Multidistrict litigation in patent cases: a run-around on TC Heartland?

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Attempting to evade the implications of TC Heartland, some plaintiffs have started seeking multi-district litigation (MDL) to dodge the hurdle of a domestic corporation residing only in its state of incorporation. Since 2019, 11 patent MDL petitions have been submitted to the Judicial Panel on Multidistrict Litigation, eight of which were granted and three denied. What has emerged from those cases are important takeaways on the factors considered by the panel when deciding whether to grant centralisation.

Multidistrict litigation ("MDL") is codified at US Code Chapter 28, Section 1407, which sets out how civil litigations across the United States may be consolidated and transferred to a single court for combined adjudication before a common judiciary:

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> *When civil actions involving one or more common questions of fact are pending in different districts, such actions may be transferred to any district for coordinated or consolidated pretrial proceedings. Such transfers shall be made by the judicial panel on multidistrict litigation authorized by this section upon its determination that transfers for such proceedings will be for the convenience of parties and witnesses and will promote the just and efficient conduct of such actions . . . .* (28 USC § 1407(a)).
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> "

Under Section 1407, civil actions with common questions of fact in different district courts may be consolidated and transferred to a single district to be presided over by a single district judge. Such a transfer may be initiated either by the Judicial Panel on Multidistrict Litigation – which consists of seven designated circuit and district court judges – or, more commonly, by a party to the action after it files a motion with the panel (see 28 USC § 1407(c)).

The panel decides whether to consolidate the cases and, if the cases are consolidated, selects a transferee judge and venue to preside over them. The panel, however, is not a separate court. It exists to determine whether cases pending in multiple districts should be transferred to a single district court for coordinated or consolidated pretrial proceedings (see 28 USC § 1407).

The justifications that the statute cites for MDL include the "just and efficient conduct" of pretrial proceedings and the potential to minimise the "possibility for conflict and duplication in discovery and other pretrial procedures in related cases" (HR Rep No 90-1130, at 2 (1968), reprinted in 1968 USCCAN 1898, 1899).

Why is this important to patent litigation?

The patent venue statute (28 USC § 1400(b)) states:

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> *Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.*
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> ”

Then, on 22 May 2017, the US Supreme Court decided *TC Heartland LLC v Kraft Foods Grp Brands LLC* (137 S Ct 1514), unanimously concluding “that for the purpose of [28 USC] § 1400(b), a domestic corporation resides only in the State of incorporation” (*Id* at 1517). This now meant that, for domestic corporations, venue is proper in the state of incorporation.

TC Heartland shook the patent world because plaintiffs in patent infringement cases could no longer freely or as easily haul defendant domestic corporations into patent-heavy jurisdictions such as the Eastern District of Texas or the Western District of Texas. Filing patent lawsuits where venue was proper was now a potential hurdle for such plaintiffs and a significant tool for defendants seeking to move cases against them closer to their homes.

In attempts to circumvent the implications of *TC Heartland*, some plaintiffs (especially those filing serial lawsuits) started seeking MDLs to sidestep this potential hurdle. Plaintiffs would file infringement cases in multiple districts – with several in the jurisdiction of choice and then singly in other jurisdictions – and then petition for the panel to centralise the cases in the jurisdiction where most cases were filed.

The landscape for patent MDLs

In recent years, there has been an upward trend in the number of new patent MDL petitions submitted and granted. From 2019 to present, the panel received 11 patent MDL petitions – granting eight and denying three. The following is a list of the 11 cases and high-level descriptions of their outcomes:

- *In re Kerydin (Tavaborole) Topical Sol 5% Pat Litig* (366 F Supp 3d 1370 (US Jud Pan Mult Lit 2019)) – Plaintiff sued two defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and the complexity of Hatch-Waxman cases.
- *In re Auryxia (Ferric Citrate) Pat Litig* (412 F Supp 3d 1347 (US Jud Pan Mult Lit 2019)) – Plaintiffs sued three defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and the complexity of Hatch-Waxman cases.
- *In re Sitagliptin Phosphate (’708 & ’921) Pat Litig* (402 F Supp 3d 1366 (US Jud Pan Mult Lit 2019)) – Plaintiffs sued 13 defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and the complexity of Hatch-Waxman cases.
- *In re Palbociclib (’730) Pat Litig* (544 F Supp 3d 1369 (US Jud Pan Mult Lit 2021)) – Plaintiff sued nine defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and the complexity of Hatch-Waxman cases.
- *In re Ermi LLC (’289) Pat Litig* (396 F Supp 3d 1358 (US Jud Pan Mult Lit 2019)) – Plaintiff sued one defendant in the Northern District of Georgia, one in the Northern District of Illinois, one in the Eastern District of Michigan, one in the Eastern District of North Carolina and one in the Southern District of Florida. Centralisation was granted in the Southern District of Florida because this district was convenient for the two main parties.
- *In re Entresto (Sacubitril/Valsartan) Pat Litig* (437 F Supp 3d 1372 (US Jud Pan Mult Lit 2020)) – Plaintiff sued three defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and efficiency.
- *In re Proven Networks, LLC, Pat Litig* (492 F Supp 3d 1338 (US Jud Pan Mult Lit 2020)) – Plaintiff sued one defendant in the Eastern District of Texas and six in the Western District of Texas, while a third-party plaintiff sued a third-party defendant in the Western District of Texas. Centralisation was granted in the Western District of Texas due to common questions of fact, convenience and efficiency.
- *In re Xarelto (rivaroxaban) (’310) Pat Litig* (No MDL 3017, 2021 WL 5872990 (US Jud Pan Mult Lit 10 December 2021) – Plaintiff sued four defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was granted in the District of Delaware due to common questions of fact, convenience and efficiency.
- *In re Zeroclick, LLC* (437 F Supp 3d 1362 (US Jud Pan Mult Lit 2020) – Plaintiff Zeroclick sued four defendants in the Western District of Texas and a third-party plaintiff sued Zeroclick in the Northern District of California. Centralisation was denied due to the small number of actions, minimal number of districts and presence of common counsel.
- *In re Alexsam, Inc (’608 & ’787) Pat & Cont Litig* (437 F Supp 3d 1374 (US Jud Pan Mult Lit 2020) – Plaintiff sued one defendant in the Northern District of California, one in the District of Connecticut, one in the Eastern District of New York, one in the Eastern

District of Texas and one in the District of Utah. Centralisation was denied due to factual differences across cases (eg, different accused products and patent claims).
- *In re Palbociclib Pat Litig* (396 F Supp 3d 1360 (US Jud Pan Mult Lit 2019) – Plaintiff sued seven defendants in the District of Delaware and one in the Northern District of West Virginia. Centralisation was denied due to the presence of a similar ongoing MDL with the same parties and similar questions of fact.

How to obtain centralisation

The panel considers the following factors when deciding centralisation:

- common questions of fact;
- where most cases were filed;
- where the first case was filed;
- convenience of the parties and witnesses;
- just and efficient conduct;
- reduced costs;
- judicial efficiencies;
- location of witnesses;
- elimination of duplicative discovery;
- prevention of inconsistent rulings;
- complexity of allegations in Hatch-Waxman or high-tech cases;
- need for swift progress in litigation involving the potential entry of generic drugs into the market;
- preference for a judge who is experienced in patent litigation; and
- transferee judge's docket load.

These factors are not exhaustive. Nevertheless, on a practical basis, many cases are centralised to a jurisdiction (venue) of the plaintiff's choice when a plaintiff files most of the cases in the single jurisdiction of plaintiff's choice. A plaintiff can then petition the panel for centralisation due to common questions of fact, convenience and efficiency.

The judicial economy argument is persuasive because only one judge would need to understand the technology common to all the actions (*see*, for example, *Ermi*, 396 F Supp 3d at 1359). Additionally, in Hatch-Waxman-heavy jurisdictions such as the District of Delaware, plaintiffs can argue that the complexity of the cases warrants transfer to a jurisdiction that is "well-versed in complex patent litigation" (*see*, for example, *Sitagliptin Phosphate*, 402 F Supp 3d at 1367 – Centralisation was granted in the District of Delaware due to common questions of fact, convenience and the complexity of Hatch-Waxman cases).

How to avoid centralisation

Defendants trying to avoid being hauled into a centralised jurisdiction of the plaintiff's choice may argue that they lack common questions of fact, particularly if claim construction has not yet occurred (*see Kerydin*, 366 F Supp 3d at 1371). If the actions are at different stages procedurally, defendants should emphasise these differences, particularly with regard to filing dates and procedural stages across cases (*see In re Harmony Loan Co, Inc Sec Litig*, 372 F Supp 1406, 1407 (US Jud Pan Mult Lit 1974)).

Additionally, defendants may argue that the asserted patents have a lengthy litigation history, including several claim construction hearings on important claim terms, and that it would not be difficult for a plaintiff to, again, reproduce the entire universe of documents to several defendants across several cases (see *Alexsam*, 437 F Supp 3d at 1376). After all, many MDL plaintiffs are high-volume filers.

The panel has also highlighted instances when there is a pre-existing MDL involving most litigants in a MDL petition as a reason to deny (*Palbociclib*, 544 F Supp 3d at 1370). Further, if a plaintiff is an NPE with no active operations in the transferee district, defendants may argue that the plaintiff does not have a legitimate need to centralise there. Sometimes, defendants can also effectively argue that the plaintiff is dissatisfied with certain rulings in some of the cases in the petition and such dissatisfaction is not a reason for wanting redress under Section 1407 (*Id* at 1376).

The bottom line: is MDL a new approach to avoid *TC Heartland* in patent cases?

After the court decided *TC Heartland* in 2017, some plaintiffs in patent infringement cases have attempted to use MDLs to circumvent the issue of venue and thus pursue their allegations in patent-heavy jurisdictions. Thus far, such tactics have been largely limited to only a few jurisdictions, such as the District of Delaware—six out of the panel's eight grants of centralization, since 2019, have been to the District of Delaware.

This strategy may work for abbreviated new drug application (ANDA) cases in the District of Delaware because Delaware is a sought-after jurisdiction in which many domestic corporations incorporate. Using this tactic of pursuing MDL to move cases into patent-heavy (or reputationally plaintiff-friendly) districts such as the Eastern District of Texas or the Western District of Texas, however, will be more difficult for plaintiffs because far fewer corporations are incorporated (or reside) in those jurisdictions.

As a preliminary requirement in patent cases venue must be proper in the jurisdiction where the case is filed. Therein lies the problem for successful use of MDLs to force litigations into a desired central jurisdiction: even this tactic requires overcoming the *TC Heartland* obstacle in some form.

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