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SUPREME COURT LIMITS PATENT VENUE OPTIONS

TC Heartland LLC v. Kraft Foods Group Brands LLC, No.16-341.

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On May 22, 2017, the Supreme Court overturned decades of Federal Circuit precedent, holding that the patent venue statute was not broadened by the later-amended general venue statute. This holding will have significant dampening effect on cases brought in certain jurisdictions, such as E.D. Texas and other venues considered patent-friendly. Moreover, venues like the District of Delaware may experience a swell of patent cases as patentees seek to avoid jurisdictions where a defendant has a place of business.

The issue before the Supreme Court was whether an amendment to the general Federal venue statutes, 28 U.S.C. 1391(c) altered the scope of the patent venue statute, 28 U.S.C. §1400(b). We briefed the issues in the case after oral argument. Are the Days of E.D. Texas Waning?

Section 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 1957, the Supreme Court construed the word "resides" and held that a corporation "resides" only in its State of incorporation. *Fourco Glass Co.* v. *Transmirra Products Corp.*, 353 U. S. 222, 226 (1957). In so doing, the Supreme Court specifically rejected the argument that Section 1400(b) incorporates the broader definition of corporate residence contained the general venue statute.

In 1988, the general venue statute was amended to broaden the term residence to any district in which a defendant is subject to personal jurisdiction. Thus, a defendant could be sued in

any jurisdiction where it conducted business. Following this amendment, the Federal Circuit held that the amended general venue statute broadened the term "resides" for the patent venue statute. *VE Holding Corp.* v. *Johnson Gas Appliance Co.*, 917 F. 2d 1574 (1990). The Federal Circuit reasoned that the general venue statute included the phrase "[f]or purposes of venue under this chapter" and thus established a definition for all venue statutes under the same chapter. *Id*. at 1571.

That ruling held for almost 30 years.

In 2011, Congress again amended the general venue statute. Section 1391(a) now provides 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."

Pointing to the 2011 amendment, TC Heartland challenged venue of the instant case which was brought in Delaware. While TC Heartland did not deny that it sold the accused products in Delaware, it was incorporated in Indiana and did not have a place of business in Delaware. Accordingly, it argued, venue was improper in Delaware. The Federal Circuit rejected TC Heartland's argument. TC Heartland appealed.

Judge Thomas delivered the unanimous opinion for the Supreme Court, reversing the Federal Circuit. The Court noted that neither party asked the Court to reconsider its ruling in *Fourco*. Thus the only question presented for the Court was whether amendments to the general venue statute subsequent to *Fourco* changed the patent venue statute. The Court found they did not. The Court reasoned that if Congress disagreed with *Fourco*, it could have amended the patent venue statute. But Congress did not, even though it amended the general venue statute twice. Further, the 2011 addition of the phrase "except as otherwise provided by law" to the general venue statute provided a carve out for provisions laid out in other statutes, like the patent venue statute. Accordingly, nothing in the amendments to Section 1391 changed the reasoning of *Fourco* and a company resides only in its State of incorporation.

The upshot: This decision will radically alter patent litigation. Courts that relied solely on personal jurisdiction to establish venue over defendants in inconvenient fora, such as the E.D. Texas, will be faced with transfer motions in the short term and will have significantly lighter patent dockets moving forward. In contrast, popular incorporation venues, such as the District of Delaware, will see a marked increase in the number of patent cases. There also

will be increases in patent suit filings in places where tech companies have their places of business such as California, New Jersey and Massachusetts. For the District of Delaware particularly, which already sees a longer time to trial than many other jurisdictions, this will mean an even slower litigation process in an already backlogged court. Will the more convenient forum be worth the wait? Time will tell.

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