wiley

ALERT

Patent Venue After *TC Heartland*

May 23, 2017

On May 22, 2017, in *TC Heartland LLC v. Kraft Foods Group Brands LLC*,[1] the U.S. Supreme Court (Thomas*) unanimously[2] reversed and remanded the Federal Circuit's denial of TC Heartland's petition for a writ of mandamus seeking to direct the district court to either dismiss or transfer Kraft's suit alleging TC Heartland infringed U.S. Patent No. 8,293,299. In doing so, the Court held that "a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute [28 U.S.C. § 1400(b)]."[3]

History of Patent Venue

28 U.S.C. § 1400(b) provides that "[a]ny 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 its 1957 decision, *Fourco Glass Co. v. Transmirra Products Corp.*,[4] the Supreme Court held that § 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and that ***it is not to be supplemented*** by the provisions of [28 U.S.C. § 1391],"[5] the general venue statute. Moreover, the *Fourco* Court held that, as used in § 1400(b), the term "resides," with respect to corporations, "mean[s] the state of incorporation only."[6]

In 1988, Congress amended § 1391(c) to state "[f]or purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced."[7] Two years later, in *VE Holding Corp. v. Johnson Gas Appliance Co.*,[8] the Federal Circuit held that this amendment rendered § 1391 applicable to § 1400(b), "and thus redefine[d] the meaning of the term 'resides' in [§ 1400(b)],"[9] expanding the scope of patent venue beyond *Fourco*.

Authors

Alexander B. Owczarczak
Associate
202.719.7134
aowczarczak@wiley.law

Practice Areas

Intellectual Property

Congress again amended § 1391 in 2011 to provide that "[e]xcept as otherwise provided by law," "this section shall govern the venue of all civil actions brought in district courts of the United States."[10] The amendment further altered § 1391(c)(2) to state that, "[f]or all venue purposes," certain entities, "whether or not incorporated, 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."[11]

Notably, § 1400(b) was not amended at either time.

Proceedings Below

On January 14, 2014, Kraft Foods Group Brands LLC sued TC Heartland LLC and Heartland Packaging Corporation ("TC Heartland") in the U.S. District Court for the District of Delaware, alleging infringement of U.S. Patent No. 8,293,299 by shipping allegedly infringing products to Delaware. TC Heartland is a limited liability company organized and existing under the laws of the State of Indiana.[12] "[I]t is not registered to do business in Delaware and has no office, property, employees, agents, distributors, bank accounts, or other local presence in Delaware."[13] TC Heartland moved, relevantly, to transfer the case for improper venue, arguing that the 2011 amendments to § 1391 nullified the Federal Circuit's *VE Holding* opinion's conclusion.[14]

The District Court disagreed, holding that the 2011 amendment's addition of a "saving clause," which states that § 1391 does not apply when "otherwise provided by law," did not alter its conclusion. Specifically, the District Court justified its holding based on the Federal Circuit's conclusion in *VE Holding* that §1400(b) "does not 'conflict' with Section 1391(c), and that Congress' 'clear intention' was that '§ 1391(c) is to supplement § 1400(b).'"[15]

With its motion to transfer denied, TC Heartland petitioned the Federal Circuit for Mandamus, which the Federal Circuit denied.[16] Characterizing the 2011 amendments to § 1391 as "minor," the Federal Circuit doubled down on its decision and reasoning in *VE Holding*.[17]

SCOTUS Opinion

In its decision yesterday, the Supreme Court rejected the argument that the 1988 amendment to § 1391 altered the definitional finding of *Fourco* in the first place, and specifically pointed to the "saving clause" now included in § 1391 as further evidence of *Fourco*'s propriety.[18] Because § 1391 now "expressly stat[es] that it does not apply when 'otherwise provided by law,'" the Court reaffirmed *Fourco*, stating "*Fourco*'s holding rests on even firmer footing now."[19]

Accordingly, "[a]s applied to domestic corporations, 'reside[nce]' in § 1400(b) refers only to the State of incorporation."[20]

Likely Impact

The Court's holding is likely to redirect filings from the Eastern District of Texas to the District of Delaware, a jurisdiction more commonly used as a place of incorporation. With Judges Robinson and Sleet recently assuming senior status, the District of Delaware is left with two vacancies. An influx of new patent cases into the District will add to a caseload that the Judicial Conference of the United States already considers in need of an additional permanent judgeship, further straining an already overloaded district.[21] Moreover, these new cases entering Delaware will compete with the District's heavy load of ANDA cases. Due to the statutorily-imposed 30-month regulatory stay provision of the Hatch-Waxman Act,[22] Delaware's judges may prioritize trying ANDA cases over non-ANDA patent cases, further slowing the progress of these new cases.

The Court's holding does not, however, impact the second prong of § 1400(b), leaving venue proper "where the defendant has committed acts of infringement and has a regular and established place of business." Thus, there will likely be significant litigation concerning whether accused infringers with large physical presences (*e.g.*, national retailers) will remain subject to suit nationwide.

A further impact of the geographic dispersion of cases stemming from *TC Heartland* is a possible increase in multi-district litigation ("MDL") proceedings. An increase in MDL proceedings would also limit a plaintiff's ability to forum shop, because the assignment of MDL proceedings is conducted by the MDL panel, not solely dictated by the plaintiff.[23] The increased uncertainty surrounding ultimate forum assignment may serve to reinforce one presumed purpose behind the anti-joinder provision introduced with the AIA, *i.e.*, curbing infringement actions brought by "trolls." [24], [25]

Further, the Court explicitly left open the issue of proper venue for foreign corporations under § 1400(b).[26] The repeated, clear statements that § 1400(b) alone dictates patent venue determinations appears to be in tension with *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, where the Court held that the then-existing general venue statute applied to foreign corporations.[27] It therefore appears likely that additional litigation will occur to resolve the issue of foreign corporation venue.

[1] 581 U.S. ___ (2017) (hereinafter, "*TC Heartland*") (all citations are to slip opinion).

[2] Justice Gorsuch did not participate in the consideration or decision of the case.

[3] *TC Heartland* at 3.

[4] 353 U.S.C. 222 (1957).

[5] *Id.* at 228 (emphasis added).

[6] *Id.* at 226.

[7] *TC Heartland* at 6.

[8] 917 F.2d 1574 (Fed. Cir. 1990).

[9] *Id.* at 1578.

[10] 28 U.S.C. § 1391(a).

[11] 28 U.S.C. § 1391(c)(2).

[12] *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. CV 14-28-LPS, 2015 WL 4778828, at *1 (D. Del. Aug. 13, 2015), *report and recommendation adopted*, No. CV 14-28-LPS, 2015 WL 5613160 (D. Del. Sept. 24, 2015).

[13] *Id.* (internal quotations omitted).

[14] *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. CV 14-28-LPS, D.I. 8 at 11.

[15] *Kraft Foods*, 2015 WL 4778828, at *10.

[16] *In re TC Heartland LLC*, 821 F.3d 1338, 1338 (Fed. Cir. 2016).

[17] *Id.* at 1341–43.

[18] *TC Heartland* at 9.

[19] *Id.*

[20] *Id.* at 10 (second alteration in source).

[21] Additional Judgeships or Conversion of Existing Judgeships Recommended by the Judicial Conference, 2017 (available at http://www.uscourts.gov/sites/default/files/2017_judicial_conference_judgeship_recommendations_0.pdf) (last accessed May 23, 2017).

[22] Drug Price Competition and Patent Term Restoration Act of 1984, Pub.L. No. 98–417, 98 Stat. 1585 (1984).

[23] *See* 28 U.S.C. § 1407(a).

[24] *See* 35 U.S.C. § 299.

[25] *Cf.* H.R. REP. 112-98, 54–55, 2011 U.S.C.C.A.N. 67, 84.

[26] *TC Heartland* at 7 n.2.

[27] 406 U.S. 706, 714 (1972).