Litigation Alert: U.S. Supreme Court Overturns Rule for Patent Litigation Venues in TC Heartland Case

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The United States Supreme Court recently issued its decision in a lawsuit that will likely have a dramatic impact upon where patent cases can be litigated. On May 22, 2017, the Supreme Court decided *TC Heartland v. Kraft Foods Group Brands.* At issue was whether to overturn the Federal Circuit's decades-old precedent that venue in patent cases is proper in any place where personal jurisdiction exists. As a practical matter, the Federal Circuit's interpretation has meant that most entities could be sued for patent infringement almost anywhere in the United States.

In *TC Heartland*, the Court overturned the Federal Circuit's rule that venue is proper in any place where personal jurisdiction exists, and instead held that venue is proper only in the state of incorporation or where companies have "regular and established" places of business. This likely means that we'll see fewer cases concentrated in districts like the Eastern District of Texas and more cases litigated in Delaware (where many companies are incorporated) and places where companies have "regular and established" places of business (such as corporate headquarters). This will likely mean an uptick in patent filings here in Minnesota federal courts. So it's no wonder that *TC Heartland* has been one of the most closely watched cases of the current term.

As background, venue in patent cases was governed by the interplay of two statutes: the patent venue statute, 28 U.S.C. §1400(b), and the general venue statute for federal actions, 28 U.S.C. §1391(c). Section 1400(b) limits venue in patent cases to "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." The question is, where does a corporation "reside"?

That's where §1391(c) comes into play. The general venue statute says a defendant resides "in any judicial district in which such defendant is subject to the court's personal jurisdiction." For many corporate defendants, this means they can be sued anywhere in the country, including "plaintiff-friendly" venues like the Eastern District of Texas.

The patent venue law has followed a twisty road over the past century. From 1957 to 1990, the Supreme Court's decision in *Fourco Glass v. Transmirra Products Corp* controlled. In *Fourco Glass,* the Supreme Court determined that §1400(b) was the exclusive provision controlling venue in patent actions, and §1391

was not applicable to patent cases. In practice, that meant that for the next 30-plus years (from 1957-1990), corporate defendants could only be sued in the places where they were incorporated or where they had regular places of business and had committed acts of alleged infringement.

But in 1990 the Federal Circuit Court of Appeals (where all patent related appeals are heard) held that patent infringement venue is proper in any court having personal jurisdiction over the Defendant. This liberal view on patent venue between 1990 and 2017 led to a concentration of patent cases in a handful of plaintiff-friendly jurisdictions, the most notable of which is the previously little-known jurisdiction of the Eastern District of Texas. In recent years, as many as 25 to 44 percent of all patent cases have been filed in this sparsely populated district, spawning an industry that may now evaporate as a result of the Court's decision in *TC Heartland*.

So why was the status quo challenged after having been in place for 27 years? TC Heartland focused on a 2011 amendment to §1391(c)—when Congress removed the phrase "for purposes of venue under this chapter" from the statute. TC Heartland asked the Supreme Court to return the law to its pre-1990 status and hold that §1400(b) alone governs patent venue. And the Court agreed, meaning that a corporation can only be sued where it was incorporated, or where it had a regular place of business and committed acts of alleged infringement.

The effects of the Court's decision will play out over the next several years, and could be far-reaching. Plaintiffs will no longer be permitted to forum shop by selecting a venue that may be costly and inconvenient for the defendant, as well as one that has onerous pre-trial disclosure rules and a fast-moving docket. For defendants—who may feel they are forced to settle what they believe to be non-meritorious cases simply to avoid the costs of litigating in an unfriendly, far-away forum—the reversal of *TC Heartland* may signal a return to what they perceive to be a more level playing field.

In addition to seeing even more patent cases in places like Delaware (where so many companies are incorporated), the reversal of *TC Heartland* could mean more patent filings in jurisdictions where companies actually control their business, like here in Minnesota. It could also put an end to the practice of plaintiffs suing many defendants at the same time in the same case in the same court. Some (perhaps overly optimistic) observers predict a dramatic decrease generally in non-practicing entity litigation now that the Supreme Court reversed.

So the ultimate question is: what's next? For would-be plaintiffs, this means filing cases in jurisdictions where venue would be appropriate under a pre-1990 view of §1400(b) —or else face a motion to dismiss for improper venue. And new defendants should make sure they have asserted an improper venue defense and should understand that venue can be waived if not properly challenged.