THINK FORWARD

Supreme Court Alters the Landscape of Venue for Patent Infringement Litigation

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On May 22, 2017, the Supreme Court of the United States issued a decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC* (Case No. 16-341) altering the landscape of venue for patent infringement litigation. The Supreme Court overturned the Federal Circuit in holding that the first prong of the patent venue statute, 28 U.S.C. § 1400(b), which provides that patent infringement actions may be brought in the judicial district where the defendant "resides", refers only to the state of incorporation.

Kraft Food Brands Group ("Kraft") originally sued T.C. Heartland ("Heartland") in the District of Delaware for allegedly infringing three Kraft patents. Kraft was incorporated in Delaware, but maintained its principal place of business in Illinois. TC Heartland, an Indiana company, moved to dismiss for lack of personal jurisdiction or to transfer venue to the Southern District of Indiana relying on the patent venue statute, 28 U. S. C. §1400(b), which 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." TC Heartland argued that it was not registered to do business in Delaware, had no accounts in Delaware, and had limited sales of the accused product in Delaware. Kraft argued that the broader general venue statute, §1391(c), controls, and imparts venue so long as there are sufficient minimum contacts for a court to exercise personal jurisdiction. The district court of Delaware denied the motion to dismiss or transfer venue, finding that §1391(c) controls.

TC Heartland filed a petition for a writ of mandamus at the Federal Circuit. The Federal Circuit denied the petition, concluding that §1391(c) supplies the definition of "resides" in §1400(b), which equates "resides" with personal jurisdiction. The Federal Circuit reasoned that because petitioner resided in Delaware under §1391(c), it also resided there under §1400(b).

In reversing the Federal Circuit, the Supreme Court relied heavily on its prior ruling in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U. S. 222, 226 (1957), where the Court concluded that for purposes of §1400(b), a domestic corporation "resides" only in its state of incorporation. The *Fourco* ruling rejected the argument that §1400(b) incorporates the broader definition of corporate "residence" contained in the general venue statute, 28 U. S. C. §1391(c). The Supreme Court concluded that Congress had not changed the meaning of §1400(b) in its post-*Fourco* amendments of §1391, and that as applied to domestic corporations, "reside[nce]" in §1400(b) refers only to the state of incorporation.

Practical Impact of *TC Heartland*

TC Heartland will impact patent litigation strategy for nearly every company, and may go so far as to impact general corporate planning strategy for companies involved regularly in patent litigation:

- Over 30% of all patent infringement cases are filed in the Eastern District of Texas. *TC Heartland* is likely to result in a significant redistribution of patent cases. There will likely be far fewer patent

infringement filings in the Eastern District of Texas, and more filings in jurisdictions that are either: (1) a popular place of incorporation (like Delaware) or (2) the corporate headquarters or regular place of business for corporations (like California, Illinois, New York, Massachusetts, other districts in Texas and Michigan).

- The Supreme Court's ruling should provide greater predictability for domestic corporations.Instead of being subject to venue anywhere they sell a product, domestic corporations are only subject to venue in patent cases (1) where they are incorporated and (2) where they committed acts of infringement and have a regular and established place of business.While the Court's ruling focused on the first prong – place of incorporation – corporations still must consider the location of other corporate facilities, including headquarters, manufacturing plants, research and development centers and product distribution centers.
- Companies incorporated in Delaware will have to evaluate whether the value of incorporation in Delaware is worth the risk of being subject to venue for patent infringement litigation in Delaware.Delaware courts are known to have plaintiff-friendly local patent rules, and Delaware judges do not transfer many cases out of the district where the defendant is incorporated in Delaware.
- The Court only addressed domestic corporations, not companies that are incorporated outside of the U.S.Those foreign corporations are still subject to the existing venue provisions that permit them to be sued in many different jurisdictions.Foreign corporations that are targets of patent infringement suits may wish to consider incorporating in a favorable jurisdiction in the U.S. to control the location of any potential patent infringement suits.
- The courts will likely see fewer motions to transfer venue because patent defendants will be sued in locations where they have intentionally chosen to operate.
- Many are asking about the impact of *TC Heartland* on the large volume of non-practicing entity ("NPE") patent infringement suits.Some believe that *TC Heartland* will reduce NPE patent suits because the traditionally plaintiff-friendly Eastern District of Texas will no longer be a viable option for many patent infringement suits, but others believe that NPEs will simply find another jurisdiction in which to sue.Accurate predictions are difficult at this early stage, but it should not take long to assess how NPEs react and adjust to *TC Heartland.*

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