THE DAYS OF PATENT PLAINTIFF FORUM SHOPPING MAY BE OVER

For the past 30 years, it has been established patent practice for a patent holder to bring suit in any district where infringing sales were made. This has led to the Eastern District of Texas being one of the preferred venues of choice for many patent plaintiffs. However, the days of such forum shopping may be over. In a recent unanimous decision, the U.S. Supreme Court significantly tightened the requirements for venue in patent infringement lawsuits.

The decision, *TC Heartland LLC v. Kraft Foods Group Brands LLC*, requires that patent holders now must file suit in districts where the defendant is incorporated or where they have a regular and established place of business, a far more restrictive standard than in any district where infringing sales were made. The decision, which was cheered by technology industry groups, spells trouble for patent trolls, who have long used the specter of suit in unfavorable jurisdictions to threaten defendants.

THE BOTTOM LINE

The Supreme Court's decision in *TC Heartland* establishes that just having sold goods in the judicial district is now insufficient on its own to establish jurisdiction. Patent holders bringing suit must do so in either the judicial district where the defendant resides, or the judicial district where the defendant has a regular and established place of business. The decision will likely discourage patent trolls from filing suit in the Eastern District of Texas and other jurisdictions with little to no connection to the defendant.

PATENT VENUE AND FORUM SHOPPING

In any legal proceeding, a plaintiff must designate a "venue," i.e., the correct court to hear the case. Prior to the Supreme Court's *TC Heartland* decision, a patent holder had an essentially unlimited choice of venue and could bring suit "in any judicial district in which [a] defendant is subject to the court's personal jurisdiction." In a patent case, courts have personal jurisdiction over a defendant anywhere it has committed allegedly infringing activity. As most companies sell their allegedly infringing products nationwide, a patent holder could file suit in essentially any district.

In practice, this broad general venue statute permitted considerable forum shopping for judicial districts with plaintiff-friendly judges, quick times to trial and high jury awards. This is especially true for patent trolls, which did not practice their patent and thus were not tied to any particular jurisdiction. Courts that met these criteria quickly drew an outsized number of patent suits. This explains why in 2016 nearly 40% of all patent cases were filed in the Eastern District of Texas.

TC HEARTLAND V. KRAFT FOODS

In 2014, Kraft Foods filed suit against TC Heartland in Delaware, alleging that TC Heartland's fruit punch water enhancer infringed its three patents on containers and methods for dispensing drink concentrate.

Lower Court Decisions

TC Heartland sought to dismiss the case or transfer venue, arguing that Delaware was an improper forum. Specifically, it relied on a patent-specific venue statute, which noted that "[a]ny civil action for patent infringement may be brought in the judicial district where defendant

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resides" or "where the defendant has committed acts of infringement and has a regular and established place of business." It also relied on a 1957 Supreme Court decision that defines a corporation's "residence" as its state of incorporation. As TC Heartland was not incorporated in Delaware and did not have a "regular or established place of business there," TC Heartland therefore protested that the case should be moved to its home in Indiana.

Relying on Federal Circuit precedent, the District of Delaware noted that these facts were irrelevant. For the purposes of venue, it simply sufficed that TC Heartland shipped allegedly infringing products into Delaware. The Federal Circuit agreed, noting that the patent-specific venue statute had been redefined by the general venue statute currently relied on by patent plaintiffs. TC Heartland subsequently sought review at the Supreme Court.

The Supreme Court's Decision

On May 22, 2017, the Supreme Court reversed the Federal Circuit's interpretation of the patent-specific venue statute. Justice Thomas, writing for unanimous Court, hewed to the history and text of the statute in coming to his decision.

Specifically, he noted that the patent-specific venue statute had been unchanged since its enactment in 1948. Similarly, the Supreme Court's 1957 decision defining "residence" as the state of incorporation has remained good law. Given that Congress had given no indication that the general venue statute was meant to replace the rules on patent venue or made any effort to ratify the Federal Circuit's view of patent venue, the plain text of the patent-specific venue statute should apply.

In sum, "patent venue statute alone should control venue in patent infringement proceedings." This statute requires that a defendant must be incorporated in or have a regular or established place of business in the state where the suit is filed. Simply selling goods in the judicial district is insufficient to establish jurisdiction.

CONCLUSION

It will be interesting to see if the defendants in the thousands of suits in districts where they are not incorporated nor have a regular and established place of business will now file motions to dismiss for improper venue or motions to transfer to another district. In addition, new patent litigations are likely to be dispersed more widely, with a majority of cases filed in Delaware, where many businesses are incorporated, and far less cases being filed in the Eastern District of Texas.

Finally, the TC Heartland decision is likely to inform current patent litigation reform bills in the Senate, which take particular aim at patent troll forum shopping. The decision's eventual impact on these bills, however, remains to be seen.

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