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TC Heartland Shifts the Patent Litigation Landscape

In *TC Heartland LLC v. Kraft Foods Group Brands LLC*, No. 16-341 (2017), the Supreme Court upended troublesome and long-standing forum-shopping practices in patent litigation, not to mention the infamous cottage industry of Marshall, Texas, home to more than one-third of all patent cases filed last year. Reversing and remanding a U.S. Court of Appeals for the Federal Circuit decision upholding venue over an Indiana corporation in Delaware, the Court held that a domestic corporation "resides" for venue purposes in patent litigation only in its state of incorporation. Though Justice Gorsuch took no part in the decision, which was argued before he joined the Court, Justice Thomas, writing for an otherwise unanimous Court, asserted that the Federal Circuit had been wrong in 1990 to deviate from earlier Supreme Court precedent, holding that the patent venue statute, 28 U.S.C. § 1400(b), provides the exclusive basis for venue in patent litigation, not the more liberal provisions of the general venue statute, § 1391(c), that federal courts had applied for the better part of three decades.

The Court's Analysis

Under § 1400(b), "[a]ny 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." The Court had decided in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U. S. 222 (1957), that a corporate defendant in a patent infringement case "resides" only in its state of incorporation, notwithstanding the general venue statute, § 1391(c). While § 1400(b) has remained unchanged since 1957, § 1391(c) had been amended in 1988 to provide that "[f]or 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." Observing that § 1400 is within the same chapter as § 1391, the Federal Circuit had treated *Fourco* as having been legislatively overruled. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (1990).

In *TC Heartland*, however, the Court rejected the Federal Circuit's analysis, concluding Congress rarely makes such dramatic changes so subtly. Relying instead on the historical and textual analyses that had led initially to its own conclusion that "the patent venue statute 'alone should control venue in patent infringement proceedings,'" *TC Heartland*, slip op. at 4–5 (quoting *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U. S. 561, 563 (1942)), the Court reasserted the rule of *Fourco*. In reaching this conclusion, the Court was buttressed by additional revisions to the general venue statute in 2011. In particular, the Court pointed to § 1391(a)(1), which now states that "[e]xcept as otherwise provided by law, this section shall govern the venue of all civil actions brought in district courts of the United States." The Court reasoned that whatever support the Federal Circuit might have found for its decision in 1990, that conclusion had been undermined by this later amendment, leaving unchallenged the dominance of § 1400(b) as the exclusive basis for venue in patent cases.

What *TC Heartland* Means to You

The *TC Heartland* decision significantly shifts the patent litigation landscape. Because patent owners can no longer rely on the broad definition of "resides" in § 1391(c) to assert jurisdiction over domestic corporations in virtually any forum throughout the country, forum shopping in popular districts such as the Eastern District of Texas may now be dramatically curtailed. Foreign corporations, however, may still be sued under the general venue statute. Though the *TC Heartland* case itself challenged venue in Delaware, the decision ironically may result in many more cases being filed in that district, as well as other districts where patent defendants are often incorporated, especially in California. This, in turn, may lead to additional motions to transfer for convenience of the parties and witnesses under § 1404(a), where corporate defendants have no

relation to the forum state other than as a place of incorporation. Such motions were notoriously unsuccessful in the Eastern District of Texas, notwithstanding recent efforts by the Federal Circuit to correct this problem. We also now expect greater reliance on, and more litigation concerning the meaning of, the second prong of § 1400(b), conferring venue "where the defendant has committed acts of infringement and has a regular and established place of business." Of course, patent owners and accused infringers alike must now also consider one other basis for patent venue: consent. The affirmative defense of improper venue seems poised to make a strong comeback in patent litigation, though likely too late for defendants who have already answered in many pending cases.

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