IP Alert: Justices Set to Rule on Patent Venue



Justices Set to Rule on Patent Venue

By Paul M. Rivard

On March 27, 2017, the Supreme Court heard arguments in TC Heartland LLC v. Kraft Foods Group Brands LLC. The specific question at issue is "[w]hether 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[,]' is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by the statute governing '[v]enue generally,' 28 U.S.C. § 1391, which has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts." The Court's decision potentially could alter the landscape of patent litigation in the United States.

Case Below

Kraft filed suit against Heartland in the U.S. District Court for the District of Delaware, alleging that Heartland's liquid water enhancer products infringe three of Kraft's patents. Heartland moved to transfer venue to the U.S. District Court for the Southern District of Indiana, where Heartland is headquartered. Heartland argued that Delaware was not a proper venue under § 1400(b) because

the company was formed under Indiana law and has no physical presence in Delaware. The district court denied the motion to transfer. The Federal Circuit denied a petition for writ of mandamus, relying on its earlier decision in VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990), holding that a defendant's residency under § 1400(b) is determined using the definition provided in § 1391(c).

Legislative History – A Long and Winding Road

The Supreme Court in Fourco Glass Co. v. Transmirra Products Corp., 353 U.S. 222 (1957) ruled that § 1391(c) had no applicability to the question of venue in patent infringement actions, which were governed exclusively by § 1400(b). As a result of this decision, a corporation could be sued for patent infringement only in a district in which it is domiciled (incorporated) or where it has a regular place of business and committed acts of infringement.

In VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990), the Federal Circuit determined that Congress effectively overruled Fourco Glass when it amended § 1391 in 1988 to define the residence of a corporation "[f]or purposes of venue under this chapter," which included § 1400(b). Under the definition of residency in § 1391(c), a corporate defendant is deemed to "reside" in any judicial district in which it is subject to personal jurisdiction.

Congress amended § 1391 yet again in 2011 in several respects. The language "[f]or purposes of venue under this chapter" was removed. Perhaps significant to this case, a new subsection "(a)" was added providing that, "Except as otherwise provided by law—(1) this section shall govern the venue of all civil actions brought in district courts of the United States."

While at first blush new subsection "(a)" may seem to codify Fourco Glass that § 1391(c) has no applicability to patent infringement actions, which are elsewhere provided for in § 1400(b), the Federal Circuit in Heartland v. Kraft below nevertheless found that the 2011 amendments did not alter the outcome of VE Holding. The Federal Circuit was unconvinced that the "otherwise provided by law" exclusion reached a common law definition of a corporation's residency on which the Court relied in Fourco Glass.

Oral Arguments

The case attracted a significant number of amicus curiae briefs offering viewpoints on the impact of VE Holding on patent litigants and businesses, including notably the current prevalence of patent infringement actions filed in the U.S. District Court for the Eastern District of Texas. However, during argument the Justices expressed a general unwillingness to delve into policy considerations and, instead, seemed intent to resolve the question presented purely as a matter of statutory

construction. Justice Breyer commented that he didn't know whether the concentration of cases in East Texas was "good, bad or indifferent."

Heartland was questioned on whether Fourco Glass was controlling because the defendant in the case at issue is a limited liability company (LLC) rather than a corporation. Heartland urged that the principles announced in Fourco Glass still apply, and that the residency of an LLC can be resolved by looking to state law. Justice Ginsburg commented that Heartland was advocating for an unusually narrow definition of venue not found in other areas of law.

The Justices asked Kraft whether § 1400(b) is rendered superfluous by the Federal Circuit's interpretation of § 1391(c). Kraft argued that the 1988 amendments were intended to significantly expand venue, and that it was impractical for Congress to amend every instance in which a specific venue statute was implicated. Kraft also pointed out that § 1400(b) still could apply to defendants who are natural persons. Chief Justice Roberts questioned whether the 1988 amendments were actually intended to overrule Fourco Glass. Justice Kagan also appeared skeptical, questioning whether "for 30 years the Federal Circuit has been ignoring our decision."

The Court is expected to issue its ruling in this closely-watched case by June.

Posted: March 29, 2017