge Albright's

III. CONCLUSION

US Inventor, Inc. and its members respectfully urge this Court to reconsider its approach to mandamus for convenience transfers. This plea comes when many small businesses in America are teetering on the brink and need access to justice. Depriving trial courts of their sound discretion to rule on matters like convenience **directly** increases costs of litigation—not just when mandamus is granted, but in patent litigation nationwide.

Dated: December 23, 2020

Respectfully submitted,

/s/Christopher M. First

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case-management style and opinion in a way that goes beyond even typical *de novo* review of claim construction on an issue that is traditionally fully within the district court's discretion.").

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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