

FILED

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

2018 MAY 17 PM 3:15

CLERK OF DISTRICT COURT
WESTERN DISTRICT OF TEXAS

BY G
CLERK

BOARD OF REGENTS, §
THE UNIVERSITY OF TEXAS §
SYSTEM, AND TISSUEGEN, INC., §
PLAINTIFFS, §

V. §

CAUSE NO. A-17-CV-0942-LY

MEDTRONIC PLC; MEDTRONIC, INC., §
AND TYRX, INC., §
DEFENDANTS. §

ORDER

Before the court in the above-styled and numbered patent-infringement action are Defendants Medtronic, Inc. and Tyrx, Inc.'s ("Tyrx") Motion to Dismiss Plaintiffs' Complaint Under Fed. R. Civ. P. 12(b)(3) filed November 1, 2017 (Clerk's Document No. 20), Plaintiffs Board of Regents, The University of Texas System (the "Board") and TissueGen, Inc.'s, Plaintiffs' Response in Opposition to Motion to Dismiss and, Alternatively, Opposed Motion to Stay and For Discovery Regarding Defendants' Motion to Transfer Venue filed November 15, 2017 (Clerk's Document No. 25), Defendants' Reply in Support of Their Motion to Dismiss Plaintiffs' Complaint Under Fed. R. Civ. P. 12(b)(3) filed November 22, 2017 (Clerk's Document No. 29), and Plaintiffs' Sur-Reply in Opposition to Motion to Dismiss and Alternatively, Opposed Motion to Stay and for Discovery Regarding Defendants' Motion to Transfer Venue Filed (Clerk's Document No. 60). Having considered the motion, response, reply, sur-reply, the case file, and the applicable law, the court renders the following order.

Background

The Board and TissueGen filed this action on September 29, 2017, alleging that Defendants Medtronic, Inc. and Tyrx infringed United States Patent Nos. 6,596,296, “Drug Releasing Biodegradable Fiber Implant,” and 7,033,603, “Drug Releasing Biodegradable Fiber for Delivery of Therapeutics” (together “the asserted patents”). The Board is the assignee of the asserted patents and TissueGen is the exclusive licensee of the patents and the developer of Elute fiber.¹ The Board and TissueGen allege that Defendants have and will continue to directly infringe the asserted patents by making, using, selling, or offering to sell products that embody the asserted patents, including various types of Tyrx’s Absorbable Antibacterial Envelopes. The complaint alleges, “[u]pon information and belief, Tyrx is a wholly-owned subsidiary and agent of Medtronic and is held out to the public as such.” Also, the complaint alleges Medtronic has issued press releases indicating an agency relationship between it and Tyrex that renders the two almost indistinguishable.

The original complaint alleges that Medtronic, Inc. is a Minnesota corporation with a principal place of business in Minneapolis, Minnesota, and Tyrx is a Delaware corporation, with a principal place of business in Monmouth Junction, New Jersey.

Medtronic, Inc. and Tyrx move to dismiss the claims alleged against them for lack of venue. *See* Fed. R. Civ. P. 12(b)(3).² As the parties were proceeding to present responses and replies to the court on the pending motion, the Board and TissueGen filed an amended complaint on November

¹ The complaint alleges, “Elute fiber is a biodegradable fiber format for advanced drug deliver, nerve regeneration, and tissue engineering.” The Board and TissueGen allege that Elute fibers may replace the standard fibers used in implanting medical devices, including biodegradable textiles currently on the market, and provide significantly improved clinical outcomes by delivering therapeutic agents directly at the site of an implant.

² Neither Medtronic Inc. nor Tyrx claim that the court lacks personal jurisdiction.

21, 2017. The changes made to the amended complaint were to add Medtronic, PLC as a defendant and allege additional venue facts. On December 4, 2017, Medtronic, Inc., Tyrx, the Board, and TissueGen stipulated that no further responses from Medtronic, Inc. and Tyrex are necessary and that Medtronic, Inc. and Tyrx's motion to dismiss and their reply brief are timely responses to the amended complaint (Clerk's Document No. 34).³

The bases for venue alleged in the amended complaint include allegations that the Board, which is

an arm of the State of Texas, has the same sovereign immunity as the State of Texas[. I]t would offend the dignity of the State to require [the Board] to pursue persons who have harmed the State outside the territory of Texas, and the State of Texas cannot be compelled to respond to any counterclaims, whether compulsory or not, outside its territory due to the Eleventh Amendment.

Further, the amended complaint alleges that venue in this court is proper as to Medtronic, Inc. because the company maintains a regular and established place of business in San Antonio, Texas, which is within the Western District of Texas. Finally, the amended complaint alleges "upon information and belief, Tyrex is a wholly-owned subsidiary and agent of Medtronic and is held out to the public as such."

Analysis

Sovereign immunity

In responding to the motion to dismiss, the Board contends that as an arm of the sovereign State of Texas, it may choose the forum in which it litigates its property rights, including rights

³ Also pending in this action is Medtronic PLC's motion to dismiss for lack of personal jurisdiction and for failure to state a claim for which relief may be granted. *See* Fed. R. Civ. P. 12 (b)(2), (6). The court will address Medtronic PLC's motion to dismiss by separate order.

embodied in a United States patent. The Board argues that in choosing to bring this action in this court, it invokes its sovereign immunity, which is the immunity provided to a sovereign State outside of, or beyond, Eleventh Amendment immunity. *See Federal Maritime Comm'n v. South Carolina State Ports Auth.*, 535 U.S. 743, 754 (2002). The Board contends, “venue is an issue where a state’s sovereignty trumps federal venue rules that apply to non-sovereigns.”

Under the Constitution, patent issues are governed by federal law. U.S. Const. art. 1, § 8, cl. 8. Rather than subjecting patent-infringement actions to the general venue statute, Congress enacted a patent-specific venue statute that is applicable only to patent-infringement actions. *See* 28 U.S.C. § 1400(b); *TC Heartland LLC v. Kraft Foods Group Brands LLC*, ___ U.S. ___, 137 S.Ct. 1514 (2017). The Board would have the court turn sovereign immunity, traditionally invoked as a defensive shield for a State against litigation, into a litigation sword for the State, contending that a State’s patent-infringement claims are entitled to special treatment. To accept the Board’s sovereign-immunity argument would require the court to carve out an exception to federal law and applicable Supreme Court precedent. This the court declines to do.

Venue

A defendant may request dismissal when venue is improper in the district where the case is filed. *See* Fed. R. Civ. P. 12(b)(3). “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.” 28 U.S.C. § 1400(b). Title 28 United States Code section 1400(b), is the sole and exclusive provision controlling venue in patent infringement actions. *TC Heartland*, 137 S. Ct. at 1515–19. The term “resides” refers only to a defendant’s state of incorporation. *Id.* at 1521. Whether a defendant has a “regular and established

place of business” has three general requirements: “(1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.” *In re Cray Inc.*, 871 F.3d 1355, 1360 (Fed. Cir. 2017).

As neither Medtronic, Inc. nor Tyrx is incorporated in Texas, the Board and TissueGen must rely on the second test to show venue is proper in this court, that is, whether each defendant has committed acts of infringement and has a regular and established place of business within the Western District of Texas. *See* 28 U.S.C. § 1400(b).

Medtronic, Inc.

The amended complaint identifies Medtronic Inc.’s regular and established place of business as Medtronic Inc.’s manufacturing and research facility, consisting of 431,000 square feet, located in San Antonio, Texas, as appropriate to establish venue for this action. In 2009, Medtronic Inc. publicly announced the establishment of a San Antonio location. And, in May 2009, issued a press release stating, “Medtronic, Inc. announced today that the company has chosen San Antonio, Texas as the home of its new Diabetes Therapy Management and Education Center.” Affixed to the exterior facade of the building is a large sign that reads “Medtronic.”

Medtronic Inc. argues that it does not own or lease any locations in this district and the Medtronic facility in San Antonio is leased not by Medtronic, Inc., but by MiniMed, a Medtronic subsidiary. The San Antonio facility is the workplace for roughly 1,000 MiniMed and MiniMed Distribution employees. Neither MiniMed nor MiniMed Distribution are parties to this action and, Medtronic, Inc. argues that MiniMed’s presence in the district cannot be imputed to Medtronic Inc. to establish venue.

The court reviews the three general requirements for determining whether Medtronic, Inc. has a regular and established place of business in this district. The first requirement of a “regular and established place of business” is a “physical place in the district” even if it is not a formal office. *In re Cray Inc.*, 871 F.3d at 1362. The court finds that whatever the Medtronic, Inc. lease arrangements are for the San Antonio facility, the Medtronic building is a physical place in the district. The second requirement is that the place must be regular and established. *Id.* Medtronic Inc.’s supporting declarations did not discuss the nature of whether the building with the large Medtronic logo on the exterior facade of the top floor, is a regular and established place of Medtronic, Inc.’s business, as the declarations do not discuss how long the facility has been held out to the public as a Medtronic facility, how long any of the 21 Medtronic, Inc. employees that work there have done so, nor how long any Medtronic entity has leased the premises. Again though, Medtronic Inc.’s own corporate announcement and reports from San Antonio media reflect that Medtronic, Inc. announced its move to San Antonio in 2009, more that 8 years ago. The court concludes that an 8-year presence reflects a regular and established place of business. The third requirement is that the regular and established place of business “must be the place of the defendant.” *Id.* at 1363. Again, whatever the lease arrangements are, the court concludes that Medtronic, Inc. has ratified the San Antonio facility as its place of business. *Id.* Also, Medtronic, Inc. represents that it has a place of business in the district, as it lists the San Antonio facility as a place of business on its website, in the telephone and other web-based directories, and has placed its name on a large sign on the exterior of building. *Id.* The court finds Medtronic is using the San Antonio facility as a regular and established place of business. This court is therefore a proper venue for the Board and TissueGen to seek relief from Medtronic, Inc. for their patent-infringement claims.

Tyrx

All that is before the court regarding the propriety of venue as to Tyrx is the allegation in the amended complaint that “upon information and belief, Tyrex is a wholly-owned subsidiary and agent of Medtronic and is held out to the public as such.” The court finds lacking sufficient support for this allegation. The alleged relationship between Tyrx and this district is the existence of the Medtronic, Inc. building in San Antonio. Applying the *Cray* analysis, Tyrx does not own or lease any property in the district nor does it have any employees working or residing in the district. *See In re Cray Inc.*, 871 F.3d at 1362. As alleged in the pleadings, Tyrx was incorporated in Delaware and is headquartered in New Jersey. The court concludes that Tyrx has no “regular and established place of business” in the Western District of Texas. Accordingly, this district is an improper venue for the Board and TissueGen to seek relief for the patent-infringement claims alleged against Tyrx.

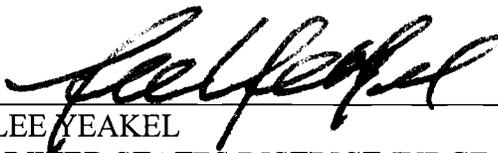
Additional and alternative requests

Both sides request additional and alternative relief from the court. Medtronic, Inc. and Tyrx request that should the court decide to transfer rather than dismiss the action, in the interest of justice, the court should transfer the action to the United States District Court for the District of New Jersey, as Tyrx’s headquarters are in New Jersey. The Board and TissueGen request that, should the court determine to not deny the motion to dismiss, the court should stay the matter, and allow the Board and TissueGen venue-related discovery. Each side opposes the other’s requests. Having considered the case file, the totality of the circumstances in this action, and the applicable law, the court denies the parties’ additional and alternative requests for relief.

IT IS ORDERED that Defendants Medtronic, Inc. and Tyrx, Inc.’s Motion to Dismiss Plaintiffs’ Complaint under Fed. R. Civ. P. 12(b)(3) is **GRANTED TO THE EXTENT** that all of

Plaintiffs the Board of Regents, The University of Texas System and TissueGen, Inc.'s claims alleged against Defendant Tyrx, Inc. are **DISMISSED WITHOUT PREJUDICE** for improper venue. In all other respects, the motion and the parties' additional and alternative requests for relief are **DENIED**.

SIGNED this 17th day of May, 2018.



LEE YEAKEL
UNITED STATES DISTRICT JUDGE