

***TC HEARTLAND V. KRAFT* AND THE RESURRECTION OF THE PLACE OF INCORPORATION OR “REGULAR AND ESTABLISHED PLACE OF BUSINESS” TEST FOR PATENT VENUE**

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I. INTRODUCTION

A “plague,”¹ “rampant,”² “unseemly”³—these are words critics used to describe recent forum shopping in patent infringement cases. Such forum shopping was also, perhaps, the motivating force behind the Supreme Court case *TC Heartland v. Kraft*, where the petitioner, Heartland, argued that the Federal Circuit and lower courts had—for almost three decades—incorrectly interpreted the patent venue statute to give patentees a virtually limitless choice of venue.⁴ The Supreme Court agreed.⁵

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1. Petition for Writ of Certiorari at 8, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341) [hereinafter Petition for Writ of Certiorari] (“[T]he Federal Circuit’s departure from this Court’s holding in *Fourco* has dramatically expanded venue in patent cases, producing a plague of forum shopping . . .”).

2. Brief of Amici Curiae Electronic Frontier Foundation, Public Knowledge, and Engine Advocacy in Support of Petitioner at 1, *In re TC Heartland LLC*, 821 F.3d 1338 (Fed. Cir. 2016) (No. 16-105) [hereinafter Brief of Electronic Frontier Foundation] (describing “[t]he rampant forum shopping seen in patent litigation, and the attendant negative incentives that forum shopping creates”); Brief of Amici Curiae of 32 Internet Companies, Retailers, and Associations in Support of Petition for Writ of Certiorari at 4, *TC Heartland*, 137 S. Ct. 1514 (No. 16-341) [hereinafter Brief of 32 Internet Companies] (“[T]he Federal Circuit’s approach has resulted in rampant forum shopping.”); Brief of Amici Curiae 56 Professors of Law and Economics in Support of Petition for Writ of Certiorari at 1, *TC Heartland*, 137 S. Ct. 1514 (No. 16-341) [hereinafter Brief of 56 Professors] (describing “rampant forum shopping, particularly by patent trolls”).

3. Brief of Dell Inc. and the Software & Information Industry Association as Amici Curiae in Support of Petitioner at 3, *TC Heartland*, 137 S. Ct. 1514 (No. 16-341) [Brief of Dell] (“The present regime, characterized by its rampant and unseemly forum shopping, stems from an easy-to-correct misinterpretation of the patent venue statute.”).

4. *See TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017).

5. *See id.*

Section 1400(b) is a special venue statute determining venue for patent cases, providing that “[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.”⁶ However, in its 1990 *VE Holding* decision, the Federal Circuit interpreted “resides” under the patent venue statute broadly, giving patentees a virtually limitless choice of venue.⁷ Many say that the *VE Holding* decision caused the “plague” of forum shopping in patent cases,⁸ which grew until, in 2015, nearly 44% of patent cases were brought in the Eastern District of Texas.⁹ Such forum shopping is problematic to the extent that it permits patentees who file frivolous lawsuits—sometimes called “patent trolls”—to file in inconvenient and plaintiff-friendly forums to gain larger or faster settlements.

In May 2017, the Supreme Court reversed the Federal Circuit’s interpretation, returning the meaning of “resides” in the patent venue statute to its narrower meaning before the infamous *VE Holding* decision.¹⁰ Now, where a defendant “resides” is where a defendant is incorporated,¹¹ leading to increased filings in Delaware.¹² Plaintiffs wishing to file outside the defendant’s state of incorporation must rely on the second prong of the patent venue statute: “where the defendant has committed acts of infringement and has a regular and established place of business.”¹³

This Note argues that while the Supreme Court’s decision in *TC Heartland* helps to limit forum shopping, further tailoring of patent venue rules would better advance the policies at the intersection of venue and patent law. Part II frames the background of *TC Heartland* by giving an overview of the general venue statute, the special patent venue statute, the historical changes in their

6. 28 U.S.C. § 1400(b) (2012).

7. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990) (holding that “the first test for venue under § 1400(b) with respect to a defendant that is a corporation, in light of the 1988 amendment to § 1391(c), is whether the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced”) (citing 28 U.S.C. §§ 1391(c) & 1400(b) (1988)).

8. *See, e.g.*, Petition for Writ of Certiorari, *supra* note 1, at 18 (“[R]ampant forum shopping is directly traceable to the Federal Circuit’s decision in *VE Holding*.”).

9. Brian Howard, *Announcing the Patent Litigation Year in Review 2015*, LEX MACHINA (Mar. 16, 2016), <https://lexmachina.com/14318/> [<https://perma.cc/9PGK-EWK3>].

10. *TC Heartland*, 137 S. Ct. at 1516.

11. *Id.* at 1517 (holding that “a domestic corporation ‘resides’ only in its State of incorporation for purposes of the patent venue statute”).

12. Brian Howard, *Patent Litigation Trends in the Three Months After T.C. Heartland*, LEX MACHINA (Oct. 18, 2017), <https://lexmachina.com/patent-litigation-trends-in-the-three-months-after-t-c-heartland/> [<https://perma.cc/TYQ6-WW3X>].

13. 28 U.S.C. § 1400(b) (2012).

exclusivity, and the recent forum shopping due to broad patent venue rules. Part III summarizes the Supreme Court's decision in *TC Heartland*. Part IV summarizes the aftermath of the Supreme Court's decision, including changes in where patent suits are filed and recent interpretations of the second prong of the patent venue statute. Part V considers how different solutions might serve patent venue policies, including different judicial interpretations of the second prong of patent venue, venue reform by Congress linking venue to the underlying technology at issue, and reform directly aimed at tilting the playing field against patent assertion entities.

II. BACKGROUND

This Part provides background on general venue rules, patent venue rules, and the changes in their exclusivity. The Section also describes the forum shopping trends and the statutory change in the general venue statute that lead to the Supreme Court's decision in *TC Heartland*.

A. VENUE IN CIVIL ACTIONS GENERALLY

Venue is “the geographic specification of the proper court or courts for the litigation of a civil action.”¹⁴ Courts have observed that venue is “primarily a matter of choosing a convenient forum.”¹⁵ The main focus of venue is the “convenience of litigants and witnesses,”¹⁶ in particular the litigant who has not chosen the forum.¹⁷

Although the concept of venue is distinct from personal jurisdiction,¹⁸ Congress has “liberalized” general venue provisions to the point that some question whether venue provides any protection to defendants beyond that

14. 28 U.S.C. § 1390(a) (2012).

15. 14D CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 3801 (4th ed. 2017) (citing *Leroy v. Great Western United Corp.*, 443 U.S. 173, 180 (1979)).

16. *Id.* (quoting *Denver & R. G. W. R. Co. v. Brotherhood of R. R. Trainmen*, 387 U.S. 556, 560 (1967)).

17. *Id.* Generally, “the purpose of statutorily specified venue is to protect the defendant against the risk that a plaintiff will select an unfair or inconvenient place of trial.” *Id.* (quoting *Leroy*, 443 U.S. at 183–84).

18. While venue and personal jurisdiction both relate to the “territorial reach” of a court, they are distinct concepts: personal jurisdiction focuses primarily “on the defendant’s activities to avail itself of the forum,” whereas venue also looks at the “location of other parties and their activities.” *Id.* Another distinction made between personal jurisdiction and venue is that personal jurisdiction is “sovereign-constraining” whereas venue is “litigant-protective” by “guard[ing] against an uneven playing field between parties.” Peter L. Markowitz & Lindsay C. Nash, *Constitutional Venue*, 66 FLA. L. REV. 1153, 1160 (2014).

provided by personal jurisdiction.¹⁹ Indeed, Congress's amendments to the general venue statute in 1966, 1988, 1990 and 2011 are said to have completed a "four-stage/four-decade process of eliminating venue as a significant constraint on choice of federal forum."²⁰

The general venue statute, § 1391, governs venue for federal civil actions.²¹ Section 1391(a) defines the applicability of the section, indicating "Except as otherwise provided by law," the section governs venue for all civil actions.²² Section 1391(b) provides the rules governing venue in general.²³ Venue is proper in judicial districts where (1) the defendant resides²⁴ or (2) where a substantial part of the events giving rise to the claim occurred.²⁵ If there is no judicial district that satisfies the first two options, then the "fallback" provision provides that venue is proper where the defendant is subject to personal jurisdiction with respect to the particular action.²⁶ Section 1391(c) is the general venue statute's "Residency" provision, and specifies: "[f]or all venue purposes" where a natural person, a defendant entity, and a plaintiff entity are "deemed to reside"—respectively: the judicial district in which the person is domiciled, any district in which the entity is subject to personal jurisdiction for the particular action, and the judicial district in which the entity maintains its principal place of business.²⁷

Beyond the general venue statute, there are hundreds of special venue provisions governing venue for particular actions.²⁸ Congress rarely indicates whether these special venue statutes are exclusive or operate together with the general venue statute, leaving the task of determining Congress's intent to the

19. *Id.*

20. 17 GEORGENE M. VAIRO, MOORE'S FEDERAL PRACTICE - CIVIL § 110.01 (2018).

21. *See* 28 U.S.C. § 1391 (2012).

22. § 1391(a).

23. *See* § 1391(b).

24. *Id.* ("A civil action may be brought in . . . (1) a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located . . .").

25. *Id.* ("A civil action may be brought in . . . (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated . . .").

26. *Id.* ("A civil action may be brought in . . . (3) if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant is subject to the court's personal jurisdiction with respect to such action."); *see* Wright, *supra* note 15, at § 3804 ("Section 1391(b)(3), the fallback venue provision . . . is very narrow in that it applies only if there is no district anywhere in the federal court system in which venue can be laid under Section 1391(b)(1) or Section 1391(b)(2).").

27. *See* 28 U.S.C. § 1391(c).

28. *See* WRIGHT, *supra* note 15, at § 3803.

courts.²⁹ Courts occasionally find that the special venue statutes are exclusive but more often find that they are non-exclusive.³⁰

B. VENUE IN PATENT INFRINGEMENT ACTIONS

Section 1400(b), the patent venue statute, is one of the special venue statutes for which Congress failed to say whether it is exclusive or supplemented by the general venue statute. Therefore, the history of venue in patent infringement actions and its relation to the general venue provision provides important background to understanding the Supreme Court's decision in *TC Heartland*. Under the patent venue statute, § 1400(b), venue is proper for patent infringement actions “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.”³¹

1. *Creation of the Patent Venue Statute and Its Historical Exclusivity*

Congress enacted the patent venue statute in 1897³² in order to eliminate confusion among the lower courts regarding the applicability of general venue rules to patent infringement actions.³³ Under the Act of 1887, with narrower general venue rules than those that exist today, venue for federal question suits was proper only where a defendant was an inhabitant.³⁴ Courts generally understood this general venue rule to govern venue in patent infringement

29. *Id.*

30. *Id.*

31. 28 U.S.C. § 1400(b) (2012).

32. *See* Act of Mar. 3, 1897, ch. 395, 29 Stat. 695 (1897).

33. *See* *Stonite Prod. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565 (1942) (“The Act of 1897 was adopted to define the exact jurisdiction of the federal courts in actions to enforce patent rights, and thus eliminate the uncertainty produced by the conflicting decisions on the applicability of the Act of 1887, as amended, to such litigation.”); *see also* Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 554 (1973) (identifying two purposes based on legislative history: (1) “clear up the uncertainty created by the split among federal courts respecting the applicability of the 1887 Act, the general venue statute, to patent infringement actions;” and (2) “give plaintiffs in patent infringement actions a broader choice of forums than was available in ordinary federal question cases under the general venue statute as it had existed since 1887”).

34. The eleventh section of the Judiciary Act of 1789 provided that “no civil suit shall be brought before either of said courts against an inhabitant of the United States, by any original process in any other district than that whereof he is an inhabitant, or in which he shall be found at the time of serving the writ.” Judiciary Act of 1789, ch. 20, § 11, 1 Stat. 73, 78–79 (1789). Following “abuses engendered by this extensive venue,” *Stonite*, 315 U.S. at 563, Congress narrowed the venue provision in the Act of 1887 to provide that “no civil suit shall be brought before either of said courts against any person by any original process of proceeding in any other district than that whereof he is an inhabitant.” Act of Mar. 3, 1887, ch. 373, 24 Stat. 552 (1887).

actions.³⁵ However, a Supreme Court decision destabilized this understanding and caused uncertainty among lower courts.³⁶ As a result, many lower courts took the stance that general venue limitations did not apply to patent cases and patent infringers could, more broadly, be sued “wherever they could be found.”³⁷

To eliminate this uncertainty, Congress created a “special new venue statute”³⁸ through the 1897 Act, which limited patent infringement claims to districts where the defendant was an inhabitant or “committed acts of infringement and [had] a regular and established place of business.”³⁹

In its 1942 decision in *Stonite v. Melvin*, the Supreme Court held that the patent venue statute was the “exclusive provision controlling venue in patent infringement proceedings,” and was not supplemented by the general venue statute.⁴⁰ Specifically, the patent venue statute was not supplemented by a general provision related to the venue of multiple defendants.⁴¹ The Court determined that application of the general venue law to patent suits did not

35. In 1857, the Supreme Court held that the Judiciary Act of 1789’s general venue provision applied to patent infringement suits. *See Chaffee v. Hayward*, 61 U.S. 208, 216 (1857) (“The eleventh section . . . is as applicable in this case as it was to those where jurisdiction depended on citizenship. It applies in its terms to all civil suits; it makes no exception, nor can the courts of justice make any.”); *see also* VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1576 (Fed. Cir. 1990) (“[The Judiciary Act of 1789] was held applicable to patent infringement suits in *Chaffee v. Hayward* . . .”). After the Act of 1887, the lower federal courts unanimously assumed that that Act, which limited venue for suits other than diversity cases to the district in which the defendant was an inhabitant, governed patent infringement litigation as well. *See Stonite*, 315 U.S. at 564, 567 n.3 (citing cases assuming general venue provision applied to patent infringement cases).

36. In 1893, in *In re Hohorst*, the Supreme Court—in a case holding the venue limitation inapplicable to foreign defendants—also suggested that venue limitations were only intended to apply to diversity jurisdiction cases. *See In re Hohorst*, 150 U.S. 653, 661–62 (1893). Therefore, the Court suggested, the venue limitations did not apply to suits with exclusive federal court jurisdiction, including patent suits like the one at issue. *See id.* The dicta led to uncertainty among the lower courts as to whether the Act of 1887 applied to patent infringement cases. *See Stonite*, 315 U.S. at 564, 567 n.3 (citing conflicting cases).

37. *Stonite*, 315 U.S. at 564–65.

38. *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 712 (1972).

39. Act of Mar. 3, 1897, ch. 395, 29 Stat. 695 (1897) (providing that “in suits brought for the infringement of letters patent the circuit courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business”).

40. *See Stonite*, 315 U.S. at 562, 567 (“Section 51 is, of course, not applicable to patent infringement proceedings. Since § 48 is wholly independent of § 51, there is an element of incongruity in attempting to supplement § 48 by resort to § 52, an exception to the provisions of § 51.”) (citations omitted).

41. *See Stonite*, 315 U.S. at 563.

survive the creation of the patent venue statute, “which was intended to define the exact limits of venue in patent infringement suits.”⁴²

In the 1948 revision and recodification of the Judicial Code, Congress placed the venue provisions⁴³ in 28 U.S.C. § 1400(b) and revised the language of the provisions.⁴⁴ In particular, Congress replaced the phrase “of which the defendant is an inhabitant” in the prior patent venue statute with “where the defendant resides.”⁴⁵ 28 U.S.C. § 1400(b) provides: “[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.”⁴⁶

Despite the Supreme Court’s holding in *Stonite*, a split among the circuits developed as to whether § 1391(c), the general venue statute, supplemented the patent venue statute and therefore “a corporation may be sued for patent infringement in any district where it merely ‘is doing business.’”⁴⁷ In its 1957 *Fourco* decision, the Supreme Court held that § 1400(b) was “the sole and exclusive provision controlling venue in patent infringement actions,” and was “not to be supplemented by the provisions of 28 U.S.C. § 1391(c).”⁴⁸ Section 1391(c), at that time, provided venue rules for corporations and also defined a corporation’s residence as “any judicial district in which it is incorporated or licensed to do business or is doing business . . . for venue purposes.”⁴⁹

Rather than looking to Congress’s intent in creating § 1391(c), the Court focused on whether the patent venue statute had changed since it was last considered in *Stonite*.⁵⁰ The Court found no substantive change in the

42. *See id.* at 566.

43. Before the 1948 revision and recodification, the patent venue statute was in § 48 of the 1911 Judicial Code and 28 U.S.C. § 109 (1940). *See Fourco Glass Co. v. Transmirra Prod. Corp.*, 353 U.S. 222, 225–26 (1957).

44. *See Fourco*, 353 U.S. at 226.

45. *See id.* (citing the Revisers’ Notes on § 1400(b)).

46. Notably, § 1400(b) only applies to patent infringement action, and thus does not cover venue for other actions under patent laws such as interference actions and actions for declaratory judgment. *See* WRIGHT, *supra* note 15, at § 3823.

47. *Fourco*, 353 U.S. at 224 n.3.

48. *Id.* at 229.

49. Section 1391(c) at that time read: “(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.” *See Fourco*, 353 U.S. at 223.

50. *See id.* at 225. The Court reasoned:

[U]nless there has been a substantive change in what was § 48 of the Judicial Code at the time the *Stonite* case was decided, on March 9, 1942, it is evident that that statute would still constitute “the exclusive provision controlling venue in patent infringement proceedings.” The question here, then, is

intervening 1948 recodification.⁵¹ Congress had explained that replacement of the phrase “of which the defendant is an inhabitant” with “where the defendant resides” was because “inhabitant” and “resident” were synonymous.⁵² The Court reasoned that because “inhabitant” and “resident” meant domicile, and therefore, with respect to corporations, the state of incorporation only, Congress’s explanation “negative[d] any intention to make corporations suable, in patent infringement cases, where they are merely ‘doing business.’”⁵³ Moreover, the Court reasoned that because § 1391(c) was the general corporation venue statute and § 1400(b) was the special venue statute governing patent infringement actions, § 1391(c) did not apply to patent infringement actions because of the principle that “[s]pecific terms prevail over the general.”⁵⁴

In 1972, the Supreme Court went against its trend of finding the patent venue statute exclusive in *Brunette v. Kockum*, holding that the patent venue statute was supplemented by the general venue statute’s provision of venue for foreign defendants.⁵⁵ While reiterating that residence in § 1400(b) for a corporation is its place of incorporation, the Court held that § 1391(d), which provided that a foreign defendant could be sued in any district, was distinguishable from the provisions considered in *Stonite* and *Fourco* because in § 1391(d), “Congress was stating a principle of broad and overriding application.”⁵⁶ The Court reasoned that § 1391(d) could not be “confined in its application to cases that would otherwise fall under the general venue statutes” because it was “properly regarded, not as a venue restriction at all, but rather as a declaration of the long-established rule.”⁵⁷

simply whether there has been a substantive change in that statute since the *Stonite* case. If there has been such change, it occurred in the 1948 revision and recodification of the Judicial Code.

Id.

51. *Id.* at 227–28.

52. *Id.* at 226.

53. *See id.*

54. *See id.* at 228–29 (“However inclusive may be the general language of a statute, it will not be held to apply to a matter specifically dealt with in another part of the same enactment . . .”) (quoting *Clifford F. MacEvoy Co. v. United States*, 322 U.S. 102, 107 (1944)) (internal quotations omitted).

55. *See Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 (1972).

56. *See id.* at 714.

57. *See id.*

2. VE Holding: *After 1988 Amendment, General Venue Statute's Corporate Residence Definition Supplements the Patent Venue Statute*

In 1988, Congress amended the general venue statute and adopted the new definition of a corporation's residence as any "judicial district in which it is subject to personal jurisdiction at the time the action is commenced."⁵⁸ In addition, the 1988 amendment added the phrase: "[f]or purposes of venue under this chapter" to the beginning of § 1391(c).⁵⁹

In *VE Holding v. Johnson Gas*, the Federal Circuit considered whether Congress meant to apply the new definition of "resides" in § 1391(c) to § 1400(b) and thereby change the "long-standing interpretation of the patent venue statute."⁶⁰ The court reasoned that "this chapter" in § 1391(c)'s new phrase "[f]or purposes of venue under this chapter" referred to chapter 87 of title 28 and thus encompassed §§ 1391–1412, including § 1400(b).⁶¹ Thus, the court held, "[o]n its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term 'resides' in that section."⁶²

The court acknowledged that one "may be tempted to disregard the clear language of § 1391(c)" based on the historical independence of § 1400(b) as established in *Fourco* and lack of express legislative history in the 1988 amendment indicating any intent to change venue in patent infringement cases.⁶³ However, the court reasoned, "Section 1391(c) as it was in *Fourco* is no longer."⁶⁴ The court reasoned that the general rule that specific statutes, like § 1400(b), are not controlled by general ones, like § 1391(c), was not applicable here because § 1391(c) expressly read itself into § 1400(b).⁶⁵ Moreover, § 1391(c) did not govern § 1400(b), but, rather, simply defined a term in § 1400(b).⁶⁶

58. See Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, tit. X, § 1013(a), 102 Stat. 4642, 4669 (1988); 28 U.S.C. 1391(c) (1988). The legislative history indicates that this definition for corporate residence would ensure the venue determination is made with reference to the *particular judicial district* in which a corporation is sued, rather than "make venue proper in *any district* in a multidistrict state in which a corporation is incorporated, licensed to do business, or doing business." H.R. REP. 100-889, at 70 (1988), as reprinted in 1988 U.S.C.C.A.N. 5982, 6031 (emphasis added).

59. See Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, tit. X, § 1013(a), 102 Stat. 4642, 4669 (1988); 28 U.S.C. 1391(c) (1988).

60. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990).

61. See *id.* at 1578.

62. See *id.*

63. See *id.*

64. See *id.* at 1579.

65. See *id.* at 1580.

66. See *id.*

C. FORUM SHOPPING IN THE AFTERMATH OF *VE HOLDING*

In the years following *VE Holding*'s expansion of venue in patent infringement cases, forum shopping in patent infringement increased. Many scholars trace the forum-shopping trend to *VE Holding*.⁶⁷ One of the first papers documenting forum shopping in patent cases after *VE Holding* is the 2001 paper by Kimberly A. Moore.⁶⁸ The paper found forum shopping was “alive and well in patent litigation” because “[b]orderless commerce and lax jurisdiction and venue requirements g[a]ve plaintiffs in patent cases an unfettered choice of where to bring suit.”⁶⁹

In *Of Fire Ants and Claim Construction*, Yan Leychkis documented the emergence of the Eastern District of Texas as “the new superstar of patent litigation districts.”⁷⁰ The Eastern District of Texas rose from “almost complete judicial obscurity” in 2001 to second place in the rankings of districts ranked by number of new patent cases filed in 2006, “ahead of all the perennial favorites except the Central District of California.”⁷¹ The Eastern District of Texas continued to attract more patent cases, such that in 2015, nearly 44% of patent cases were brought in the Eastern District of Texas.⁷²

Commenters have attributed the Eastern District of Texas's popularity to its fast adjudication of patent cases as the “rocket docket,”⁷³ its local procedural rules—including a preference for trial over summary judgment⁷⁴ and its patentee-friendly juries.⁷⁵ Some scholars suggest that the liberal venue rules have enabled judges in the Eastern District of Texas to engage in “forum

67. See, e.g., Petition for Writ of Certiorari, *supra* note 1, at 18.

68. Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001). Judge Moore authored the Federal Circuit's decision in *In re TC Heartland*, 821 F.3d 1338 (Fed. Cir. 2016).

69. See *id.* at 937.

70. Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas As A Preeminent Forum for Patent Litigation*, 9 YALE J. L. & TECH. 193, 204 (2007).

71. *Id.*

72. Brian Howard, *Announcing the Patent Litigation Year in Review 2015*, LEX MACHINA (Mar. 16, 2016), <https://lexmachina.com/14318/> [<https://perma.cc/V2NM-87MF>].

73. See Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. CAL. L. REV. 241 at 266 (2016) (“During the Eastern District's rise in popularity from 2000 to 2007, the median time to trial in the Eastern District was only 1.8 years. This was the fastest among the five busiest patent districts . . .”).

74. See *id.* at 251 (finding “judges in the Eastern District of Texas grant summary judgment at less than one-quarter the rate of judges in other districts”).

75. See Leychkis, *supra* note 70, at 210 (“To say that juries in the Eastern District of Texas favor patent holders is something of an understatement—quite plainly, an Eastern District jury is the patentee plaintiff's best friend.”).

selling,” that is, compete for patent cases through patentee-friendly procedures.⁷⁶ Forum shopping in patent actions increased to the point that critics called it a “plague,”⁷⁷ “rampant,”⁷⁸ and “unseemly.”⁷⁹

D. STATUTORY BASIS FOR CHALLENGE TO *VE HOLDING*: 2011 AMENDMENTS TO THE GENERAL VENUE STATUTE

This “plague” of forum shopping perhaps motivated the petitioners in *TC Heartland v. Kraft Foods* to find a cure in Congress’s 2011 amendments to the general venue statute, arguing that such amendments repealed the broad patent venue rules created by the Federal Circuit’s *VE Holding* decision. In the Federal Courts Jurisdiction and Clarification Act of 2011, Congress amended the general venue statute, providing a statutory hook for the challenge to the *VE Holding* decision.⁸⁰ The 2011 amendment made two important changes to the statutory language of § 1391. First, § 1391(a), the “Applicability” provision, now provides that “Except as otherwise provided by law,” the section governs all civil actions.⁸¹ Second, Congress changed § 1391(c) by replacing the 1988 phrase “[f]or purposes of venue under this chapter,” which the *VE Holding* decision relied on, with the phrase “[f]or all venue purposes.”⁸²

III. *TC HEARTLAND V. KRAFT FOODS*

This Part summarizes the facts and procedural history of *TC Heartland*, the Federal Circuit decision, the parties’ arguments before the Supreme Court, and, finally, the Supreme Court’s decision.

76. See Klerman, *supra* note 73, at 250 (“[J]udges in the Eastern District have consciously sought to attract patentees and have done so by departing from mainstream doctrine in a variety of procedural areas in a pro-patentee (pro-plaintiff) way.”).

77. Petition for Writ of Certiorari, *supra* note 1, at 8.

78. Brief of Electronic Frontier Foundation, *supra* note 2, at 1; Brief of 32 Internet Companies, *supra* note 2, at 4; Brief of 56 Professors, *supra* note 2 at 1.

79. Brief of Dell, *supra* note 3 at 3.

80. See Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 763 (2011).

81. See 28 U.S.C. § 1391(a) (2012).

82. Compare § 1391(c) (2012) (“For all venue purposes”), with § 1391(c) (1988) (“For purposes of venue under this chapter); see *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1578 (Fed. Cir. 1990) (“The phrase ‘this chapter’ refers to chapter 87 of title 28, which encompasses §§ 1391–1412, and thus includes § 1400(b). On its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term ‘resides’ in that section.”).

A. FACTS AND PROCEDURAL HISTORY

Kraft Food Groups Brands, LLC filed a complaint against TC Heartland, LLC in the United States District Court for the District of Delaware alleging Heartland's liquid water enhancer products infringed three of Kraft's patents.⁸³

Kraft is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Illinois.⁸⁴ Heartland is a limited liability company organized and existing under Indiana law, with headquarters in Indiana.⁸⁵

Heartland moved to dismiss Kraft's complaint to the extent that it sought relief for alleged acts of patent infringement occurring outside of Delaware, and also moved to transfer venue to the Southern District of Indiana pursuant to 28 U.S.C. §§ 1404(a) and 1406(a).⁸⁶ Heartland alleged that "it is not registered to do business in Delaware, has no local presence in Delaware, has not entered into any supply contracts in Delaware or called on any accounts there to solicit sales."⁸⁷ However, Heartland admitted that pursuant to contracts with two national customers, Heartland did ship some of the accused products, about two percent of Heartland's total 2013 sales of the accused products, into Delaware.⁸⁸

The district court denied Heartland's motion.⁸⁹ The district court agreed with the magistrate judge's conclusions that: (1) Under *Beverly Hills Fan*, "personal jurisdiction exists *in patent cases* where, as here, the 'defendants purposefully shipped the accused [product] into [the forum state] through an established distribution channel,'"⁹⁰ and (2) the 2011 amendments to § 1391 "did not undo the Federal Circuit's decision in *VE Holding*" and, therefore "venue is appropriate for a defendant in a patent infringement case where personal jurisdiction exists."⁹¹

83. *In re TC Heartland LLC*, 821 F.3d 1338, 1340 (Fed. Cir. 2016).

84. *Id.*

85. *Id.*

86. Motion to Dismiss Claims for Lack of Personal Jurisdiction and for Transfer of Venue to the Southern District of Indiana, *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. CV 14-28-LPS, 2015 WL 5613160 (D. Del. Sept. 24, 2015) (1:14-cv-00028-LPS Dkt. No. 7).

87. *TC Heartland LLC*, 821 F.3d at 1340.

88. *Id.*

89. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. CV 14-28-LPS, 2015 WL 5613160, at *1 (D. Del. Sept. 24, 2015).

90. *Id.* (citing *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994)).

91. *Id.* at *2.

Heartland filed a petition with the Federal Circuit for a writ of mandamus to direct the district court to dismiss the action or transfer the action to the Southern District of Indiana under 28 U.S.C. § 1406(a).⁹²

B. THE FEDERAL CIRCUIT'S DECISION

The Federal Circuit denied Heartland's petition.⁹³ The court held that Heartland failed to show its right to mandamus was "clear and indisputable"⁹⁴ because Heartland's legal theory regarding venue was foreclosed by the Federal Circuit's precedent, *VE Holding*.⁹⁵ In addition, Heartland's legal theory regarding personal jurisdiction was foreclosed by *Beverly Hills Fan*.⁹⁶

The Federal Circuit rejected Heartland's argument that Heartland does not "reside" in Delaware for purposes of venue under § 1400(b).⁹⁷ The court was not persuaded by Heartland's argument that Congress's 2011 amendments to § 1391 nullified *VE Holding*'s holding that the definition of corporate residence in § 1391 applies to § 1400(b).⁹⁸

First, the court reasoned, the 2011 amendment to § 1391 actually broadened the applicability of corporate residence by changing the language preceding the definition of corporate residence from "[f]or the purposes of venue under this chapter" to "[f]or all venue purposes."⁹⁹ Such a broadening of § 1391's applicability does not support Heartland's arguments that the 2011 amendments narrowed the applicability of § 1391.¹⁰⁰

Second, the court was not persuaded by Heartland's argument that the 2011 amendment's addition of "Applicability of section. —Except as otherwise provided by law" to § 1391(a) displaced § 1391(c)'s definition of

92. Petition for Writ of Mandamus, *In re TC Heartland LLC*, 821 F.3d 1338 (Fed. Cir. 2016) (Docket No. 16-00105).

93. *In re TC Heartland LLC*, 821 F.3d 1338, 1340 (Fed. Cir. 2016).

94. *Id.* at 1341 (citing *Cheney v. U.S. Dist. Court for the Dist. of Columbia*, 542 U.S. 367, 381 (2004)).

95. *Id.* at 1341, 1345.

96. Citing its precedent in *Beverly Hills Fan*, the Federal Circuit rejected Heartland's arguments that the case should be dismissed for lack of personal jurisdiction. *Id.* at 1344–45 (citing *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994)). The Federal Circuit rejected Heartland's argument that there was no specific personal jurisdiction for Heartland's activities within Delaware, concluding that Heartland's activities in Delaware were sufficient for minimum contacts. *Id.* Moreover, the Federal Circuit rejected Heartland's argument that the Delaware district court only had specific jurisdiction over the allegedly infringing acts occurring within Delaware and not those occurring outside of Delaware. *Id.*

97. *Id.* at 1341.

98. *Id.* at 1341–42.

99. *Id.* at 1341 (citing 28 U.S.C. § 1391(c) (1988) and 28 U.S.C. § 1391(c) (2011)).

100. *Id.*

corporate residence with one otherwise provided by law for patent cases.¹⁰¹ First, the patent venue statute § 1400(b) does not itself define corporate residence and so cannot be the “law” otherwise provided that would displace § 1391’s definition.¹⁰² And, even assuming that Congress intended “law” to be federal common law, Heartland’s argument that Congress intended to codify federal common law as defined by the Supreme Court’s 1957 decision in *Fourco* is “without merit or logic” because the Federal Circuit held in *VE Holding* that *Fourco* no longer applied after the 1988 amendments to § 1391.¹⁰³ Indeed, Congressional reports recognized that *VE Holding* was the prevailing law both before and after the 2011 amendments to § 1391 and Heartland failed to provide any evidence that Congress otherwise intended to codify *Fourco*.¹⁰⁴

Following the Federal Circuit’s decision, Heartland filed a petition for writ of certiorari, asking the Supreme Court to answer “[w]hether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c),”¹⁰⁵ and the Supreme Court granted certiorari.¹⁰⁶

C. ARGUMENTS TO THE SUPREME COURT

The parties’ arguments to the Supreme Court focused on the statutory interpretation question as well as the policy implications. The petitioner Heartland argued that even under the 1988 language of the general venue statute, the Federal Circuit in *VE Holding* erred in its rejection of the Supreme Court’s interpretation of the patent venue statute in *Fourco*.¹⁰⁷ In the alternative, Heartland argued, if the Federal Circuit’s interpretation of the 1988 general venue statute was correct, such an interpretation could no longer hold because the 2011 amendment to the general venue statute “repealed” the statutory language *VE Holding* relied on¹⁰⁸ and also added a proviso.¹⁰⁹ In addition,

101. *Id.* at 1341–42.

102. *Id.* at 1342.

103. *Id.* (citing *Fourco v. Transmirra*, 353 U.S. 222 (1957)).

104. *Id.* at 1343.

105. Petition for Writ of Certiorari, *supra* note 1, at i.

106. *TC Heartland LLC v. Kraft Food Brands Grp. LLC*, 137 S. Ct. 614 (2016).

107. See Brief for Petitioner at 24–36, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341).

108. *Id.* at 39 (“In 2011, Congress rewrote § 1391 and repealed the statutory language in the 1988 version of § 1391(c) that *VE Holding* and the decision below treated as having changed the meaning of 28 U.S.C. § 1400(b).”).

109. *Id.* (“The 2011 Act also created a new 28 U.S.C. § 1391(a), titled ‘Applicability of Section,’ which reads in pertinent part: ‘*Except as otherwise provided by law*—(1) this section shall govern the venue of all civil actions brought in district courts of the United States.’”).

Heartland emphasized the effects of the broad venue rules under *VE Holding*, including forum shopping by plaintiffs into patentee-favorable venues.¹¹⁰

The respondent, Kraft, argued that the Supreme Court’s interpretation in *Fourco* does not govern because it was of an earlier statute which has since been substantively revised.¹¹¹ In the 2011 amendment to the general venue statute, Congress expressly defined where a defendant “resides” for *all* venue purposes.¹¹² The definition of residence was an “all-purpose” definition that was meant to apply globally to specialized venue statutes.¹¹³ Finally, Kraft argued, Heartland’s policy arguments could not justify departing from the statute’s plain text.¹¹⁴ In addition, Heartland’s policy arguments fail on their own terms because Heartland’s definition of residence as the state of incorporation would heighten the concentration of patent cases in select districts like the District of Delaware.¹¹⁵

D. THE SUPREME COURT’S DECISION

In a ten-page opinion authored by Justice Thomas and joined by all members of the Court (except Justice Gorsuch, who took no part in the consideration or the decision), the Court reversed the Federal Circuit.¹¹⁶ The Court concluded that the amendments to the general venue statute did not change the meaning of “resides” in the patent venue statute under *Fourco*.¹¹⁷ Therefore, the Court held, for the purpose of the patent venue statute, “a

110. *Id.* at 14–16 (describing high rate of patent litigation in the Eastern District of Texas and the District of Delaware and describing these courts as “not better in any value-neutral sense” but “simply better for patent plaintiffs and worse for patent defendants” (quoting Matthew Sag, *IP Litigation in U.S. District Courts: 1999–2014*, 101 IOWA L. REV. 1065 (2016))).

111. *See* Brief for the Respondent at 13–14, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341) [hereinafter *Brief for Respondent*] (“Congress was not required to state expressly that it was abrogating *Fourco* when it adopted new statutory language that unambiguously does exactly that.”).

112. *Id.* at 16 (“The text clearly establishes that Section 1391(c)’s definition of ‘residence’ applies ‘[f]or all venue purposes.’ And a separate definition confirms what is already self-evident—that ‘all venue purposes’ include *patent*-venue purposes.”).

113. *Id.* at 19 (explaining that an all-purpose definition enabled Congress to “clarify venue law without undertaking the ‘challenging, delicate, and indeed agonizing’ process of amending or repealing more than 200 specialized venue statutes” (quoting AM. LAW INSTITUTE, FEDERAL JUDICIAL CODE REVISION PROJECT 168 (2003))).

114. *Id.* at 14.

115. *Id.* (“Heartland’s definition would deem each corporation to reside in only *one* jurisdiction, the state of incorporation. That would heighten, not reduce, the concentration of patent-infringement cases in a handful of judicial districts—primarily the districts where most companies are incorporated, such as the District of Delaware.”).

116. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017).

117. *Id.* at 1517.

domestic corporation ‘resides’ only in its State of incorporation.”¹¹⁸ The Court’s analysis relies on its premise that if Congress intended to change the meaning of the patent venue statute under *Fourco* through Congress’s amendment the general venue statute, Congress would have provided “a relatively clear indication of its intent in the text of the amended provision.”¹¹⁹ Comparing the current version of the general venue statute with the version of the general venue statute as it existed when it was interpreted in *Fourco*, the Court concluded that “[t]he current version of § 1391 does not contain any indication that Congress intended to alter the meaning of § 1400(b) as interpreted in *Fourco*.”¹²⁰

The Court framed the issue in *TC Heartland* as “whether Congress changed the meaning of § 1400(b) when it amended § 1391.”¹²¹ The Court emphasized it had “definitively and unambiguously” held in *Fourco* that the word “resides” in § 1400(b) means only the State of incorporation for domestic corporations.¹²² Because the parties did not challenge *Fourco*, and there were no amendments to § 1400(b) following *Fourco*, the Court’s analysis focused on the effect of amendments to § 1391 to the meaning of § 1400(b).¹²³ The Court examined two amendments to § 1391: (1) the new “[f]or all venue purposes” language in § 1391(c); and (2) the addition of “[e]xcept as otherwise provided by law” in § 1391(a).

In evaluating the effect of the amendments to § 1391, the Court evoked a rule disfavoring implied modification of a statute’s settled construction.¹²⁴ Specifically, the Court stated, “[w]hen Congress intends to effect a change of that kind,”—“that kind” presumably referred to changes by one statute to the Court’s “definite[] and unambiguous[]” construction of another statute—“it ordinarily provides a relatively clear indication of its intent in the text of the amended provision.”¹²⁵

118. *Id.*

119. *See id.* at 1520.

120. *Id.*

121. *Id.*

122. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

123. *Id.*

124. *Id.*

125. *Id.* (first citing *United States v. Madigan*, 300 U.S. 500, 506 (1937) (“[T]he modification by implication of the settled construction of an earlier and different section is not favored”); and then citing A. SCALIA & B. GARNER, *READING LAW: THE INTERPRETATION OF LEGAL TEXTS* 331 (2012) (“A clear, authoritative judicial holding on the meaning of a particular provision should not be cast in doubt and subjected to challenge whenever a related though not utterly inconsistent provision is adopted in the same statute or even in an affiliated statute.”)).

Applying this rule to the statutes at issue in *TC Heartland*, the Court found no indication in the current version of § 1391 that “Congress intended to alter the meaning of § 1400(b) as interpreted in *Fourco*.”¹²⁶ The Court rejected each of Kraft’s arguments regarding the meaning of “[f]or all venue purposes” in § 1391(c) and “[e]xcept as otherwise provided by law” in § 1391(a), and, finally, found no indication that “Congress in 2011 ratified the Federal Circuit’s decision in *VE Holding*.”¹²⁷

First, the Court concluded that “[f]or all venue purposes” in the current version of § 1391(c) was not materially different from “for venue purposes” in *Fourco*.¹²⁸ Both versions provide a default rule for venue purposes.¹²⁹ The Court rejected Kraft’s argument that “all venue purposes” does not mean “all venue purposes *except* for patent venue” because the “same argument” was rejected in *Fourco*.¹³⁰ The Court reasoned that “the addition of the word ‘all’ to the already comprehensive provision does not suggest that Congress intended for us to reconsider that conclusion.”¹³¹

Second, the Court reasoned that the addition of “[e]xcept as otherwise provided by law” in the current § 1391(a) is a saving clause that “expressly contemplates that certain venue statutes may retain definitions of ‘resides’ that conflict with its default definition.”¹³² No such saving clause existed in § 1391 when the Court decided *Fourco* but, there, the Court nonetheless held that “‘resides’ in § 1400(b) retained its original meaning contrary to § 1391(c)’s default definition.”¹³³ Thus, the clause “makes explicit the qualification that this Court previously found implicit in the statute.”¹³⁴ The Court rejected Kraft’s argument that the saving clause in § 1391(a) does not apply to the definitions in § 1391(c) because the text of § 1391(a) “makes clear that the saving clause applies to the entire ‘section.’”¹³⁵

126. *Id.*

127. *Id.* at 1520–21.

128. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017). The Court cited *Pure Oil Co. v. Suarez*, 384 U.S. 202, 204–05 (1966), for the Court’s prior construction of “for venue purposes” as covering “all venue statutes.”

129. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017). (“Although the current version of § 1391(c) provides a default rule that applies ‘[f]or all venue purposes,’ the version at issue in *Fourco* similarly provided a default rule that applied ‘for venue purposes.’”).

130. *See id.* at 1520–21 (citing Brief for the Respondent, *supra* note 111, at 21).

131. *Id.* at 1521.

132. *Id.*

133. *Id.*

134. *Id.*

135. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017).

Lastly, the Court found no indication in the 2011 amendments that Congress intended to ratify the interpretation of § 1391 in *VE Holding*.¹³⁶ Rather, Congress's deletion of "under this chapter" in 2011 from the phrase interpreted in *VE Holding* "[f]or purposes of venue under this chapter" undermines the rationale of *VE Holding*, which relied heavily on the "under this chapter" language.¹³⁷ Thus, Congress "worded the current version of § 1391(c) almost identically to the original version of the statute."¹³⁸

In sum, the Court's decision in *TC Heartland* undid the Federal Circuit's decision in *VE Holding* and held that, for the purpose of the patent venue statute, "a domestic corporation 'resides' only in its State of incorporation."¹³⁹ Two footnotes in the opinion emphasized that the holding is limited to patent venue for *domestic corporations*. First, though the parties' briefs to the Supreme Court suggested that petitioner is not a corporation, but an unincorporated entity,¹⁴⁰ the Court "confine[d] [its] analysis to the proper venue for corporations" because the case was litigated based on the understanding that petitioner was a corporation.¹⁴¹ Second, the Court expressly limited its decision to *domestic* corporate defendants and expressed no opinion on its holding in *Brunette*.¹⁴² Thus the general venue statute still applies to foreign defendants sued for patent infringement, and they may be sued wherever there is personal jurisdiction.

IV. AFTERMATH OF *TC HEARTLAND*

TC Heartland dramatically narrowed the first prong of the patent venue statute. Before *TC Heartland*, "resides" was interpreted to mean any place the defendant was subject to personal jurisdiction.¹⁴³ Now, for corporate

136. *Id.*

137. *Id.*

138. *Id.* ("Compare § 1391(c) (2012 ed.) ('[f]or all venue purposes') with § 1391(c) (1952 ed.) ('for venue purposes').").

139. *Id.* at 1517.

140. Brief for the Respondent, *supra* note 111, at 9 n.4; Reply Brief at 4, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341).

141. *TC Heartland LLC*, 137 S. Ct. at 1517 n.1.

142.

The parties dispute the implications of petitioner's argument for foreign corporations. We do not here address that question, nor do we express any opinion on this Court's holding in *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*, 406 U.S. 706, 92 S. Ct. 1936 n.2 (1972) (determining proper venue for foreign corporation under then existing statutory regime).

Id. at 1520 n.2.

143. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990).

defendants, it is limited to districts in the state of the defendant's place of incorporation.¹⁴⁴ Thus, after *TC Heartland*, plaintiffs suing corporate defendants must choose to sue in the state where the defendant is incorporated¹⁴⁵ or establish venue under the second prong of the patent venue statute: "where the defendant has committed acts of infringement and has a regular and established place of business."¹⁴⁶

The decision has attracted scholarly attention, with articles analyzing the Court's statutory interpretation¹⁴⁷ and the decision's implications on access to the courts.¹⁴⁸

A. TRENDS IN PATENT FILINGS

Since the *TC Heartland* decision, there has been a shift in patent filings from the Eastern District of Texas to the District of Delaware. According to analysis by Lex Machina, patent cases filed in the Eastern District of Texas dropped from 33% of all patent case in the 180 days before *TC Heartland* to only 14% in the 180 days after.¹⁴⁹ Meanwhile, cases filed in the District of Delaware increased from 13% to 24% during that period.¹⁵⁰ Finally, cases filed in all other districts increased from 54% to 62%.¹⁵¹ In addition, the grant rate of

144. *TC Heartland LLC*, 137 S. Ct. at 1517.

145. *See id.*

146. 28 U.S.C. § 1400(b) (2012).

147. *See* Robert G. Bone, *Forum Shopping and Patent Law—A Comment on TC Heartland*, 96 TEX. L. REV. 141, 153 (2017) (arguing that the Court offered "remarkably thin support for its conclusion" and that the Federal Circuit's contrary interpretation "is at least as reasonable as *TC Heartland's* on textualist grounds"); Case Note, *Venue Statutes—Patent Suits—Definition of Corporate Residence—TC Heartland LLC v. Kraft Foods Group Brands LLC*, 131 HARV. L. REV. 393 (2017) ("An instructive irony underlies *TC Heartland*: a text-focused clear statement rule led the Court to uphold a purposivist construction of a statutory scheme.")

148. *See* Jesse Snyder, *TC Heartland LLC v. Kraft Foods Group Brands and the Big Debate About East Texas: How A Delaware Case Leaves Patent Venue Unsettled and Presages as Applied Challenges to the Constitutionality of Narrow Venue Interpretations*, 17 J. MARSHALL REV. INTELL. PROP. L. 232, 256 (2017) ("No doubt *TC Heartland* could shield small businesses from defending against lawsuits in hostile courts, but the case might presage an unconstitutional burden on their right to access to courts.")

149. *Lex Machina's Fifth Annual Patent Litigation Year in Review Report Quantifies the Impact of the Landmark TC Heartland v. Kraft Supreme Court Case*, LEX MACHINA (Feb. 7, 2018), <https://lexmachina.com/media/press/lex-machinas-fifth-annual-patent-litigation-year-review-report-quantifies-impact-landmark-tc-heartland-v-kraft-supreme-court-case/> [<https://perma.cc/MF6X-KKJK>].

150. *Id.*

151. *Id.*

motions to transfer venue in the Eastern District of Texas and in other districts increased after *TC Heartland*.¹⁵²

B. RESURRECTION OF “REGULAR AND ESTABLISHED PLACE OF BUSINESS”

Now that “resides” in the patent venue statute is only the place of incorporation for corporate domestic defendants, plaintiffs seeking to sue elsewhere must look to the second prong of the venue statute: “where the defendant has committed acts of infringement and has a regular and established place of business.”¹⁵³

The first part, “where the defendant has committed acts of infringement,” is satisfied by an allegation of an act of infringement in the district, including, under 35 U.S.C. § 271, allegations of a defendant’s making, using, offering to sell, or selling a patented invention, or inducing that conduct.¹⁵⁴

What constitutes a “regular and established place of business” is less straightforward. In renewing a patentee’s reliance on the second prong of the patent venue statute, *TC Heartland* has resurrected the pre-*VE Holding*, fact-intensive inquiry regarding what constitutes the defendant’s “regular and established place of business.”

Just four months after the Supreme Court’s holding in *TC Heartland*, the Federal Circuit provided guidance on where a defendant has a “regular and established place of business” in *In re Cray*,¹⁵⁵ reversing a flexible, totality of the circumstances test developed by the lower court in the Eastern District of Texas.¹⁵⁶

In *Raytheon v. Cray*, the District Court for the Eastern District of Texas held that venue was proper in the Eastern District of Texas when the defendant’s

152. BRIAN C. HOWARD, LEX MACHINA—PATENT LITIGATION YEAR IN REVIEW 2017 9 (Feb. 2018). The grant rate of motions to transfer in the Eastern District of Texas increased from 51% in the 180 days before *TC Heartland* to 75% in the 180 days after *TC Heartland*. *Id.*

153. 28 U.S.C. § 1400(b) (2012).

154. *Raytheon Co. v. Cray, Inc.*, 258 F. Supp. 3d 781, 788 (E.D. Tex.), *vacated*, *In re Cray Inc.*, 871 F.3d 1355 (Fed. Cir. 2017) (“Although the statute uses the phrase ‘act of infringement,’ courts have ‘consistently held that an *allegation* of infringement is itself sufficient to establish venue and [the] plaintiff is not required to demonstrate actual infringement by [the] defendant[.]’”) (quoting *Funnelcap, Inc. v. Orion Indus., Inc.*, 392 F. Supp. 938, 943 (D. Del. 1975)); *see also* ROBERT A. MATTHEWS, 5 ANNOTATED PATENT DIGEST § 36:153.80 (2018) (“The Federal Circuit has expressly instructed that ‘[t]he issue of infringement is not reached on the merits in considering venue requirements.’”) (quoting *In re Cordis Corp.*, 769 F.2d 733, 737 (Fed. Cir. 1985)).

155. *In re Cray Inc.*, 871 F.3d 1355, 1360 (Fed. Cir. 2017).

156. *Raytheon Co. v. Cray, Inc.*, 258 F. Supp. 3d 781 (E.D. Tex.), *vacated*, *In re Cray*, 871 F.3d at 1367.

only contacts with the Eastern District of Texas was its employees working from their homes in the district.¹⁵⁷ The opinion, authored by Judge Gilstrap, also articulated a “totality of the circumstances test” involving four factors: physical presence, defendant’s representations, benefits received, and targeted interactions with the district.¹⁵⁸ These factors were “gleaned from prior courts and adapted to apply in the modern era.”¹⁵⁹ The factors, the court explained, serve two purposes: (1) focus the analysis on “only the relevant facts of the case and avoid costly and far-flung venue discovery”¹⁶⁰ and (2) “encompass the flexibility earlier courts found appropriate when interpreting the statutory text in light of diverse business structures and practices which evolve with advances in technology.”¹⁶¹

On a writ of mandamus, the Federal Circuit vacated the district court’s opinion and clarified that where the defendant has a “regular and established place of business” under § 1400(b) must meet “three general requirements . . . (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.”¹⁶² The court rejected the District Court’s “four-factor test” because it was “not sufficiently tethered to [§ 1400(b)’s] statutory language and thus it fail[ed] to inform each of the necessary requirements of the statute.”¹⁶³

In explaining the three requirements, the court stressed that “the analysis must be closely tied to the language of the statute,” and analyzed the statutory requirements using dictionaries from 1891 and 1911 as well as precedent predating *VE Holding*.¹⁶⁴ Applied to the facts of the case, most important was the third requirement that the “regular and established place of business must be ‘the place of the defendant.’”¹⁶⁵ The Court concluded that the defendant’s employee’s home was not a regular and established place of business

157. *See id.* at 799; *In re Cray Inc.*, 871 F.3d at 1357.

158. *Raytheon*, 258 F. Supp. at 796–98.

159. *Id.* at 796.

160. *Id.* The opinion describes how the venue inquiry “often evolved into an exploratory examination of a defendant’s behavior,” in which courts would “delve into minute details,” thus encouraging gamesmanship and “costly venue discovery” that “ultimately amounts to a distraction from the merits of the case.” *Id.* at 795.

161. *Id.* at 796. The opinion describes how “[t]echnology has revolutionized the way businesses operate and the way consumers interact with those businesses” and how many courts have recognized this shift by interpreting law, including statutes, “in light of changing technology.” *Id.* (citing cases considering technological changes in context of personal jurisdiction, patentable subject matter, and § 1404 motions to transfer venue).

162. *In re Cray*, 871 F.3d at 1360.

163. *Id.* at 1362.

164. *Id.* at 1362–63.

165. *Id.* at 1364.

maintained by the defendant, but only a “physical location” where an employee worked.¹⁶⁶ In particular, the defendant did not select the location in the Eastern District of Texas or believe such a location was important to the business.¹⁶⁷

V. ANALYSIS

Though the Supreme Court’s decision in *TC Heartland* has helped to solve earlier problems with patent venue, the current patent venue rule is a poor fit for modern patent cases. This Part of the paper first identifies policies at the intersection of venue and patent law and explains why the current rule is not tailored to advance those policies. Then, the paper evaluates solutions to the patent venue problems.

A. PATENT VENUE POLICIES

This Section identifies general venue policies, discusses how forum shopping can be problematic, and illustrates how broad venue rules in the context of patent litigation do not serve patent venue policies.

1. *Venue Policies Generally*

Venue serves two primary functions, with a third “[j]urking in the background.”¹⁶⁸ One of the primary functions is “personal to affected parties, whose convenience may be affected and whose rights may be waived.”¹⁶⁹ The other function is “institutional, and serves the interest of the court system in allocating cases efficiently among the various available venues.”¹⁷⁰ Finally, the third function that venue serves “indirectly if not intrinsically,” accounting for “the great importance that parties attach to their venue options quite apart from any genuine inconvenience” is its control of the substantive law to applied,¹⁷¹ and many other considerations relevant to litigants.¹⁷² These considerations motivate forum shopping.

166. *Id.* at 1365–66.

167. *Id.* at 1365.

168. AM. LAW INSTITUTE, FEDERAL JUDICIAL CODE REVISION PROJECT 138 (2004).

169. *Id.* at 137–38 (“The place of suit should not be unduly inconvenient, either to the involuntary parties or to the involuntary agents of adjudication—judges, courts more generally, jurors, witnesses.”).

170. *Id.*

171. *Id.*

172. Note, *Forum Shopping Reconsidered*, 103 HARV. L. REV. 1677 at 1678 (1990). The note identifies “considerations that may motivate a forum shopper”:

[T]he convenience or expense of litigating in the forum, the inconvenience to one’s adversary, the probable or expected sympathies of a potential jury pool, the nature and availability of appellate review, judicial calendars and

Although courts and the legislature generally disfavor forum shopping, it “cannot be dismissed merely as an evil to be avoided.”¹⁷³ Forum shopping can be good when, for instance, it helps the legal system provide remedies: forum-shopping plaintiffs filing in a forum with socially beneficial rules enables greater enforcement of those rules.¹⁷⁴ That said, there are many reasons behind the general distaste for forum shopping. Forum shopping is problematic when it “overburdens certain courts and creates unnecessary expenses as litigants pursue the most favorable, rather than the simplest or closest, forum.”¹⁷⁵ Further, forum shopping “may create a negative popular perception about the equity of the legal system,”¹⁷⁶ as it suggests that legal outcomes are due to differences between courts and not the underlying merits of the case.

2. *Venue Policies in the Context of Patent Infringement*

Looking at venue policies and forum shopping in the context of patent infringement actions, the broad venue rules before *TC Heartland* did a poor job of serving those policies. While the Supreme Court’s decision created a better venue rule, many of the problems predating *TC Heartland* still exist.

a) Allocation of Patent Cases

Though broad venue rules could in theory lead to an efficient allocation of patent cases because of widely available forums, in practice, plaintiffs have chosen to forum shop into select districts, leading to a concentration of patent cases.

One potential benefit of such concentration is court expertise and specialization. Patent law presents unique challenges to judges due to its “complex and dynamic nature” and “the increasing sophistication of technologies.”¹⁷⁷ Recognizing the unique challenges of patent law, Congress established the patent pilot program, a program in which district judges could request to hear patent cases, in order to “encourage enhancement of expertise in patent cases among district judges”¹⁷⁸ and to make adjudication of patent

backlogs, local rules, permissibility of fee-splitting arrangements, and virtually any other interjurisdictional difference.

Id.

173. *Id.* at 1695.

174. *Id.* at 1692–93 (“Assuming that forum-shopping plaintiffs invoke substantive rules that are socially beneficial, the net effect of forum shopping is greater enforcement of the law and protection of plaintiffs’ legitimate interests.”).

175. *Id.* at 1684.

176. *Id.*

177. H.R. REP. NO. 109-673, at 3 (2006).

178. Patent Cases Pilot Program, Pub. L. No. 111-349, 124 Stat. 3674 (2011).

cases at the trial court level “more efficient, predictable, and reliable.”¹⁷⁹ The concentration of patent cases in certain districts can further the same policies at the heart of the patent pilot program by enhancing those districts’ patent expertise.

However, there is probably a point when the benefit of court expertise is outweighed by the inefficiencies of too high a concentration of patent cases. Under the patent venue rule before *TC Heartland*, a single judge in the Eastern District of Texas was assigned one-fourth of all patent case filings nationwide for cases filed between 2014 and 2016.¹⁸⁰ The new rule under *TC Heartland* has helped but has not solved the uneven allocation of patent cases. It appears the effect of the new rule is more case filings in Delaware instead of the Eastern District of Texas.¹⁸¹ One problem with the concentration under the current rules is inefficiency: having 263 cases, or 26% of all patent cases in a 90-day period¹⁸² filed in one district is not ideal from a work-allocation perspective.¹⁸³

b) Forum Shopping

Although forum shopping is not bad in itself, it is particularly problematic in the context of patent law because of Congress’s explicit policy against forum shopping in patent law, problematic procedural rules in the Eastern District of Texas, and patent assertion entities.

In creating the Federal Circuit, Congress recognized an explicit policy against forum shopping in patent actions and advanced a uniform system of patent law.¹⁸⁴ The legislative history for the creation of the Federal Circuit shows Congress’s concern that forum shopping in patent law increases litigation costs and “demeans the entire judicial process and the patent system

179. H.R. REP. NO. 109-673, at 3 (2006).

180. Love & Yoon, *supra* note 192, at 6 n. 21 (“According to Lex Machina, between 2014 and mid-2016 Judge Gilstrap saw 3,166 new patent suits, more than the combined total of all district courts in California, Florida, and New York: 2,656.”).

181. In the 90 days before *TC Heartland*, 33% of cases were filed in the Eastern District of Texas, 13% of cases were filed in the District of Delaware, and 54% of cases were filed in all other districts. In the 90 days after *TC Heartland*, 13% of cases were filed in the Eastern District of Texas, 26% of cases were filed in the District of Delaware, and 61% of cases were filed in all other districts. See Brian Howard, *Patent Litigation Trends in the Three Months after T.C. Heartland* (October 18, 2017) <https://lexmachina.com/patent-litigation-trends-in-the-three-months-after-t-c-heartland/> [<https://perma.cc/TYQ6-WW3X>].

182. *See id.*

183. *See* Announcement, Assignment of Cases to Visiting Judges – Update, U.S. Dist. Court for the Dist. of Del. (Sept. 22, 2017).

184. *See* S. REP. NO. 97-275, 5, 1982 U.S.C.C.A.N. 11, 15 (“The creation of the Court of Appeals for the Federal Circuit will produce desirable uniformity . . . such uniformity will reduce the forum-shopping that is common to patent litigation.”).

as well.”¹⁸⁵ Uniformity in substantive law would remove the incentive to forum-shop while easing business planning and investment in innovation through “more stable and predictable law.”¹⁸⁶

The primary concern with forum shopping in patent cases is specific to the Eastern District of Texas and thus is somewhat less prevalent in the wake of *TC Heartland* and the shift of cases to Delaware. The worry is that patent assertion entities file in the Eastern District of Texas to extort larger or faster settlements in frivolous suits, leveraging the Eastern District of Texas’s patentee-friendly procedural rules. One scholar observed that “judges in the Eastern District of Texas tend to exercise their discretion in ways that dampen the effect of prior legislative and judicial reforms that were aimed (at least in part) at deterring abusive patent suits.”¹⁸⁷ For example, at one point, the Eastern District of Texas was 4.65 times less likely than the national average to stay a patent case to pending Patent Office review,¹⁸⁸ and about seven times less likely to reach judgment—be it through motion before trial, by jury verdict, or by court trial—than other courts in the Patent Pilot Program.¹⁸⁹ Amici in *TC Heartland* argued that forum shopping in the forum least likely to provide a low-cost determination of invalidity or non-infringement causes “patents that should promptly be invalidated or declared inapplicable to modern technology” to instead “survive to tax or cloud what ought to be in the public domain.”¹⁹⁰ The worry is that the Eastern District of Texas’s differences permit frivolous suits to go forward, thus increasing the “nuisance” value of litigation¹⁹¹ and allowing patent assertion entities to obtain higher settlements than they would in most other districts. Between January 2014 and

185. *See id.*

186. *See id.* at 5–6.

187. Brian J. Love & James C. Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 STAN. TECH. L. REV. 1, 1 (2017).

188. Douglas B. Wentzel, *Stays Pending Inter Partes Review: Not in The Eastern District Of Texas*, 98 J. PAT. & TRADEMARK OFF. SOC’Y 120, 137 (2016).

189. MARGARET S. WILLIAMS ET AL., FEDERAL JUDICIAL CENTER, PATENT PILOT PROGRAM: FIVE-YEAR REPORT 33–34 (April 2016) (finding “in the Eastern District of Texas a mere 1% of cases are terminated by judgment, whereas overall, cases resulting in judgment represent 7% of all terminations”).

190. *See* Brief of American Bankers Association, the Clearing House Payments Company LLC, Financial Services Roundtable and Consumer Bankers Association as Amici Curiae in Support of Petitioner, at 10–11, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341).

191. *See* FEDERAL TRADE COMMISSION, PATENT ASSERTION ENTITY ACTIVITY: AN FTC STUDY 4 (October 2016) (finding activity of “Litigation PAEs” is “consistent with nuisance litigation,” as they typically sued and settled by entering licensing agreements with defendants that typically yielded less than \$300,000, a number which approximates the low end of early-stage costs of defending a patent infringement suit).

June 2016, more than 90% of patent suits brought in the Eastern District of Texas were filed by patent assertion entities.¹⁹² This forum-shopping trend in patent cases has contributed to a negative perception of the patent system.¹⁹³

B. LOOKING FORWARD: TAILORING RULES TO MODERN PATENT
VENUE POLICIES

The Supreme Court's decision in *TC Heartland* helps to limit forum shopping in patent infringement actions but does not end it. Plaintiffs suing defendants with nationwide retail stores have a wide choice of judicial districts with proper venue, where the defendants have "a regular and established place of business." Whether the patent venue statute will be able to meaningfully limit forum shopping in a way that furthers the policies at the core of patent law and venue will depend on how courts interpret the second prong of the patent venue statute: where the defendant has committed an act of infringement and has a regular and established place of business. Outside of judicial solutions to venue is a possible legislative solution through venue reform. And, outside of tweaks to venue, Congress could better reduce the problems of forum shopping and nuisance suits through uniform procedural rules directly aimed at hindering frivolous suits.

1. Tailoring "Regular and Established Place of Business" to Modern Patent
Venue Policies

In the aftermath of *TC Heartland*, different theories have floated as to how to satisfy the second prong, but ultimately it is not possible to advance appropriate patent venue policies while being faithful to the original statutory language because of its focus on physical presence. The arbitrariness of the "regular and established place of business" test is especially unfortunate given its fact intensive nature. Richard C. Wydick described the problem with the "regular and established place of business" in his article published in 1973: "Since the shards of evidence can be arrayed in an endless variety of patterns, the law in this area tends to grow in bulk but not in substance."¹⁹⁴ Courts would "list, dissect, and weigh many small shards of evidence, each supposedly

192. Love and Yoon's study found 93.9% of the patent cases filed in the Eastern District of Texas between January 2014 and June 2016 were by patent assertion entities. Love & Yoon, *supra* note 187, at 9. Their definition of patent assertion entity "excludes universities, IP holding subsidiaries of operating companies, and start-ups working toward commercialization of the patented technology." *Id.* at 9, n. 33.

193. See Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, 77 MD. L. REV. 47, 50 (2017) ("The sense that filing in Texas provides advantages to plaintiffs in outcomes and procedures—for better or worse—has harmed the reputation of the patent system.").

194. See Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 574 (1973).

helpful in determining whether the defendant is present and active in the district.”¹⁹⁵

a) Rules v. Standards

For the purposes of efficiency and predictability, patent venue rules should be rule-based, not standard-based. Judge Gilstrap proposed a four-factor totality of circumstances test to determine what is a “regular and established place of business.”¹⁹⁶ Though Judge Gilstrap indicated that the test would help focus the analysis on “only the relevant facts of the case and avoid costly and far-flung venue discovery,”¹⁹⁷ it seems that having no single factor dispositive of venue could lead to discovery on any one of the factors, as opposed to being able to stop the inquiry once it is clear that a single requirement cannot be met.

In addition, flexibility is not necessarily a virtue when it comes to venue rules. On one hand, a flexible venue test may enable courts to reach more fair, tailored results than under a rigid rule. As Judge Gilstrap emphasized, such flexibility may be especially “appropriate when interpreting the statutory text in light of diverse business structures and practices which evolve with advances in technology.”¹⁹⁸ But, flexibility gives judges discretion. Discretion in finding venue proper or improper might be unnecessary given the ability of judges to transfer a case upon a § 1404(a) motion.¹⁹⁹ Such discretion might be especially problematic given the threat of “forum-selling” by judges.²⁰⁰

Further, a totality-of-the-circumstances approach is more likely to lead to the “endless variety of patterns”²⁰¹ of evidence making venue difficult to predict. Patentees might be hesitant to even use the second prong of the patent venue statute if it risks a transfer to the defendant’s preferred forum, and instead fall back on the first prong of the patent venue statute. Defendants who are uncertain of their ability to win a motion to transfer based on

195. *See id.*

196. *Raytheon Co. v. Cray, Inc.*, 258 F. Supp. 3d 781, 796–98 (E.D. Tex. 2017), *vacated*, *In re Cray Inc.*, 871 F.3d 1355 (Fed. Cir. 2017).

197. *Id.* at 796.

198. *See id.*

199. *See* 28 U.S.C. § 1404(a) (2012) (“For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented.”).

200. *See* Klerman, *supra* note 74, at 250 (2016) (“[J]udges in the Eastern District have consciously sought to attract patentees and have done so by departing from mainstream doctrine in a variety of procedural areas in a pro-patentee (pro-plaintiff) way.”).

201. *See* Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 574 (1973).

improper venue²⁰² might choose to settle early instead of pouring resources into a costly motion to transfer they might not win.

b) Physical Presence Requirement

The Federal Circuit and Judge Gilstrap also diverged on the question of whether the defendant must have a physical place in the district. In Judge Gilstrap's totality-of-the-circumstances test, the defendant's physical presence in a district was a factor, but not a requirement.²⁰³ Meanwhile, the Federal Circuit held that physical presence was a requirement, grounded in the statutory language "place."²⁰⁴

The Federal Circuit's physical presence requirement is faithful to the statute and helps to limit a plaintiff's choice of forum—and thus forum-shopping—but it is somewhat arbitrary. In particular, brick-and-mortar businesses are exposed to a much wider expanse of venues than companies that operate through the Internet, lack storefronts, or outsource physical aspects of their businesses. This seems unfair because venue, then, is linked to how a business is structured and not necessarily the convenience of the defendant or the availability of evidence. Arguably, a defendant with a physical presence in a district should find itself traveling to that district and thus find it less inconvenient as compared to a defendant with no physical presence in the district at all. But should defendants who operate exclusively through the Internet necessarily always get the home court advantage?

Further, mere physical presence seems arbitrary because it does not advance venue policies by, for example, making venue proper where the evidence or witnesses are located. It seems much more likely that evidence relevant to a patent case would be located where a company's major decisions occur, or where research and development of the allegedly infringing products takes place, not places where the product is merely used or sold.

202. See 28 U.S.C. § 1406(a) (2012) ("The district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought.").

203. Raytheon Co. v. Cray, Inc., 258 F. Supp. 3d 781, 796–97 (E.D. Tex. June 29, 2017), *mandamus granted, order vacated sub nom. In re Cray Inc.*, 871 F.3d 1355 (Fed. Cir. 2017) ("[T]his Court is persuaded that a fixed physical location in the district is not a prerequisite to proper venue. However, such a presence is a persuasive factor for courts to consider.").

204. *In re Cray Inc.*, 871 F.3d 1355, 1362 (Fed. Cir. 2017) (finding "there must still be a physical, geographical location in the district from which the business of the defendant is carried out").

c) Nexus Between Defendant's Place of Business and Act of Infringement

There is some ambiguity as to whether, under the second prong of the patent venue statute, the defendant's act of infringement must be related to the defendant's regular and established place of business.²⁰⁵ The plain text of the patent venue statute does not clearly require there be a nexus between the act of infringement and the place of business.²⁰⁶ However, there may be support for such a nexus in the legislative history and policies surrounding the patent venue statute.²⁰⁷

A nexus requirement might be beneficial because it would reduce asymmetry between the venue rules' applicability to companies with brick-and-mortar physical presence and companies without retail locations. Venue for brick-and-mortar businesses would be narrowed because a mere alleged act of infringement and a physical place of business in a judicial district would not suffice; there would need to be a causal connection between the two. However, proving a nexus between a place and the patent infringement might make the venue analysis more fact intensive, thus increasing litigation costs at a preliminary stage.

Though different interpretations of the second prong of the venue statute will have different effects on the scope of venue, it seems inevitable that revival of the prong adds to litigation costs as courts engage in the fact-specific question of whether the defendant has a "regular and established place of business." It seems unlikely that courts will settle on a bright line test, as it is hard to imagine a "regular and established" meaning of "regular and established."

2. *Venue Equity and Non-Uniformity Elimination Act of 2016*

Because of the problems with the "regular and established place of business" test, Congress should enact a new patent venue statute. Congress has already considered such venue reform. In March 2016, a bill was introduced in the Senate for an act titled the "Venue Equity and

205. See *Raytheon Co. v. Cray, Inc.*, 258 F. Supp. 3d 781, 791 (E.D. Tex. 2017), *vacated*, *In re Cray Inc.*, 871 F.3d 1355 (Fed. Cir. 2017) (finding unanswered "whether the patent venue statute requires a defendant's 'acts of infringement' to be related to the defendant's regular and established place of business" and summarizing case law diverging on the issue).

206. See 28 U.S.C. § 1400(b); see also *Plexxikon Inc. v. Novartis Pharm. Corp.*, No. 17-CV-04405-HSG, 2017 WL 6389674, at *2 (N.D. Cal. Dec. 7, 2017) (finding "the plain language of the statute does not include a nexus requirement").

207. See Defendant's Notice of Motion and Motion to Dismiss or Transfer, *Plexxikon Inc. v. Novartis Pharm. Corp.*, No. 17-CV-04405-HSG, 2017 WL 6389674 (N.D. Cal. Dec. 7, 2017).

Non-Uniformity Elimination Act of 2016.”²⁰⁸ The act would amend § 1400 by striking the entirety of subsection (b) and providing six new provisions defining venue for both patent infringement actions and declaratory judgment actions.²⁰⁹

Under the proposed statute, venue is proper, “(1) where the defendant has its principal place of business or is incorporated.”²¹⁰ Thus, this differs from the current § 1400(b) by eliminating the “resides” language and expanding the scope beyond the defendant’s place of incorporation to, also, the defendant’s principal place of business.²¹¹

208. Venue Equity and Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. (2016).

209. The text of the bill provides:

(b) Notwithstanding subsections (b) and (c) of section 1391, any civil action for patent infringement or any action for a declaratory judgment that a patent is invalid or not infringed may be brought only in a judicial district-

(1) where the defendant has its principal place of business or is incorporated;

(2) where the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement;

(3) where the defendant has agreed or consented to be sued in the instant action;

(4) where an inventor named on the patent in suit conducted research or development that led to the application for the patent in suit;

(5) where a party has a regular and established physical facility that such party controls and operates, not primarily for the purpose of creating venue, and has-

(A) engaged in management of significant research and development of an invention claimed in a patent in suit prior to the effective filing date of the patent;

(B) manufactured a tangible product that is alleged to embody an invention claimed in a patent in suit; or

(C) implemented a manufacturing process for a tangible good in which the process is alleged to embody an invention claimed in a patent in suit; or

(6) in the case of a foreign defendant that does not meet the requirements of paragraph (1) or (2), in accordance with section 1391(c)(3).

S. 2733, 114th Cong. § 2(a) (2016).

210. S. 2733, 114th Cong. § 2(b)(1) (2016).

211. Compare S. 2733, 114th Cong. § 2(b)(1) (2016) (venue proper “where the defendant has its principal place of business or is incorporated”) with, 28 U.S.C. § 1400(b) (2012) (venue proper “in the judicial district where the defendant resides”); see *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017) (finding that for purposes of patent venue statute, “a domestic corporation ‘resides’ only in its State of incorporation”).

The proposed statute also expands upon the “regular and established place of business” language in the current § 1400(b) by providing that venue is proper “(2) where the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement.”²¹² This proposed language emphasizes that the facility be physical and have a nexus to the act of infringement.²¹³ As described above, such a nexus would reduce the proper venues for brick-and-mortar businesses otherwise disproportionately exposed due to their business structures. However, subsection (2) largely keeps intact the current patent venue statute’s “regular and established” place of business test, and, thus, the accompanying problems described earlier.

In addition, the proposed statute provides that venue is proper in places where certain research, development, or manufacture related to the patented invention or alleged infringement occurred, under subsections (4)²¹⁴ and (5).²¹⁵ These subsections thus tie venue to locations where the patent’s underlying technology was developed. This constrains choice of venue and, therefore, forum shopping. In particular, the rules likely constrain non-practicing entity (NPE) plaintiffs’ choice of venue more so than operating company plaintiffs,²¹⁶ thus combating the use of forum shopping as leverage in nuisance suits. In addition, the tie between venue and the underlying technology may encourage

212. See S. 2733, 114th Cong. § 2(b)(2) (2016).

213. See *id.* The statute does not define what it means for a facility to “give rise” to an act of infringement, thus leaving some uncertainty as to whether facility must itself infringe the patent by itself making, using, offering to sell, or selling, the patented technology, 35 U.S.C. § 271(a) (2012), or may simply be causally linked to the act of infringement.

214. S. 2733, 114th Cong. § 2(b)(4) (2016) (“(4) where an inventor named on the patent in suit conducted research or development that led to the application for the patent in suit.”).

215. S. 2733, 114th Cong. (2016) § 2(b)(5) (2016) provides:

(5) where a party has a regular and established physical facility that such party controls and operates, not primarily for the purpose of creating venue, and has-

(A) engaged in management of significant research and development of an invention claimed in a patent in suit prior to the effective filing date of the patent;

(B) manufactured a tangible product that is alleged to embody an invention claimed in a patent in suit; or

(C) implemented a manufacturing process for a tangible good in which the process is alleged to embody an invention claimed in a patent in suit[.]

216. Chien and Risch estimated that 54% of NPE plaintiffs would have had to move their cases in 2015 under the VENUE Act’s proposed venue rules, whereas only 18% of operating company plaintiff would have had to move their cases. Chien & Risch, *supra* note 193, at 89. Of the NPEs, “university, small company, and individual NPE plaintiffs would experience less dislocation than would PAEs.” See *id.* at 97.

further clustering of patent cases into technology clusters, as envisioned by Jeanne Fromer, along with the accompanying industry-specific expertise across judges and juries and better legal determinations.²¹⁷ Concentration of cases in forums based on industry and technology—rather than a forum’s plaintiff-friendly procedural rules, as in the Eastern District of Texas, or the defendant’s place of incorporation, as in Delaware—better connects those cases to the merits of patent cases. However, this test might require discovery and lead to higher litigation costs.

3. *Solutions Other Than Tailoring Venue*

As much as the courts or Congress attempt to tailor venue rules to venue policies, parties will inevitably file in forums that favor their side. So long as there is some choice of venue, forum shopping is inevitable. Though forum shopping is not evil in itself, it does, however, seem unfair when NPEs or patent assertion entities (PAEs) forum shop into far-away, plaintiff-friendly forums to extort higher settlements for frivolous claims. Thus, since the problem with forum shopping is not forum shopping itself but its use in the context of frivolous claims, it might make more sense to combat those frivolous claims head on, rather than attempt to shape venue rules that constrain where those claims can be filed.

Solutions outside of venue rules include creating uniform procedural rules for patent actions. Creating a Federal Rules of Patent Litigation Procedure²¹⁸ would eliminate procedural differences between districts and, accordingly, some of plaintiffs’ motivations for forum shopping. At the same time, it would ensure the procedures of different districts uniformly favor patent policies. Another solution is the proposed Innovation Act, which seeks to solve the

217. Jeanne C. Fromer, *Patentography*, 85 N.Y.U. L. REV. 1444, 1444 (2010). Fromer describes the advantages of technology clusters that would arise under her proposal to limit venue to a defendant’s principal place of business:

Clustering together large numbers of an industry’s patent cases in a limited number of district courts will develop those courts’ proficiencies in patent law and in the underlying industry-specific facts critical to sound legal determinations. Under my proposal, this clustering will occur in districts in which judges and juries already tend to have background industry knowledge, given the associated industry cluster.

Id.

218. See Megan Woodhouse, Note, *Shop ‘til You Drop: Implementing Federal Rules of Patent Litigation Procedure*, 99 GEO. L.J. 227, 250 (2010) (“Adopting local patent rules on a federal level would extend the benefits of efficiency and consistency to all district courts, thus eliminating some of the incentives for forum shopping.”). Woodhouse suggests that elements of local patents rules, including “case management conferences, patent initial disclosures, and claim construction proceedings” should be incorporated into a Federal Rules of Patent Litigation Procedure. *Id.* at 246.

problems associated with PAEs by providing, for example, heightened pleading requirements, limitations on discovery, and shifting of attorney fees.²¹⁹ The Innovation Act would, consequently, address the problems of extortionate nuisance suits more directly. However, these changes would not eliminate other factors that might be used to extort higher settlements, such as inconvenient locations or plaintiff-friendly juries, suggesting that these solutions combined with one narrowing venue options may be ideal.

VI. CONCLUSION

In sum, though the Supreme Court has narrowed patent venue rules and, in doing so, helped to curb forum shopping, current patent venue rules still do not adequately advance patent venue policies. Congress should enact venue rules like the Venue Equity and Non-Uniformity Elimination Act of 2016 to limit venue options for NPEs while encouraging clustering of suits in districts with experience in the underlying technology. Congress should abandon the “regular and established” place of business test, which is a poor fit for modern patent venue policies and causes “preliminary jousts”²²⁰ in patent litigation. Outside of venue reform, solutions like the Innovation Act would also help solve problems associated with forum shopping by more directly lowering the value of frivolous suits. Ideally, rules tying venue to the location of evidence and the underlying technology combined with other reform aimed at curbing frivolous suits would help ensure patent cases are decided by their merits, not their location.

219. See H.R. 9, 114th Cong. §§ 3(a), 3(b), 3(d) (2015); BRIAN T. YEH & EMILY M. LANZA, PATENT LITIGATION REFORM LEGISLATION IN THE 114TH CONGRESS 6–18 (July 29, 2015).

220. See Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 551 (1973).

