SCOTUS Re-Evaluation of Venue Could End Alleged Forum Shopping in Patent Cases

By Courtland Merrill

On March 27, 2017, the U.S. Supreme Court heard argument in *TC Heartland LLC v. Kraft Food Brands Group LLC,* No. 16-341, a case concerning the specific geographic locations available to patent owners to sue alleged infringers for patent infringement. Under the U.S. Court of Appeals for the Federal Circuit's current interpretation of the federal venue statute, a patent owner may file suit against an infringer in any judicial district in which the defendant is subject to personal jurisdiction. Under that broad interpretation, promulgated by the Federal Circuit nearly 30 years ago, patent owners have wide latitude in selecting the location to enforce patents against accused infringers, because an accused infringer can be subject to personal jurisdiction in virtually any district in which it has sold a product accused of infringement. However, if the Supreme Court accepts the argument by the petitioner in *TC Heartland*, the practice of filing lawsuits in remote, but perceived patent-friendly judicial districts, with little connection to any party, could be substantially restricted.

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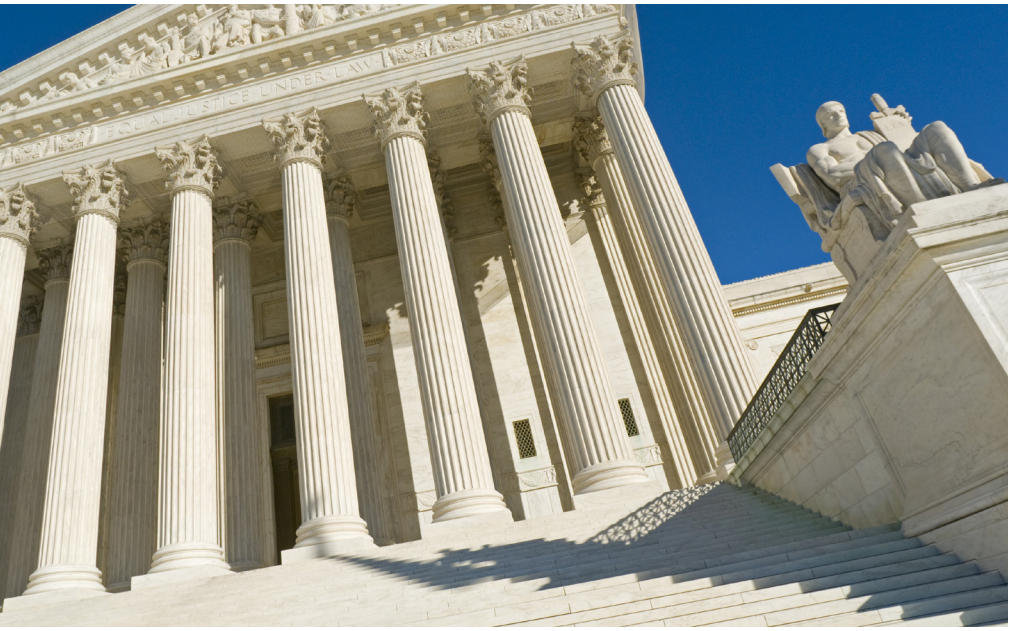
Venue for patent infringement cases is codified in 28 U.S.C. §1400(b). That statute says a patent infringement suit may be brought "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). In 1957, the U.S. Supreme Court in *Fourco Glass Co. v. Transmirra Products Corp.*, held that the phrase "where the defendant resides" meant the state of incorporation. 353 U.S. 222, 226 (1957). The *Fourco Glass* court also held that the patent venue statute (§ 1400(b)) is "the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by" the general venue provision for other cases in federal court. *Id.* at 229.

However, in 1990, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, held that 28 U.S.C. § 1391(c) – the federal statute governing "venue generally" applicable to all federal cases – defined where a defendant "resided" under § 1400(b). 917 F.2d 1574 (Fed. Cir. 1990). Applying the general venue statute, the Federal Circuit concluded a defendant was deemed to "reside" in any of the multiple judicial districts in which it could be subject to personal jurisdiction. Personal jurisdiction over a corporation generally requires little more than showing "minimal contacts" between the defendant's act of infringement and the judicial district. Thus, according to the Federal Circuit, a single act of infringement within a judicial district could make a corporation a "resident," regardless of whether the corporation has a regular and established place of business within the district.

For nearly 30 years after *VE Holding,* the Federal Circuit has allowed patent owners broad flexibility to sue accused infringers in any judicial district in the United States in which the infringer is subject to personal jurisdiction. The flexibility provided under the current interpretation of the federal venue statute has allowed so-called "patent trolls" – companies that buy patents not to use them but to demand royalties and sue for damages – to flourish.

Patent owners, exercising their rights under an expansive venue interpretation, have flocked to the Eastern District of Texas, a district with a reputation for friendliness to plaintiffs. The Eastern District of Texas is in a generally rural portion of the state adjacent to the Louisiana and Oklahoma borders. The Eastern District lacks



any major city, and includes courthouses in Texarkana, Tyler, Beaumont, and Marshall, a city of about 25,000. A single judge based in Marshall, oversees about a quarter of all patent cases nationwide, more than the number handled by all federal judges in California, Florida and New York combined.

Non-practicing entities are not the only ones favoring a flexible interpretation of the patent venue statute. Pharmaceutical manufacturers are often compelled to file multiple patent infringement lawsuits against generic drug companies. The pharmaceutical industry prefers to bring multiple suits involving the same patented technology in a single judicial district. They tend to favor concentration of those suits in district courts in Delaware and New Jersey, which are often their home districts.

In *TC Heartland*, Kraft sued TC Heartland in Delaware for alleged infringement of patents related to low-calorie sweeteners. TC Heartland sought to move the case to Indiana. The Federal Circuit refused, relying on its decision in *VE Holding Corp.* In December 2016, the U.S. Supreme Court granted TC Heartland's petition for certiorari. TC Heartland argues that under the plain language of the patent-specific venue provision, and allegedly controlling (albeit ignored) Supreme Court precedent, an accused infringer can only be sued for infringement in those judicial districts where (1) the defendant is incorporated, or (2) the defendant has engaged in acts of infringement *and* has a regular and established place of business.

In response, Kraft argues that amendments made to the general venue statute after the Supreme Court's *Fourco Glass* decision make clear that the Federal Circuit has correctly concluded that a defendant "resides" in any district in which the defendant is subject to personal jurisdiction. Yet, as Chief Justice Roberts noted during oral argument, little evidence shows that Congress had sought to overrule the Court's prior *Fourco* decision: " ... if Congress were trying to make a significant change, there'd be a lot more evidence of it other than just changing the particular nuances of the words." If the Supreme Court accepts the argument by petitioner TC Heartland, the practice of filing lawsuits in perceived patent-friendly judicial districts with little connection to the parties could come to an abrupt end. If TC Heartland is correct, then the Federal Circuit has been wrong for nearly 30 years.