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Thomas Vetter has more than 30 years of patent litigation and counseling experience working closely with domestic and foreign clients ranging from startups to Fortune 100 companies.

Tom's experience includes appellate practice before the Federal Circuit, Hatch-Waxman litigation, and extensive experience in contested Patent Office proceedings, including interferences. His counseling skills include advising clients on issues of patentability, freedom to operate, patent validity, and licensing. He also counsels clients on trademark and copyright issues.

Tom has experience with a broad range of technologies. Some examples are recombinant DNA, sustained release and other drugs, polymer products and processes, chemical products and chemical reaction processes, physical and chemical separation processes, reverse osmosis, transdermal drug delivery systems, specialty alloys, GPS based systems, and mechanical devices and systems.



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Ken Adamo is a partner in the Intellectual Property group in Kirkland's Chicago and New York offices. Ken has extensive trial experience as lead counsel in jury and nonjury cases before state and federal courts and before the United States International Trade Commission, as well as ex parte and PTAB experience in the U.S. Patent and Trademark Office. He has had substantial experience as lead counsel in arbitrations and other alternative dispute resolution proceedings, and actively practices before the U.S. Court of Appeals for the Federal Circuit, having appeared in 40 appeals to date.

Major representations in intellectual property litigation as lead counsel include U.S. federal court and ITC cases for Citibank, CMO-Innolux, CQG, IBM, JP Morgan Chase, MediaTek, Procter & Gamble, Otter Products, Samsung, TEL, Texas Instruments, TSMC, and Xilinx.



## **Joshua L. Raskin**

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Joshua L. Raskin is a registered patent attorney who focuses his practice on intellectual property litigation with an emphasis on patent litigation. He has litigated numerous cases in federal courts across the country and has argued numerous times before the Courts of Appeals for the Federal and Second Circuits. He has represented clients at the trial and appellate stages in a broad range of industries, including electronics, liquid crystal display (LCD) panels, computer technology, mobile handsets, Internet Protocol Television and finance.

His experience is broad and varied having represented both defendants and plaintiffs. Prior to joining Greenberg Traurig, Josh was the head of the patent litigation practice at a prominent New York plaintiffs' firm where he oversaw numerous complex patent cases. Before that, Josh was a partner and co-head of the patent litigation practice at a national firm where he represented both plaintiffs and defendants in cases involving all areas of intellectual property, including patents, trademarks and copyrights.

Josh has been listed in Managing IP Magazine's World IP Handbook and Survey, "IP Stars," 2014-2017 and IAM magazine, "IAM Patent 1000," Litigation, 2014-2017.

Josh received his J.D. from Brooklyn Law School and his B.S.E. in Industrial Engineering from the University of Michigan.



## **Jeffrey I.D. Lewis**

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Jeffrey I. D. Lewis is a partner at Norton Rose Fulbright, resident in the firm's New York office. A chemical engineer and registered patent attorney, Jeff concentrates on patent and trademark litigation, counseling and licensing, as well as other intellectual property and general litigation. He regularly represents plaintiffs as well as defendants both at trial and on appeal in a range of technology-related sectors with a focus on pharmaceuticals, chemicals, mechanical/medical-device, biotechnology and life sciences, and has represented pharmaceutical innovators in numerous Abbreviated New Drug Application (ANDA) patent litigations. Jeff has appeared in several dozen cases before the U.S. federal district courts, and has argued numerous appeals before the U.S. Court of Appeals for the Federal Circuit.

He is a past President of the American Intellectual Property Law Association (AIPLA) and the United States national group of the Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI), as well as being a fellow of both AIPLA and the American Bar Foundation. He also is active in a number of other intellectual property bar associations. In addition to his work on behalf of clients, Jeff has appeared as Counsel of Record for amicus curiae in numerous cases before the Supreme Court of the United States, U.S. Court of Appeals for the Federal Circuit, and other courts.

Jeff frequently writes and speaks on intellectual property and litigation issues, and has been an adjunct professor at the Benjamin N. Cardozo School of Law at Yeshiva University. He received his J.D. from that school, cum laude, and his B.S.Ch.E. from the University of Connecticut. He also served as an Alexander Judicial Fellow to the Honorable Marion T. Bennett of the U.S. Court of Appeals for the Federal Circuit. Mr. Lewis consistently is recognized in Chambers USA: America's Leading Lawyers for Business in the area of Intellectual Property, listed as a "Litigation Star" for New York and a "National Star" for Intellectual Property in Euromoney Institutional Investor PLC's Benchmark: America's Leading Litigation Firms and Attorneys, cited in Who's Who Legal: Patents, and named in Super Lawyers in the area of Intellectual Property Litigation.

## Pendent Venue After TC Heartland

### *When Venue is Improper Under 35 (U.S.C. § 1400(b), Can Pendent Venue Save the Day?*

#### I. Venue Rules for Multiple Causes of Action

- a. **“The general rule** is that venue must be established as to each separate cause of action.”
  - i. *Beattie v. U.S.*, 756 F.2d 91, 100 (D.C. Cir. 1984), citing *Wright, Miller & Cooper* (abrogated on other grounds by, *Smith v. U.S.*, 507 U.S. 197, 113 S. Ct. 1178, 122 L. Ed. 2d 548 (1993)); *see also Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449, 462 (2000) (internal quotations omitted)
- b. **Pendent Venue: Exception to the General Rule**
  - i. **What is Pendent Venue?**
    1. “Under the doctrine of pendent venue, a federal court may in its discretion hear pendent claims which arise out of the **same nucleus of operative fact** as a properly venued federal claim, even if venue of the pendent claim otherwise would not lie.”
      - a. *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449, 462 (S.D.N.Y. 2000) (internal quotations omitted)
    2. Analogous to supplemental jurisdiction:
      - a. Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the **district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy** under Article III of the United States Constitution. Such supplemental jurisdiction shall include claims that involve the joinder or intervention of additional parties.
        - i. 28 U.S.C. § 1367
    3. “In making its decision [to apply pendent venue], a court must consider factors such as judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.”
      - a. *Hsin Ten*, 138 F.Supp.2d at 462 (internal quotations omitted)
  - ii. **When is Pendent Venue Applied for ...**
    1. Related State Claims?
      - a. When state law claim arises from the same nucleus of facts as a “properly venued” federal claim
        - i. *See, e.g., S.E.C. v. Johnson*, 650 F.3d 710, 713 (D.C. Cir. 2011).
    2. Related Federal Claims?
      - a. Courts use two different approaches for federal claims arising from the same nucleus of facts:
        - i. The more “specific” venue provision controls; or
        - ii. The venue provision applicable to the “primary” claim asserted controls
      - iii. *See, e.g., Cook v. UBS Fin. Services, Inc.*, 05 CIV. 8842 (SHS), 2006 WL 760284, at \*5 (S.D.N.Y. Mar. 21, 2006); *Johnson v. General*

*Dynamics Information Technology, Inc.*, 675 F. Supp. 2d 236, 242  
(D.N.H. 2009)

## II. Can Pendent Venue be Applied to Patent Claims that Would Otherwise be Improper Under Section 1400(b)?

### a. Case examples

#### i. *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

##### 1. Facts

- a. **Plaintiff:** Hsin Ten Enterprise USA, Inc. (“Hsin Ten”)
  - i. NY corporation based in Farmingdale, New York
  - ii. Exclusive right to make, use and sell aerobic exercise equipment under two patents issued to a third party
  - iii. Owned the “The Chi Machine” trademark; sold a device associated with said mark
- b. **Defendant:** Clark Enterprises (“Clark”)
  - i. Kansas company whose sole place of business is Salina, Kansas
  - ii. Sold a competing aerobic exercise equipment (the “Exercise Machine”), which Clark allegedly calls “The Chi Exerciser 2000”
  - iii. Provided an interactive web page that allowed users to purchase the accused exercise equipment online, download an order form download an application to become an affiliate and ask a Clark representative questions online

##### 2. Allegations against Clark

- a. Two claims of patent infringement (for each patent exclusively licensed by Hsin Ten)
- b. Trademark infringement based on “Chi” trademark
- c. Unfair competition under NY common law
- d. Deceptive acts and practices in violation of N.Y. Gen. Bus. §§ 349, 350
- e. *Hsin Ten*, 138 F.Supp.2d at 452-53

##### 3. Venue Analysis

###### a. Trademark Claim: Venue was Proper

- i. Venue for trademark infringement claims is governed by the general federal venue statute:
  1. “A civil action wherein jurisdiction is not founded solely on diversity of citizenship may ... be brought only in (1) a judicial district where any defendant resides ... [or] (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred.”
    - a. 28 U.S.C § 1391(b)
    2. 138 F.Supp.2d 449, 461 (S.D.N.Y. 2000)
  - ii. Due to the high level of interactivity permitted by Clark’s web site between Clark and New York residents, **venue was proper under § 1391(b)(2) for Hsin Ten’s trademark claim**
    1. *Id.*

###### b. State Law Claims: Not expressly stated by the Court, but venue appears to have been improper

- i. *Id.* at 461-62

**c. Patent Claims: Venue was Improper**

- i. Venue for patent infringement claims is governed by 28 U.S.C § 1400(b):
  1. “Any 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.”
- ii. Since Clark neither resides in nor has a regular and established place of business in the Southern District of New York, **venue was improper under § 1400(b) for Hsin Ten’s patent claims**
  1. 138 F.Supp.2d at 461-62

**4. Pendent Venue Analysis**

**a. State Law Claims: Pendent Venue is Appropriate**

- i. “Here, the state law claims ... arise out of defendants’ use of the ‘Chi’ mark. These claims, therefore, arise out of the same nucleus of operative fact as the trademark infringement claim. Accordingly, the exercise of pendent venue of plaintiff’s state law claims is appropriate.”
  1. *Id.* at 462

**b. Patent Claims: Pendent Venue is Appropriate**

- i. The Court utilized the “second” approach for determining whether to apply pendent venue over related federal claims (i.e. using the venue provision applicable to the “primary” claim)
  1. *Id.*
- ii. The Court found that the trademark infringement claim was either the “primary” claim or of equal importance to the patent infringement claims because:
  1. “Hsin Ten [was] principally aggrieved by Clark’s use of plaintiff’s marks to promote the Exercise Machines.”
  2. Three of the five claims (i.e. the trademark, unfair competition and deceptive practices claims) concern the use of the “Chi” trademark
  3. *Id.* at 462-63
- iii. The Court further found that there was “**substantial overlap in the proof of the patent and trademark infringement claims.**”
  1. “To satisfy the eight-factor likelihood of confusion test of *Polaroid Corp. v. Polaroid Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.1961), plaintiff [may] introduce ... evidence that Clark willfully copied plaintiff’s designs and patents over which plaintiff has an exclusive license.”
  2. “Accordingly, the interests of judicial economy, fairness to the litigants, and avoidance of piecemeal litigation **compel the exercise of pendent venue over plaintiff’s patent infringement claim.**”
  3. *Id.* at 463
- iv. The Court acknowledged that “**most of the courts that have addressed this issue have refused to exercise pendent venue over a**

**federal patent claim** governed by section 1400(b),” but provided three reasons for departing from these “persuasive, but non-binding authorities.”

1. “*First*, no appellate court has held that pendent venue is *never* appropriate over a patent infringement claim.”
  - a. *Id.* at 463
2. “*Second*, a number of the cases rejecting pendent venue over patent claims are easily distinguished.”
  - a. In these cases, **the patent infringement claims were the primary claim** and the less important federal or state law claims were used to attempt to “ferryboat in” the patent claims.
  - b. *Id.*
3. “*Third*, at the time of these rulings the patent venue statute was highly restrictive with respect to the appropriate venue.”
  - a. Court reasoned that, prior to the 1988 amendment to the general venue statute (section 1391(c)), a patent infringement claim could only be brought in the district of the defendant’s state of incorporation
  - b. However, in 1990, the Federal Circuit in *VE Holding Corp.*, held that section 1400(b) was broadened in view of the amendment to section 1391(c)
  - c. All of the earlier district court decisions that rejected pendent venue over patent claims were either pre-1988 or did not consider the Federal Circuit’s holding in *VE Holding Corp.*
  - d. *Id.* at 464

ii. ***Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.***

1. **Facts**

- a. **Plaintiff:** Jenny Yoo Collections, Inc. (“Jenny Yoo”)
  - i. Designs and manufactures wedding apparel, including convertible dresses which include two front and two rear panels attached at the waist
  - ii. Owns two design patents which cover the “ornamental features” of the convertible dress, including the above panels “which blend naturally and seamlessly into the dress.”
- b. **Defendants Challenging Venue (“Defendants”):**
  - i. Watters Designs, Inc. and Wtoo Partners, L.P. (“Watters”)
    1. Texas companies whose principal places of business are in Texas
  - ii. Essence of Australia (“Essence”)
    1. Kansas corporation whose principal place of business is in Kansas
- c. 1:16-cv-2205-88 (VSB), slip op. at 1-5 (S.D.N.Y. Oct. 20, 2017)

2. **Allegations Against Defendants**

- a. Trade dress infringement under Section 43(a) of the Lanham Act and 15 U.S.C. § 1125(a)
- b. Common law trade dress infringement and unfair competition
- c. Infringement of both design patents
- d. Unfair business practices under NY GBL § 349



- e. Unjust Enrichment
- f. *Id.* at 11

### 3. Venue Analysis

#### a. Court Found that in View of *TC Heartland*, Venue is Improper in SDNY for Patent Claims

- i. Neither Defendant resides in SDNY
- ii. Neither Defendant has a place of business in SDNY
- iii. *Id.* at 15-16

#### b. *Hsin Ten* Court's Decision to Apply Pendent Venue Was Not Compelling in View of *TC Heartland*

- i. "However, in deciding to apply the pendent venue doctrine to a patent infringement claim in *Hsin*, the district court specifically noted that because of *VE Holding*, § 1400(b) was 'a much broader statute today than it was when most courts held that pendent venue cannot be exercised over a patent infringement claim.' *Id.* at 464. In light of the holding in *TC Heartland*, I do not find the *Hsin* court's determination compelling. Therefore, I refuse to apply the pendent venue doctrine to find that venue is proper over Plaintiff's patent infringement claim."
- ii. *Id.* at 16

### iii. *Omega Patents, LLC v. Calamp Corp.*

#### 1. Facts

- a. Omega Patents, LLC ("Plaintiff")
- b. Calamp Corporation ("Defendant")
- c. Plaintiff alleges that Defendant infringes the following patents:
  - i. U.S. Patent No. 6,346,876 ("the '876 Patent")
  - ii. U.S. Patent No. 6,737,989 ("the '989 Patent")
  - iii. U.S. Patent No. 6,756,885 ("the '885 Patent")
  - iv. U.S. Patent No. 7,671,727 ("the '727 Patent")
  - v. U.S. Patent No. 8,032,278 ("the '278 Patent")
- d. Plaintiff and Defendant entered into prior settlement agreement whereby Defendant consented to venue in the Middle District of Florida with respect to infringement claims for the '989 Patent
- e. 6:13-cv-1950-230-PGB-DCI, slip op. at 2 (M.D. Fl. Sep. 22, 2017)

#### 2. Procedural History

- a. Defendant admitted that venue was proper with respect to the '989 Patent in its answer to the complaint
- b. Defendant filed counterclaims of non-infringement, invalidity and unenforceability as to all of the patents-in-suit, and conceded that "venue" was proper with respect to these counterclaims
- c. At trial, Plaintiff *dropped* the '989 Patent
- d. The jury returned a verdict in favor of Plaintiff on all four of the remaining patents-in-suit
- e. Subsequently, the Supreme Court issued its decision in *TC Heartland*, and Defendant moved to vacate the jury verdict and dismiss for lack of

**venue, claiming that venue was no longer proper once Plaintiff dropped the '989 Patent**

f. *Id.* at 2-3

**3. Venue Analysis**

**a. Venue was consented to for '989 Patent**

**b. Pendent Venue was Proper for the Remaining Patents-in-Suit**

i. The Complaint set forth a single count of infringement of the five patents-in-suit based on the sale of a single product

ii. Defendant acknowledged the common nucleus of facts in its claim construction brief:

1. "The patents-in-suit use several similar terms to describe a vehicle's data communications bus. All are intended to have the same meaning, and thus should be given the same construction."

2. "[The patents-in-suit are] based on continuations-in-part ('CIPs') of earlier applications."

iii. **"It is beyond dispute that all of the patents-in-suit involve a common nucleus of fact such that pendent venue was proper over the patents-in-suit."**

iv. *Id.* at 6-7

**c. Venue Was Proper at Time of Filing**

i. "Venue must be determined based on the facts at the time of filing."

ii. Defendant consented to venue for the '989 Patent and never moved to sever the remaining patents-in-suit

iii. Due to the common nucleus of facts with respect to all of the patents-in-suit, pendent venue was proper at the time of filing

iv. **"Since venue is determined at the time of filing, it is irrelevant that Omega elected on the first day of trial not to pursue the '989 infringement claims."**

v. *Id.* at 3-6

**d. Court Stated that *TC Heartland* is Inapplicable**

i. "However, the holding in *TC Heartland* has no effect in the instant case, because venue was proper as to the '989 patent and as to the remaining patents-in-suit under the doctrine of pendent venue. **The Supreme Court in *TC Heartland* established how venue is to be determined in these actions in the absence of a stipulation to venue accompanied by pendent venue.**"

1. *Id.* at 7

**e. Timing of Motion May Have Impacted the Decision**

i. "Moreover, allowing a party to defeat venue after the litigation is commenced by, for example, moving their corporation out of the state invites gamesmanship."

1. *Id.* at 9

**b. In view of the "restoration" of *Fourco* and the specific venue provisions of § 1400(b), pendent venue is unlikely to be applied to claims of patent infringement**

- c. **However, as demonstrated in *Omega*, district courts may still attempt to use pendent venue to adjudicate multiple patent claims where venue is waived and/or venue is proper as to one patent, and the remaining patents share a common nucleus of facts**

# ***TC Heartland* And Pending Cases: Are Improper Venue Arguments Based on *TC Heartland* Waived?**

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November 2, 2017

## **I. Introduction and Executive Summary**

The U.S. Supreme Court held in *Fourco* in 1957 that “28 U.S.C. § 1400(b) . . . is the sole and exclusive provision controlling venue in patent infringement actions,” and that a company “resides” for purposes of § 1400(b) only in its state of incorporation.<sup>2</sup> In 1988, Congress amended 28 U.S.C. § 1391(c)—the general venue statute—to state that venue is proper for corporate defendants anywhere that defendant is subject to personal jurisdiction. Congress did not amend § 1400(b) in 1988. Following this amendment to § 1391(c), the Federal Circuit looked at the issue again and held in *VE Holding* that § 1391(c)’s definition of “reside” applies to the use of “reside” in § 1400(b).<sup>3</sup> District courts applied the Federal Circuit’s interpretation of § 1400(b) for more than 25 years following *VE Holding*.

Then, in 2017, the Supreme Court in *TC Heartland* rejected the Federal Circuit’s *VE Holding* decision and, consistent with *Fourco*, held that “a domestic corporation ‘resides’ only in its State of incorporation for purposes of the patent venue statute.”<sup>4</sup> After the Supreme Court’s decision in *TC Heartland*, numerous defendants in district courts across the nation moved to dismiss or transfer based on allegedly improper venue. Many of these defendants either did not

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<sup>1</sup> This article reflects only the present considerations and views of the authors, which should not be attributed to Kirkland & Ellis LLP, or to any of its or their former or present clients.

<sup>2</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957).

<sup>3</sup> *See VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575, 1584 (Fed. Cir. 1990).

<sup>4</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017).

contest venue at the outset of the case, or conceded that venue was proper. Because an improper venue defense is waived under Federal Rule of Civil Procedure 12 if not raised in the first responsive pleading,<sup>5</sup> district courts had to determine whether *TC Heartland* constituted an “intervening change” in the law of venue that would permit defendants to overcome waiver. District courts have split on this issue, and the Federal Circuit has not resolved the split.

## **II. Background**

The Supreme Court’s decision in *Fourco*, the Federal Circuit’s decision in *VE Holding*, and the Supreme Court’s decision in *TC Heartland* all address the scope of the patent venue statute, 28 U.S.C. § 1400(b). These cases are relevant to understanding district courts’ analyses of whether *TC Heartland* constitutes an intervening change in the law.

### *A. 28 U.S.C. § 1400(b)*

Section 1400(b) provides: “Any 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.”<sup>6</sup> Section 1400(b) has not been amended since Congress enacted it in 1948.<sup>7</sup>

### *B. The Supreme Court’s Decision in Fourco*

The Supreme Court in *Fourco* addressed the question of “whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c),” the general venue provision.<sup>8</sup> The Supreme

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<sup>5</sup> Fed. R. Civ. P. 12(h)(1), 12(b)(3).

<sup>6</sup> 28 U.S.C. § 1400(b).

<sup>7</sup> *Cf.* 28 U.S.C. § 1400(b) (1948).

<sup>8</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 222 (1957).

Court rejected the argument that § 1391(c) should be read to supplement § 1400(b).<sup>9</sup> Finding that “§ 1391(c) is a general corporation venue statute, whereas § 1400(b) is a special venue statute,” the Court held “that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c).”<sup>10</sup> The Court then held that “resides” for purposes of § 1400(b) “mean[s] the state of incorporation only” for corporate defendants.<sup>11</sup>

C. *Congress’s Amendment to § 1391(c) and the Federal Circuit’s Decision in VE Holding*

“In 1988 Congress adopted a new definition of ‘reside’ as it applies to venue for corporate defendants.”<sup>12</sup> The amendment to § 1391(c) provided that a corporate defendant “resides” for anywhere it is subject to personal jurisdiction.<sup>13</sup> District courts began splitting on the issue of whether Congress intended this amendment to “reside” in § 1391(c) to apply to the use of “reside” in § 1400(b).<sup>14</sup>

The Federal Circuit addressed the issue in *VE Holding*. The *VE Holding* court acknowledged the Supreme Court’s holding in *Fourco* that § 1400(b) is the “exclusive” patent venue provision, but explained that, after the 1988 amendment, “Section 1391(c) as it was in *Fourco* is no longer.”<sup>15</sup> The court thus treated the issue as one of “first impression,” *i.e.*, whether the 1988 amendment evinced intent by Congress for the definition of “reside” in § 1391(c) to apply

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<sup>9</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228-229 (1957).

<sup>10</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228-229 (1957).

<sup>11</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957).

<sup>12</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990).

<sup>13</sup> 28 U.S.C. § 1391(c) (1988).

<sup>14</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990).

<sup>15</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990).

to § 1400(b).<sup>16</sup> The court determined that Congress did intend for the broad definition of “reside” to apply to section 1400(b).<sup>17</sup> The *VE Holding* court thus held that the “resides” inquiry in § 1400(b), “in light of the 1988 amendment to § 1391(c), is whether the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced.”<sup>18</sup>

The Supreme Court denied a petition for writ of *certiorari* in the *VE Holding* case.<sup>19</sup>

*D. The Supreme Court’s Decision in TC Heartland*

The Supreme Court did not consider the construction of § 1400(b) again until its May 2017 *TC Heartland* decision.<sup>20</sup> First, the Court reiterated that “[i]n *Fourco*, this Court definitively and unambiguously held that the word ‘reside[nce]’ in § 1400(b) has a particular meaning as applied to domestic corporations: It refers only to the State of incorporation.”<sup>21</sup> Acknowledging that “Congress has not amended § 1400(b) since *Fourco*,” and that “neither party asks us to reconsider our holding in [*Fourco*],” the Court explained that the “only question we must answer is whether Congress changed the meaning of § 1400(b) when it amended § 1391.”<sup>22</sup> The Court concluded that Congress did not change the meaning of § 1400(b) and did not ratify the Federal Circuit’s holding in *VE Holding*.<sup>23</sup>

As it did in *Fourco*, the Supreme Court held in *TC Heartland* that “[a]s applied to domestic

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<sup>16</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1579 (Fed. Cir. 1990) (“The issue is, what, as a matter of first impression, should we conclude the Congress *now* intends by this new language in the venue act.”).

<sup>17</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990)

<sup>18</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990)

<sup>19</sup> *Johnson Gas Appliance Co. v. VE Holding Corp.*, 111 S. Ct. 1315 (1991).

<sup>20</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).

<sup>21</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

<sup>22</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

<sup>23</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017).

corporations, ‘reside[nce]’ in § 1400(b) refers only to the State of incorporation.”<sup>24</sup>

### III. Waiver

When the Supreme Court issued its decision in *TC Heartland*, defendants in cases that had been pending for months, or even years, moved to dismiss or transfer suit based on improper venue under Federal Rule of Civil Procedure 12(b)(3). Several of these cases were on the eve of trial.<sup>25</sup> Many of these defendants either conceded that venue was proper in their Answer, or at minimum declined to challenge venue as improper at the outset of the case. District courts thus had to decide: (1) whether the defendant waived an improper venue defense; and (2) if so, whether *TC Heartland* was an “intervening change” in the law that permits the defendant to overcome that waiver. District courts have split on the “intervening change” issue.

#### A. *Defendants Who Failed To Raise Improper Venue Waived The Defense*

Federal Rule of Civil Procedure 12(b)(3) provides a defense for improper venue.<sup>26</sup> Federal Rule of Civil Procedure 12(h) provides that a party waives its improper venue defense by “failing to either: (i) make it by motion under this rule; or (ii) include it in a responsive pleading or in an amendment allowed by Rule 15(a)(1) as a matter of course.”<sup>27</sup>

By the plain language of the rules, a defendant that failed to challenge venue in its responsive pleading waived its Rule 12(b)(3) improper venue defense.

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<sup>24</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017).

<sup>25</sup> *E.g.*, *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, No. 2:15-cv-21, 2017 WL 2556679, at \*5 (E.D. Va. June 7, 2017) (denying motion to dismiss and noting that “[t]rial will begin on June 12, 2017 as scheduled); *Chamberlain Grp., Inc. v. Techtronic Indus. Co., Ltd.*, No. 16 C 6097, 2017 WL 3205772, at \*2 (N.D. Ill. June 28, 2017) (noting that “this litigation is in its final stages before trial”).

<sup>26</sup> Fed. R. Civ. P. 12(b)(3).

<sup>27</sup> Fed. R. Civ. P. 12(h)(1)(B).



B. *District Courts Are Split on Whether TC Heartland Constitutes an Intervening Change in the Law That Can Overcome Waiver*

Many Circuit Courts of Appeals recognize an exception to waiver when an intervening change in the law creates a defense that was not previously available.<sup>28</sup> When addressing *TC Heartland* and waiver, district courts universally analyzed *TC Heartland* to determine whether it constituted an intervening change in the law, even if the Circuit in which that court sits has not expressly recognized an intervening law exception.<sup>29</sup> Some district courts have determined that *TC Heartland* is not an intervening change in the law and thus that defendant waived its improper venue defense by failing to timely raise it. Other district courts determined that *TC Heartland* is an intervening change in the law and granted a defendant's otherwise-untimely motions to dismiss. The Federal Circuit has not yet resolved this split.

1. Cases Finding *TC Heartland* Is Not An Intervening Change in the Law

Several district courts have held that *TC Heartland* is not an intervening change in the law and consequently have refused to consider motions to dismiss for improper venue post-*TC*

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<sup>28</sup> See, e.g., *Bennett v. City of Holyoke*, 362 F.3d 1, 7 (1st Cir. 2004) (recognizing waiver exception where “(i) at the time of the procedural default, a prior authoritative decision indicated that the defense was unavailable, and (ii) the defense became available thereafter by way of supervening authority”); *Gucci Am., Inc. v. Weixing Li*, 768 F.3d 122 (2d Cir. 2014) (finding no waiver of personal jurisdiction because Supreme Court’s *Daimler* decision was an intervening change in the law); *Beazer E., Inc. v. Mead Corp.*, 525 F.3d 255, 263 (3d Cir. 2008) (noting an exception to waiver “is recognized when an intervening decision from a superior court changes the controlling law”); *Holland v. Big River Minerals Corp.*, 181 F.3d 597, 605-06 (4th Cir. 1999) (recognizing an exception to waiver “when there has been an intervening change in the law recognizing an issue that was not previously available.”).

<sup>29</sup> E.g., *Skyhawk Techs., LLC v. DECA Int’l Corp.*, No. 3:10-cv-708, 2017 WL 3132066, at \*2 n.1 (S.D. Miss. July 21, 2017) (“Skyhawk contends the Fifth Circuit has not recognized an exception to waiver based on an intervening change in the law. The court need not consider this issue as it concludes there has been no intervening change in the law.”).

*Heartland* where the defendant did not timely raise a venue defense.<sup>30</sup> The *Cobalt Boats*<sup>31</sup> case was the first such decision and is representative of the rationale underpinning this line of cases.

In *Cobalt Boats*, the Eastern District of Virginia considered Defendants’ argument that “VE Holding challenges were untenable” because “the passage of substantial time gave credibility to the Federal Circuit’s conclusion that Fourco was no longer good law.”<sup>32</sup> The Defendant cited in support the Supreme Court’s denial of *certiorari* in the *VE Holding* case.<sup>33</sup> Although finding Defendant’s position “reasonabl[e]” and “rational,” the court rejected this argument, noting that “[a]s [the Supreme Court] has often stated, the ‘denial of a writ of certiorari imports no expression of opinion upon the merits of the case.’”<sup>34</sup>

The *Cobalt Boats* court determined that “[b]ased on the Supreme Court’s holding in TC Heartland, Fourco has continued to be binding law since it was decided in 1957, and thus, it has

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<sup>30</sup> See, e.g., *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679 (E.D. Va. June 7, 2017); *Navico, Inc. v. Garmin Int’l, Inc.*, 2017 WL 2957882 (E.D. Tex. July 11, 2017); *iLife Techs., Inc. v. Nintendo of Am., Inc.*, 2017 WL 2778006 (N.D. Tex. June 27, 2017); *Chamberlain Grp., Inc. v. Techtronic Indus. Co.*, No. 1:16-cv-6097, Dkt. 407 (N.D. Ill. June 28, 2017); *Amax, Inc. v. ACCO Brands Corp.*, 2017 WL 2818986 (D. Mass. June 29, 2017); *Infogation Corp. v. HTC Corp.*, 2017 WL 2869717 (S.D. Cal. July 5, 2017); *Koninklijke Philips v. ASUSTeK Computer Inc.*, No. 1:15-cv-1125-GMS, Dkt. 215 (D. Del. July 19, 2017); *Reebok Int’l Ltd. v. TRB Acquisitions LLC*, 2017 WL 3016034 (D. Or. July 14, 2017); *Fox Factory, Inc. v. SRAM, LLC*, 3:16-cv-506, Dkt. 72 (N.D. Cal. July 18, 2017); *Skyhawk Techs., LLC v. DECA Int’l Corp.*, 2017 WL 3132066 (S.D. Miss. July 21, 2017); *Takeda Pharm. USA, Inc. v. Mylan Pharms. Inc.*, No. 1:16-cv-987, Dkt. 63 (D. Del. Aug. 3, 2017); *President & Fellows of Harvard College v. Micron Tech., Inc.*, No. 16-11249, 2017 WL 3749419 (D. Mass. Aug. 30, 2017).

<sup>31</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679 (E.D. Va. June 7, 2017).

<sup>32</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

<sup>33</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

<sup>34</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017) (quoting *Teague v. Lane*, 489 U.S. 288, 296 (1989)).

been available to every defendant since 1957.”<sup>35</sup> As a result, the court found that reliance by defendants upon *VE Holding* could not overcome waiver. The court explained that “The twenty-seven (27) year viability of VE Holding is certainly surprising in light of the Supreme Court’s view on Fourco, but the circuit courts are only empowered to express the law of their circuit ‘[i]n the absence of a controlling decision by the Supreme Court...’”<sup>36</sup> The Eastern District of Virginia noted that “[t]he Supreme Court has never overruled Fourco” and that “the Federal Circuit cannot overrule binding Supreme Court precedent.”<sup>37</sup> Again, although the court acknowledged that Defendant’s position “that Fourco was no longer good law was reasonable,” the court concluded that it was nonetheless “wrong.”<sup>38</sup>

Consequently, the *Cobalt Boats* court held that “TC Heartland does not qualify for the intervening law exception to waiver because it merely affirms the viability of Fourco.”<sup>39</sup>

## 2. Cases Finding TC Heartland Is An Intervening Change in the Law

Several district courts have held that *TC Heartland* is an intervening change in the law and thus have considered defendants’ late-raised arguments that venue is improper under *TC Heartland*

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<sup>35</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

<sup>36</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017) (quoting *Hyatt v. Heckler*, 807 F.2d 376, 379 (4th Cir. 1986)).

<sup>37</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

<sup>38</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

<sup>39</sup> *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679, at \*3 (E.D. Va. June 7, 2017).

on the merits.<sup>40</sup> The *Westech*<sup>41</sup> case was the first such decision and is representative of the rationale underpinning this line of cases.

In *Westech* the Western District of Washington first considered the effect of the *TC Heartland* decision on patent venue law. The court explained that “*TC Heartland* affirmed the Supreme Court’s 1957 decision in [*Fourco*], and corrected the Federal Circuit’s 1990 decision in [*VE Holding*].”<sup>42</sup>

Unlike the *Cobalt Boats* court and the decisions following *Cobalt Boats*, the Western District of Washington read *TC Heartland* as “abrogat[ing] approximately 27 years of patent law precedent.”<sup>43</sup> The court concluded that “*TC Heartland* changed the venue landscape,” referring to the case as a “sea change” in the law and suggesting that “[f]or the first time in 27 years, a defendant may argue credibly that venue is improper in a judicial district where it is subject to the court’s personal jurisdiction but where it is not incorporated and has no regular and established

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<sup>40</sup> See, e.g., *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297 (W.D. Wash. June 21, 2017); *Hand Held Prods. Inc. v. Code Corp.*, 2:17-cv-167, Dkt. 63 (D.S.C. July 18, 2017); *CG Tech. Dev., LLC v. FanDuel, Inc.*, 2017 WL 3207233 (D. Nev. July 27, 2017); *Ironburg Inventions Ltd. v. Valve Corp.*, Civil Action File No. 1:15-CV-4219-TWT, 2017 WL 3307657 (N.D. Ga. Aug. 3, 2017); *Valspar Corp. v. PPG Indus., Inc.*, Case No. 16-cv-1429 (SRN/SER), 2017 WL 3382063 (D. Minn. Aug. 4, 2017); *Cutsforth, Inc. v. LEMM Liquidating Co., LLC*, Case No. 12-cv-1200 (SRN/LIB), 2017 WL 3381816 (D. Minn. Aug. 4, 2017); *Maxchief Invs., Ltd. v. Plastic Dev. Grp., LLC*, No. 3:16-cv-63, 2017 WL 3479504 (E.D. Tenn. Aug. 14, 2017); *Simpson Performance Prods., Inc. v. Mastercraft Safety, Inc.*, No. 5:16-cv-155, 2017 WL 3620001, at \*5 (W.D.N.C. Aug. 23, 2017); *Smart Wearable Techs. Inc. v. Fitbit, Inc.*, No. 3:16-cv-77, 2017 WL 3725630 (W.D. Va. Aug. 29, 2017).

<sup>41</sup> *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297 (W.D. Wash. June 21, 2017).

<sup>42</sup> *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297, at \*1 (W.D. Wash. June 21, 2017).

<sup>43</sup> *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297, at \*2 (W.D. Wash. June 21, 2017).

place of business.”<sup>44</sup>

The court held that “Defendants could not have reasonably anticipated this sea change, and so did not waive the defense of improper venue by omitting it from their initial pleading and motions.”<sup>45</sup>

### 3. The Federal Circuit Has Not Yet Resolved The District Court Split

At least five defendants have petitioned for a writ of mandamus from the U.S. Court of Appeals for the Federal Circuit following a district court decision holding that the defendant waived a venue challenge.<sup>46</sup>

The Federal Circuit has decided only four of these petitions for mandamus, and has denied each one.<sup>47</sup> In doing so, the Federal Circuit did not address whether *TC Heartland* constitutes an intervening change in the law. Instead, the court relied upon the exacting standard for obtaining a writ of mandamus, which requires the party seeking the writ to overcome the “heavy burden” of demonstrating that it “has no ‘adequate alternative’ means to obtain the desired relief, and that

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<sup>44</sup> *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297, at \*2 (W.D. Wash. June 21, 2017).

<sup>45</sup> *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067, 2017 WL 2671297, at \*2 (W.D. Wash. June 21, 2017).

<sup>46</sup> See *In re Sea Ray Boats, Inc.*, 695 F. App’x 543 (Fed. Cir. June 9, 2017); *In re Hughes Network Sys., LLC*, No. 2017-130, 2017 WL 3167522 (Fed. Cir. July 24, 2017); *In re Techtronic Indus. N. Am., Inc.*, No. 2017-125, 2017 WL 4685333 (Fed. Cir. July 25, 2017); *In re Nintendo of Am., Inc.*, No. 2017-127, 2017 WL 4581670 (Fed. Cir. July 26, 2017); *In re Yahoo Holdings, Inc.*, No. 2018-103 (Fed. Cir. Oct. 20, 2017).

<sup>47</sup> See *In re Sea Ray Boats, Inc.*, 695 F. App’x 543 (Fed. Cir. June 9, 2017); *In re Hughes Network Sys., LLC*, No. 2017-130, 2017 WL 3167522 (Fed. Cir. July 24, 2017); *In re Techtronic Indus. N. Am., Inc.*, No. 2017-125, 2017 WL 4685333 (Fed. Cir. July 25, 2017); *In re Nintendo of Am., Inc.*, No. 2017-127, 2017 WL 4581670 (Fed. Cir. July 26, 2017).

right to issuance of the writ is ‘clear and indisputable.’”<sup>48</sup> The court’s holding in *In re Nintendo of America Inc.* is representative: “We need not decide whether the Supreme Court’s decision in *TC Heartland* effected a change in the law, because even setting that question aside we conclude that the district court did not commit a clear abuse of discretion in denying [defendant’s] motion to dismiss or transfer.”<sup>49</sup>

Although the court has not addressed the issue of whether *TC Heartland* constitutes an intervening change in the law, Judge Newman authored a dissent in *In re Sea Ray Boats, Inc.* to weigh in on the issue.<sup>50</sup> According to Judge Newman, “[t]here is little doubt that the Court’s decision in [*TC Heartland*] was a change in the law of venue.”<sup>51</sup> She explained that the Federal Circuit “must ensure the [Supreme] Court’s decision in *TC Heartland* is properly applied to the facts of this case,” and that this determination was especially important because the case was set for trial the following week.<sup>52</sup>

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<sup>48</sup> E.g., *In re Nintendo of Am. Inc.*, 2017 WL 4581670, at \*1 (Fed. Cir. July 26, 2017) (citing *Mallard v. U.S. Dist. Court for the S. Dist. of Iowa*, 490 U.S. 296, 309 (1989); *Will v. Calvert Fire Ins.*, 437 U.S. 655, 666 (1978)).

<sup>49</sup> *In re Nintendo of Am. Inc.*, 2017 WL 4581670, at \*2 (Fed. Cir. July 26, 2017); accord *In re Techtronic Indus. N. Am., Inc.*, 2017 WL 4685333 (Fed. Cir. July 25, 2017) (noting that “[a] party seeking a writ [of mandamus] bears the heavy burden of demonstrating to the court that it has no ‘adequate alternative’ means to obtain the desired relief,” and noting that the petition is denied “without prejudice to [defendant] raising its venue arguments on appeal after issuance of a final judgment in the case”); *In re Huges Network Sys., LLC*, 2017 WL 3167522, at \*1 (Fed. Cir. July 24, 2017) (“Without necessarily agreeing with the district court’s conclusion that the Supreme Court’s decision in *TC Heartland* did not effect a change in the law, we nonetheless find that the district court did not clearly abuse its discretion in finding that Hughes waived its right to move to transfer for improper venue.”); *In re Sea Ray Boats, Inc.*, 695 F. App’x 543, 544 (Fed. Cir. June 9, 2017) (noting that a writ of mandamus is an “exceptional” remedy, and denying the petition for mandamus).

<sup>50</sup> *In re Sea Ray Boats, Inc.*, 695 F. App’x 543, 544 (Fed. Cir. 2017) (Newman, J., dissenting).

<sup>51</sup> *In re Sea Ray Boats, Inc.*, 695 F. App’x 543, 544 (Fed. Cir. 2017) (Newman, J., dissenting).

<sup>52</sup> *In re Sea Ray Boats, Inc.*, 695 F. App’x 543, 544 (Fed. Cir. 2017) (Newman, J., dissenting).

The Federal Circuit has another opportunity to address the issue in a petition for mandamus filed in *In re Yahoo Holdings, Inc.* The court ordered briefing on the petition on October 26, 2017.<sup>53</sup> As of the date of this paper, a decision from the court is still pending.

#### **IV. Conclusion**

Defendants whose cases were pending at the time of the *TC Heartland* decision have faced much uncertainty when raising challenges to venue based on *TC Heartland*. District courts are split on whether a *TC Heartland*-based argument is available to defendants who failed to challenge venue in the first responsive pleading. The Federal Circuit has not yet weighed in on whether *TC Heartland* constitutes an intervening change in the law. Practitioners should monitor the proceedings in *In re Yahoo Holdings, Inc.* to see whether the Federal Circuit resolves the dispute.

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<sup>53</sup> *In re Yahoo Holdings, Inc.*, No. 2018-103, Dkt. 8 (Fed. Cir. Oct. 26, 2017).

# The HEART of *TC Heartland*: Going to the Defendant’s Home?

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American Intellectual Property Law Association  
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*(Draft as of August 25, 2017; this is a fast moving area of law at the moment)*

“Venue” refers to the neighborhood where an injury is declared to have been done, while “jurisdiction” refers to the authority of the court to decide a dispute; in other words venue goes to the convenience of the parties while jurisdiction to the power of the court to adjudicate a matter.<sup>2</sup> While the concepts of venue and jurisdiction often are conflated, the two are very different.<sup>3</sup>

Despite these theoretical differences, Congress merged the two concepts for the statute governing venue in general civil litigation, such that for those purposes venue and personal jurisdiction have been coextensive for many years. This caused most patent practitioners, and even the Federal Circuit, to understand that the general venue statute provisions of 28 U.S.C. § 1391 (entitled “Venue generally”) inform the application of the more specific venue statute for patents, copyrights, mask works and designs (28 U.S.C. § 1400). Earlier this year *TC Heartland*<sup>4</sup> significantly changed that understanding.

## I. Introduction

The Supreme Court has admonished that the venue requirement is “specific and unambiguous,” and therefore it is “not one of those vague principles which, in the interest of some overriding policy, is to be given a ‘liberal’ construction.”<sup>5</sup> Accordingly, any venue analysis must start with the applicable statutes.

The general venue statute – 28 U.S.C. § 1391(b)(1) – provides that a case can be brought in any judicial district where a defendant “resides.” Specifically, it states that:

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<sup>1</sup> Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY (JL) and Washington, D.C. (JD, RF). The views expressed are solely those of the authors and should not be imputed to any client, firm or entity. © 2017.

<sup>2</sup> *Iselin v. La Coste*, 147 F.2d 791, 795 (5th Cir. 1945) (“Jurisdiction is the power to adjudicate and is granted by Congress. Litigants may not confer this power on the court by waiver or consent, but the place where the power to adjudicate is to be exercised is venue, not jurisdiction. The venue has relation to the convenience of the litigants and may be waived or laid by consent of the parties.”) (citing *Neirbo Co. v. The Bethlehem Shipbuilding Corp.*, 308 U.S. 165 (1939)).

<sup>3</sup> See, e.g., *id.*; see also, *Image Software, Inc. v. Reynolds & Reynolds Co.*, 459 F.3d 1044, 1052 n. 13 (10th Cir. 2006) (“Venue is sometimes confused with jurisdiction. However, the two concepts are quite different.”) (quoting 15 Charles Alan Wright et al., *Federal Practice & Procedure* § 3801 (2d ed. 1986)).

<sup>4</sup> *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (U.S. 2017).

<sup>5</sup> *Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 264 (1961).



[A]n entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question.<sup>6</sup>

In other words, venue under § 1391 for domestic corporations and LLCs is proper in any jurisdiction where the defendant is subject to personal jurisdiction.

The patent venue statute – 28 U.S.C. § 1400 – is written differently. It provides that an action for patent infringement may be brought either:

[1] “in the judicial district where the defendant resides” (“the Resides Prong”), or

[2] “where the defendant has committed acts of infringement and has a regular and established place of business” (“the Regular and Established Prong”).<sup>7</sup>

Unlike the general venue provision, however, the patent-specific provision does not include any explicit guidance for determining where an entity “resides.”

Nearly 30 years ago, the Court of Appeals for the Federal Circuit held in the *VE Holding* case that the definition of “resides” in the general venue statute (as it then existed) applies to the Resides Prong of the patent venue statute.<sup>8</sup> As a result, the Resides Prong was broadly construed as saying that venue was appropriate in *any* district where the defendant was subject to personal jurisdiction. This meant that the Regular and Established Prong was hardly invoked, because the Resides Prong was easily met.

The recent Supreme Court decision in *TC Heartland*, however, overruled *VE Holding*. It narrowed the interpretation of the Resides Prong, holding that personal jurisdiction was not the test for venue in patent cases. The Court’s decision, in turn, breathed new life into the Regular and Established Prong.<sup>9</sup> In fact, the Regular and Established Prong is now likely the easier way to establish venue in many patent cases. Given the dominance of the Resides Prong for the past three decades, however, there is scarce modern case law on the Regular and Established Prong.

In this article, we briefly discuss the history of patent venue (Part II). We then investigate the scope of the Regular and Established Prong (Part III). Finally, we provide our comments on where this area of law is headed (Part IV), and conclude (Part V).

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<sup>6</sup> 28 U.S.C. § 1391(c)(2) (emphasis added).

<sup>7</sup> 28 U.S.C. §1400(b).

<sup>8</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990).

<sup>9</sup> *TC Heartland*, 137 S. Ct. at 1521.

## II. Brief History of Patent Venue

### A. Precursors to the Modern Patent Venue Statute

At the nation's founding, there was no patent-specific venue statute. As a general matter, the Judiciary Act of 1789 allowed a civil plaintiff to file in a federal district court if the defendant was "an inhabitant" of that district or could be "found" for service of process there.<sup>10</sup>

In 1887, Congress narrowed that statute, removing the ability to sue wherever a defendant could be found.<sup>11</sup> Instead, venue only was proper where the defendant was an inhabitant, or, in diversity cases, where either the plaintiff or defendant was an inhabitant.<sup>12</sup> The Supreme Court's 1893 decision in *In re Hohorst*,<sup>13</sup> however, suggested in *dicta* that the 1887 act did not apply to patent actions, leading to a disagreement among lower courts over which statute applied.

In 1897, to resolve the disagreement among the courts, Congress passed a patent-specific venue statute (the predecessor to 28 U.S.C. § 1400(b)).<sup>14</sup> The 1897 statute set out that venue was appropriate for patent infringement cases in any district where the defendant was an "inhabitant," or maintained a "regular and established place of business" and committed an act of infringement. At that time, it was understood that a corporation "inhabits" only its state of incorporation.<sup>15</sup>

### B. Enactment and Construction of § 1400(b)

In 1948, Congress enacted the modern patent venue statute, § 1400(b), which closely tracked the 1897 statute, but changed the word "inhabits" to "resides."<sup>16</sup> This led to a disagreement among lower courts about whether this use of "resides" incorporated the more general § 1391(c) definition of corporate residence. The Supreme Court resolved this disagreement in 1957, holding in *Fourco Glass Co. v. Transmirra Prods. Corp.*<sup>17</sup> that the general definition of "resides" from § 1391 does not apply to patent venue. Rather, for the purposes of § 1400(b), an individual "resides" in his or her state of domicile, while a corporation "resides" in its state of incorporation.

In 1988, thirty years after the *Fourco* decision, Congress amended the general venue provision of § 1391(c). That amendment provided that "*for the purposes of venue under this chapter* a defendant that is a corporation shall be deemed to reside in any judicial district in

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<sup>10</sup> Act of Sept. 24, 1789, § 11, 1 Stat. 79; see *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).

<sup>11</sup> See Act of Mar. 3, 1887, § 1, 24 Stat. 552.

<sup>12</sup> See *id.*

<sup>13</sup> *In re Hohorst*, 150 U.S. 653, 661-662 (1893).

<sup>14</sup> Act of Mar. 3, 1897, ch. 395, 29 Stat. 695; see *Brunette Machine Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972) (noting that the statute "placed patent infringement cases in a class by themselves, outside the scope of general venue legislation").

<sup>15</sup> See *TC Heartland*, 137 S. Ct. at 1518 (citing *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 449-450, 12 S. Ct. 935, 36 L. Ed. 768 (1892)).

<sup>16</sup> See Act of June 25, 1948, 62 Stat. 936; 28 U.S.C. § 1400(b) (1952 ed.).

<sup>17</sup> *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226, (1957).

which it is subject to personal jurisdiction at the time the action is commenced.”<sup>18</sup> The prefatory language raised the obvious question of whether the definition of “resides” in the general venue statute also applied to the patent venue statute, since both appeared in Chapter 87 of Title 28.

### C. *VE Holding* (1990) to *TC Heartland* (2017)

That question was resolved, or so patent practitioners generally thought, in 1990 when the Federal Circuit decided the *VE Holding* case.<sup>19</sup> The Federal Circuit held that the prefatory language of § 1391(c) — “for purposes of venue under this chapter” — was classic language of incorporation such that it also applied to § 1400 since it was part of the same chapter. Therefore, the general venue definition of “resides” applied to patent infringement suits.

With this decision, patent defendants suddenly were exposed to jurisdiction in “any judicial district” in which personal jurisdiction was proper. In essence, the venue analysis merged into the personal jurisdiction analysis for corporate defendants and venue provided no separate, procedural hurdle. For corporations doing business across the United States, venue was now proper in nearly every judicial district, leading to a perceived rise in forum shopping. By 2016, for instance, the Eastern District of Texas presided over roughly one-third of the nation’s patent cases. Critics pointed to *VE Holding*, in particular, as one of the reasons that the Eastern District developed into a destination for patent infringement litigation.

The venue rule announced in *VE Holding* remained undisturbed until earlier this year when the Supreme Court issued its decision in *TC Heartland*. Holding that the Federal Circuit erred in *VE Holding*, the Supreme Court reaffirmed the *Fourco* rule that “resides” for corporate defendants means state of incorporation.<sup>20</sup> With this rejuvenated restriction on the Resides Prong, the time is ripe to dust off old case law regarding the Regular and Established Prong.

### III. Scope of the Regular and Established Prong

In a post-*TC Heartland* world, a plaintiff seeking to sue a corporate defendant outside of its state of incorporation must look to the Regular and Established prong of § 1400(b) to establish venue, and show that the defendant: A) has a “regular and established place of

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<sup>18</sup> 28 U.S.C. § 1391(c) (1988 ed.) (emphasis added).

<sup>19</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

<sup>20</sup> Recent decisions have differed on whether *TC Heartland* is a change of law or merely a restatement of *Fourco*. The former view would allow parties to raise improper venue as a defense in cases that were filed before the *TC Heartland* decision issues. If, however, *TC Heartland* is not a change in the law, the failure to raise a venue objection at the outset of a case would constitute a waiver of the defense. As of the writing of this article, there is no clear resolution of this issue. Compare, e.g., *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, Civ. No. 2:15cv21, 2017 U.S. Dist. LEXIS 90728, at \*8 (E.D. Va. June 7, 2017) (“Based on the Supreme Court’s holding in *TC Heartland*, *Fourco* has continued to be binding law since it was decided in 1957, and thus, it has been available to every defendant since 1957. Accordingly, the Court FINDS that *TC Heartland* does not qualify for the intervening law exception to waiver because it merely affirms the viability of *Fourco*”), with, e.g., *Westech Aerosol Corp. v. 3M Co.*, Civ. No. C17-5067-RBL, 2017 U.S. Dist. LEXIS 95768, at \*4 (W.D. Wash. June 21, 2017) (“Defendants could not have reasonably anticipated this sea change, and so did not waive the defense of improper venue by omitting it from their initial pleading and motions.”).

business” in the district, and B) committed “acts of infringement” there.<sup>21</sup> We discuss each element in turn.

### A. The “Regular and Established Place of Business” Element

“Regular and established place of business” is not defined in the patent venue statute,<sup>22</sup> and, unfortunately, there is little recent precedent on how to construe this phrase. The only relevant Supreme Court case on this issue is the 1915 *W.S. Tyler Co. v. Ludlow-Saylor Wire Co.* decision, which considered the Regular and Established Prong of the 1897 statute.<sup>23</sup> In a terse opinion, the Court held that venue was improper in New York for a suit against a Missouri company that employed a sales agent in New York.<sup>24</sup> The decision, however, did little to provide a standard for evaluating the question.<sup>25</sup> The Federal Circuit’s 1985 decision in *In re Cordis* – the court’s only relevant decision on the question – arguably held that a “regular and established place of business” need not be a “fixed, physical location.”<sup>26</sup> The *Cordis* decision, however, was issued in response to a petition for mandamus, as opposed to a full merits appeal, and, as a result, the standard of review was different.<sup>27</sup> Courts have thus questioned the precedential value of the decision.<sup>28</sup>

Accordingly, because there is little general guidance when it comes to the “regular and established place of business” element, we examine the scope of this phrase categorically. First, we note that a corporation’s headquarters will generally constitute a “regular and established place of business.” Second, we explain that maintenance of a physical business location in a forum is likely sufficient. Third, we describe a split in authority regarding whether, in the absence of a physical location, the mere presence of employees in the forum is sufficient to support venue. Fourth, we detail why the sale of products through a third party located in a forum is generally insufficient to establish venue. Finally, we discuss why making a website available to customers in a forum is likely insufficient to create justiciable venue.

#### 1. Headquarters or principal place of business

In most cases, a corporate defendant’s headquarters or principal place of business will qualify as an obvious “regular and established place of business” where the corporation may be sued. For example, in the recent case of *Jarratt v. Amazon.com, Inc.* (Aug. 10, 2017), the Western District of Arkansas found venue to be proper over Amazon.com in the Western District

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<sup>21</sup> See *General Radio Co. v. Superior Elec. Co.*, 293 F.2d 949, 951 (1st Cir. 1961) (“Both [elements] must be met to confer venue; if either is lacking venue fails.”).

<sup>22</sup> See 28 U.S.C. § 1400(b).

<sup>23</sup> *W.S. Tyler Co. v. Ludlow-Saylor Wire Co.*, 236 U.S. 723, 724-25 (1915).

<sup>24</sup> *Id.*

<sup>25</sup> See *id.*

<sup>26</sup> *In re Cordis Corp.*, 769 F.2d 733, 737 (Fed. Cir. 1985).

<sup>27</sup> *Id.* (“if a rational and substantial legal argument can be made in support of the rule in question” then *mandamus* should be denied, despite the fact that, “on normal appeal, a court might find reversible error”).

<sup>28</sup> See, e.g., *Johnston v. IVAC Corp.*, 681 F. Supp. 959, 964 (D. Mass. 1987) (*Cordis* “supports only that a ‘rational and substantial’ legal argument can be made to uphold the district court’s finding.”); see also *Herbert v. Diagnostic Prods. Corp.*, 1986 U.S. Dist. LEXIS 24411 (S.D.N.Y. June 10, 1986) (same).

of Washington.<sup>29</sup> The court reasoned that Amazon.com’s principal place of business and its corporate headquarters were located there, so it “inarguably” had a regular and established place of business there.<sup>30</sup> Other cases agree that venue is proper in the jurisdiction where a defendant maintains its headquarters or principal place of business.<sup>31</sup>

## 2. Physical location (e.g., store or office) in the forum

If a defendant maintains a fixed, physical location where it does business, a court will most likely find it is a “regular and established place of business.” However, this is not a *per se* rule. For example, there is some authority for the proposition that a location must also have permanence.<sup>32</sup> Moreover, the defendant must exercise control over the location to support venue.<sup>33</sup> Even where a physical location is permanent and under the defendant’s control, there may still be situations where the location is insufficient for venue purposes, as illustrated by the facts underlying the Supreme Court’s *W.S. Tyler* decision.

In *Tyler*, the defendant corporation was based in St. Louis, but employed a sales representative in New York.<sup>34</sup> In addition to working for Defendant Ludlow-Saylor, the sales representative was also an employee of another corporation and the rent for his sales office was

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<sup>29</sup> *Jarratt v. Amazon.com, Inc.*, Civ. No. 5:16-CV-05302, 2017 U.S. Dist. LEXIS 126931, at \*3 (W.D. Ark. Aug. 10, 2017) (“Amazon’s principal place of business is its corporate headquarters in the Western District of Washington, so it inarguably has a regular and established place of business in that district.”).

<sup>30</sup> *Id.*

<sup>31</sup> See, e.g., *Blackbird Tech LLC v. TuffStuff Fitness Int’l, Inc.*, Civ. No. 16-733-GMS, 2017 U.S. Dist. LEXIS 63752, at \*4 (D. Del. Apr. 27, 2017) (“Venue, therefore, would have been proper in the Central District of California, because TuffStuff’s headquarters and principal place of business are located in that District.”); *Mitel Networks Corp. v. Facebook, Inc.*, 943 F. Supp. 2d 463, 468 (D. Del. May 1, 2013) (“Venue, therefore, would have been proper in the Northern District of California, because Facebook’s headquarters and principal place of business are located in that District.”); *Intendis, Inc. v. River’s Edge Pharms., LLC*, Civ. No. 2011 U.S. Dist. LEXIS 130305, 2011 U.S. Dist. LEXIS 130305, at \*6 (D.N.J. Nov. 10, 2011) (“As Defendant has its principal place of business in Suwanee, Georgia, the case certainly could have been brought in the Northern District of Georgia.”); *Levinson v. Regal Ware, Inc.*, Civ. No. 89-1298 (MTB), 1989 U.S. Dist. LEXIS 17455, at \*2 n. 2 (D.N.J. Oct. 5, 1989) (in granting a motion to transfer venue to the Eastern District of Washington, noting that the defendant had its principal place of business and was “physically situated” there.); *Nobell, Inc. v. Sharper Image Corp.*, Civ. No. C89-1133-DLJ, 1989 U.S. Dist. LEXIS 16453, at \*5 (N.D. Cal. Aug. 2, 1989) (in granting joinder of defendant Nu Vations, noting that venue is proper because Nu Vations has a principal place of business and thus maintains a “regular place of business” in the Northern District of California); *Ballard Med. Prods. v. Concord Labs, Inc.*, 700 F. Supp. 796, at 799 (D. Del. 1988) (“Concord’s corporate headquarters is located in New Hampshire. ... [Thus,] Concord has a “regular and established place of business” in New Hampshire within the meaning of the statute because of its level of activity in New Hampshire.”); *Amp Inc. v. Essex Wire Corp.*, 223 F. Supp. 154, 156 (N.D. Ill. 1963) (“[T]here is no question that the defendant has a regular and established place of business in this judicial district, for its corporate headquarters are located here.”).

<sup>32</sup> See *Phillips v. Baker*, 121 F.2d 752, 756 (9th Cir. 1941) (holding that a “regular and established place of business” must be a permanent place, so movable box cars do not establish venue).

<sup>33</sup> *Ball Corp. v. Weirton Steel Corp.*, Civ. No. No. 86 C 5425, 1986 WL 13761, at \*1 (N.D. Ill. Nov. 28, 1986) (“It must appear that a defendant is regularly engaged in carrying on a substantial part of its ordinary business on a permanent basis in a physical location within the district over which it exercised some measure of control.”); *Stewart-Warner Corp. v. Hunter Eng’g Co.*, 163 U.S.P.Q. 326, 330 (N.D. Ill. 1969) (same); *Coleco Indus., Inc. v. Kranscro Mfg., Inc.*, 247 F. Supp. 571, 574 (S.D.N.Y. 1965) (same); *Clearasite Headwear Inc. v. Parmaount Cap Mfg., Co.*, 204 F. Supp. 4, 6 (S.D.N.Y. 1962) (same); *Mastantaouno v. Jacobsen Mfg. Co.*, 184 F. Supp. 178, 180 (S.D.N.Y. 1960) (same); see also *Warner-Lambert Co. v. C.B. Fleet Co.*, 583 F. Supp. 519, 523 (D.N.J. 1984) (“[C]ourts look to whether the defendant maintains, controls and pays for a permanent physical location.”).

<sup>34</sup> 236 U.S. at 725.

divided between the two corporations.<sup>35</sup> Ludlow-Saylor paid the representative a small salary, commissions on sales, and traveling expenses. The representative was responsible for soliciting orders and forwarding them to the appropriate corporation for execution. But only a single infringing sale had been generated by the representative.<sup>36</sup> The trial court held that the plaintiff had shown neither the requisite “regular and established place of business” nor the requisite “act of infringement” in New York.<sup>37</sup> The Supreme Court affirmed, reasoning that the circumstances involved only one sale and that the sale was consummated in St. Louis, not New York.<sup>38</sup> The decision in *Tyler*, however, is unclear in a number of respects. It is unclear whether the Supreme Court merely affirmed the district court on the grounds that there was no “act of infringement” in New York, or also affirmed the finding that there was no “regular and established place of business” in the state. Even if the court affirmed the finding of no “regular and established place of business,” it is unclear which facts the Court deemed significant. Subsequent cases have said that a dispositive fact in *Tyler* is that the sales representative had no authority to accept orders,<sup>39</sup> and that similar sales offices that only serve for solicitation of orders do not constitute a “regular and established place of business” even if wholly owned.<sup>40</sup> Another line of cases — perhaps keying on the fact that only one sale was shown to have been generated from the sales office in *Tyler* — go so far as to hold that, to be a “regular and established place of business,” the corporation must be “engaged in carrying on in a continuous manner a *substantial part* of its ordinary business.”<sup>41</sup>

However, no recent cases appear to have followed the lines of authority applying *Tyler*. Consider, for instance, the 1986 case of *San Shoe Trading Corp.*,<sup>42</sup> where the district court held that a showroom in the venue was sufficient to support venue even though no one at the showroom had the authority to complete sales, which were consummated by the home office in another district. More recently, the Eastern District of Texas held in *Raytheon Co v. Cray, Inc.* that the “physical presence in the district . . . [such as] a retail store, warehouse, or other facility in the district weighs strongly in favor of finding a regular and established place of business.”<sup>43</sup>

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<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> See, e.g., *General Radio*, 293 F.2d at 951 (“It is evident from the opinion in the *Tyler Co.* case that this is the fact the Court considered determinative.”); *Omi Int'l Corp. v. MacDermid, Inc.*, 648 F. Supp. 1012, 1016 (M.D.N.C. 1986) (“[T]he determinative factor [in *Tyler*] is that the local salesman's only duty was to solicit orders and forward them, without consummating the sales himself”).

<sup>40</sup> *General Radio*, 293 F.2d at 951-52; *Magicorp v. Kinetic Presentations, Inc.*, 718 F. Supp. 334, 341 (D.N.J. 1989); *Maw v. Northern Pump Co.*, 27 F. Supp. 808, 809 (D.N.Y. 1939); see also *Brevel Prods. Corp. v. H & B American Corp.*, 202 F. Supp. 824, 828 (S.D.N.Y. Feb. 28, 1962) (stating the rule that “mere maintenance of an office in a district is not sufficient for patent venue jurisdiction,” but not applying it); *Endrezze v. Dorr Co.*, 97 F.2d 46, 47 (9th Cir. 1938) (holding that sales office that merely solicited sales committed no acts of infringement in the district for venue purposes).

<sup>41</sup> *Wilson v. McKinney Mfg. Co.*, 59 F.2d 332, 334 (9th Cir. 1932) (emphasis added)(quoting *Zimmers v. Dodge Bros.*, 21 F.2d 152, 156 (N.D. Ill. 1927)); see also *Ruddies v. Auburn Spark Plug Co.*, 261 F. Supp. 648, 654 (S.D.N.Y. Nov. 9, 1966) (“Merely doing business in this district is not enough. Something more is required. It must appear that a defendant is regularly engaged in carrying on a substantial part of its ordinary business on a permanent basis in a physical location within the district over which it exercises some measure of control.”); see also n. 32, *supra*.

<sup>42</sup> *San Shoe Trading Corp. v. Converse Inc.*, 649 F. Supp. 341, 345-46 (S.D.N.Y. 1986).

<sup>43</sup> *Raytheon Co. v. Cray, Inc.*, No. CV 2:15-CV-01554-JRG, 2017 U.S. Dist. LEXIS 100887, at \*32 (E.D. Tex. June 29, 2017).

Similarly, in *Prowire LLC v. Apple, Inc.*, the District of Delaware held that defendant Apple’s single retail store in the district was a “regular and established place of business.”<sup>44</sup> This was despite the fact that the store was merely one of 270 stores nationwide, it accounted for less than 1% of Apple’s U.S. employees, and it sold less than 1% of Apple’s accused devices.<sup>45</sup> *Prowire* is, thus, hard to reconcile with the older line of cases requiring a “substantial part” of business to be carried on at the “regular and established place of business.”

In sum, under the modern authority of *Raytheon* and *Prowire*, courts are likely to find venue to be proper where the defendant maintains a physical business location, regardless of the comparative volume of business conducted there. Under older case law, however, there seems to be a lack of clarity on this issue.

### 3. Employees and inventory located in the forum

In the absence of a physical location, the mere presence of employees in a forum often is deemed insufficient to constitute a “regular and established place of business.” However, some courts have looked at the totality of circumstances and found venue proper despite the lack of a physical location.

Most courts would agree that, in the case of a travelling salesman who does not live in the forum, there is no “regular and established place of business.”<sup>46</sup> Similarly, mere attendance at a trade show in the forum is not enough to satisfy the venue rule.<sup>47</sup>

A closer question arises when the employee operates permanently out of his own home within the forum. A long line of older cases refused to find venue in this context.<sup>48</sup> Other courts, however, have seemingly glossed over the requirement of a physical place of business based upon the “practicalities and necessities of the business community.”<sup>49</sup> And so having one or

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<sup>44</sup> *Prowire LLC v. Apple, Inc.*, Civ. No. 1:17-cv-00223-MAK, 2017, U.S. Dist. LEXIS 126640 at \*14 (D. Del. Aug. 9, 2017).

<sup>45</sup> *Prowire*, Civ. No. 1:17-cv-00223-MAK, at Dkt. 14, p. 9.

<sup>46</sup> See, e.g., *Mida Mfg. Co. v. Femic, Inc.*, 539 F. Supp. 159, 162 (E.D. Pa. 1982) (finding no venue where defendants solicited a certain amount of business in the district, but had no employees there); *Ipcos Hospital Supply Corp. v. Les Fils D'Auguste Maillefer S.A.*, 446 F. Supp. 206, 208 (S.D.N.Y. 1978) (“[T]he mere presence of sales representatives in the district does not create a ‘regular and established place of business’ for venue purposes in a patent case.”).

<sup>47</sup> *Percept Techs. v. FOVE, Inc.*, No. 2:15-cv-02387-RFB-CWH, 2017 U.S. Dist. LEXIS 125772, at \*3 (D. Nev. Aug. 8, 2017) (“Plaintiff argues that based on Defendant’s attendances at [trade shows] . . . venue is proper in the District of Nevada. The Court disagrees that, under the patent venue statute, the alleged conduct is sufficient to make venue in Nevada appropriate. . . [Defendant] does not have a ‘regular and established place of business’ in Nevada.”); see also *Knapp-Monarch Co. v. Casco Prods. Corp.*, 342 F.2d 622, 625 (7th Cir. 1965) (holding that presence at a trade show was merely temporary and attendee did not exercise control over the trade show premises); *Kinetic Instrs., Inc. v. Lares*, 802 F. Supp. 976, 987 (S.D.N.Y. 1962) (holding that mere presence of a sales representative at a trade show is insufficient).

<sup>48</sup> See, e.g., *American Cyanamid Co. v. NOPCO Chem. Co.*, 388 F.2d 818, 820 (4th Cir. 1968) (“The statute clearly requires that venue be laid where ‘the defendant has a regular and established place of business,’ not where the defendant’s employee owns a home in which he carries on some of the work that he does for the defendant”); *University of Illinois Foundation v. Channel Master Corp.*, 382 F.2d 514, 516 (7th Cir. 1967) (“We hold that we cannot by any stretch of the imagination characterize [a sales representative’s] family bedroom or even his entire home as ‘a regular and established place of business’ of [defendant] in the Northern District of Illinois.”).

<sup>49</sup> *Shelter-Lite, Inc. v. Reeves Bros., Inc.*, 356 F. Supp. 189, 195 (N.D. Ohio Mar. 19, 1973) (“In this Court’s opinion, an unyielding rule that a regular and established place of business cannot arise by virtue of a salesman operating out of his residence is at odds with the practicalities and necessities of the business community.”); see also *Brunswick Corp. v. Suzuki Motor Co.*, 575 F. Supp. 1412, 1424 (E.D. Wis. 1983) (following *Shelter-Lite*); *CPG Prods. Corp. v. Mego Corp.*, Civ. No. C-1-79-582, 1980

more employees in the district with regular business activities but no physical location, for instance, has met the venue test according to some district courts.<sup>50</sup>

The Federal Circuit arguably resolved these competing lines of authority in its 1985 *Cordis* decision. *Cordis*, a Florida corporation, was sued in the District of Minnesota,<sup>51</sup> where it employed two sales representatives, paid a salary plus commission, and provided them with a company car and secretarial service.<sup>52</sup> The sales representatives maintained offices at their own homes, for which they claimed income tax deductions, but most of their work was done at customer locations such as in hospitals where they could take orders for the allegedly infringing products (pacemakers) and give product demonstrations.<sup>53</sup> *Cordis* was not registered to do business in Minnesota, did not have a bank account there, and neither owned nor leased any real property within the state.<sup>54</sup> The District of Minnesota found venue proper under the Regular and Established Prong, and *Cordis* petitioned the Federal Circuit for a writ of mandamus ordering the district court to dismiss for lack of venue.<sup>55</sup> *Cordis* argued that case law required a “fixed physical presence,” and that it had no offices in Minnesota.<sup>56</sup> The Federal Circuit denied the petition, reasoning that cases cited by the petitioner required only a “permanent and continuous presence” in a district, as opposed to a “fixed physical presence.”<sup>57</sup> Because the *Cordis* decision was decided on petition for *mandamus*, however, some have argued that the decision does not foreclose a reading of § 1400(b) to require a fixed, physical presence to show a “regular and established place of business.”

Today, courts remain split on whether the mere presence of employees in a forum suffices to show a “regular and established place of business.” A majority of decisions after *TC Heartland* have found that the mere presence of employees in a judicial district is insufficient for venue.<sup>58</sup> On the other hand, some earlier decisions – as well as the post-*TC Heartland* decision *Raytheon* – reach the opposite result. An August 21, 2017 decision from the Western District of North Carolina, for instance, determined that “field technicians who actively engage with

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U.S. Dist. LEXIS 17061, at \*10 (S.D. Ohio Aug. 21, 1980) (same); *Instrumentation Specialties Co. v. Water Associates, Inc.*, Civ. No. 76 C 4340, 1977 U.S. Dist. LEXIS 13508, at \*15 (N.D. Ill. Oct. 12, 1977) (same).

<sup>50</sup> See, e.g., *Shelter-Lite*, 356 F. Supp. at 195 (holding that a single employee operating from his residence within the district was sufficient for venue); *CPG Prods.*, 1980 U.S. Dist. LEXIS 17061 at \*10 (same); see also *Brunswick*, 575 F. Supp. at 1424 (several employees in the district deemed sufficient); *Instrumentation Specialties*, 1977 U.S. Dist. LEXIS 13508 at \*15 (same).

<sup>51</sup> *In re Cordis Corp.*, 769 F.2d 733, 734 (Fed. Cir. 1985).

<sup>52</sup> *Id.* at 735.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Id.* at 735-36.

<sup>56</sup> *Id.* at 736.

<sup>57</sup> *Id.* at 737.

<sup>58</sup> See, e.g., *Westech Aerosol Corp. v. 3M Co.*, Civ. No. C17-5067-RBL, 2017 U.S. Dist. LEXIS 124485, at \*7 (W.D. Wash. Aug. 7, 2017) (dismissing complaint with leave to amend to allege venue, noting that the “mere presence of sales reps” is insufficient); *Optolum, Inc. v. Cree, Inc.*, Civ. No. 16-03828-PHX-DLR, 2017 U.S. Dist. LEXIS 114717, at \*17 (D. Ariz. July 24, 2017) (presence of a sales manager and an engineer in the forum deemed insufficient); *Hand Held Prods. v. Code Corp.*, Civ. No. 2:17-167-RMG, 2017 U.S. Dist. LEXIS 112932, at \*11-12 (D.S.C. July 18, 2017) (single employee in the forum insufficient).



customers” are sufficient to show that the defendant has a “regular and established place of business” in the district for purposes of § 1400(b).<sup>59</sup>

The *Raytheon* case needs to be addressed, however. In that decision, Judge Gilstrap outlined a test for determining whether a company has a “regular and established place of business” in the “modern era” based upon the totality of circumstances: i) a defendant’s physical presence in the judicial district; ii) a defendant’s representations about its presence in the district; iii) the benefits the defendant received from the district, including the sale of infringing products; and iv) a defendant’s “targeted interactions” with the district, such as localized customer support, ongoing contractual relationships, and targeted marketing efforts.<sup>60</sup> This test seemingly ties-in with some of the earlier decisions on the subject, looking at the “practicalities and necessities of the business community.”<sup>61</sup> The decision is currently the subject of a mandamus petition to the Federal Circuit.<sup>62</sup> Thus, if the Federal Circuit grants the *mandamus* petition, litigants soon may get some needed clarity in this area. If, however, the court denies *mandamus*, the decision will suffer from the same attacks as *In re Cordis* with respect to its precedential value.<sup>63</sup>

Another factor that can raise the issue of venue is inventory. For instance, in *Huey Co.* the district court relied, in part, on the presence of inventory for fill orders for multiple locations, in and out of the district, to find venue proper.<sup>64</sup> While the presence of inventory alone likely is insufficient to establish venue, the existence of inventory in the forum has been relevant in a number of cases.<sup>65</sup>

#### 4. Sales through a third party located in the forum

Many courts have held that a corporation does not have a “regular and established place of business” in a forum merely because it sells products through third parties there. Thus, venue is generally lacking where a corporate defendant merely sells through a third party distributor. For example, in *Optolum, Inc. v. Cree, Inc.*, the District of Arizona held that venue was not

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<sup>59</sup> *InVue Security Prods. Inc. v. Mobile Tech, Inc.*, 3-15-cv-00610 (W.D. N.C. Aug. 21, 2017) (Order, Judge Max O. Cogburn, Jr., Dkt. 65) (granting transfer to a more convenient forum, but holding venue was proper under the second prong of 28 U.S.C § 1400(b)).

<sup>60</sup> *Raytheon Co.*, 2017 U.S. Dist. LEXIS 100887, at \*32-37.

<sup>61</sup> *See supra*, n. 48.

<sup>62</sup> *In re Cray Inc.*, No. 17-129 (Fed. Cir. filed Jul. 17, 2017).

<sup>63</sup> Mandamus is not appropriate “if a rational and substantial legal argument can be made in support of the rule in question,” despite the fact that, “on normal appeal, a court might find reversible error.” *In re Cordis*, 769 F.2d at 737. Thus, a number of district courts have observed that *Cordis* “supports only that a ‘rational and substantial’ legal argument can be made to uphold the district court’s finding” of proper venue. *See n. 27, supra*.

<sup>64</sup> *Huey Co. v. Plan Hold Corp.*, No. No. 79-C-5069, 1980 WL 30314 at \*2 (N.D. Ill. Sep. 12, 1980) (holding that defendant’s warehouse in the district that made regular shipments of the accused products constituted a regular and established place of business); *see also Clopay Corp. v. Newell Co.*, 527 F. Supp. 733, 740 (D. Del. 1981).

<sup>65</sup> *See, e.g., Cordis*, 769 F.2d at 735 (venue proper where sales representatives kept products at their home offices); *Federal Elect. Prods. Co. v. Frank Adam Elect. Co.*, 100 F. Supp. 8, 11 (S.D. N.Y. 1951 ) (venue proper when inventory kept in district to expedite nearby shipments); *see also Fabrege, Inc. Schick Elec., Inc.*, 312 F. Supp. 559, 562 (D. Del. 1970) (venue lacking when inventory kept in district only to resupply retailers in case of emergency); *Surgical Laser Tech. Inc. v. Cooper Lasersonics, Inc.*, No. 87 C 10651, 1988 WL 40961 (N.D. Ill. Apr. 26, 1988) (venue lacking, in part, because defendant kept no inventory in Illinois).

proper over the defendant, although it sold its products throughout the state through a third party distributor (Home Depot).<sup>66</sup>

Similarly, courts have held that sales through affiliated entities in a forum are insufficient.<sup>67</sup> For example, in *Blue Spike, LLC v. Nook Digital, LLC*, the Eastern District of Texas held that defendant Nook Digital was not subject to venue in the forum merely because its corporate parent, Barnes & Noble, Inc., sold its accused products (Nook devices) there.<sup>68</sup> The court observed that it “must consider whether venue is proper with respect to each defendant,” and “so long as a formal separation of the entities is preserved, the courts ordinarily will not treat the place of business of one corporation as the place of business of the other.”<sup>69</sup>

Finally, courts have held that sales through an independent sales representative or independent contractor in a district, even on an exclusive basis, does not give rise to a “regular and established place of business.”<sup>70</sup> Where courts have found venue, they have typically concluded that the representative is an employee, and not an independent contractor.<sup>71</sup> Thus, venue often turns on whether there is an employee authorized to complete the sale, such as the Supreme Court considered in *W.S. Tyler*.<sup>72</sup>

The foregoing cases appear to define a general rule that sales through a third party in a forum are insufficient to establish venue there. On the other hand, two of the factors of the recent *Raytheon* decision seem to apply to sales by third-party distributors: benefits the defendant received from the district and targeted interactions with the district. As noted above, however, the *Raytheon* decision is the subject of a mandamus petition.

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<sup>66</sup> *Optolum, Inc. v. Cree, Inc.*, 2017 U.S. Dist. LEXIS 114717, at \*16-18 (D. Ariz. July 24, 2017); see also *Hand Held Prods. v. Code Corp.*, 2017 U.S. Dist. LEXIS 112932 (D.S.C. July 18, 2017) (holding that sales made through a third party distributor are irrelevant).

<sup>67</sup> See, e.g., *Blue Spike, LLC v. Nook Dig., LLC*, 2017 U.S. Dist. LEXIS 120400, at \*9-11 (E.D. Tex. July 28, 2017) (discussed above); see also *Hsin Ten Enter. USA, Inc. v. Clark Enters.*, 138 F. Supp. 2d 449, 461 (S.D.N.Y. 2000) (holding that stores owned by affiliates are insufficient to establish venue under § 1400(b)).

<sup>68</sup> *Blue Spike*, 2017 U.S. Dist. LEXIS 120400, at \*9-11.

<sup>69</sup> *Id.* at \*9-10.

<sup>70</sup> See, e.g., *Kabb, Inc. v. Sutera*, Civ. A. No. 91-3551, 1992 U.S. Dist. LEXIS 13685, 1992 WL 245546, at \*2 (E.D. La. Sept. 4, 1992) (“It is well settled that the mere presence of independent sales representatives does not constitute a ‘regular and established place of business’ for purposes of Section 1400(b).”).

<sup>71</sup> See *supra*, n. 49; but see *Sherman Paper Prods. Corp. v. Sorg Paper Co.*, 161 F. Supp. 44, 45 (E.D. Mich. 1958) (Defendant stresses the fact that the Protect-O-Pac Sales and Engineering Co. was not its employee but an independent distributor. ... The nature of the employment relationship between it and its agent is not a significant difference upon which to base or deny venue.”).

<sup>72</sup> 236 U.S. at 725; compare *Gen. Radio Co. v. Superior Elect. Co.*, 293 F.2d 949, 951-52 (1<sup>st</sup> Cir. 1961) (venue lacking where sales representatives merely solicited, but did not consummate, sales), and *Brevel Prods. Corp. v. H&B Amer. Corp.*, 202 F. Supp. 824, 829 (S.D. N.Y. 1962) (same), with *Hemstreet v. Caere Corp.*, 16 U.S.P.Q. 1199, 1203-04 (N.D. Ill. 1990) (venue proper where, *inter alia*, salesman had authority to negotiate sales), and *Werner Mach. Co. v. Nat’l Coop, Inc.*, 289 F. Supp. 962, 964 (E.D. Wisc. 1968) (same); but see *Hako Minuteman, Inc. v. Advance Mach. Co.*, 729 F. Supp. 65, 66 (N.D. Ill. 1990) (venue proper even though employees merely solicited sales); *London v. Carson Pirie Scott & Co.*, 4 U.S.P.Q.2d 1148, 1153 (N.D. Ill. 1987) (same).

## 5. Website accessible to customers in the district

There is very little case law on the applicability of the Regular and Established Prong to the Internet. The Federal Circuit decided *VE Holding*, which rendered the Regular and Established Prong temporarily vestigial in 1990, while the World Wide Web was not publicly available until at least 1991.<sup>73</sup>

The few cases addressing online activities suggest that those activities do not show a “regular and established place of business” in a forum. In the recent case of *Glasser v. Barboza*, the court held that Cinelinx Media, a sole proprietorship based Texas, was not subject to venue in the Eastern District of Virginia.<sup>74</sup> Although Cinelinx sold its product online through Amazon.com, the court held that sales via the internet “is not sufficient to create a regular and established place of business for the purposes” of § 1400(b) in the district.<sup>75</sup> Similarly, in *Logantree LP v. Garmin Int'l, Inc.*, the Western District of Texas held that defendants’ website, which allowed viewers to access a list of its San Antonio and Austin distributors, did not subject it to venue in the forum.<sup>76</sup> Older cases also recognized that the mere sale of products in a forum does not give rise to a “regular and established place of business.”<sup>77</sup>

On the other hand, where a company sells products online to customers in a forum, at least two factors of the Eastern District of Texas’s decision in *Raytheon* appear to be met: benefits the defendant received from the district and targeted interactions with the district. Thus, *Raytheon* may again supply precedent to hold companies subject to venue for online activities – at least in the Eastern District of Texas – when the reasoning of other cases might find there to be no venue.

### B. Requirement that “Acts of Infringement” Occur in the Judicial District

Even if a defendant has a “regular and established place of business” in a judicial district, venue will only be proper in that district if the defendant has also “committed acts of infringement” there. “Acts of infringement” are defined in the Patent Act and include making, using, offering to sell, selling, and importing a patented invention.<sup>78</sup> “Acts of infringement” for the purposes of establishing venue also include inducing others to infringe under § 271(b) and contributing to their infringement under § 271(c).<sup>79</sup>

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<sup>73</sup> See *United States v. Microsoft Corp.*, 84 F. Supp. 2d 9, 58 (D.D.C. 1999) (noting that the World Wide Web was introduced to the public in 1991).

<sup>74</sup> *Glasser v. Barboza et al.*, 1-17-cv-00322 (E.D. Va. Aug. 11, 2017) (Order, Judge Claude M. Hilton, Dkt. 38).

<sup>75</sup> *Id.*

<sup>76</sup> *Logantree LP v. Garmin Int'l, Inc.*, Civ. No. SA-17-CA-0098-FB, 2017 U.S. Dist. LEXIS 99925, at \*4 (W.D. Tex. June 22, 2017).

<sup>77</sup> See, e.g., *Knapp-Monarch Co. v. Casco Prods. Corp.*, 342 F.2d 622, 625 (7th Cir. 1965).

<sup>78</sup> 35 U.S.C. § 271(a).

<sup>79</sup> *Leach v. Penich & Ford, Ltd., Inc.*, No. 65-cv-792, 1965 WL 7783, at \*1 (S.D.N.Y. Oct. 7, 1965); *Warner-Lambert Co. v. C.B. Fleet Co., Inc.*, 583 F. Supp. 519, 521 (D.N.J. 1984) (holding that “solicitation of orders for an infringing product within a district meets the test for inducement of infringement and constitutes an act of infringement for purposes of the patent venue statute”); *Gunter & Cooke, Inc. v. Southern Elec. Service Co.*, 256 F. Supp. 639, 648 (M.D.N.C. 1966) (holding that there is “substantial authority” for the proposition that “acts of infringement” include inducement and contributory infringement).

## 1. No need to prove actual infringement to establish venue

Despite the language of § 1400(b), a plaintiff need not prove that the defendant actually committed an act of infringement in the judicial district in order to establish venue. As courts have noted, requiring such a showing “would mean that the merits of the action would have to be reached on a pre-trial procedural motion.”<sup>80</sup> Instead, “the test used to determine whether an act of infringement occurred within the district is less strict than that used when the case is tried on the merits.”<sup>81</sup> In particular, “an *allegation* that a defendant has committed one of those acts in the district is sufficient to satisfy this requirement of the venue statute.”<sup>82</sup> As one court explained, “it should be assumed, for the purposes of the venue question, that the devices in question do, as a matter of law, infringe the plaintiff’s patents. The relevant inquiry, then, is whether the acts constituting the infringement were committed in the judicial district of the forum.”<sup>83</sup>

## 2. When the location of the sale is the issue

Determining whether the “acts of infringement” were committed in the judicial district may not always be a straight-forward inquiry. The potential complications are evident in the jurisprudence attempting to determine the location of the “sale” of a patented article.

Several courts have held that a sale must be “consummated” in the judicial district to establish venue.<sup>84</sup> Under this approach, merely ordering a product in the judicial district may be insufficient to create venue if the order is processed by a manufacturer outside of the district who then ships the product directly to the customer.<sup>85</sup> The “consummated sale” approach is derived from Article 2 of the Uniform Commercial Code (“U.C.C.”), which provides that a “‘sale’ is the passing of title from the seller to the buyer for a price.”<sup>86</sup> The U.C.C. provides that title to goods passes at the “time and place at which the seller completes his performance with reference to the physical delivery of the goods.”<sup>87</sup> Whether a seller has completed physical delivery, in turn, depends on the shipment terms, *e.g.*, whether the goods were shipped “free on board” (“F.O.B.”) the place of shipment or F.O.B. the place of destination.<sup>88</sup>

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<sup>80</sup> *Leach*, 1965 WL 7783, at \*1.

<sup>81</sup> *Stiegele v. Jacques Kreisler Mfg. Corp.*, 213 F. Supp. 494, 496 (S.D.N.Y. 1962).

<sup>82</sup> *Raytheon*, 2017 U.S. Dist. LEXIS 100887, \*4 (emphasis added).

<sup>83</sup> *Fastener Corp. v. Spotnails, Inc.*, 291 F. Supp. 974, 976-77 (N.D. Ill. 1968).

<sup>84</sup> *See, e.g., Self v. Fisher Controls Co., Inc.*, 566 F.2d 62 (9th Cir. 1977); *Picker Int’l, Inc. v. Varian Assocs., Inc.*, 661 F. Supp. 347 (N.D. Ohio 1987).

<sup>85</sup> *Picker*, 661 F. Supp. at 349.

<sup>86</sup> Uniform Commercial Code, § 2-106.

<sup>87</sup> *Id.* at § 2-401

<sup>88</sup> *Id.* at § 2-319; *see also Penntube Plastics Co. v. Fluorotex, Inc.*, 336 F. Supp. 698, 704 (D.S.C. 1971) (“a sale ‘F.O.B. Wilmington’ is a sale within the District of Delaware”).

Other courts have refused to follow the “technicalities of sales law” in determining the location of a sale for the purposes of venue under § 1400(b).<sup>89</sup> These courts instead consider the “degree of conduct” within the judicial district.<sup>90</sup> For example, “two demonstrations of the accused device, added to the systematic and continuous solicitation of orders within the district, constitute, for venue purposes, a sufficient degree of selling to amount to ‘infringing sales.’”<sup>91</sup> This “degree of conduct” test often resembles a personal jurisdiction analysis, rather than a determination of the location of a sale.<sup>92</sup>

Because the majority of the cases addressing the “acts of infringement” element pre-date the Internet (and certainly came before the Internet became a hub of retail commerce), there is little express guidance on the location of online sales. Several cases have addressed the location of sales where products are ordered for shipment from an out-of-state manufacturer. The results of those cases, however, are inconsistent. In several cases, courts held that the sales took place in the jurisdiction where the products were delivered, while courts in other cases held that ordering a product and receiving delivery in a judicial district was not sufficient to establish a sale in that location.<sup>93</sup>

### 3. Application to method claims

The “acts of infringement” element may have particular application where a defendant is accused of infringing only method claims of a patent. It is axiomatic that to infringe a patented method, a defendant must perform each and every step of the method.<sup>94</sup> Not surprisingly, courts have held that a defendant must practice a patented method within the judicial district in order to commit “acts of infringement” with respect to a method claim in the forum.<sup>95</sup> Notably, it is not

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<sup>89</sup> See, e.g., *Union Asbestos & Rubber Co. v. Evans Prods. Co.*, 328 F.2d 949, 952 (7th Cir. 1964). Note, however, that the Federal Circuit has considered the U.C.C. test to determine if infringement has occurred as a substantive matter: “[W]e have made clear that our reference to the U.C.C. is a guide only and have explained that, at least in the context of the term ‘sale’ under 35 U.S.C. § 102(b), passage of title is not of ‘talismanic’ significance [for finding infringement], we have found the presence or absence of passage of title to be a significant indicator of whether a sale has occurred in the patent law context.” *Milo & Gabby LLC v. Amazon.Com, Inc.*, 2016-1290 (Fed. Cir. May 23, 2017) (nonprecedential) at \*14, citing *Medicines Co. v. Hospira, Inc.*, 827 F.3d 1363, 1375–76 (Fed. Cir. 2016); see *North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576, 1579–80 (Fed. Cir. 1994); cf. *Enercon GmbH v. Int’l Trade Comm’n*, 151 F.3d 1376, 1382 (Fed. Cir. 1998) (considering the plain meaning of “sale” when considering the use of the term in 19 U.S.C. § 1337).

<sup>90</sup> *Union Asbestos*, 328 F.2d at 952.

<sup>91</sup> *Id.*; see also *AMP Inc. v. Burndy of Midwest, Inc.*, 340 F. Supp. 21, 24 (N.D. Ill. 1971) (“acceptance and approval” of sales in judicial district is sufficient regardless of the “aged restrictive requirement of a completed sale”).

<sup>92</sup> See, e.g., *Briggs v. Farm Corp.*, 272 F. Supp. 185, 185-86 (N.D. Ill. 1967) (“The sales promotion and solicitation efforts of Farm’s eight salesmen and the occasionally physical delivery of accused filters to customers are sufficient to constitute ‘infringing sales’ and an act of infringement within the meaning of § 1400(b).”).

<sup>93</sup> See, e.g., *Picker*, 661 F. Supp. at 349; *W.S. Tyler Co. v. Ludlow-Saylor Wire Co.*, 236 U.S. 723 (1915) (hold that sale did not occur in New York even though the order for the goods was placed in New York with the defendant’s sales representative and the defendant shipped the goods to New York; sale occurred in Missouri, where the defendant received the order).

<sup>94</sup> E.g., *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1378 (Fed. Cir. 2007) (“Direct infringement requires a party to perform or use each and every step or element of a claimed method or product.”).

<sup>95</sup> See, e.g., *Schroeder v. Owens-Corning Fiberglas Corp.*, 326 F. Supp. 594, 596 (C.D. Cal. 1971) (“Venue for the cause of action for infringement of said Method Patent is improper in this Judicial District under 28 U.S.C. § 1400(b) since the Defendant does not reside within this Judicial District and the Defendant has not committed acts of infringement of said Method Patent within this Judicial District.”); *Lyon v. General Motors Corp.*, 200 F. Supp. 89, 90 (N.D. Ill. 1961) (“[Defendant] has manufactured no wheel covers by the patent method, here, within the period alleged in the complaint. Therefore, no actionable infringement occurred here.”).

sufficient for venue purposes to sell a product in the judicial district that was produced by practicing a patented method outside of the district.<sup>96</sup> If the plaintiff alleges infringement of *both* apparatus and method claims, however, venue will be proper in the location where the apparatus is sold, even if the patented method is practiced in another jurisdiction.<sup>97</sup>

#### IV. Comment

In the 30 years following the Federal Circuit’s *VE Holding* decision, forum shopping became an established aspect of patent infringement litigation. As a result, a handful of district courts – such as those in the Eastern District of Texas, the District of Delaware, and the Northern District of California – became popular destinations for patent owners seeking to enforce their rights. But it is worth pausing for a moment to consider those consequences since they often are raised during venue-related discussions.

Commentators have highlighted many of the negative consequences of forum shopping in patent litigation, including the perception that certain jurisdictions were more “friendly” to patent owner plaintiffs. Less ink has been spilled discussing the arguably positive consequences of forum shopping. For example, forum shopping allowed several district courts to develop true expertise in handling patent cases. Those courts also assisted in ushering in the era of local “patent rules” that made patent litigation more efficient. Moreover, allowing patent owners to sue multiple defendants in a single court resulted in additional efficiencies for both the courts and the parties.<sup>98</sup>

Following *TC Heartland*, it remains unclear how liberally courts will approach venue in patent cases. Thus, while the Resides Prong of § 1400(b) now provides for venue only in an entity’s state of incorporation, the contours of the Regular and Established Prong remain fluid. At least one court – the venerable Eastern District of Texas in its recent *Raytheon* decision – proposed a totality of the circumstances test for identifying a “regular and established place of business.” The *Raytheon* test, which does not require a “place” of business and instead weighs a defendant’s contacts with the forum, is strikingly similar to tests that courts apply to determine personal jurisdiction. As such, if courts more broadly adopt the *Raytheon* test, the *TC Heartland* case will have had little, if any, practical effect on the scope of permissible venue; forum shopping will continue, along with the negative and positive attributes of that practice.

Interestingly, while the *Raytheon* decision liberally construed the venue requirements of § 1400(b), there is some general Supreme Court authority that would seem to support the opposite approach. Remember the Supreme Court admonition: the venue requirement is “specific and unambiguous” and therefore “not one of those vague principles which, in the interest of some overriding policy, is to be given a ‘liberal’ construction.”<sup>99</sup>

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<sup>96</sup> *Id.*

<sup>97</sup> *General Foods Corp. v. Carnation Co.*, 411 F.2d 528 (7th Cir. 1969) (holding venue proper where “the action ... is on a single patent with a product and process claims” and the products were sold in the judicial district, even though the process was practiced outside of the district).

<sup>98</sup> In many ways, some might argue that having districts that developed familiarity with patent cases was an inspiration for the Patent Pilot Program. See Pub. L. No. 111-349.

<sup>99</sup> *Schnell*, 365 U.S. at 264.

## V. Conclusion

We suspect that courts will take the admonition in *Schnell* to heart and generally reject the liberal reading of “regular and established place of business” advocated in *Raytheon*. Even so, there is a legitimate debate to be had over the proper construction of § 1400 – which is not quite as “specific and unambiguous” as would be desired. In holding this debate, courts will perhaps return to “first principles” of venue, examining why venue requirements exist.

As noted above, jurisdiction is a concept related to the power of courts to exercise judicial authority, but venue “relates to the convenience of litigants.”<sup>100</sup> “This basic difference between the court’s power and the litigant’s convenience is historic in the federal courts.”<sup>101</sup> As the Federal Circuit has stated, venue “serves the purpose of protecting a defendant from the inconvenience of having to defend an action in a trial court that is either remote from the defendant’s residence or from the place where the acts underlying the controversy occurred.”<sup>102</sup> As the impact of *TC Heartland* continues to evolve, it will be instructive to see how jurisdiction and venue are treated – separate or equal.

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<sup>100</sup> *Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165 (1939).

<sup>101</sup> *Id.*

<sup>102</sup> *VE Holding*, 917 F.2d at 1576.

# Waiver of Rule 12 Defenses

- **Fed. R. Civ. P. 12(h)(1) Venue Defense Waived:**
  - (A) if omitted from a motion in the circumstances described in subdivision (g), or
  - (B) if it is neither made by motion under this rule nor included in a responsive pleading or an amendment thereof permitted by Rule 15(a) to be made as a matter of course



# Waiver and Intervening Change: *Cobalt Boats* Case Line

*Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, — F.3d —, 2017 WL 2556679 (E.D. Va. June 7, 2017)

The Supreme Court has never overruled Fourco, and the Federal Circuit cannot overrule binding Supreme Court precedent.

Based on the Supreme Court's holding in TC Heartland, Fourco has continued to be binding law since it was decided in 1957, and thus, it has been available to every defendant since 1957.

Accordingly, the Court FINDS that TC Heartland does not qualify for the intervening law exception to waiver because it merely affirms the viability of Fourco.

# Judge Newman Disagrees

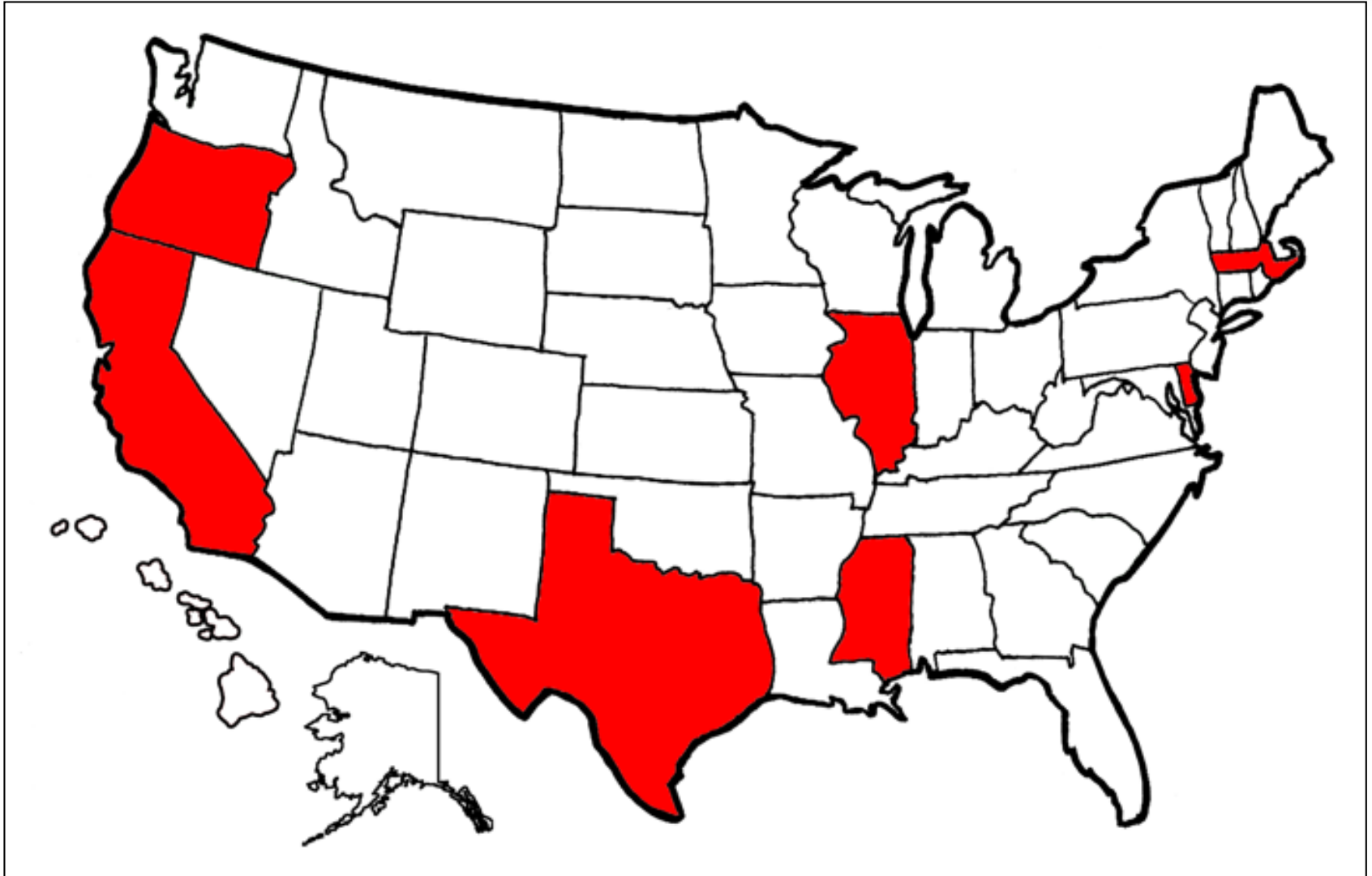
*In re Sea Ray Boats, Inc.*, 2017 WL 2577399 (Fed. Cir. June 9, 2017) (deciding mandamus petition, Newman, J., Dissenting)

- “There is little doubt” that *TC Heartland* “was a change in the law of venue”
- “This court must ensure the Court’s decision in *TC Heartland* is properly applied to the facts of this case.”

# Courts Following *Cobalt Boats*

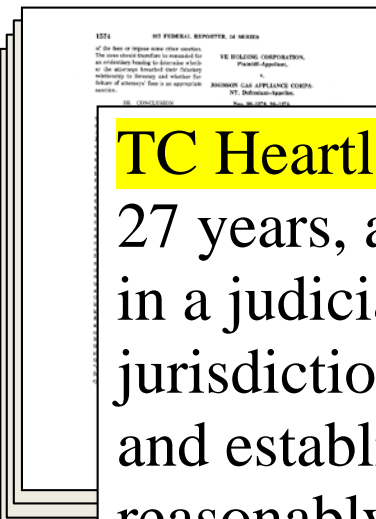
1. *Navico, Inc. v. Garmin Int'l, Inc.*, 2017 WL 2957882 (E.D. Tex. July 11, 2017)
2. *iLife Techs., Inc. v. Nintendo of Am., Inc.*, 2017 WL 2778006 (N.D. Tex. June 27, 2017)
3. *Chamberlain Grp., Inc. v. Techtronic Indus. Co.*, No. 1:16-cv-6097, Dkt. 407 (N.D. Ill. June 28, 2017)
4. *Amax, Inc. v. ACCO Brands Corp.*, 2017 WL 2818986 (D. Mass. June 29, 2017)
5. *Infogation Corp. v. HTC Corp.*, 2017 WL 2869717 (S.D. Cal. July 5, 2017)
6. *Koninklijke Philips v. ASUSTeK Computer Inc.*, No. 1:15-cv-1125-GMS, Dkt. 215 (D. Del. July 19, 2017)
7. *Reebok Int'l Ltd. v. TRB Acquisitions LLC*, 2017 WL 3016034 (D. Or. July 14, 2017)
8. *Fox Factory, Inc. v. SRAM, LLC*, 3:16-cv-506, Dkt. 72 (N.D. Cal. July 18, 2017)
9. *Skyhawk Techs., LLC v. DECA Int'l Corp.*, 2017 WL 3132066 (S.D. Miss. July 21, 2017)
10. *Takeda Pharm. USA, Inc. v. Mylan Pharms. Inc.*, No. 1:16-cv-987, Dkt. 63 (D. Del. Aug. 3, 2017)
11. *President & Fellows of Harvard College v. Micron Tech., Inc.*, No. 16-11249, 2017 WL 3749419 (D. Mass. Aug. 30, 2017)

# Courts holding *TC Heartland* Is Not An “Intervening Change”



# No Waiver: *Westech* Case Line

*Westech Aerosol Corp. v. 3M Co.*, 2017 WL 2671297 (W.D. Wash. June 21, 2017)

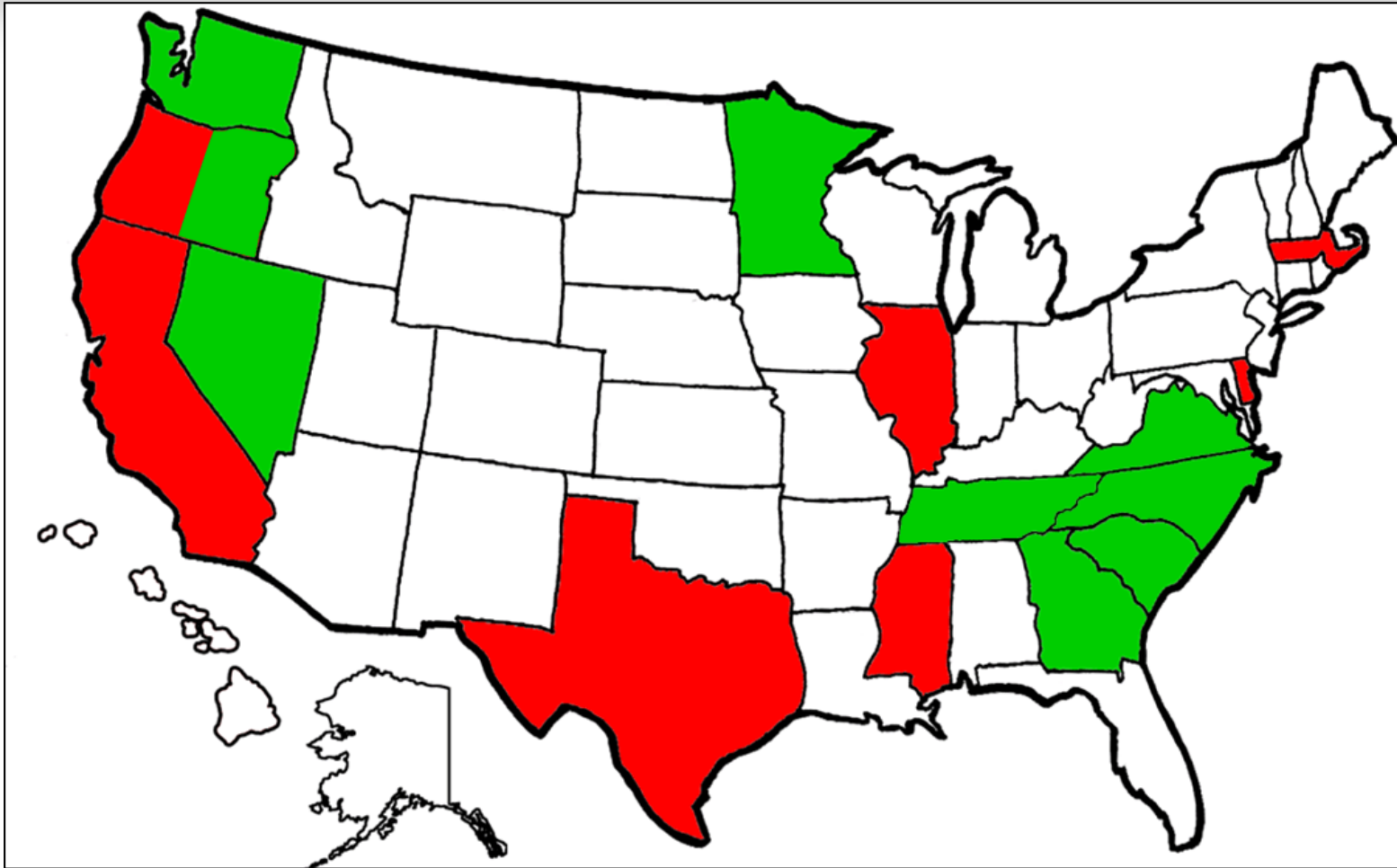
A small thumbnail image of a legal document page is positioned to the left of the main text box. It shows a portion of a document with a yellow highlight on a line of text. The document is titled "WESTECH AEROSOL CORP. v. 3M CO." and includes a caption with the names of the parties and their attorneys.

**TC Heartland** changed the venue landscape. For the first time in 27 years, a defendant may argue credibly that venue is improper in a judicial district where it is subject to a court's personal jurisdiction but where it is not incorporated and has no regular and established place of business. Defendants could not have reasonably anticipated this **sea change**, and so **did not waive the defense of improper venue by omitting it from their initial pleading and motions.**

# Westech Case Line Finding No Waiver

1. *Hand Held Prods. Inc. v. Code Corp.*, 2:17-cv-167, Dkt. 63 (D.S.C. July 18, 2017)
2. *CG Tech. Dev., LLC v. FanDuel, Inc.*, 2017 WL 3207233 (D. Nev. July 27, 2017)
3. *Ironburg Inventions Ltd. v. Valve Corp.*, Civil Action File No. 1:15-CV-4219-TWT, 2017 WL 3307657 (N.D. Ga. Aug. 3, 2017)
4. *Valspar Corp. v. PPG Indus., Inc.*, Case No. 16-cv-1429 (SRN/SER), 2017 WL 3382063 (D. Minn. Aug. 4, 2017)
5. *Cutsforth, Inc. v. LEMM Liquidating Co., LLC*, Case No. 12-cv-1200 (SRN/LIB), 2017 WL 3381816 (D. Minn. Aug. 4, 2017)
6. *Maxchief Invs., Ltd. v. Plastic Dev. Grp., LLC*, No. 3:16-cv-63, 2017 WL 3479504 (E.D. Tenn. Aug. 14, 2017)
7. *Simpson Performance Prods., Inc. v. Mastercraft Safety, Inc.*, No. 5:16-cv-155, 2017 WL 3620001, at \*5 (W.D.N.C. Aug. 23, 2017)
8. *Smart Wearable Techs. Inc. v. Fitbit, Inc.*, No. 3:16-cv-77, 2017 WL 3725630 (W.D. Va. Aug. 29, 2017)

# “Intervening Change” Map



**Red** = Found waiver, *TC Heartland* is not an “intervening change” in the law

**Green** = No waiver, *TC Heartland* is an “intervening change” in the law

# Federal Circuit Response to Mandamus Petitions

*In re Sea Ray Boats, Inc.*, 2017 WL 2577399 (Fed. Cir. June 9, 2017)

*In re Hughes Network Sys., LLC*, 2017 WL 3167522 (Fed. Cir. July 24, 2017)

*In re Techtronic Indus. N. Am., Inc.*, No. 17-125, Dkt. 25 (Fed. Cir. July 25, 2017)

*In re Nintendo of Am., Inc.*, No. 17-127, Dkt. 30 (Fed. Cir. July 26, 2017)



# Federal Circuit Response to Mandamus Petitions

*In re Hughes Network Sys., LLC*, 2017 WL 3167522 (Fed. Cir. July 24, 2017)

Without necessarily agreeing with the district court's conclusion that the Supreme Court's decision in *TC Heartland* did not effect a change in the law, we nonetheless find that the district court did not clearly abuse its discretion in finding that Hughes waived its right to move to transfer for improper venue. Our ruling is based largely on the fact that Hughes filed its motion only after the *TC Heartland* case was decided by the Supreme Court and less than two months before trial.

**But see:** *In re Techtronic Indus. N. Am., Inc.*, No. 17-125, Dkt. 25 (Fed. Cir. July 25, 2017) (“The petition for writ of mandamus is denied *without prejudice to Techtronic raising its venue arguments on appeal after issuance of a final judgment* in the case.”)



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## Pendent Venue After *TC Heartland*

When Venue is Improper Under 35 U.S.C. § 1400(b), Can Pendent Venue Save the Day?

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## Venue Rules for Multiple Causes of Action

- > “The general rule is that venue must be established as to each separate cause of action.”
  - *Beattie v. U.S.*, 756 F.2d 91, 100 (D.C. Cir. 1984), citing *Wright, Miller & Cooper* (abrogated on other grounds by *Smith v. U.S.*, 507 U.S. 197, 113 S. Ct. 1178, 122 L. Ed. 2d 548 (1993)); see also *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449, 462 (2000) (internal quotations omitted)

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GT Presentation to NYIPLA 2

## Pendent Venue: An Exception to the General Rule

- > “Under the doctrine of **pendent venue**, a federal court may in its discretion hear pendent claims which arise out of the **same nucleus of operative fact** as a properly venued federal claim, even if venue of the pendent claim otherwise would not lie.”
  - *Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449, 462 (S.D.N.Y. 2000) (internal quotations omitted)

## Pendent Venue: General Considerations

In making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y.1986)).

182      ON FEDERAL JURISDICTION, IN GENERAL

183      In *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986), the court stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

184      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

185      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

186      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

187      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

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189      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

190      The court also stated that in making its decision, a court must consider factors such as “judicial economy, convenience to the parties and the court system, avoidance of piecemeal litigation and fairness to the litigants.” *Id.* (citing *Rodriguez v. Chandler*, 641 F.Supp. 1292, 1302 (S.D.N.Y. 1986)).

*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*, 138 F.Supp.2d 449, 462 (S.D.N.Y. 2000) (internal quotations omitted)

## When is Pendent Venue Applied for Related Federal Claims?

- > Courts typically use one of two different approaches for federal claims arising from the same nucleus of facts:
  1. The more “specific” venue provision controls; or
  2. The venue provision applicable to the “primary” claim asserted controls.

*See, e.g., Cook v. UBS Fin. Services, Inc.*, 05 CIV. 8842 (SHS), 2006 WL 760284, at \*5 (S.D.N.Y. Mar. 21, 2006); *Johnson v. General Dynamics Information Technology, Inc.*, 675 F. Supp. 2d 236, 242 (D.N.H. 2009)

## Can Pendent Venue be Applied to Patent Claims that Would Otherwise be Improper Under Section 1400(b)?

*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > **Plaintiff:** Hsin Ten Enterprise USA, Inc.
  - > NY corporation based in Farmingdale, New York
- > **Defendant:** Clark Enterprises
  - > Kansas company whose sole place of business is Salina, Kansas

138 F.Supp.2d 449, 452-53, 461 (S.D.N.Y. 2000)

## Hsin Ten's Chi Machine



<http://www.chimachine4u.com/chimachinepatents.html>

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

> **Allegations against Clark:**

- > Design patent infringement
- > Trademark infringement based on “Chi” trademark
- > Unfair competition under NY common law
- > Deceptive acts and practices in violation of N.Y. Gen. Bus. §§ 349, 350

138 F.Supp.2d 449, 452-53 (S.D.N.Y. 2000)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

> The Court first determined whether venue was proper for the federal trademark infringement claims:

- > Venue governed by the general federal venue statute, 28 U.S.C § 1391(b).
- > Due to the high level of interactivity permitted by Clark’s web site between Clark and New York residents, **venue was proper under § 1391(b)(2) for Hsin Ten’s trademark claim.**

138 F.Supp.2d 449, 461 (S.D.N.Y. 2000)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > The Court then determined whether venue was proper for the patent infringement claims:
  - > Since Clark neither (a) resided in nor (b) committed any acts of infringement or had a regular and established place of business in the Southern District of New York, **venue was improper under § 1400(b) for Hsin Ten's patent claims.**

138 F.Supp.2d 449, 461-62 (S.D.N.Y. 2000)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > However, the Court then considered whether the use of pendent venue was appropriate for the patent claims

138 F.Supp.2d 449, 462-64 (S.D.N.Y. 2000)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

> **The Court found the exercise of pendent venue over the patent claims to be appropriate:**

- > The Court first determined that there was “substantial overlap in the proof of the patent and trademark infringement claims” and, thus, a common nucleus of facts.
- > The Court then acknowledged the two different approaches for federal claims arising from the same nucleus of facts:
  1. The more “specific” venue provision controls; or
  2. The venue provision applicable to the “primary” claim asserted controls.
- > The Court utilized the second approach and found that the trademark infringement claim was either the “primary” claim or of equal importance to the patent infringement claims and, thus, pendent venue over the patent claims was proper.

138 F.Supp.2d 449, 462-63 (S.D.N.Y. 2000)

*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > In reaching its conclusion, the Court acknowledged that “most of the courts that have addressed this issue have **refused** to exercise pendent venue over a federal patent claim governed by section 1400(b).”
- > However, the Court provided three reasons for departing from these “persuasive, but non-binding authorities.”

138 F.Supp.2d 449, 463 (S.D.N.Y. 2000)



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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

> “*First*, no appellate court has held that pendent venue is *never* appropriate over a patent infringement claim.”

138 F.Supp.2d 449, 463 (S.D.N.Y. 2000) (emphasis in original)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

> “*Second*, a number of the cases rejecting pendent venue over patent claims are easily distinguished.”

- In these cases, the patent infringement claims were the primary claim and the less important federal or state law claims were used to attempt to “ferryboat in” the patent claims.

138 F.Supp.2d 449, 463 (S.D.N.Y. 2000) (emphasis in original)

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*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > “Third, at the time of these rulings [which were decided prior to *VE Holding*] the patent venue statute was highly restrictive with respect to the appropriate venue.”
- > However, since *VE Holding*, “[t]he restrictive view of section 1400(b) is no longer an appropriate reading of the patent venue statute.”

138 F.Supp.2d 449, 463-464 (S.D.N.Y. 2000) (emphasis in original)

*Hsin Ten Enterprise USA, Inc. v. Clark Enterprises*

- > Thus, the *Hsin Ten* Court’s **primary basis** for departing from the prior decisions in that district and for finding that pendent venue could be exercised over a patent infringement claim was its belief that **the Federal Circuit had expanded the scope of patent venue in *VE Holding*.**

138 F.Supp.2d 449, 463 (S.D.N.Y. 2000) (emphasis in original)

*Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.***> Plaintiff: Jenny Yoo Collections, Inc.**

- Designs and manufactures wedding apparel, including convertible dresses which include two front and two rear panels attached at the waist
- Owns two design patents which cover the “ornamental features” of the convertible dress, including the above panels “which blend naturally and seamlessly into the dress.”

1:16-cv-2205-88 (VSB), slip op. at 2-5 (S.D.N.Y. Oct. 20, 2017)

**Jenny Yoo “convertible dress”**

“Aidan” convertible dress (Style #1282)



1:16-cv-2205-39 (VSB), Amended Complaint at 9 (S.D.N.Y. Aug. 26, 2016)

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*Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.*

> **Defendants:**

- Watters Designs, Inc. and Wtoo Partners, L.P.
  - Texas companies whose principal places of business are in Texas
- Essence of Australia
  - Kansas corporation whose principal place of business is in Kansas

1:16-cv-2205-88 (VSB), slip op. at 1, 5 (S.D.N.Y. Oct. 20, 2017)

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*Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.*

> **Allegations Against Defendants**

- Trade dress infringement under Section 43(a) of the Lanham Act and 15 U.S.C. § 1125(a)
- Common law trade dress infringement and unfair competition
- Infringement of both design patents
- Unfair business practices under NY GBL § 349
- Unjust Enrichment

1:16-cv-2205-88 (VSB), slip op. at 11 (S.D.N.Y. Oct. 20, 2017)

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*Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.*

- > **Without any analysis as to whether there was a common nucleus of fact or which of the two approaches to apply, the Court found that, in view of *TC Heartland*, venue was improper in SDNY:**
  - Neither Defendant resided in SDNY
  - Neither Defendant had a place of business in SDNY

1:16-cv-2205-88 (VSB), slip op. at 15-16 (S.D.N.Y. Oct. 20, 2017)

*Jenny Yoo Collections, Inc. v. Watters Designs, Inc. et al.*

- > **Hsin Ten's Decision to Apply Pendent Venue Was Not Compelling in View of *TC Heartland***
  - “However, in deciding to apply the pendent venue doctrine to a patent infringement claim in *Hsin*, the district court specifically noted that because of *VE Holding*, § 1400(b) was ‘a much broader statute today’ than it was when most courts held that pendent venue cannot be exercised over a patent infringement claim.’ *Id.* at 464. In light of the holding in *TC Heartland*, I do not find the *Hsin* court’s determination compelling. Therefore, I refuse to apply the pendent venue doctrine to find that venue is proper over Plaintiff’s patent infringement claim.”

1:16-cv-2205-88 (VSB), slip op. at 16 (S.D.N.Y. Oct. 20, 2017)

*Omega Patents, LLC v. Calamp Corp.*> **Facts:**

- Plaintiff alleged that Defendant infringed the following patents:
  - U.S. Patent No. 6,346,876
  - U.S. Patent No. 6,737,989
  - U.S. Patent No. 6,756,885
  - U.S. Patent No. 7,671,727
  - U.S. Patent No. 8,032,278
- Plaintiff and Defendant entered into prior settlement agreement whereby Defendant consented to venue in the Middle District of Florida with respect to infringement claims for the '989 Patent

6:13-cv-1950-230-PGB-DCI, slip op. at 2 (M.D. Fl. Sep. 22, 2017)

*Omega Patents, LLC v. Calamp Corp.*> **Procedural History:**

- Defendant admitted that venue was proper with respect to the '989 Patent in its answer to the complaint
- Defendant filed counterclaims of non-infringement, invalidity and unenforceability as to all of the patents-in-suit, and conceded that “venue” was proper with respect to these counterclaims
- Just prior to trial, Plaintiff *dropped* the '989 Patent
- The jury returned a verdict in favor of Plaintiff on all four of the remaining patents-in-suit
- Subsequently, the Supreme Court issued its decision in *TC Heartland*, and Defendant moved to vacate the jury verdict and dismiss for lack of venue, claiming that venue was no longer proper once Plaintiff dropped the '989 Patent

6:13-cv-1950-230-PGB-DCI, slip op. at 2-3 (M.D. Fl. Sep. 22, 2017)

*Omega Patents, LLC v. Calamp Corp.*

> **The Court Found Venue to be Proper**

- “Venue must be determined based on the facts at the time of filing.”
- Defendant consented to venue for the ’989 Patent
- Due to the common nucleus of facts with respect to all of the patents-in-suit, pendent venue was proper at the time of filing

6:13-cv-1950-230-PGB-DCI, slip op. at 3-6 (M.D. Fl. Sep. 22, 2017)

*Omega Patents, LLC v. Calamp Corp.*

> ***TC Heartland* was Inapplicable**

- “However, the holding in *TC Heartland* has no effect in the instant case, because venue was proper as to the ’989 patent and as to the remaining patents-in-suit under the doctrine of pendent venue. [The Supreme Court in \*TC Heartland\* established how venue is to be determined in these actions in the absence of a stipulation to venue accompanied by pendent venue.](#)”

6:13-cv-1950-230-PGB-DCI, slip op. at 7 (M.D. Fl. Sep. 22, 2017)

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*Omega Patents, LLC v. Calamp Corp.*

> **Timing of Motion May Have Impacted the Decision**

- “Moreover, allowing a party to defeat venue after the litigation is commenced by, for example, moving their corporation out of the state invites gamesmanship.”

6:13-cv-1950-230-PGB-DCI, slip op. at 9 (M.D. Fl. Sep. 22, 2017)

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*Is Pendent Venue Applicable for Patent Claims?*

- > While most courts that have considered the issue have found pendent venue to not apply to the patent claims under the facts of those cases, assuming there is a common nucleus of fact, and the court believes judicial economy will be served, the court can exercise its discretion and apply the doctrine.
- > As we have seen (e.g., in Jenny Yoo and Omega), a court need not give any reason for choosing whether to apply the doctrine after concluding there to be a common nucleus of fact.

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**NYIPLA (The New York Intellectual Property Law Association)**

**ONE-DAY PATENT CLE SEMINAR**

The Princeton Club  
15 West 43<sup>rd</sup> Street  
New York, New York 10036

November 16, 2017

**Panel 1 *TC Heartland*: Returning to Life Under Section 1400(b) Venue**

**Regular and Established Place of Business (of Defendant)**

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28 U.S.C. § 1400(b): Patent venue

(b) Any civil action for patent infringement may be brought in the judicial district. . . where the defendant has committed acts of infringement and **has a regular and established place of business.**

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## Federal Circuit's *Cray* Decision

*In re Cray Inc.*, \_\_\_ F.3d \_\_\_, 2017 WL 4201535 (Fed Cir. Sept. 21, 2017)

**Holding:** “The district court misinterpreted the scope and effect of our precedent in determining that Cray maintained “a regular and established place of business” in the Eastern District of Texas. . . .The district court’s four-factor test is not sufficiently tethered” to the statutory language.

### **Relevant Facts**

- Cray did not rent/own property in E.D. Tex.
- Cray allowed 2 employees to “work remotely from their respective homes” in E.D. Tex.
- Employees were reimbursed for phone, and listed home phone in client correspondence
- Employees did not maintain Cray products/literature in their homes

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## Federal Circuit's *Cray* Decision (cont'd)

*In re Cray Inc.*, \_\_\_ F.3d \_\_\_, 2017 WL 4201535 (Fed Cir. Sept. 21, 2017)

### **Key Takeaways**

- “Federal Circuit law . . . governs our analysis of what § 1400(b) requires.”
- There are “three general requirements relevant to the inquiry:
  - 1) there must be a **physical place** in the district;
  - 2) it must be a **regular and established place of business**;
  - 3) it must be the place **of the defendant**.

If any statutory requirement is not satisfied, venue is improper.”

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## Federal Circuit's *Cray* Decision (cont'd)

*In re Cray Inc.*, \_\_\_ F.3d \_\_\_, 2017 WL 4201535 (Fed. Cir. Sept. 21, 2017)

### Key Takeaways Continued. . .

- Physical "Place" Required: "**The district court erred as a matter of law** in holding that 'a fixed physical location in the district is **not** a prerequisite to proper venue. . . . The statute requires a 'place.'"
- Place must be "regular": A business **may be** "regular," for example, if it operates in a "steady[,], uniform[,], orderly[, and] methodical" manner. . . . Sporadic activity **cannot** create venue."
- Home Offices: "If an employee can move his or her home out of the district [at will]," that **cuts against** "regular" and "established"
- Defendant's Representations are relevant: Look at "whether the defendant lists the alleged place of business on a website, or in a telephone or other directory."

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## Federal Circuit's *Cray* Decision

*In re Cray Inc.* \_\_\_, F.3d \_\_\_, 2017 WL 42 01535 (Fed Cir. Sept. 21, 2017)

**Holding**: "The facts presented cannot support a finding that Mr. Harless's home was a regular and established *place of business of Cray*. . . . The fact that Cray allowed its employees to work from the Eastern District of Texas is insufficient."

### Application to Relevant Facts

- Cray does not rent/own portions of Harless's home
- Harless's employment is not conditions on living in E.D. Texas
- Social media presence was relevant to *employee's* location, not *Cray's*
- **Contrasted, Cordis**: "Cordis's business specifically depended on employees being physically present at places in the district."

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*Cray on Cordis*

“Notably, **the [Cordis] court did not**, in its opinion, **evaluate venue in light of the statutory language of § 1400(b)**. The court simply determined that, under the facts presented, a writ was not justified.

\* \* \*

We recognize that the world has changed since 1985 when the *Cordis* decision was issued. In this new era, not all corporations operate under a **brick-and-mortar** model. Business can be conducted **virtually**. Employees increasingly **telecommute**. Products may not as a rule be **warehoused** by retailers, and the just-in-time delivery paradigm has eliminated the need for storing some **inventory**. But, **notwithstanding these changes, in** the wake of the Supreme Court’s holding in *TC Heartland*, effectively reviving Section 1400(b) as the focus of venue in patent cases, **we must focus on the full and unchanged language of the statute, as Cordis did not consider itself obliged to do.**”

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*Pre In re Cray: Maintenance and Repair Services*

*Cellular Dynamics Int’l, Inc. v. Lonza Walkersville, Inc.*, 2017 WL 4046348 (W.D. Wisc. Sep. 12, 2017)

“I find that defendant does not have a sufficient “permanent and continuous” corporate “presence” in this district. ... Most significantly, Lonza Walkersville has **no** permanent or continuous **physical presence** in Wisconsin, **not** real estate, **not** people, **not** inventory.”

- Lonza’s sales reps visit Wisconsin, but none live there and none store inventory in Wisconsin.
- Lonza offers on-site maintenance and repair, but that is not relevant “[a]bsent any evidence that defendant maintains a location in this district where it houses inventory or service employees”

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Pre In re Cray: Even Minimal Physical Presence May Be Dispositive

*Prowire LLC v. Apple Inc.*, Civil Action No. 1:17-cv-223, 2017 WL 3444689 (D. Del. Aug. 9, 2017)

Apple does not dispute Prowire's allegation it has a retail store in Delaware. **It argues one retail store is not enough to establish a 'permanent and continuous presence.'** **We disagree:** Apple's retail store is a permanent and continuous presence where it sells the alleged infringing technology to consumers on a daily basis.

But not CEO's private residence/vacation home. *Prolacta Bioscience Inc. v. Ni-Q, LLC*, Civil Action No. 2:17-cv-04071 Dkt. 32 (C.D. Cal. Aug. 7, 2017) ("mere presence of high-level employee of corporate defendant" insufficient; distinguished *Cordis*)

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Pre In re Cray: Permanent Sales Reps vs. "Occasional" Business

*Free-Flow Packaging Int'l, Inc. v. Automated Packaging Sys., Inc.*, Civil Action No. 17-cv-1803, Dkt. 88 (N.D. Cal. Aug. 29, 2017)

- Auto employs 4 sales people who "occasionally conduct business in this district [about 25% of their time spent in the district]"
- Employees lack authority to contract on behalf of Automated
- 1-3 live in the district, but are responsible for regions that cover many districts (and Canada)
- One employee kept various work materials in a storage locker in the district

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### Pre In re Cray: Permanent Sales Reps vs. “Occasional” Business (cont’d)

*Free-Flow Packaging Int’l, Inc. v. Automated Packaging Sys., Inc.*,  
(cont’d)

**Holding:** distinguishing *Cordis*, venue improper

- “[T]he Court finds it significant that each of the employees who worked in the District covered a large area in which the District was just one portion.”
- “[A]lthough between one and three employees lived in this District and, thus, worked in this District when they worked from home, the location of their residence appears to one of convenience and choice for the employees, as opposed to a requirement by Automated or the location of their workplace.”

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### Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business

- In *InVue Security Products Inc. v. Mobile Tech.*, Civil Action No. 3-15-cv-00610 (W.D. N. Car. Aug. 21, 2017), the court found that the defendant **had** a “regular and established place of business” in the district because it does “business through a permanent and continuous presence in the district.” **The court found that although the defendant did not have any property in the district, it did employ six hourly part-time field technicians. These technicians “do not solicit orders, enter into contracts, or make sales, but instead service existing accounts,” including “on-site customer services related to Mobile Tech’s allegedly infringing products, as well as on-site training and education, emergency call response 24/7, and an inventory of replacement parts and specialized tools.”** The court also noted that these field technicians “actively engage with customers in the district” and that “the company is registered to do business in the state.” The court, however, granted the motion to transfer to a more convenient venue under § 1404(a).

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### Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business (cont'd)

- In *Percept Technologies v. Fove, Inc.*, Civil Action No. 2-15-cv-02387 (D. Nev. August 8, 2017) (Order, Dkt. 52), defendant did not have any offices, employees, or land in Nevada; **only conduct in Nevada included demonstrating a prototype of its virtual reality product at the Consumer Electronics Trade Show (CES) in Las Vegas and selling one allegedly infringing product to a Nevada resident**; conduct was **not** enough to have a “regular and established place of business” in Nevada. Fried Frank, “August 10, 2017 – *TC Heartland* Weekly Update.”
- In *Kranos IP Corp. v. Riddell, Inc.*, Civil Action No. 2:17-cv-443-JRG (E.D. Tex. Aug. 28, 2017), the Eastern District of Texas denied the defendant’s motion to dismiss for improper venue. **The court held that defendant’s activities in the district, including employing two full-time sales representatives there, created a regular and established place of business.** Defendant employs at least two regular and established place of business full-time direct sales representatives who are based in his District and who work exclusively for [defendant]. These two representatives work from their personal residences ... [Defendant’s] direct sales representatives receive the infringing helmets in this District, keep samples in this District, and display and show these samples in this District. They also give sales presentations for [defendant] in this District and provide promotional materials about the infringing products. **[Plaintiff] further alleges that [defendant] has sales showrooms in his District for the purpose of displaying samples of the infringing helmets ...** [Defendant] views its local sales representatives as in intended point of interaction between the public and [defendant] in each region.”

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### Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business (cont'd)

- In *Billing Network Patent Inc. v. Modernizing Network*, Civil Action No. 1-17-cv-05636 (N.D. Ill. Nov. 6, 2017), Motion to Dismiss – Improper Venue (court granted defendant’s motion to dismiss plaintiff’s patent infringement action for improper venue because defendant did **not** have a regular and established place of business in the forum based on its five work-at-home employees in the district: “While these employees’ homes are certainly physical places in the District and are in some sense connected to Defendant’s business, **none of them are a place ‘of the defendant,’ ... Defendant does not own or lease these five employees’ homes or contributed to their rent or mortgage payments. Nor does it require them to reside at particular locations or even to reside in this District. Defendant also does not publicly advertise or list the employees’ homes as a place where it conducts business ... Listing an employee’s home address on a workers’ compensation policy does not show ‘possession or control’ by the employee over the employee’s home, nor does it hold out the employee’s home to the public as the employer’s place of business.”**)
- Medcom Network Systems, LLC v. Medforce, Inc.*, Civil Action No. 2-17-cv-11527 (E.D. Mich. Sept. 20, 2017), Motion to Dismiss, Improper Venue (court granted defendant’s motion to dismiss: plaintiff’s patent infringement action for improper venue: **“Importantly, [defendant] neither owns nor leases any property in this district. Only five of its employees work in this district, one of whom is on leave, and three of whom have offices in Minnesota.** One of its Michigan phone numbers is not answered and the other is routed to Tennessee. Further, because [plaintiff] has not alleged facts showing what proportion of [defendant’s] business occurs in this district, it fails to show that [defendant] regularly carries on a substantial part of its business on a permanent basis in this district. **Undoubtedly [defendant] carries on some business here, but that business cannot be called regular and established.”**)

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### Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business (cont'd)

- In *Regents of the University of Minnesota v. Gilead Sciences, Inc.*, 16-cv-2915 (D. Minn. Oct. 20, 2017), the court held that Defendant Gilead Sciences did **not** have a “regular and established place of business” for purposes of venue under 28 U.S.C. § 1400(b). **While Gilead had twelve employees who lived and worked in the district, the court held that Gilead failed to satisfy any element of the Federal Circuit’s *In re Cray* three-part test for establishing a “regular and established place of business.”** For example, the homes of Gilead’s employees were not sufficiently “regular and established” because the employees were not contractually bound to live or work in the district. Moreover, the homes were not a place of business “of the defendant” because the employees worked primarily on-site at facilities of Gilead’s customers. **Finally, Gilead did not own or rent any physical “place of business” in the district.**

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### Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business (cont'd)

Fried Frank, October 30, 2017 – *TC Heartland* Weekly Update.

Judge Nelson, in *Regents of Univ. of Minn. v. Gilead Sciences, Inc.*, went into great detail in her “regular and established place of business” analysis:

[Defendant] does not have a physical place in this District. None of [its] employees work from a stand-alone business office in Minnesota, but instead, work in the field, visiting healthcare providers ... **[N]one of [defendant’s] employees in Minnesota store products for sale in their homes, or anywhere in Minnesota, nor do their homes function as distribution centers. And while some employees keep a limited quantity of [defendant] literature in their homes, given the negligible quantity, this relatively limited practice does not sufficiently support a finding that these homes constitute [defendant’s] physical place in Minnesota** ... [N]one of [defendant’s] Minnesota employees receives any administrative or secretarial support, whether in Minnesota or elsewhere.” (page 11)

While [defendant] may have employed a sales force of approximately a dozen people over at least a two-year period, **the physical location of that sales force is not permanently fixed** ... While the Court agrees that [defendant’s] employees service customers in Minnesota, whether through visits to healthcare providers or clinical trial facilities, **this servicing occurs at the customer’s physical place, not [defendant’s]** ... [T]his does not sufficiently support a finding of a regular and established place of business in Minnesota.” (page 14)

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## Presence, Number of Employees, Status, Number of Sites re Regular and Established Place of Business (cont'd)

The forum was also not the “place of the defendant”:

**“The Court is not persuaded that these relatively small storage lockers, containing a limited quantity of pharmaceutical products, constitute a sufficiently regular and established physical foothold of [defendant] in Minnesota.** Nor is the Court persuaded by the fact that [defendant] provides computers, printers, and iPads to its Minnesota employees and pays their phone, internet and cell phone bills ... [Plaintiff] also cites [defendant’s] ‘control’ over dozens of clinical trials in Minnesota as evidence that [defendant] exercises ownership or control over a place in Minnesota. **While [defendant] may indeed closely control the protocol of these studies, and the presence of its drugs, there is no evidence that [defendant] owns or controls the physical space in which the trials are held ...** [Defendant] does not require Minnesota-based employees to live in the state for purposes of serving its Minnesota customers ... [Defendant] does not hold out its employees’ homes as the company’s places of business.” (page 17)

Emphasis added.

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## “Regular and Established” in the Internet Age

*Glasser v. Barboza*, No. 1:17-cv-322, Dkt. 38 (E.D. Va. Aug. 11, 2017)

[T]he fact that Defendant Cinelinx Media **has made its product available online through Amazon.com is not sufficient** to create a regular and established place of business for purposes of the patent venue statute

*See also Nike, Inc. v. Skechers U.S.A., Inc.*, 2017 WL 3389022 (D. Or. June 30, 2017)

- **“[I]nformation on direct internet sales is unlikely to** lead to relevant evidence on . . . ‘regular and established place of business.’”

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### “Regular and Established” in the Internet Age

*Bristol-Myers Squibb Co. v. Mylan Pharms. Inc.*, 2017 WL 3980155 (Sep. 11, 2017) (Stark, C.J.)

“**A website**, which by its very nature can generally be accessed anywhere at anytime by anyone, **cannot alone constitute the type of continuous and permanent presence in the district required by § 1400(b). To hold otherwise** would essentially turn any cell phone, laptop, or computer into a regular and established place of business for any company with a website from which a consumer can access information or purchase products online.”

- *In re Cray*:  
“The statute thus **cannot be read** to refer **merely to a virtual space or to electronic communications** from one person to another” (\*11)
- *LoganTree v. Garmin Int’l* 2017 U.S. Dist LEXIS 99925 (W.D. Tex. 2017) at \*4
  - Defendant’s **website** listed San Antonio and Austin distributors
  - Not “regular and established place of business”

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### Internet/Web Effects, Regular and Established Place of Business

Generally, internet presence per se will not satisfy a *TC Heartland/In re Cray* § 1400(b) place of business analysis. E.g., **An interactive website** satisfies general venue for trademark infringement allegations, but **not for patent infringement allegations**, because “**a physical location** within the district over which is exercises some measure of control” **is needed**. *Hsin Ten Enterprise USA v. Clark Enterprises*, 138 F. Supp. 2d 449, 460-61 (S.D.N.Y. 2000).

- *LoganTree v. Garmin International, Inc.*, Civil Action No. 5-17-cv-00098 (W.D. Tex. June 22, 2017), Motion to Dismiss, Improper Venue, (“The fact that [defendants] are authorized to do business in Texas is not controlling and will not establish the [§ 1400(b)] requirement.’ **Nor does defendants’ website allowing viewers to access a list of San Antonio/Austin distributors provide venue under the patent infringement statute.** Finally, the fact that defendants sell their activity trackers to distributors in Texas Western will not establish venue. . . . Therefore, the kind and degree of defendants’ contacts **do not support a** finding that defendants have a permanent and continuous presence which shows a regular and established place of business in the Western District of Texas.” (page 3)).

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Internet/Web Effects, Regular and Established Place of Business (cont'd)

- *Glasser v. Barboza et al.*, Civil Action No. 1-17-cv-00322 (E.D. Va. Aug. 11, 2017), Dkt. 38 (Four of the defendants are individuals residing in Texas who operate Defendant Cinelinx Media, a sole proprietorship also based in Texas. Cinelinx Media **“has made its product available online through Amazon.com [but that] is not sufficient to create a regular and established place of business for the purposes”** of meeting the venue test under the second prong of 28 U.S.C. § 1400(b).

Fried Frank, “Online Sales Do Not Create a ‘Regular and Established Place of Business’; *TC Heartland* Applies to Unincorporated Entities,” <https://www.lexology.com/library> (Aug. 15, 2017).

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Internet/Web Effects, Regular and Established Place of Business (cont'd)

- *Talsk Research, Inc. v. Evernote Corporation*, Civil Action No. 1-16-cv-02167 (N.D. Ill. Sept. 26, 2017), Motion to Transfer for Improper Venue (28 U.S.C. § 1406(a)) (“Plaintiff argues that Defendant has a regular and established place of business in this District based primarily on the activities of seven residents who have signed up to participate in the ‘[Defendant] Community Program.’ **The individuals in question received ‘Community Member’ status after a short online training course. They are not [defendant] employees.** . . . While Defendant provides certain financial incentives in the form of bonuses to Community Members who recommend its products, they receive no salary from Defendant. . . . Defendant has no fixed physical presence in this District, and **relying on customer use of Defendant’s software within the district as a substitute for a fixed physical location would not be proper.** Nor does Defendant have the necessary control over its Community Members for the Court to consider their physical presence in the District the equivalent of Defendant’s presence.” (page 6)
- *Lites Out, LLC v. OutdoorLink, Inc.*, Civil Action No. 4-17-cv-00192 (E.D. Tex. Nov. 2, 2017), *Sua Sponte* Motion to Transfer for Improper Venue (28 U.S.C. § 1406(a)) (court *sua sponte* transferred plaintiff’s patent infringement action for improper venue after reviewing defendant’s motion to dismiss **because its control of billboards in the forum** did not constitute a physical place in the forum. **OutdoorLink provides digital monitoring services for billboards. It sells surveillance computers to billboard owners which it installs itself, and then maintains through independent contractors. It monitors over two thousand billboards in EDTex:** “[Defendant] services its [products] in this District with employees and independent contractors but these personnel do not reside in this District. One independent contractor . . . lives in Texas, but in another district, and spends most of the year outside of the state. **Indeed, [defendant] virtually monitors and controls many billboards in this District through [its products]. Such activity, however, falls within the virtual spaces and electronic communications from one person to another that cannot be ‘a physical place’ of business for patent venue purposes.**” (page 8)

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Internet/Web Effects, Regular and Established Place of Business (cont'd)

- *American GNC Corp. v. ZTE Corp.*, Civ. No. 4:17-cv-620-ALM-KPJ (E.D. Tex. Oct. 4, 2017) (magistrate judge recommended denial of the defendant's motion to dismiss for improper venue; *affirmed* (E.D. Tex. Nov. 7, 2017); report and recommendation found that that **a call center in Plano, Texas operated by a third party, iQor, should be considered a regular and established place of business of ZTE**. The court reasoned, among other things, that **iQor has more than sixty customer service representatives dedicated to ZTE USA, that ZTE USA has at least two full-time supervisor employees on site, and that ZTE's website seamlessly integrates with the support center**; thus, the court was "not persuaded by ZTE USA's argument that the call center is not a regular and established place of business simply because ZTE USA has chosen to delegate its call center operations to a third party." **while the magistrate judge's opinion did not cite or discuss the *In re Cray* decision, Judge Mazzant's affirmance found *Cray* factually distinguishable, in that the location at issue in *Cray* was an employee's home. In *Cray*, the Federal Circuit did not consider the issue of whether a business location established in partnership with the third-party-as was the case here-qualified as a regular and established place of business. The Court found that the call center was in fact a "physical place" from which the defendant "actually engaged in business."**)

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"Regular and Established" in the Internet Age**What about now, post-*In re Cray*, in the Internet/Web age?**

- Is defendant's **server presence** in district sufficient; is defendant **renting cloud services which are provided through a third-party server farm in the district** sufficient?
- Is defendant's **warehouse presence** for goods shipped in response to web-based orders sufficient? **Suppose warehouse provided by Amazon.com as part of its cloud services? Fulfillment center?**
- What about **direct capability of server** in district, e.g. would it be capable of accepting orders? Active, in fact?

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28 U.S.C. § 1400(b): Patent venue

(b) Any civil action for patent infringement may be brought in the judicial district...**where the defendant has committed acts of infringement** and has a regular and established place of business.

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Committed Acts of Infringement

The traditional two approaches to “acts of infringement”:

Similarly, courts have taken two different approaches under the “acts of infringement” requirement. **The Federal Circuit, however, has not adopted either approach for this requirement. A line of cases from the Seventh Circuit** asserts that the “acts of infringement” requirement is satisfied by continuous sales solicitation activity, coupled with demonstrations of the alleged infringing device in the forum.<sup>142</sup> **Other courts** construe the statute narrowly and require the defendant to actually consummate a sale in the forum.<sup>143</sup> The relevant time frame for this analysis is the time at which the cause of action accrues.

<sup>142</sup>See, e.g., *Union Asbestos & Rubber Co. v. Evans Prods. Co.*, 328 F.2d 949 (7<sup>th</sup> Cir. 1965) (the defendant’s demonstration of the operation of the alleged infringed device on two occasions, coupled with continuous solicitation of orders, was a sufficient degree of selling for venue purposes); *William Sklaroff Design Assocs. v. Meicor Mfg.*, 224 U.S.P.Q. 769 (N.D. Ill. 1984) (the continuous solicitation of orders, coupled with the physical presence of the product within the district, was a sufficient degree of selling for venue purposes).

<sup>143</sup>See, e.g., *Lairam Corp. v. Remond, Inc.*, 226 U.S.P.Q. 971 (D. Md. 1985) (The court based its holding on the idea that the patent venue statute is specific and unambiguous, and should not be liberally construed); see also *W.S. Tyler Co. v. Ludlow-Saylor Wire Co.*, 236 U.S. 723 (1915) (adopting the narrow construction). The Seventh Circuit found that the Supreme Court’s language in *W.S. Tyler* was *dicta*. See *Union Asbestos & Rubber Co.*, 328 F.2d at 951.

Sampson, “Corporate Venue in Patent Infringement Cases”, *De Paul Law Review*, Vol. 40, No. 1, Fall 1990 at p. 223.

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Committed acts of infringement (cont'd)

What about now, in the Internet/Web age?

- Is **district presence of active server** capable of taking orders of infringing goods sufficient? Must “**proof**” of **orders taken be averred** in a complaint?
- What if that **server is “dumb/passive” – may provide information but not take an order?** Isn't that “offering for sale”, an act of infringement without more?
- Wouldn't **use of software** that infringes in district, **through server located there**, be sufficient?

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Pleading “. . . where . . . committed acts of infringement” occurred

- Plaintiff need not **prove** defendant infringed at time of filing of Complaint
  - **Must merely allege/plead acts in district**, otherwise:

“. . . would mean that the merits of the action would have to be reached on a pre-trial procedural motion”

*Leach*, 1965 WL 7783, at \*1

“. . . the test used to determine whether an act of infringement occurred within the district is less strict than that used when the case is tried on the merits”

*Stiegele v. Jacques Kreisler Mfg. Corp.*, 213 F. Supp. 494, 496 (S.D.N.Y. 1962)

“. . . it should be assumed, for the purposes of the venue question, that the devices in question do, as a matter of law, infringe the plaintiff's patents . . . The relevant inquiry, then, is whether the acts constituting the infringement were committed in the judicial district of the forum.”

*Fastener Corp. v. Spotmails, Inc.*, 291 F. Supp. 974, 976 (N.D. Ill. 1968)

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No Nexus Required Between Regular and Established Place of Business and Act(s) of Infringement

**As long as the alleged act of infringement is in the district, no connection with the regular and established place of business is necessary.** *Gaddis v. Calgon*, 449 F.2d 1318, 1320 (5<sup>th</sup> Cir. 1971) (“The particular division [of a corporation] charged with the infringements [need not have] a regular and established place of business in the district,” *Ferguson v. Ford Motor*, 77 F. Supp. 425, 436 (S.D.N.Y. 1948) (“The regular and established place of business need not be the business connected with the alleged patent infringement.”), *Laitram Corp. v. Rexnord, Inc.*, 226 USPQ 971 (D. Md. 1985); *Bourns, Inc. v. Allen-Bradley Co.*, No. 70 Civ. 1992, 1971 WL 17177, at \*2 (N.D. Ill. Apr. 5, 1971) (“Nothing in the language of Section 1400(b) justifies the conclusion that a defendant’s place of business in the district must have some connection with the accused device.”).

**But see** Edlin, “Physical Place of Business Required for Patent Venue Under *In re Cray*,” Lexology, <https://www.lexology/library> (October 4, 2017):

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No Nexus Required Between Regular and Established Place of Business and Act(s) of Infringement (cont’d)

**“The Federal Circuit has yet to address whether there must be a relationship between the acts of infringement and the place of business in the district — i.e. is it necessary for the acts of infringement to arise from the regular and established place of business,** for venue to be proper there? The lower court in *Cray* noted this outstanding question, but did not address it as the issue was not disputed. See *Raytheon Co. v. Cray, Inc.* No. CV 2:15-CV-01554-JRG, 2017 WL 2813896 (E.D. Tex. June 29, 2017) at \*7. **In fact, district courts have come out both ways on this issue.** Compare *Bourns, Inc. v. Allen-Bradley Co.*, 1971 WL 17177, at \*2 (N.D. Ill. Apr. 5, 1971) (“The statute requires only that the defendant have committed acts of infringement in the district and have a regular and established place of business there; there is no requirement that the two factors be related.”) with *Scaramucci v. FMC Corp.*, 258 F. Supp. 598, 602 (W.D. Okla. 1966) (“[T]here must be some reasonable or significant relationship between the accused item and any regular and established place of business of the accused in the judicial district.”). The majority opinion appears to be that no relationship is required. See *Gaddis v. Calgon Corp.*, 449 F.2d 1318, 1320 (5<sup>th</sup> Cir. 1971); *Shelton v. Schwartz*, 131 F.2d 805, 808-09 (7<sup>th</sup> Cir. 1942). **“This leaves room for an argument that venue is improper even where there is some physical presence if the acts of infringement are committed outside the district.”**

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### Declaratory judgment actions

- Law remains unchanged after *TC Heartland*.
- Section 1400(b) applies to “[a]ny civil action for patent infringement,” which a declaratory judgment action’s not.
- DJ actions still governed by the general venue statute, 28 U.S.C. § 1391, with venue appropriate wherever a corporate defendant is subject to personal jurisdiction.
  - See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990) (noting that it “has long been held that” patent declaratory judgment actions are governed by § 1391, not § 1400(b)).

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### §1400(b) Venue Questions for Foreign Corporate Defendants

- *Brunette Machine Works Ltd. v. Kockum Industries Inc.*, 406 U.S. 706 (1972), held that a foreign corporation can be sued for patent infringement in any judicial district: § 1391(d) [reflects the] long-established rule that suits against aliens are wholly outside the operation of all the federal venue laws, general and special.”
- *TC Heartland*, ftn 2: **Court declines to address implications of decision on foreign corporations, nor “express any opinion on this Court’s holding” in *Brunette*.**

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### § 1400(b) Venue Questions for Foreign Corporate Defendants (cont'd)

Re et al., “*TC Heartland* Complicates Venue for Foreign Defendants,” Law 360, <https://www.law360.com/articles/935949> (June 29, 2017), considered the issue of foreign corporate exposure to § 1400(b), an issue explicitly not addressed in *TC Heartland*. They concluded that:

The House Judiciary Committee report shows that the intent of § 1391(c)(1) was to “permit permanent resident aliens domiciled in the United States to raise a venue defense.” This legislative intent shows that § 1391(c)(1) is a venue restriction, even as applied to foreign defendants. **Thus, *Brunette’s* rationale [under old § 1391(d)] no longer seems to apply. No longer can one say that the venue statute merely recognizes the long-established rule that suits against foreign defendants are wholly outside the operation of all the federal venue laws, general and special. No longer is it accurate that all foreign defendants do not have a venue defense.** When it amended § 1391, Congress created a venue defense for at least some foreign defendants. **As a result, litigants will surely argue that *Brunette* is no longer good law and that § 1400 stands on its own, even with regard to foreign defendants.**

Foreign defendants will also rely on the legislative history accompanying the 2011 amendments. That history supports the independence of the specialized venue statutes from the general venue statute. . . Thus, patent cases such as *Fourco* and *Brunette* are not mentioned in the House report.

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### § 1400(b) Venue Questions for Foreign Corporate Defendants (cont'd)

Under both § 1391(c)(1) and § 1400, a natural person residing in the United States can be sued only where they are domiciled. Thus, for natural persons residing in the United States, it makes no difference which statute applies because the outcome is the same. But that is not the case for a foreign defendant residing outside the United States. **If the general venue statute were to apply, § 1391(c)(3) would mean that a foreign patent defendant could be sued anywhere in the United States. If the patent venue statute were to apply, § 1400 would mean that a foreign defendant could be sued only where it has a regular established place of business and infringing acts. If it has no such place of business, under § 1400(b) venue would not be proper in any district.** Foreign defendants will surely argue that § 1400(b) controls whenever they are sued where they have no regular and established place of business.

If Congress did not intend foreign defendants to have such protections from suit, Congress should promptly amend § 1400 to specify that foreign entities may be sued in any judicial district for patent infringement. Alternatively, Congress could eliminate § 1400 altogether, making § 1391 govern all patent cases, as some commentators have suggested. **Until then, the courts are going to be charged with the task of reconciling *TC Heartland*, *Brunette* and the 2011 amendments to the general venue statute.**

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### Refusal to Base “Regular and Established” Place of Business (of Defendant) on In-State Operations of Corporate Agent/Affiliates

- *Sovereign IP, LLC, v AT&T, Inc., AT&T Services, Inc.*, No. 2:17-cv-00293-RWS-RSP (E.D. Tex. Oct. 31, 2017) (court determined that venue was improper with respect to AT&T, Inc. because the company does not have a “regular and established place of business” in the Eastern District of Texas; the court refused to treat AT&T, Inc. and AT&T Services, Inc. as a “single entity” for purposes of venue, **noting that so long as a subsidiary and its corporate parent maintain “formal corporate separateness,” a “subsidiary’s presence in a venue cannot be imputed to the parent.”** (Slip op. at 2, citing *Canon Mfg. Co. v. Cudahy Packing Co.*, 267 U.S. 333, 334-35 (1925).) While the court granted AT&T Inc.’s motion to dismiss, the court refused to dismiss AT&T Services, Inc. The court noted that AT&T Services Inc. based its venue challenge on the assertion that Sovereign had not adequately alleged acts of infringement in the district. **The court explained, however, that the burden of establishing improper venue lies with the defendant. As such, the defendant must present “affidavits, declarations, or other evidence” showing venue is improper. By contrast, it is not sufficient for a defendant, as AT&T Services did here, to merely point to alleged deficiencies in the complaint.)**
- *Newpark Mats & Integrated Services LLC v. Equipotential Matting, LLC, et al.*, No. 4:17-cv-00304-brw (E.D. Ark. Oct. 26, 2017) (court held that having an agent with a place of business in the Eastern District of Arkansas was insufficient to establish venue. The defendant – Equipotential Matting, LLC (“EPZ”) – had a contract to purchase a component of the allegedly infringing product from an Arkansas Company – Swain Distribution Co. (“Swain”). Swain also had the right to sell EPZ’s allegedly infringing product in Arkansas after EPZ completed assembly of the product. Citing *In re Cray*, 871 F.3d 1355 (Fed. Cir. 2017), the court first noted that a “regular and established place of business” under 28 U.S.C § 1400(a), Congress specifically permitted venue for copyright and trademark suits “in the district in which the defendant or his agent resides or may be found.” 28 U.S.C. 1400(a) (emphasis added). **Given that Congress did not include similar language in § 1400(b), the court concluded that patent-infringement suits cannot be brought based on where a defendant’s agent has a place of business.)**

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### Refusal to Base “Regular and Established” Place of Business (of Defendant) on In-State Operations of Corporate Agent/Affiliates (cont’d)

- *Post Consumer Brands, LLC v. General Mills, Inc., et al.*, No. 4:17-cv-2471-SNLJ (E.D. Mo. Oct. 27, 2017) court transferred the case to the District of Minnesota because General Mills did not have a “regular and established place of business” in Missouri, **specifically holding that a Missouri plant owned by an affiliate of General Mills belonged to a separate corporate entity and therefore could not be imputed to General Mills, the court was unmoved by several facts highlighted by the plaintiff**, including that (i) the Missouri plant is the largest plant in the nation producing General Mills products; (ii) the sign on the plant reads “General Mills,” not “General Mills Operations LLC” (the name of the subsidiary that runs the plant); (iii) the plant is listed on documents found on government websites as an address of “General Mills, Inc.”; and (iv) General Mills lists the plant as one of its “principal production facilities” in its Form 10-K. Rather, the court reasoned that as long as General Mills, Inc. and General Mills Operations, LLC preserved their formal corporate separation, the facilities of the subsidiary could not be imputed to the patent.)
- *Patent Holder LLC, v. Lone Wolf Distributors, Inc., et al.*, No. 17-cv-23060 (S.D. Fla. Oct. 31, 2017) (court transferred venue to the District of Idaho because the defendant, Lone Wolf Distributors, did not have a “regular and established place of business” in Florida. Citing *In re Cray*, 871 F.3d 1355 (Fed. Cir. 2017), the court rejected the plaintiff’s argument that deriving revenue from sales in the district was sufficient for venue. **The court also held that including a link on a website seeking distributors for the State of Florida was insufficient to create venue. Finally, the court denied the plaintiff’s request for venue-specific discovery.** The court cited *Symbology Innovations, LLC v. Lego Sys.*, No. 2:17-0086-Civ, 2017 WL 432481, at \*12 (E.D. Va. Sept. 28, 2017) for the principle that **allowing a plaintiff to file suit without evidence of proper venue and then demand discovery on venue would undermine the purpose of venue rules** – to prevent defendants from having to litigate in an inconvenient forum.)

Fried Frank, “November 6, 2017 – TC Heartland Weekly Update”; Lexology, <https://www.lexology.com/library> (Nov. 6, 2017)

See, e.g., *Minnesota Mining & Manufacturing v. Eco Chem*, 757 F.2d 1256, 1264-65 (Fed. Cir. 1985) (piercing the corporate veil).

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## Open Issues

- While *Cray* announced a test for the “regular and established place of business” prong of § 1400(b), the case turned on the “of the defendant” element. The other two elements are arguably less well-defined. *Dicta* suggests that “virtual spaces” or mere “electronic communications” are insufficient to satisfy the “physical place” requirement. *Cray*, 2017 WL 4201535 at 6. **But in the modern economy, there is much daylight between a “virtual space” (no venue) and a “formal office or store” (venue). Likewise, *Cray* does not fully define “regular and established.” The Federal Circuit’s primary guidance is that “a five year continuous presence” suffices while a “semiannual [product] display” at a trade show does not. *Id.***
- More fundamentally, *Cray* ignored two questions that the trial court had resolved: whether infringement allegations, alone, satisfy § 1400(b) and what, if any, must be the relationship between the alleged infringement and the defendant’s place of business. **Neither contention is uncontroversial, and the trial court responded affirmatively to the first and negatively to the second. Transfer Order at 4-7. Also left for further resolution is the extent to which courts will permit “venue discovery” on infringement issues before transfer motions are fully resolved.** Cf *Uniloc USA v. Apple*, No. 12-cv-00258-JRG, 2017 WL 3382806 at 1 (E.D. Tex. July 21, 2017) (granting venue-related discovery where movant demonstrates “good cause”).

Tucker, “The New Patent Venue Regime,” Law.com, <http://www.law.com/sites/almstaff/2017/11/03/the-new-patent-venue-regime/> (Nov. 3, 2017).

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## §1400(b): What is the “act of infringement” in ANDA cases?

- Under § 1400(b), venue is proper where “the defendant **has committed acts of infringement** and has a regular and established place of business”
- In non-ANDA cases “acts of infringement” are those identified in § 271 (e.g., making, using, selling)
- But under § 271(e)(1), making, using or selling a product is “not an act of infringement” if the acts are related to submission of an Abbreviated New Drug Application
- For Hatch-Waxman cases, **submission** of the ANDA “shall be an act of infringement”
- **Raises two questions under § 1400(b)**
  - Is submission of the ANDA the “act of infringement” for purposes of determining venue in Hatch-Waxman cases?
  - If so, where does the submission of the application occur?

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## Hatch-Waxman Venue Issues

- Bristol-Myers Squibb Co. et al. v. Mylan*, Civil Action No. 17-cv-0379 (D. Del. Sept. 11, 2017) (Stark, C.J.), Motion to Dismiss – Improper Venue (court denied without prejudice defendant’s motion to dismiss plaintiffs’ ANDA infringement action but **rejected defendant’s argument that venue was improper because it had not committed an act of infringement in the forum**: “[A]n applicant’s **submission of an ANDA, in conjunction with other acts the ANDA applicant non-speculatively intends to take if its ANDA receives final FDA approval, plus steps already taken by the applicant indicating its intent to market the ANDA product in this District, must all be considered** for venue purposes, and can be sufficient to demonstrate that the ANDA-filing Defendant ‘has committed’ ‘acts of infringement’ in this District.” (page 25) (court denied without prejudice defendant’s motion to dismiss plaintiff’s ANDA infringement action for improper venue **pending discovery on whether defendant had a regular and established place of business in the forum**: “[Defendant] **is part of [a] family of companies** which have a nationwide and global footprint. . . . **Within the [company] family, [defendant] appears to serve the role of securing regulatory approval for many of [their] generic products. . . . [I]t appears that a key to [defendant’s] success in the generic drug business is its constant involvement in Hatch-Waxman litigation.** Historically, the largest number of Hatch-Waxman cases each year are filed in the District of Delaware. . . . **[Defendant], as a frequent ANDA filer,** appears in front of this Court with regularity for the purpose of getting its generic drugs on the market, and **when that litigation concludes in a way that is favorable for [defendant], those generic drugs are distributed to and used by Delaware residents through a distribution network that has been established for that purpose. In the Court’s view, this business reality is a pertinent consideration in assessing whether [defendant] has a regular and established place of business in Delaware.** . . . While [defendant] has been unable to this point to identify a ‘fixed physical presence in the sense of a formal office or store’ that [defendant] maintains in Delaware, **this is not required. . . . [N]o relationship between a defendant’s acts of infringement and its regular and established place of business is necessary to satisfy § 1400(b).**” (page 36)

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## Hatch-Waxman Venue Issues (cont’d)

- Boston Scientific Corp. et al. v. Cook Group, Inc.*, Civil Action No. 1-15-cv-00980 (D. Del. Sept. 11, 2017)(Stark, C.J.), Motion to Transfer for Improper Venue (28 U.S.C. § 1406(a) (court **granted** defendants’ alternative motion to transfer for improper venue **because defendants did not have a regular and established place of business in the forum through its sales contacts**: “[W]hile no **fixed space** in the sense of a formal office or store is necessary, some **physical presence is nevertheless required.** . . . [Defendant] **has a few contacts** with Delaware, none of which, even when considered in the aggregate, amounts to a regular and established place of business. **[Its] contacts with Delaware consist of:** (1) sales of medical devices throughout the United States, including in the District of Delaware; (2) sales representatives who ‘occasionally call on physicians and hospitals (or their respective buyers) in Delaware’ but do not live in Delaware; and (3) one sales representative who lived in Delaware [for 19 months], but had no responsibility for sales in Delaware and is no longer employed by [defendant]. . . . **At most, [defendant] is ‘doing business’ in Delaware, but. . . this is not equivalent to having a regular and established place of business here.**” (page 26)).

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## When is venue-related discovery permissible?

- **Most courts are treating venue-related discovery as akin to jurisdiction discovery**
- **Discovery only appropriate if plaintiff makes threshold showing that venue may be proper**
  - Generalized/cursory allegations that venue is proper are **insufficient** (*Telebrands Corp. v. Illinois Industrial Tool, Inc.*, No. 17-cv-3411 (D.N.J. Sept. 18, 2017); *Telebrands Corp. v. Seasonal Specialties, LLC*, Civil Action No. 17-3390 (D. N.J. Sept. 6, 2017))
  - Plaintiff **must “state a non-frivolous basis for venue and do so with particularity”** (*Boston Scientific Corp. v. Cook Group Inc.*, 15-cv-980 (D. Del. Sept. 11, 2017))
  - Plaintiff **must “offer[] a basis to believe discovery will yield information supporting venue”** (*Symbology Innovations, LLC v. Lego Systems, Inc.*, 17-cv-0086 (E.D. Va. Sept. 28, 2017); *BillingNetwork Patent, Inc. v. Modernizing Medicine, Inc.*, Civil Action No. 1-17-cv-05636 (N.D. Ill. Nov. 6, 2017))
  - See *XR Communications, LLC d/b/a Vivato Technologies v. Ruckus*, Civil Action No. 2-17-cv-02961 (C.D. Cal. Oct. 24, 2017), Motion for Expedited Discovery (“Plaintiff should consider the Federal Circuit’s decision in *In re Cray* in conducting its additional venue discovery . . . . Plaintiff should consider the relevance of employees merely “visit[ing], us[ing], or work[ing]” in an office to a venue determination . . . . “[T]he Court agrees that all of Plaintiff’s additional discovery must be narrowly tailored. For instance, seeking discovery on all ‘activities’ conducted by [two sets of third parties] on particular dates is unlikely to provide helpful insight here, and additionally becomes unduly burdensome on Defendant. At a minimum, the relevant ‘activities’ in this venue context are activities related to ‘[defendant’s] business,’ such as sale and marketing of [defendant’s] products.” (page 2)); *Precision Fabrics Group, Inc. v. Tietex International, Ltd.*, Civil Action No. 1-13-cv-00645 (M.D. N. Car. Sept. 19, 2017), Motion for Expedited Discovery; *Nike v. Skechers USA, Inc.*, Civil Action No. 16-cv-00007 (District of Oregon July 5, 2017)
- **Other courts have (seemingly) been more lenient in granting venue-related discovery**
  - Discovery appropriate to see if there is any basis for venue (*RegenLab USA LLC v. Estar Techs. Ltd.*, No. 16-cv-08771 (S.D.N.Y. Aug. 17, 2017), at 4)
  - *But cf. Telebrands Corp., supra* (court **denied plaintiff’s motion for discovery before ruling** on defendant’s motion to transfer for improper venue: “[Plaintiff] merely asks for discovery on the issue. Such a request in response is insufficient to counter a motion made under Section 1400(b). Perhaps such discovery might demonstrate that this Court would ordinarily have personal jurisdiction over [defendant], but this will do nothing to counter [defendant’s] unequivocal assertions that venue is improper here under Section 1400(b) due to its lack of a regular and established place of business within New Jersey.” (page 3))

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## Which Party Bears the Burden of Establishing Venue?

*Sovereign IP, LLC v. Apple, Inc.*, 2:17-cv-207-RWS-RSP (E.D. Tex.) (July 25, 2017)

“[T]he burden of establishing improper venue lies with the defendant”

*The Valspar Corp. v. PPG Industries*, 0:16-cv-1429 (D. Minn. 2017)

“Once a defendant has raised an objection to venue, the burden is on the plaintiff to demonstrate that venue is properly laid.”

*Bristol-Myers Squibb Co. v. Mylan Pharm. Inc.*, 2017 WL 3980155 (D. Del. Sep. 11, 2017)

Defendant “bears the burden to show that it does not satisfy the requirements of the second prong of § 1400(b)”

*Regents of the Univ. of Minn. v. Gilead Sciences, Inc.*, Civil Action No. 16-cv-2915, \*10 (D. Minn. Oct. 20, 2017)

“... the plaintiff bears the burden of establishing venue.”

**Burden depends on law of circuit.**

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Financial institutions  
 Energy  
 Infrastructure, mining and commodities  
 Transport  
 Technology and innovation  
 Life sciences and healthcare

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## TC Heartland: Returning to Life under Section 1400

Jeffrey I. D. Lewis  
 November 16, 2017

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### Venue – versus – Jurisdiction

- “Venue” = where an injury is declared to have been done
  - convenience of the parties
- “Jurisdiction” = court authority to decide dispute
  - power of the court to adjudicate a matter

“**Venue** is sometimes **confused** with **jurisdiction**.  
 However, the two **concepts are quite different.**”

*Image Software, Inc. v. Reynolds & Reynolds Co.*, 459 F.3d 1044, 1052 n. 13 (10th Cir. 2006)  
 (quoting 15 *Charles Alan Wright et al., Federal Practice & Procedure* § 3801 (2d ed. 1986)).

“Jurisdiction is the power to adjudicate and is granted by Congress. Litigants may not confer this power on the court by waiver or consent, but the place where the power to adjudicate is to be exercised is venue, not jurisdiction. The **venue has relation to the convenience of the litigants** and may be waived or laid by consent of the parties.”

*Iselin v. La Coste*, 147 F.2d 791, 795 (5th Cir. 1945) (citing *Neirbo Co. v. The Bethlehem Shipbuilding Corp.*, 308 U.S. 165 (1939)).

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## Brief History – Venue 1776-1893

- Judiciary Act of 1789 [first venue statute]
  - civil plaintiff could file in a federal district court
    - if defendant “an inhabitant” of that district, or
    - could be “found” for service of process there

Act of Sept. 24, 1789, § 11, 1 Stat. 79; see *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942).
- 1887 Amendment
  - removed ability to sue wherever defendant “found”
  - Venue only proper
    - where the defendant was an inhabitant, or
    - in diversity cases, where plaintiff or defendant was an inhabitant

See Act of Mar. 3, 1887, § 1, 24 Stat. 552.
- Supreme Court 1893 *dicta*:
  - 1887 act did not apply to patent actions
  - Led to lower court disagreement over which statute applied

*In re Hohorst*, 150 U.S. 653, 661-662 (1893).

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## Brief History – Venue 1897-1948

- 1897 – first Patent Venue Statute
 

Act of Mar. 3, 1897, ch. 395, 29 Stat. 695; see *Brunette Machine Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713 (1972) (noting that the statute “placed patent infringement cases in a class by themselves, outside the scope of general venue legislation”).

  - Resolve disagreement over *Hohorst*
  - “... not be conferred by ‘[i]solated cases of infringement’ but ‘only where a permanent agency is established.’”
 

Cray, at \*9, quoting 29 Cong. Reg. 1900 (1897) (Rep. Lacey)
  - Two tests for venue:
    - [1] where the defendant was an “inhabitant,” or
    - [2] [i] maintained a “regular and established place of business,” and
    - [ii] committed an act of infringement

“inhabits” =  
state of  
incorporation

See *TC Heartland*,  
137 S. Ct. at 1518  
(citation omitted).

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## Brief History – 1948-1957

- 1948 – modern patent venue statute

See Act of June 25, 1948, 62 Stat. 936; 28 U.S.C. § 1400(b) (1952 ed.).

- Changed “inhabits” to “resides”
- Disagreement does “resides” bring in general venue of § 1391(c)

### § 1391(c):

“A corporation may be sued in any judicial district in which it is **incorporated** or ... **is doing business**, and such judicial district **shall be regarded as the residence** of such corporation for venue purposes.”

- *Fourco Glass Co. v. Transmirra Prods. Corp.* (S. Ct. 1957):
  - § 1391(c) does **not** apply to patent venue
  - For § 1400(b)
    - individual “resides” where domiciled
    - corporation “resides” in state of incorporation

353 U.S. 222, 226 (1957)

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## Brief History – 1988 Amendment

- Supreme Court:
  - venue requirement is “specific and unambiguous”
  - “not one of those vague principles which, in the interest of some overriding policy, is to be given a ‘liberal’ construction.”

*Schnell v. Peter Eckrich & Sons, Inc.*, 365 U.S. 260, 264 (1961)

- General venue provision (1988) of § 1391(c):

“... **for the purposes of venue under this chapter** a defendant that is a corporation shall be deemed to **reside in any judicial district** in which it is **subject to personal jurisdiction** at the time the action is commenced.”

- Patent venue statute, § 1400

**Chapter 87, Title 28**

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## Statutes – ca. 2016

- General venue statute [28 U.S.C. § 1391] **resides for chapter:**

Corporation (and incorporated entity) resides where subject to the court's personal jurisdiction for civil action

- Patent venue statute [28 U.S.C. § 1400]:

- [1] Resides Prong:  
“in the judicial district where the defendant resides” **or**
- [2] Regular & Established Prong:  
[i] where defendant committed acts of infringement, and  
[ii] has a regular and established place of business”

No § 1400 definition for “resides”

*VE Holding* (1990):

- o *Fourco* decided in 1957
- o 1988 Congress amended § 1391
- o “resides” now defined in § 1391
- *Fourco* no longer applies
- Apply § 1391 definition

*VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990)

*Cert. denied in VE Holding*  
Congress amended § 1391 again

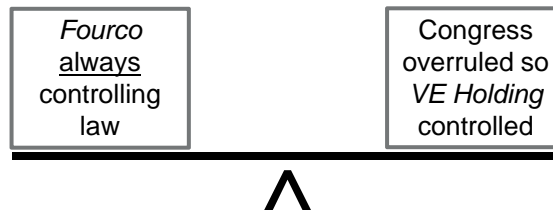
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## Enter into the *TC Heartland*

*TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017)

- Overruled *VE Holding*
  - Corporate residence = place of incorporation
  - Personal jurisdiction not test for patent venue
  - *Fourco* still good law and controlling
  - **Leaves open:**



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## Venue Objections – Fed. R. Civ. P. 12

R. 12(b)

“... a party **may assert the following defenses by motion**: ...

(3) improper venue; ...

A **motion** asserting any of these defenses **must be made before pleading** if a responsive pleading is allowed.”

\* \* \*

R. 12 (h)(1)

“A party **waives any defense** listed [above] by:

(A) omitting it from a [prior] motion ... or

(B) failing to either:

(i) make it by motion under this rule; or

(ii) include it in a responsive pleading or in an amendment allowed by Rule 15(a)(1) as a matter of course.”

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## Waiver

- Failure to plead/move
  - General objection?
  - Specific objection?
- Actively litigating
- Exception to Waiver:
  - Intervening Law (not just restating)

**QUESTION:** *TC Heartland* cert. status at time?

- *Philips*:
    - Withdrew venue objection after *TC Heartland* Fed. Cir. Decision, but before *certiorari* granted
- Koninklijke Philips N.V. v. AsusTek Computer Inc.*, 15-1125-GMS (D. Del. July 19, 2017)
- *In re Yahoo* (Petition for Mandamus)
 

Answer: “Yahoo admits that venue exists in this district ... However, Yahoo reserves the right to challenge venue based upon ... the Supreme Court’s upcoming decision in *TC Heartland*”

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“Waiver, however, is an equitable doctrine. Equity is reasonable.”

*Hand Held Prods. Inc. v. The Code Corp.*, 2:17-167-RMG (D. S.C. July 18, 2017) (citations omitted)

## Was *Fourco* Always Controlling? “Yes”

“*TC Heartland* makes it very clear we’re not making any change in law. Back as far as 1947 or somewhere in the 1940s, the Supreme Court in *Stonite* decided precisely what the court reaffirmed in *Fourco*. And in *TC Heartland* the Supreme Court very clearly says all we’re doing is applying the law as it has existed at least as far back as *Stonite*. ...

“Your argument really requires an assertion that a Circuit Court can overrule a Supreme Court decision which has been undisturbed for well over 60 years. That’s essentially what your argument is.”

*AlmondNet, Inc. et al v. Yahoo! Inc.*, 1:16-cv-01557-ILG-SMG at \*4 (S.D. N.Y. Tr. Sept. 1, 2017)

## Was *Fourco* Always Controlling? “No”

- *OptoLum, Inc. v. Cree, Inc.*

“Many of the district courts finding waiver of the venue defense have premised their rulings on the notion that circuit courts have no authority to ‘overrule’ the Supreme Court, and therefore *Fourco* has always governed venue in patent cases despite *VE Holding*. **But these cases fail to explain why ... courts throughout the country consistently applied *VE Holding* in patent litigation for nearly 30 years.**”

\* \* \*

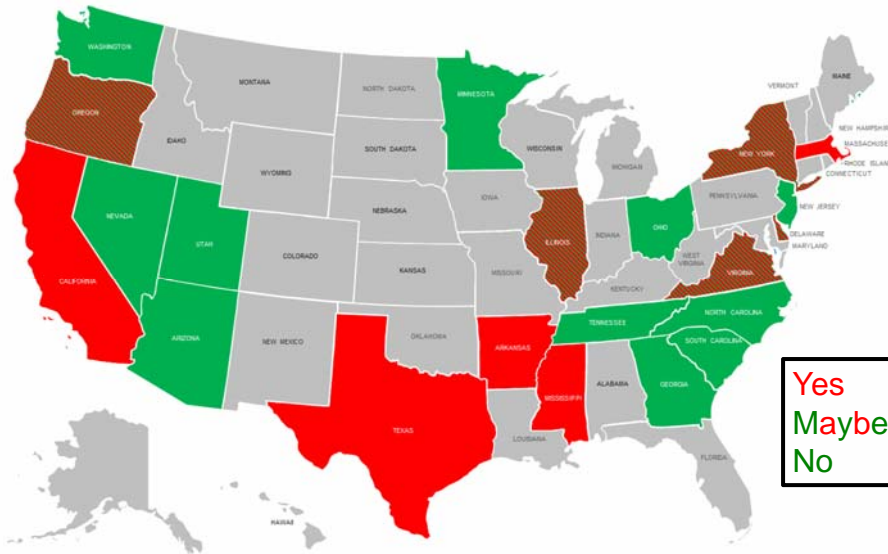
“*VE Holding* did not purport to ‘overrule’ *Fourco*, but instead determined whether Congress intended to do so when it amended § 1391(c).”

CV-16-03828-PHX-DLR (D. Az. July 24, 2017)

## Was *Fourco* Always Controlling? “No” (2)

- Cutsforth, Inc. v. LEMM Liquidating Co., LLC*  
 “TC Heartland did not hold that **VE Holding had misconstrued Fourco**, but rather that it had misconstrued the effect of **intervening Congressional amendments...**” 12-cv-1200-SRN (D. Minn. Aug. 4, 2017)
- insidesales.com, Inc. v. SalesLoft, Inc.*  
 “Moreover, **if Fourco was controlling law** at the time InsideSales filed its Complaint ... InsideSales **misrepresented** to the court that **venue was proper ...**” 2:16CV859DAK (D. Utah Sept. 27, 2017)

## Change in Law?



### *In re Micron Tech* (Fed. Cir. Nov. 15, 2017)

“... the results has been widespread disagreement over the change-of-law question relevant to waiver ...”

“We conclude that ***TC Heartland*** changed the controlling law in the relevant sense ...

... But the waiver rule, we also conclude, is not the only basis on which a district court might reject a venue defense for non-merits reasons, such as determining that the defense was not timely presented.”

2017-138 at \* 2

“**This is a common-sense interpretation** of Rule 12(g)(2). Where controlling law precluded the district court, at the time of the motion, from adopting a defense or objection and on that basis granting the motion, it is natural to say, in this context, that the defense or objection was not ‘available’ to the movant.”

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“The [Supreme] Court explained ‘that a district court possesses inherent powers that are **governed not by rule** or statute **but** by the **control necessarily vested in courts** to manage their own affairs so as to achieve the orderly and expeditious disposition of cases.’”

\*14 (citations omitted)

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### Who's law is it anyway?

- Substantive law on the issue of venue / § 1400
  - Federal Circuit

*Id.* \*11; see *In re Cray Inc.*, No. 17-129, at \*8 (Fed. Cir. Sept. 21, 2017)

- Regional Circuit law on discovery and burden

“... there is a **threshold question** that [some parties] dispute, which is whether the plaintiff or the defendant has the **burden of proof** to show that venue is proper or improper ... The court in *Cray* did not discuss the issue and the parties do not cite any other Federal Circuit authority addressing it. All the **parties assume that [the regional] Circuit law is controlling** (presumably because proving proper venue is not an issue that is unique to patent law) ...

*Niazi v. St. Jude Med. S.C., Inc.*, 17-cv-183-jdp, at \*\*4-5 (W.D. Wisc. Nov. 7, 2017)

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## Discovery – Who Has Venue Burden?

- *Soverain* (E.D. TX July 25, 2017):  
“... burden of establishing improper venue lies with **the defendant**”  
*Soverain IP, LLC v. Apple, Inc.*, 2:17-cv-207-RWS-RSP (E.D. TX July 25, 2017)
- *Valspar* (D. Minn. Aug. 4, 2017):  
“Once a defendant has raised an objection to venue, **the burden is on the plaintiff** to demonstrate that venue is properly laid.”  
*Valspar Corp. v. PPG Indus.*, 0:16-cv-1429, \*11 (D. Minn. Aug. 4, 2017)
- *Bristol-Myers Squibb* (D. Del. Sept. 11, 2017):  
**Defendant “... bears the burden** to show that it does not satisfy the requirements of the second prong of § 1400(b)”  
*Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals, Inc.*, 1-17-cv-000379 (D. Del. Sept. 11, 2017) (Stark, J.)
- *Univ. Minn.* (D. Minn. Oct. 20, 2017):  
“...the **plaintiff bears the burden** of establishing venue.”  
*Regents of Univ. of Minn. v. Gilead Sciences, Inc.*, 16-cv-2915, \*10 (D. Minn. Oct. 20, 2017)
- *Post Consumer* (E.D. Mo. Oct. 27, 2017) [noting disagreement]:  
“The **moving party has the burden** of establishing that venue is improper.”  
*Post Consumer Brands, LLC v. General Mills, Inc.*, 4:17-CV-2471 SNLJ \*2 (E.D. Mo. Oct. 27, 2017), quoting *Bomkarp v. Hilton Worldwide Inc.*, 2014 WL 897368 (E.D. Mo. 2014)

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## Discovery to Support H-W Venue?

*Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals, Inc.*, 1-17-cv-000379 (D. Del. Sept. 11, 2017) (Stark, J.)

– Abbreviated New Drug Application (ANDA) cases:

“Defendant is part of [a] **family of companies** which have a **nationwide and global footprint**. ... [I]t appears that a key to [defendant’s] success in the generic drug business is its **constant involvement in Hatch-Waxman [ANDA] litigation**. ...

While [plaintiff] has been unable ... to identify a ‘fixed physical presence in the sense of a formal office or store’ that [defendant] maintains in Delaware, this is not required. ... **[N]o relationship between a defendant’s acts of infringement and its regular and established place of business is necessary to satisfy § 1400(b).**”

\* \* \*

Business model “is, in large part, **predicated upon participating in a large amount of litigation.**”

Discovery allowed  
Motion to dismiss denied without prejudice

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## Limits on Discovery

*Symbology Innovations, LLC v. Lego Systems, Inc.*, 2:17-cv-00086 (E.D. VA Sept. 28, 2017)

- Defendant Lego Systems = registered foreign corporation in Virginia
- Lego Brand Retail = a separate, related corporate entity w/ 3 VA stores

The **Fourth Circuit** has explained that "[w]hen a plaintiff offers only speculation or conclusory assertions about contacts with a forum state, a court is within its discretion in denying jurisdictional discovery." A district court act[s] within its discretion by denying discovery ... [when] there was no reason to believe that the additional information sought would alter the outcome. ...

[A]llowing plaintiffs to file suit in far-flung districts and then demand discovery on the issue of venue would recreate the inconvenience that venue rules are intended to prevent ... This unfairness is exacerbated when, as here, the parties essentially have no connection to the plaintiffs chosen forum. (\*21, citations omitted)

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## Discovery – Is it Allowed?

- What would discovery show?

"Telebrands merely asks for discovery on the issue. ... Such a request in response is insufficient to counter a motion made under Section 1400(b). ... Perhaps such discovery might demonstrate that this Court would ordinarily have personal jurisdiction over IIT, but this will do nothing to counter IIT's unequivocal assertions ... due to its lack of a regular and established place of business within New Jersey.

*Telebrands Corp. v. Illinois Industrial Tool, Inc.*, 2:17-cv-03411 \*3-4, (D. NJ Sept. 18, 2017) (citations omitted)

- Plaintiff must "state a non-frivolous basis for venue and do so with particularity" *Boston Scientific Corp. v. Cook Group Inc.*, 15-cv-980 (D. Del. Sept. 11, 2017)
- Plaintiff must "offer[] a basis to believe discovery will yield information supporting venue" *Symbology Innovations, LLC v. Lego Systems, Inc.*, 17-cv-0086 (E.D. Va. Sept. 28, 2017)
- Discovery appropriate to see if there is any basis for venue *Regenlab USA LLC v. Ester Techs. Ltd.*, No. 16-cv-08771 (S.D.N.Y. Aug. 17, 2017)

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