IP Alert: Supreme Court Reaffirms Decades-Old Precedent for Patent Venue

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By Paul M. Rivard

On May 22, 2017, the Supreme Court of the United States issued its opinion in TC Heartland LLC v. Kraft Foods Group Brands LLC, holding that "a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute." The decision reversed the Federal Circuit and confirmed decades-old Supreme Court precedent that the patent venue statute, § 1400(b), does not incorporate a broader definition of residency found in the general venue statute, § 1391(c).

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, although it shipped allegedly infringing products into Delaware. The district court denied the motion to transfer. Following the Court of Appeals for the Federal Circuit's denial of a petition for writ of mandamus, the Supreme Court granted Heartland's petition for writ of certiorari.

Legislative History

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 is governed exclusively by § 1400(b). As a result, 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 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 and 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." Notwithstanding this added language, the Federal Circuit in Heartland v. Kraft below found that the 2011 amendments did not alter the outcome of VE Holding.

SCOTUS Decision

Writing for a unanimous Court with Justice Gorsuch taking no part in consideration or decision of the case, Justice Thomas explained that "[t]he current version of § 1391 does not contain any indication that Congress intended to alter the meaning of § 1400(b) as interpreted in Fourco." The decision compared the language of § 1391 at the time Fourco was decided ("for venue purposes") to the current version ("[f]or all venue purposes") and found that there were "not … any material differences between the two phrasings." The Court characterized the rationale followed in VE Holding as "even weaker" in light of the 2011 "saving clause expressly stating that [§ 1391] does not apply when [venue is] 'otherwise provided by law.'"

The decision will impact patent litigation in the United States. Since VE Holding was decided, patentees have largely relied on § 1391(c) to establish venue. This led to forum shopping and, more recently, to a large concentration of patent infringement actions in the U.S. District Court for the Eastern District of Texas. While the Court's ruling presumably will result in the case below being transferred out of the U.S. District Court for the District of Delaware, the broader impact of the decision actually could lead to a higher concentration of patent infringement actions in Delaware, where many businesses are incorporated.

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