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Intellectual Property Law Alert - U.S. Supreme Court Limits Patent Action Venue

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In *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the U.S. Supreme Court has unanimously (8-0) ruled that a defendant may be sued for patent infringement only (1) in its state of incorporation or (2) where it has committed acts of infringement and has an established place of business.

This decision held that “reside[nce],” as applied to domestic corporations, in U.S. Code §1400(b) refers only to the state of incorporation. The amendments to §1391 did not modify the meaning of §1400(b) as interpreted by *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), where the court declined to read the broad definition of corporate “residence” in the general venue statute § 1391(c) into § 1400.

The U.S. District Court for the Eastern District of Texas, a popular venue for patent plaintiffs, will likely see a drop in filings against companies that are not incorporated in Texas and do not have an established place of business there. The U.S. District Court for the District of Delaware will likely continue to see above average patent filings in light of the high level of incorporations in Delaware.

Background

Venue in patent cases is set by 28 U.S.C. § 1400(b), providing that venue is appropriate either: (1) in the judicial district where the defendant resides or (2) where the defendant has committed acts of infringement and has a regular and established place of business. The language of § 1400 does not define the term “resides” or expand on how it should be applied to corporate defendants.

The Supreme Court had previously addressed the meaning of “resides” in *Fourco*, where the court declined to read the broad definition of corporate “residence” in the general venue statute § 1391(c) into § 1400. Under *Fourco*, venue in a patent case against a corporate defendant was proper only if (1) the defendant was incorporated in that district or (2) the defendant committed acts of infringement in that district and had an established place of business there.

In 1988, Congress amended § 1391 to redefine “resides” to provide venue, generally, in “any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.” The Federal Circuit then held, in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F. 2d 1574 (1990), that a corporation’s residence could be in any state where the corporation was subject to personal jurisdiction.

Section 1391 was amended again in 2011 to expand the definition of

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“residence” and make it applicable “[f]or all venue purposes” and all civil actions except as otherwise provided by law.

Supreme Court Holding

The Supreme Court decision reversed the Federal Circuit and established that a corporation “resides” in its state of incorporation.

The court noted its prior holding that §1400(b) “is the sole and exclusive provision controlling venue in patent infringement actions, and . . . is not to be supplemented by . . . §1391(c).” Considering whether Congress had altered the import of §1400(b) by amending §1391, the court confirmed that Congress had not. “In *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.” The court noted that Congress had not amended §1400(b) and that §1391, as amended, included language that “expressly contemplates that certain venue statutes may retain definitions of ‘resides’ that conflict with its default definition.”

Takeaways

Patent plaintiffs’ ability to forum shop has been curtailed. A patent defendant may be sued for patent infringement only (1) in its state of incorporation or (2) where it has an established place of business and has committed acts of infringement. The Court’s ruling will particularly limit patent plaintiffs’ selection of the plaintiff-friendly Eastern District of Texas, thus patent case filings there will likely decline significantly, while the District of Delaware will likely see a higher rate of case filings, as a number of companies are incorporated under Delaware law.

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