

**Section Chair:**  
**Intellectual Property Law**  
**Debra I. Resnick, Esq.**  
*FTI Consulting*  
New York City

**Program Chairs:**  
**Marc A. Lieberstein, Esq.**  
*Day Pitney LLP*  
New York City

**Ira J. Levy, Esq.**  
*Goodwin Procter LLP*  
New York City

***The Eastern District  
of Texas Comes  
to New York***

**NYSBA**

**Intellectual Property Law Section  
Litigation Committee**  
March 22, 2007

Skadden Arps Slate Meagher & Flom LLP  
4 Times Square, 37th Floor  
New York City



Under New York's MCLE rule, this program has been approved for a total of 2.0 credit hours in Practice Management for Experienced Attorneys only

## IMPORTANT INFORMATION

# THE EASTERN DISTRICT OF TEXAS COMES TO NEW YORK

### *PROGRAM DESCRIPTION*

The United States District Court for the Eastern District of Texas is a hotbed for patent litigation because it utilizes innovative rules and procedures that enable it to adjudicate patent lawsuits in an effective and efficient manner. During our interactive program, attorneys will learn from our esteemed panel how the Texas Federal Courts have streamlined procedures for patent cases, and how the judges and practitioners deal with pre-trial, trial and post-trial matters, including mediation, experts, technical advisors, discovery matters and Markman hearings.

The New York State Bar Association Meetings Department has been certified by the New York State Continuing Legal Education Board as an Accredited Provider of continuing legal education in the State of New York. Under the mandatory continuing legal education rules in New York, all attorneys are required to earn 24 credits per two-year biennial reporting cycle.

**Under New York's MCLE rule, this program has been approved for 2.0 MCLE credit hours in Practice Management for experienced attorneys. This course is NOT a transitional program and is not suitable for newly admitted attorneys because it is not a basic practical skills program.**

# SCHEDULE OF EVENTS

11:30 p.m. - 12:30 p.m. Registration, Networking Reception & Luncheon

12:30 p.m. - 2:15 p.m. **THE EASTERN DISTRICT OF TEXAS COMES TO NEW YORK**

**Panelists:**

**Hon. Leonard E. Davis**

District Judge  
U.S. District Court  
Eastern District of Texas

**Hon. Caroline M. Craven**

Magistrate Judge  
U.S. District Court  
Eastern District of Texas

**Otis W. Carroll, Esq.**

Ireland, Carroll & Kelley, PC  
Tyler, TX

**Robert P. Latham, Esq.**

Jackson Walker LLP  
Dallas, TX

**Sean F. Rommel, Esq.**

Patton Roberts McWilliams & Capshaw LLP  
Texarkana, TX

2:15 p.m. Adjourn

**Discounts and Scholarships:** New York State Bar Association members and non-members may apply for a discount or scholarship to attend this program based on financial hardship. This discount applies to the educational portion of the program only. Under that policy, any member of the Association or non-member who has a genuine basis for his/her hardship, if approved, can receive a discount or scholarship depending on the circumstances. To apply for a discount or scholarship, please send your request in writing to Catheryn Teeter at: New York State Bar Association, One Elk Street, Albany, New York 12207

# **THE EASTERN DISTRICT OF TEXAS COMES TO NEW YORK**



---

## **Hon. Leonard E. Davis**

District Judge  
U.S. District Court  
Eastern District of Texas

## **Hon. Caroline M. Craven**

Magistrate Judge  
U.S. District Court  
Eastern District of Texas

## **Otis W. Carroll, Esq.**

Ireland, Carroll & Kelley, PC  
Tyler, TX

## **Robert P. Latham, Esq.**

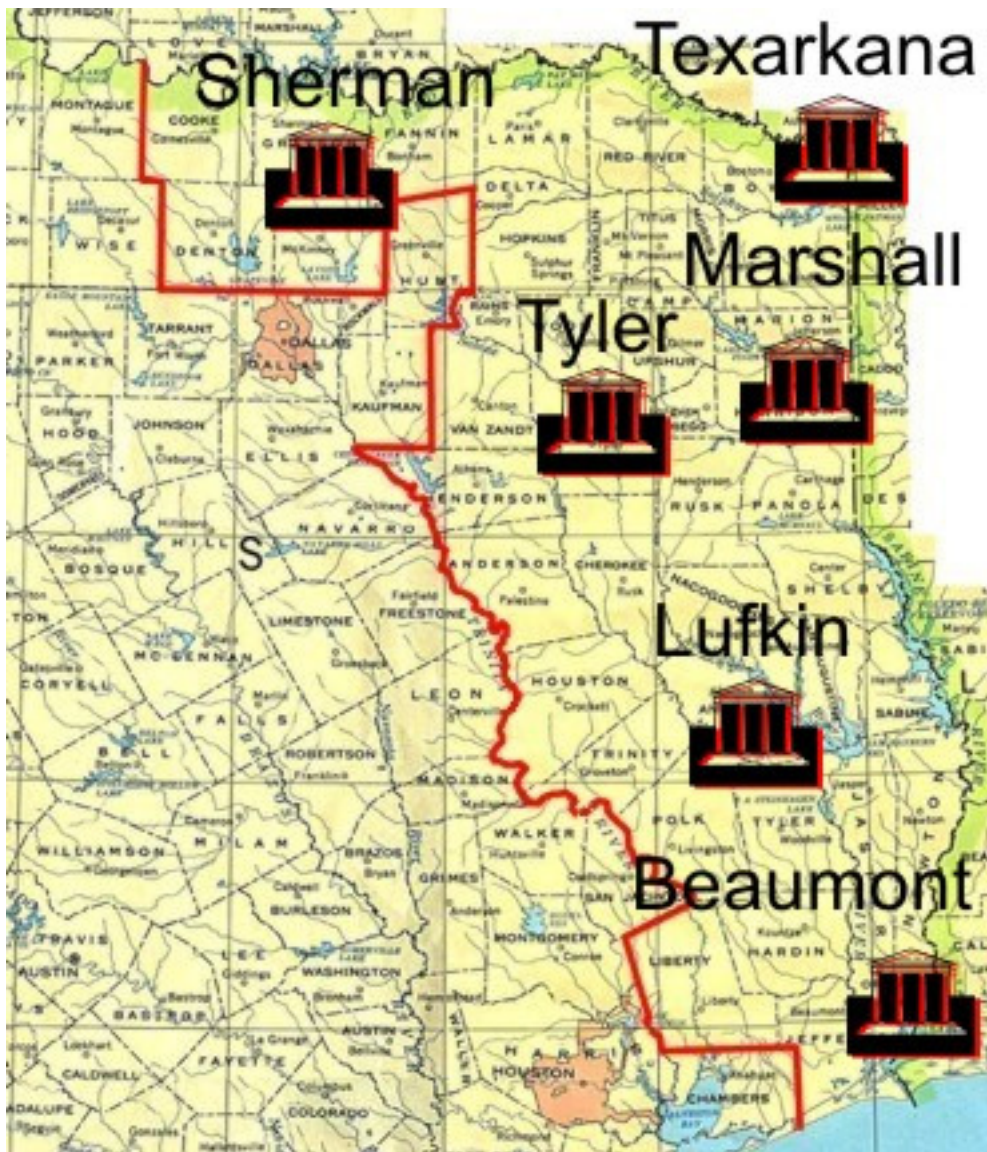
Jackson Walker LLP  
Dallas, TX

## **Sean F. Rommel, Esq.**

Patton Roberts McWilliams & Capshaw LLP  
Texarkana, TX

### CLE Materials Prepared By:

Carl C. Butzer & Jeannette Ellis, Jackson Walker LLP  
901 Main Street, Suite 6000  
Dallas, Texas 75202



Tyler

211 West Ferguson Street  
Tyler, TX 75702  
(903) 590-1000 – phone  
903) 590-1015 - fax

Texarkana

500 State Line Avenue  
Texarkana, TX 75504  
(903) 794-8561 - phone  
(903) 794-0600 - fax

Sherman

101 East Pecan Street  
Sherman, TX 75090  
(903) 892-2921 -phone  
(903) 892-6801 - fax

Marshall

100 East Houston  
Marshall, TX 75672  
(903) 935-2912 - phone  
(903) 938-2651 - fax

Lufkin

104 North Third Street  
Lufkin, TX 75901  
(936) 632-2739 - phone  
(936) 632-1210 - fax

Beaumont

300 Willow Street  
Beaumont, TX 77701  
(409) 546-7000 - phone  
(409) 546-7080 – fax

Plano (construction began 3/07)

7940 Preston Road  
Plano, TX

## **JUDGES**

### Chief Judge – Thad Heartfield

Divisions Served:  
Beaumont

### Judge Ron Clark

Divisions Served:  
Beaumont and Lufkin

### Judge Marcia A. Crone

Divisions Served:  
Beaumont

### Judge Leonard Davis

Divisions Served:  
Tyler and Marshall

### Judge David J. Folsom

Divisions Served:  
Marshall and Texarkana

### Judge Richard A. Schell

Divisions Served:  
Sherman

### Judge Michael H. Schneider

Divisions Served:  
Tyler and Sherman

### Judge T. John Ward

Divisions Served:  
Marshall and Texarkana

## **MAGISTRATE JUDGES**

### Magistrate Judge Don Bush

Division Served:  
Sherman

### Magistrate Judge Caroline M. Craven

Division Served:  
Texarkana

### Magistrate Judge Keith F. Giblin

Division Served:  
Beaumont

### Magistrate Judge Judith Guthrie

Division Served:  
Tyler

### Magistrate Judge Earl S. Hines

Division Served:  
Beaumont

### Magistrate Judge John Love

Divisions Served:  
Marshall and Tyler

## **I. INTRODUCTION**

### **A. Intellectual Property Litigation Trends in the U.S. District Courts for the Eastern District of Texas**

In 2001, intellectual property cases comprised only 2% (or 58) of the 2,988 lawsuits commenced in the U.S. District Court for the Eastern District of Texas. (Annual Report of the Director, Administrative Office of the U.S. Courts, 2006, at <http://www.uscourts.gov/judbususc/judbus.html>). This has changed dramatically. In 2006, 253 of the 3,001 cases filed in the Eastern District were based on U.S. patent, copyright or trademark statutes. Thus, while roughly the same number of cases was filed in the Eastern District in those two years, there were over 400% more intellectual property cases filed in 2006 than in 2001; and those types of cases accounted for about 8.5% of the lawsuits commenced in the District in 2006. In fact, there were more intellectual property cases filed in the Eastern District in 2006 than in all of the period 1997-2001. By way of contrast, the number of new IP cases in the Eastern District of Virginia has steadily decreased since 2000, from 225 in that year to 156 in 2006. Certainly, other federal district courts, such as the Southern District of New York (835 new IP cases in 2006, compared with 756 in 2001 – an 11% increase) and the Central District of California (1,425 new IP cases in 2006, compared with 972 in 2001 – a 32% increase), yearly host considerably more new IP cases; however, no other federal judicial district has witnessed such a meteoric percentage increase in its IP docket over the past 5 years as has the Eastern District of Texas. (See Table 1, attached).

As part of this trend, the Eastern District of Texas has become a hotbed for patent litigation. Since 2003, Judge T. John Ward has presided over almost 225 patent suits in Marshall, Texas; Judge Leonard Davis (Tyler) has been involved in more than 190 patent lawsuits; Judge David Folsom's case load has included over 100 patent cases in Texarkana; and more than 60 patent cases have been on Judge Clark's docket (Beaumont, Lufkin) in the past three years. The U.S. District Court for the Eastern District of Texas is a group of competent, technically savvy judges who are knowledgeable and enthusiastic about patent litigation. (See Table 2, attached). Professor Paul Janicke, of the University of Houston Law Center, has reported that, in 2006, only the U.S. District Court for the Central District of California had more new patent case filings than the Eastern District of Texas. (See Table 3).

B. Rules of Practice for Patent Cases before the Eastern District of Texas

The rise of patent litigation in the Eastern District of Texas is explained, in part, by the 'hard and fast' local patent rules implemented by that Court. Those rules establish an organized, predictable, and efficient handling of patent suits. See Attached to Paper. As Judge Davis has written:

As the Court said in *STMicroelectronics*, the Patent Rules are designed to streamline the discovery process. *Id.* at 755 (quoting *Network Caching Tech., LCC v. Novell, Inc.*, 2003 WL 21699799, \*4-5 (N.D. Cal. 2003)). They provide structure to discovery and enable the parties to move efficiently toward claim construction and the eventual resolution of their dispute. The Patent Rules demonstrate high expectations as to plaintiffs' preparedness before bringing suit, requiring plaintiffs to disclose their

preliminary infringement contentions before discovery has even begun.

American Video Graphics, L.P. v. Electronic Arts, Inc., et al., Case No. 6:04-CV-398 (E.D. Tex. March 11, 2005) (Appendix, A-62).

The Patent Rules were instituted after Judge Ward was appointed to serve in the Marshall Division in 1999. Weary of patent litigators dragging their heels, Judge Ward quickly adopted a set of local patent rules setting out an aggressive schedule that required litigants to formulate and articulate their theories of infringement and invalidity at a very early stage of the case. Patent Rule 2-1(a) provides that -- at the time of the Rule 26(f) conference -- the parties must discuss various topics relating to the Claims Construction Hearing, including whether the Court will hear live testimony, the need for limits on discovery relating to claim construction, and the scheduling of a Claims Construction Prehearing Conference. Furthermore, no later than 10 days after the Initial Case Management Conference, a party claiming infringement is required to serve all parties with a "Disclosure of Asserted Claims and Preliminary Infringement Contentions," which specifically sets out, among other things, each claim of each patent that is allegedly infringed, along with specifics and charts about each Accused Instrumentality of each opposing party. P.R. 3-1. With this Disclosure, the party asserting infringement must also produce a very specific set of documents. P.R. 3-2. Not later than 45 days after service of the Disclosure, each opposing party is required to serve its "Preliminary Invalidity Contentions," which must include the specific information described in P.R. 3-3(a)-(d), and be accompanied by the opposing

party's documents. P.R. 3-4. Moreover, except in limited circumstances, these disclosures and contentions cannot be amended without leave of Court. P.R. 3-6, 3-7. Following service of the Preliminary Invalidity Contentions the parties have 10 days within which to simultaneously exchange proposed terms and claim elements for construction and have 60 days to file a Joint Claim Construction and Prehearing Statement. P.R. 4-1, 4-3. The exchange of Proposed Terms and Claim Elements for Construction triggers a 20-day window of time within which the parties must simultaneously exchange their respective Preliminary Claim Constructions, along with a preliminary identification of extrinsic evidence. P.R. 4-2. Finally, the Patent Rules provide for a detailed briefing schedule, tied to the filing of the Joint Claim Construction and Prehearing Statement. Submission of these briefs dictates the time for the Claim Construction Hearing. In conjunction with its Patent Rules, the Eastern District of Texas traditionally has taken a "No Excuses" approach in its Local Rules governing discovery, which require early and complete disclosures. Clearly, then, the Eastern District of Texas has created myriad procedural mechanisms that require litigants to immediately provide detailed identification and explanations of claims construction issues, including extrinsic evidence.

Over the past several years, the Eastern District of Texas has become a leader in the area of patent litigation, writing noteworthy opinions and adding greatly to the substantive body of law. In the post-eBay era, the Eastern District (Judge Davis) was the first court to use its discretionary powers to

deny injunctive relief after a finding of infringement of a valid patent. See z4 Technologies Inc. v. Microsoft Corp., 434 F. Supp. 2d 437 (E.D. Tex. 2006). (A-93). It is noteworthy to compare the z4 opinion with the stance the Court took in TiVo Inc. v. EchoStar Communications, Corp., No. 2:04-CV-1 (E.D. Tex. Aug. 17, 2006), when Judge Folsom granted TiVo's motion for permanent injunction after a finding of willful infringement.

## **II. The Local Landscape**

### **A. The Tyler Division**

The headquarters of the Eastern District of Texas are in Tyler, about 90 miles to the east of Dallas. With a population around 100,000, Tyler is famous for its roses – including its Annual Fall Rose Festival. The Tyler Division now hosts the second largest patent docket in the Eastern District of Texas. (Table 2). There were over 50 patent cases filed there in 2006 alone. Both Judge Davis (A-36) and Judge Schneider (A-184) reside in Tyler.

Judge Davis was appointed to the Bench on the Eastern District of Texas in 2002 by President George W. Bush. Prior to his appointment, he served as the Chief Justice for the Twelfth Court of Appeals of the State of Texas. Notably, prior to earning his J.D. from Baylor University, Judge Davis was a computer programmer and systems analyst, and received his B.S. in Mathematics from the University of Texas, Arlington in 1970. Judge Schneider had a distinguished career as a State Court Judge and served as a Justice on the Texas Supreme Court prior to his nomination to the Eastern District by

President Bush in 2004. Also serving in the Tyler Division are Magistrate Judges Judith Guthrie and John Love.

1. Standing/Scheduling Orders. Notice of Scheduling Conference, Proposed Discovery Order, and Proposed Dates for Docket Control Order. (J. Davis) (A-43).
2. Protective Orders: Sample Protective Order. (J. Davis) (A-37).
3. Jurisdiction/Venue.

James P. Logan, Jr., et al. v. Hormel Foods Corp. and Wal-Mart Stores, Inc., Case No. 6:04-CV-211 (Aug. 25, 2004) (J. Davis) (A-55) (granting defendants' motion to transfer to the Southern District of Texas. The Court reasoned that the same patent had been raised by the plaintiff and construed by the Southern District, potentially leading to inconsistent claims constructions).

4. Discovery.

American Video Graphics, L.P. v. Electronic Arts, Inc., et al., Case No. 6:04-CV-398 (E.D. Tex., March 11, 2005) (J. Davis) (A-62) (denying in part and granting in part, defendant's motion that plaintiff's P.R. 3-1(c) chart is not specific enough to put them on notice as to how, or which aspects of, their products are claimed to be infringed).

5. Illustrative Patent Decisions.

MyMail, LTD v. Earthlink, Inc., et al., \_\_ F.3d \_\_ (Fed. Cir. 2007) (A-79) (affirming Judge Davis' order granting summary judgment of noninfringement; plaintiff's counsel, having agreed to the district court's construction at the claim construction hearing, "cannot now argue against that claim construction

simply because it resulted in an adverse ruling on summary judgment.” The Circuit Court also stated that “[a] plaintiff must demonstrate legal title to the patent at the inception of the lawsuit to be entitled to sue for patent infringement” and that “state law . . . governs the question of who has legal title.”) Judge Davis’s summary judgment order can be found at A-67.

z4 Technologies Inc. v. Microsoft Corp., 434 F. Supp. 2d 437 (E.D. Tex. 2006) (J. Davis) (A-93) (although the jury found that Microsoft willfully infringed z4’s three patents and awarded \$115 million in damages against Microsoft, the Court denied z4’s motion for entry of permanent injunction, rejecting z4’s contention that the case law requires the application of a rebuttable presumption of irreparable harm with regard to a permanent injunction. The Court held that “z4 has not demonstrated that it will suffer irreparable harm in the absence of a permanent injunction . . . . Any harm z4 might suffer can be adequately remedied through the recovery of monetary damages. . . . The balance of the hardships, although speculative, weighs in favor of Microsoft . . . . And certain sectors of the public could suffer some negative effects if the Court were to grant z4’s proposed permanent injunction.”)

Medical Research Institute v. Bio-Engineered Supplements & Nutrition, Inc., et al., Case No. 605 CV 417 (E.D. Tex., January 12, 2007) (Judge Davis claim construction opinion relating to patent that discloses a controlled release oral-dosage formulation for arginine ketoglutarate (“AAKG”) and a method of

treating atherosclerosis in a human patient by administering a controlled release formulation of AAKG).

B. The Texarkana Division

Texarkana is located on the border of Texas and Arkansas. Primarily, Judge Folsom (A-106) serves the Texarkana Division, as does Magistrate Judge Craven. After more than 20 years in private practice, Judge Folsom was appointed by former president Clinton, in 1995.

1. Standing/Scheduling Orders. Notice of Scheduling Conference, Proposed Deadlines for Docket Control, and Discovery Order (J. Folsom) (A-107).
2. Jurisdiction/Venue.

Epicrealm Licensing, Llc. v. Autoflex Leasing, Inc., et al., 2:05-CV-163-DF (E.D. Tex., July 12, 2006) (J. Folsom) (Marshall) (A-119) (granting defendant's motion to dismiss, noting that defendant's website was not "directly related" to the underlying patent infringement claim and plaintiff failed to meet the requirements for specific jurisdiction.)

3. Discovery.

Ronald A. Katz Technology Licensing, L.P. v. Abacus, et al., Case No. 5:06-CV-188 (E.D. Tex., December 21, 2006) (M.J. Craven) (A-122).

Reid, et al. v. General Motors Corp., et al., Case No. 2:05-CV-401 (E.D. Tex., March 6, 2007) (M.J. Craven) (A-127).

4. Illustrative Patent Decisions.

Mobility Electronics, Inc. v. Formosa Electronic Indus., Inc., et al., Case 5:04-CV-103-DF (E.D. Tex., June 16, 2006) (A- 129) (J. Folsom) (denial of motion for summary judgment on patent invalidity and non-infringement).

C. The Marshall Division

With a population under 25,000, Marshall, Texas is the self-proclaimed “Pottery Capital of the World,” and hosts the annual Fire Ant Festival. It is a stone throw away from the Louisiana border. Marshall is where Judge Ward (A-185) resides; Judges Davis and Folsom also preside over a significant number of cases in this division.

The Marshall division has experienced the greatest increase in overall patent cases on the docket – 134 new patent cases were filed in that court in 2006. (Table 2).

1. Protective Orders.

Integrapp Hardware Technologies Co. v. Dell Computer Corp., et al., Cause No. 2:02-CV-312 (E.D. Tex., October 23, 2003) (Judge Ward entered a protective order featuring provisions for the production of source code on “stand-alone” computers at secure locations at the offices of counsel for defendants.)

2. Jurisdiction/Venue.

Health Discovery Corp. v. CIPHERGEN Biosystems, Inc., Case No. 2:06-CV-260 (E.D. Tex., Jan. 10, 2007) (J. Ward) (A-186) (granting defendant’s motion to transfer venue to the Northern District of California pursuant to 28 U.S.C. §

1404(a) mainly due to the convenience of witnesses detailed in defendant's moving papers; defendant is headquartered in California and, although plaintiff is incorporated in Texas and operates a small office near Waco, it is headquartered in Georgia).

3. Discovery.

Polycom, Inc., et al. v. Codian Ltd., et al., No. 2:05-CV-520 (E.D. Tex., Jan. 22, 2007) (A-195) (M.J. Craven) (ordering defendant to produce the requested discovery where the products were identified in plaintiff's preliminary infringement contentions).

Caritas Technologies, Inc. v. Comcast Corp., Cause No. 2:05-CV-339 (E.D. Tex., Feb. 9, 2006) (denying plaintiff's motion to compel "responses regarding other services" because plaintiff "had not accused other services of infringing nor had it listed other services in its preliminary infringement contentions.").

Tantivy Communications, Inc. v. Lucent Technologies Inc., Case No. 2:04-CV-79 (E.D. Tex., Nov. 1, 2005) (J. Ward) (finding that party "tried to 'hide the ball' when it came to certain documents.").

4. Illustrative Patent Decisions.

Biax Corp. v. Fujitsu Computer Sys. Corp. and Sun Microsystems, Inc., Case No. 2:06-CV-364 (E.D. Tex., Feb. 26, 2007) (J. Ward) (A-203) (denying defendants' motion to stay, noting that the PTO has not identified any particular claims at issue or provided any definitive guidance on the length of

time required for the ex parte reexaminations, and pointing out that the Court is familiar with the patents-at-issue because of a previously-filed case).

Biax Corp. v. Fujitsu Computer Sys. Corp. and Sun Microsystems, Inc., Case No. 2:06-CV-364 (E.D. Tex., Mar. 1, 2007) (J. Ward) (A-207) (claim construction opinion).

Produits Berger S.A. v. Schemenauer, Case No. 2:06-CV-002 (E.D. Tex., Feb 14, 2007) (M.J. Love) (claim construction opinion, attached to which is a table setting forth the Court's claim interpretations).

D. The Sherman Division

Judge Schell (A-137) and Judge Schneider currently serve in the Sherman division as does Magistrate Judge Bush. Judge Schell is a former Chief Judge of the Eastern District; he was appointed by Former President Reagan in 1988.

1. Standing/Scheduling Orders. Scheduling Order (J. Schell) (A-138).
2. Jurisdiction/Venue.

STMicroelectronics, Inc. v. Sandisk Corp., Case No. 4:05-CV-44 (E.D. Tex. April 27, 2005) (M.J. Bush) (A-140).

3. Illustrative Patent Decisions.

STMicroelectronics, Inc. v. Sandisk Corp., Case No. 4:05-CV-44 (E.D. Tex. June 12, 2006) (M.J. Bush) (A-148) (report and recommendation that the Court deny plaintiff's motion for summary judgment on four affirmative defenses: inequitable conduct, patent misuse, laches, and equitable estoppel).

Dell USA L.P. v. Lucent Technologies, Inc., Case No. 4:03-CV-347 (E.D. Tex. Nov. 1, 2006) (J. Schell) (A-156).

E. The Beaumont and Lufkin Divisions

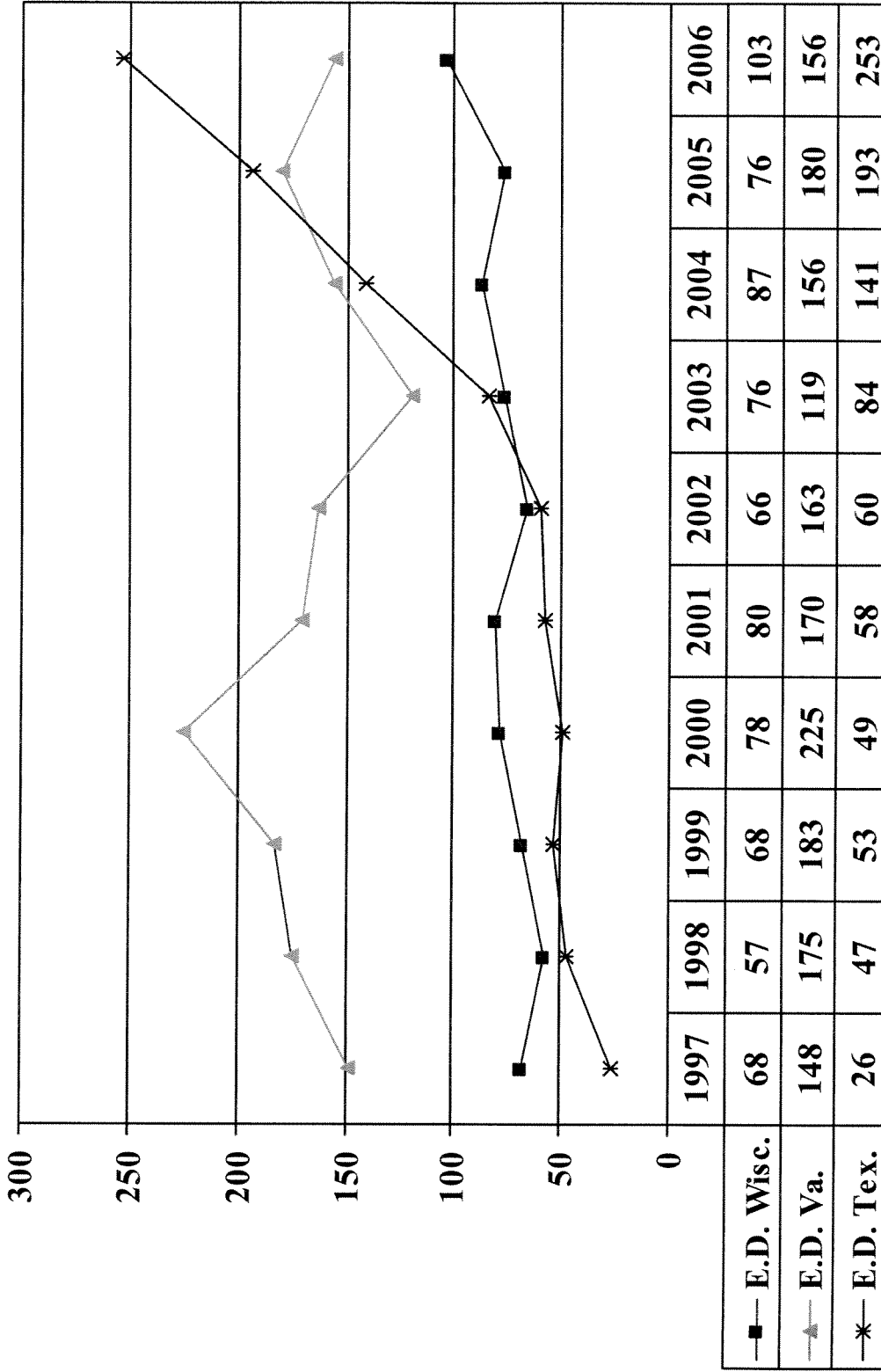
Judges Clark (A-1), Crone (A-28), and Chief Judge Heartfield (A-28) serve the Beaumont Division. Judge Clark, formerly a Texas state representative who also serves the Lufkin Division, was appointed in 2002 by President George W. Bush. Judge Clark is taking a more active role in the overall increase of the patent docket in the Eastern District of Texas, where the number of new patent cases sharply increased in 2006. (Table 2). Judge Crone was a Magistrate Judge in the Southern District of Texas prior to her nomination to the Eastern District of Texas by President George W. Bush in 2003. Chief Judge Heartfield, nominated by Former President Clinton, began his tenure as a judge in the Eastern District in 1995. Magistrate Judges Giblin and Hines are also in Beaumont.

1. Standing/Scheduling Orders. Standing Order (A-29) and Scheduling Order (J. Crone) (Beaumont) (A-35); Order Governing Proceedings, Scheduling Order (J. Clark) (Lufkin) (A-2, A-21).
2. Protective Orders: In a recent case, Judge Clark issued a Protective Order *sua sponte* (A-8).
3. Illustrative Patent Decisions.

Anascape, Ltd. v. Microsoft Corp. and Nintendo of America, Inc., Civil Action No. 9:06-CV-158 (Feb. 23, 2007) (J. Clark) (Lufkin) (A-27-1) (granting in part and denying in part defendants' motion to stay the case until the PTO concluded its reexaminations of the twelve patents-in-suit).

Blackboard, Inc. v. Desire2learn, Inc., Civil Action No. 9:06-CV-155 (E.D. Tex., March 10, 2007) (J. Clark) (Lufkin) (denying defendant's renewed motion to stay pending reexamination of patent-in-suit by the PTO).

# Intellectual Property Cases Commenced Sept. 30, 1996 - Sept. 30, 2006



Source: Annual Reports of the Director, Judicial Business of the United States Courts, <http://www.uscourts.gov/judbususe/judbus.html>

TABLE 1

# Patent Filings, E.D. Tex. Calendar Years 2003-2006

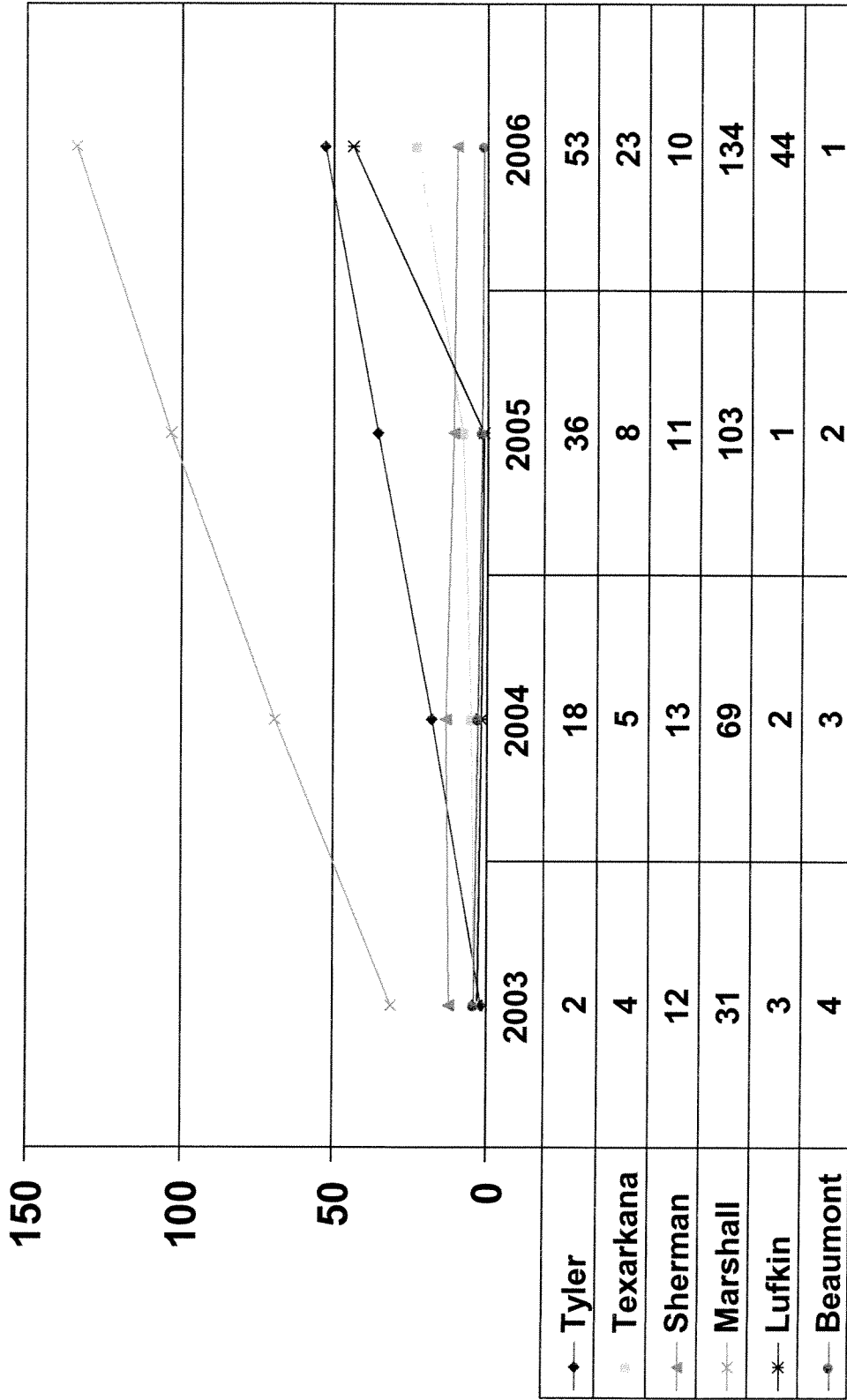


TABLE 2

Source: Prof. Paul M. Janicke, University of Houston Law Center

Table 8: Busiest Districts for Patent Litigation in 2006

2006 Rank	2004-05 Rank	District	2006 filings	% of national total
1	1	CD Cal	262	9.63
2	6	ED TX	216	7.94
3	2	ND Cal	195	7.17
4	7	DNJ	143	5.26
5	3	ND Ill	132	4.85
6	4	SDNY	121	4.45
7	5	D Del	120	4.41
8	11	D Mass	76	2.79
9	13	ND Ga	73	2.66
10	9	D Minn	66	2.43
11	14	SD FL	62	2.28
12	8	ED Mich	61	2.24
13	16	ND TX	54	1.99
14	15	SD Cal	52	1.91
15	12	MD FL	50	1.84
16	20	D Colo	48	1.76
17	22	D Utah	45	1.65
18	10	ED Pa	44	1.62
19	24	ND Ohio	41	1.51
20		D Ore	40	1.47
21		ED Wis	40	1.47
22		D Conn	39	1.43
23		ED Mo	39	1.43
24	21	EDNY	37	1.36
25	19	ED Va	35	1.29

TABLE 3