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High Court Limits Where Patent Suits Can Be Filed

By Jamaica Szeliga

Seyfarth Synopsis: *Venue in a patent litigation is limited to the alleged infringer's state of incorporation or where the defendant has committed infringing acts and has a regular and established place of business.*

Less than two months after oral argument, the Supreme Court issued a unanimous decision on May 22, 2017, in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, uprooting long-standing precedent that allowed patent owners to sue anywhere there was personal jurisdiction over the alleged infringer. The Court held that venue is only proper in the state where the alleged infringer is incorporated or where it has both committed acts of infringement and has a regular and established place of business.

By taking this stand, it is possible that the Supreme Court will prevail where the Federal Circuit and Congress have failed and curb "patent troll litigation" in patent-friendly district courts like the Eastern District of Texas by non-practicing entities ("NPEs").

Evolution of Patent Venue Laws

The issue in *TC Heartland* can be traced to an 1897 venue statute for patent infringement cases. Previously, patent litigations were treated like any other federal case for venue purposes.

Venue refers to the proper or most convenient location for a case or trial. It is designed to keep litigation near the defendant or the site of the action that gave rise to the suit. In 1897, Congress approved a separate patent venue statute, which established venue (1) where the alleged infringer was an "inhabitant" or (2) where the defendant both committed the act(s) of infringement and maintained a "regular and established place of business." In 1948, Congress made a slight non-substantive revision, replacing "inhabit[]" with "resides." Previous Supreme Court decisions determined that the pre-1948 and post-1948 statute was the exclusive venue provision for patent infringement actions and that "inhabit" and "resides" both mean the place of the alleged infringer's incorporation.

The 1948 patent venue statute, 28 U.S.C. § 1400(b), has not been modified since its enactment. It reads:

> 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.

In contrast to the patent venue statute, the generally applicable venue statute has undergone more recent revisions. For example, in 1988, Congress expanded the location where a defendant can and should be sued. The general venue statute modified the definition of "resides" by expanding residence to include "any judicial district in which such defendant is subject to the court's personal jurisdiction." Personal jurisdiction can include places where the defendant has directed its actions, for example, where the product at issue is in the stream of commerce.

Two years later, in *VE Holding Corp. v. Johnson Gas Appliance Co.*, the Federal Circuit evaluated whether the 1988 change to the general venue statute affected the patent-specific venue provision. The end result was to make venue proper for patent litigation anywhere the defendant is subject to personal jurisdiction rather than the more restricted definition of "resides" as the place of incorporation.

Over the last 27 years, attorneys have associated *VE Holding*. with an increase in forum shopping -- once venue became easier to establish, plaintiffs brought suit in places thought to provide advantages in terms of procedure, outcome, or otherwise. For example, *VE Holding* is said to have contributed to the rise of the Eastern District of Texas as a go-to district for patent owners. The Eastern District of Texas offers streamlined patent litigation procedures and a reputation for patent holder wins. It is not a populous district, nor a place of incorporation or a principal place of business for most defendants. But recent statistics show that it is the second most common forum for patent litigation disputes, trailing only *inter partes* review and post-grant review proceedings before the Patent Trial and Appeal Board.

After *VE Holding*, the Federal Circuit continued to field cases concerning venue. In light of the rise of "troll" litigation by NPEs filed in plaintiff-friendly forums, it attempted to limit venue by finding that retaining jurisdiction under certain circumstances was an abuse of discretion. Congress also tried to limit patent venue in an attempt to curb NPE litigation. But its several attempts at legislation failed.

TC Heartland

TC Heartland allowed the Supreme Court a second chance to evaluate *VE Holding*. (and provided an opportunity to combat forum-shopping in patent litigation matters). In *TC Heartland*, Kraft Food Group Brands LLC ("Kraft") brought suit against TC Heartland, LLC ("TC Heartland") in the District Court of Delaware. TC Heartland moved to dismiss the suit or at least transfer the case -- the company was incorporated in Indiana, maintained headquarters in Indiana, and less than 2% of the allegedly infringing product ended up in Delaware. The district court denied the motion, and TC Heartland appealed.

On appeal, the Federal Circuit addressed the effect of another set of amendments to the general venue statute made in 2011. At that time, Congress added language stating that the general venue statute applied "[e]xcept as otherwise provided by law." TC Heartland argued that the new language made the general venue statute inapplicable where other venue statutes existed, such as the patent venue statute. The Federal Circuit rejected TC Heartland's arguments, reaffirming *VE Holding*. According to the court, the patent venue statute did not define the term "resides" and thus looking to the general venue statute for guidance would not defy the "otherwise provided by law" language added in 2011.

By an 8-0 vote, the Supreme Court reversed the Federal Circuit, and overturned the precedent of *VE Holding*. In its place, the Supreme Court determined that the term "resides" for purposes of the patent venue statute should be interpreted to mean the state of incorporation of the defendant. Under *TC Heartland*, plaintiffs alleging patent infringement must therefore file suit where the defendant resides (*i.e.*, their state of incorporation) rather than wherever personal jurisdiction exists. Alternatively, a plaintiff can make use of the second location for venue provided by Section 1400(b): where the defendant has committed acts of infringement and has a regular and established place of business.

Takeaways:

- Patent litigation venue is governed solely by 28 U.S.C. § 1400(b).
- For domestic corporations, venue in patent litigation is proper only (1) where the alleged infringer is incorporated or (2) where the alleged infringer has committed acts of infringement and has a regular and established place of business.
- *TC Heartland* is likely to shift patent litigation away from courts with very minimal ties to the district, and toward states where many domestic corporations are incorporated.

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