Supreme Court Agrees to Hear Important Patent Venue Appeal

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The Supreme Court has granted certiorari in an important patent appeal that could dramatically change the law regarding venue in patent infringement actions by substantially limiting the available venues in which such an action could be brought. *TC Heartland, LLC v. Kraft Foods Group Brands LLC*, No. 16-341 (certiorari granted, Dec. 14, 2016).

The *TC Heartland* appeal will address the patent venue statute, 28 U.S.C. § 1400(b), which provides that a patent infringement action "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." Section 1400(b) does not define the term "resides," but 28 U.S.C. § 1391, the general venue statute, provides in subsection (c)(2) that "an entity . . . shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question."

Current Federal Circuit precedent applies this definition of "resides" from section 1391(c) to section 1400(b), with the result that a corporate defendant "resides" and therefore can be sued for patent infringement in any district where it is subject to personal jurisdiction. In practice, this often means that a company selling the allegedly infringing products can be sued for patent infringement in any district in the country where those products are sold in stores or purchased online, because this often will be sufficient to confer specific personal jurisdiction. For example, in *TC Heartland*, Kraft sued TC Heartland in Delaware, even though TC Heartland was an Indiana limited liability company with headquarters in Indiana and no offices in Delaware, because it had shipped some of the accused products to Delaware—albeit only 2% of its total sales of the accused products in 2013.

In the *TC Heartland* appeal, the Supreme Court will decide whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c). If the Supreme Court decides that section 1391(c) does not supplement section 1400(b), the Court may conclude that for purposes of section 1400(b), a corporate defendant "resides" only in its state of incorporation, not anywhere else it may be subject to personal jurisdiction.

Such an outcome would mean that section 1400(b) would limit the available venues for a patent infringement action against a corporate defendant to (1) a district in the state where the defendant is incorporated or (2) a district where the defendant has committed acts of infringement and has a regular and established place of business. This in turn likely would substantially reduce the number of patent cases that could be filed in the Eastern District of Texas, which has been the most popular district for patent cases for several years. Howard, "Lex Machina 2015 End-of-Year Trends" (last visited December 16, 2016) ("The distribution of patent cases among district courts remains highly uneven. The Eastern District of Texas received 2,540 cases comprising 43.6% of all cases filed in 2015—a higher percentage than the combined total for all districts below the top 3 (41.9%). The next busiest district, the District of Delaware, saw less than 10% of the cases filed in 2015."). According to some researchers, "what makes the Eastern District so attractive to patent plaintiffs is the accumulated effect of several marginal advantages—particularly with respect to the relative timing of discovery deadlines, transfer decisions, and claim construction—that make it predictably expensive for accused infringers to defend patent suits filed in East Texas." Love and Yoon, "Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas" Santa Clara Univ. Legal Studies Research Paper No. 11-16 (September 21, 2016) (last visited December 16, 2016).

TC Heartland's certiorari petition argued that the Federal Circuit's precedent on this issue is inconsistent with the Supreme Court's precedent. Specifically, in 1957, the Supreme Court held that section 1400(b) is not supplemented by section 1391(c), and that the phrase "where the defendant resides" in section 1400(b) means the state of incorporation for a corporate defendant. *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). However, in 1990, the Federal Circuit held that, despite *Fourco*, the broader definition of residency in section 1391(c) applies to section 1400(b). *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). The Federal Circuit based its holding on an

intervening amendment to section 1391(c) that stated "[f]or purposes of venue under this chapter," from which the court inferred that Congress intended section 1391(c) to apply to venue under section 1400(b). It is generally accepted that the *VE Holding* decision led to more patent infringement actions being filed in districts that would not have been available venues for many corporate defendants under *Fourco*, including in many cases the Eastern District of Texas.

In *TC Heartland*, the Federal Circuit followed *VE Holding*, with the result that venue was proper as to the non-resident defendant because it was subject to specific personal jurisdiction based on its purposeful shipment of the accused products into the forum. The Federal Circuit rejected TC Heartland's argument that 2011 amendments to 28 U.S.C. § 1391 effectively scuppered *VE Holding* and impliedly codified the Supreme Court's holding in *Fourco*. The court found that "[t]he 2011 amendments to the general venue statute relevant to this appeal were minor" and that the implied codification argument was "utterly without merit or logic."

TC Heartland's certiorari petition asked the Supreme Court to review the *VE Holding* precedent, arguing it is inconsistent with *Fourco*. The Supreme Court's decision in this appeal should settle the question of where patent infringement actions can be brought, which is an important strategic consideration in most patent cases.