LEGAL UPDATES PUBLISHED: MAY 24, 2017

U.S. Supreme Court Upends Law on Venue in Patent Disputes

Services

Intellectual Property Litigation

Patent Preparation & Prosecution

Professionals

DON J. MIZERK
CHICAGO:
312.526.1546
DON.MIZERK@
HUSCHBLACKWELL.COM

RUDY TELSCHER
ST. LOUIS:
314.345.6227
RUDY.TELSCHER@
HUSCHBLACKWELL.COM

On May 22, 2017, the U.S. Supreme Court substantially narrowed the judicial districts where venue is proper over a domestic corporation in patent infringement cases. Under the new Supreme Court guidance, venue in a patent case is proper only in (1) a corporate defendant's state of incorporation, or (2) the judicial district where acts of infringement occurred and the corporation has a "regular and established place of business." The narrowing of the first ground for venue likely will increase reliance on the second ground, shifting focus to whether the corporation has a "regular and established place of business" in the chosen district.

In its highly anticipated decision *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the Court granted certiorari to interpret the venue statute for patent infringement actions, which allows a defendant to be sued where it "resides." At issue was whether a corporation resides only in the state of its incorporation (the interpretation adopted by the Supreme Court in 1957) or whether residence is broader, encompassing any state where a defendant may be subject to personal jurisdiction (the interpretation applied by the Federal Circuit since 1990). In a unanimous decision, the Supreme Court reversed the Federal Circuit's longstanding interpretation of proper patent venue.

The Background

The patent-specific venue statute (28 U.S.C. § 1400) invokes the concept of a corporate defendant's residence. In *Fourco Glass Co. v. Transmirra Products Corp.* (1957), the Supreme Court held that a domestic corporation "resides" only in its state of incorporation, rejecting the argument that the definition of residence in the general venue statute (28 U.S.C. § 1391) applied to § 1400(b). The general venue statute was amended twice thereafter, with a 1988 amendment adding the language "[f]or purposes of venue under this chapter." The Federal Circuit seized upon that 1988 amendment in *VE Holding Corp. v.*

Johnson Gas Appliance Co. (1990) and concluded that the concept of residence under § 1391 must mean the same thing under the patent venue statute § 1400. The Federal Circuit's broad definition of corporate residence under the patent venue statute resulted in the typical ability of a patent plaintiff to bring suit in a judicial district in which the defendant marketed or sold its allegedly infringing product. In this way, numerous patent infringement suits were instituted in judicial districts that seemingly had little connection to the corporate defendant, including "rocket dockets" or other plaintiff-friendly locales. The most famous of these districts is the Eastern District of Texas, where 37 percent of all U.S. patent suits were filed in 2016.

In reversing the Federal Circuit's longstanding interpretation of the patent venue statute, the Supreme Court reaffirmed *Fourco*'s holding that a corporate defendant "resides" only in the state of its incorporation. The Court thereby narrowed the universe of proper venue districts in patent cases, with the result of restricting forum shopping in patent infringement cases.

What This Means to You

All parties to patent cases should be aware of the narrowing of patent venue going forward. Patent infringement plaintiffs will want to bring suit in the most strategically favorable district that is in compliance with § 1400(b), while patent infringement defendants (including current defendants who have not waived a venue challenge) will want to consider whether suits they are defending may allow for transfer to a more preferred venue.

Contact Us

For additional information on how this ruling may affect your business, please contact Don J. Mizerk, Rudy Telscher or another member of Husch Blackwell's Intellectual Property Litigation team.