CLIENT ALERT

The Federal Circuit Does Not Limit Venue in Patent Cases. Next Stop: Congress?

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The Federal Circuit has vigorously and unanimously denied TC Heartland LLC's petition for a writ of *mandamus* asking that Court to restrict the current venue rules that permit a plaintiff to file a patent suit in any judicial district where a defendant has allegedly infringing sales. *See In re TC Heartland LLC*, No. 2016-105 (Fed. Cir. Apr. 29, 2016). The Federal Circuit found no basis in law to set aside rules in place for over 25 years, rejecting not only TC Heartland's arguments, but those offered by *amici* and several industry heavy-hitters such as LinkedIn and the Electronic Frontier Foundation.

With patent case filings in the Eastern District of Texas continuing on the rise—largely brought by non-practicing entities, or "patent trolls"—even where defendants have little connection or contact with the forum, the call for change will not stop here. The Federal Circuit's decision now turns attention to what Congress will do with proposed legislation such as the VENUE Act (the Venue Equity and Non-Uniformity Elimination Act of 2016).

The underlying case was filed by Kraft Foods Group Brands LLC in the District of Delaware, alleging infringement of patents related to water enhancement products. TC Heartland, based in Indiana, requested a transfer of venue to its home forum, explaining that it was not registered to do business in Delaware, and had shipped only two percent of its allegedly infringing products to facilities in Delaware. The district court denied TC Heartland's request, resulting in this petition for a writ of mandamus.

In its petition, TC Heartland argued that pursuant to 28 U.S.C. § 1400(b), it did not "reside" in Delaware and venue was therefore improper. Specifically, TC Heartland argued that the 2011 amendments to the venue statute vitiated the Federal Circuit's holding in *VE Holding Corp. v. Johnson Gas Appliance Co*., 917 F.2d 1574 (Fed. Cir. 1990) (holding that venue in a patent case was governed by the general and broader venue statute, 28 U.S.C. § 1391) and reinstituted the state of the law pre-*VE Holdings*, where a corporation's residence for jurisdictional purposes in a patent case was its place of incorporation. The Federal Circuit disagreed:

> In *VE Holding*, we found that[,] [i]n 1988, the common law definition of corporate residence [limited to place of incorporation] for patent cases was superseded by a Congressional one . . . Heartland has presented no evidence which supports its view that Congress intended to codify [that common law definition] in its 2011 amendments. In fact, before and after these amendments, in the context of considering amending the patent venue statute, Congressional reports have repeatedly recognized that *VE Holding* is the prevailing law.

Op. at 6-7 (internal citations omitted).

TC Heartland also sought *mandamus* on the issue of personal jurisdiction, claiming that the Delaware district court lacked specific personal jurisdiction over it. Relying on well-settled precedent from over 20 years ago, the Court denied review of this issue as well, finding that TC Heartland's two percent of sales destined for Delaware provided adequate connection to the district:

> In that case, we held that the due process requirement that a defendant have sufficient minimum contacts with the forum was met where a nonresident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities.

Op. at 11 (citing *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994)).

With many well-known technology companies paying close attention to the patent venue rules, this is clearly not the last time those rules will be in the headlines. It remains to be seen what will happen in Congress, with the Senate's VENUE Act introduced in March 2016—one that would conscribe patent actions to district courts where a defendant has substantial ties— and with a similar House bill pending as well. Companies with patent litigation – in other words, almost everyone – should follow these developments closely.

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