PATENT FILE

Is this the end of forum shopping?


Alan Albright


Chad Ennis

Forum shopping is an integral part of US patent litigation but, as **Alan Albright** and **Chad Ennis** discuss, defining the term 'resides' could put paid to the practice

It can come as a surprise to many people that the majority of patent litigation in the US is concentrated in a handful of district courts. As we practitioners usually have to explain to the layperson, each sale of an infringing product is itself an act of patent infringement and most successful companies sell their wares everywhere they can. Since plaintiffs can file their cases virtually anywhere, they are drawn to districts that they believe are most favourable, such as the Eastern District of Texas and the District of Delaware, and avoid the districts that are viewed as unfavourable to plaintiffs, most notably the Northern District of California. Of course, when we are speaking with fellow Texans, we all agree that it makes perfect sense that important disputes are decided in Texas by Texans. But the rest of the country likely disagrees.

Whether you view the concentration of patent cases in a small number of district courts as good or bad varies widely depending on your point of view. Plaintiffs love districts that move fast and allow juries to decide the important questions. Defendants typically want the opposite – longer times to trial and the opportunity to win the case with summary judgment motions without having to face a jury. This being the case many, if not most, patent cases begin with a fight over venue. The fights are usually under the rubric of transfer for *forum non conveniens* pursuant to 28 USC §1404. These venue issues are well known in the practice and many legislative fixes have been proposed over the years. Despite broad bipartisan recognition of the venue issues, Congress has been unable to pass a legislative fix for forum shopping despite attempts to address it in the various patent reform bills.

> **"Ultimately, Heartland is asking for a return to the pre-VE Holdings state of the law with respect to venue in patent actions."**

Since Congress has not acted, TC Heartland is asking the Court of Appeals for the Federal Circuit to step in and act. *In Re TC Heartland*, No 16-105 (on *mandamus* to the Federal Circuit) the petitioner is attempting to move the battle from the typical convenience fight to a more elegant argument over definitions in the general patent venue statute. The petition asks the court to overturn prior court precedent and reinterpret the patent venue statute in order to limit patent suits to the district court that sits where the defendant is incorporated. This is a different battlefield than the usual motion to transfer venue and involves different sections of the venue statute. If you have a passion for statutory interpretation, we suggest you review the briefs filed by the petitioner and the respondent in the case. There is a great discussion in the brief with many Latin terms sprinkled throughout. Fortunately, the argument boils down to the definition of resides. Is the term reside, as found in 28 USC § 1400 (the patent venue section), defined in 28 USC § 1391 (the general venue section)?

On its face, this does not seem like a difficult question. The patent venue section uses the term resides, but there is no definition for the term in that section. The general venue section, however, contains an entire paragraph describing the meaning of resides. Typically, then, the definition in the general statute would apply to the term as found in the more specific venue section.

There is a fairly clear lineage of cases and statutory amendments that both clarify and complicate the analysis. In 1957, the Supreme Court issued its opinion in *Foreco Glass Co v Transmirra Prods Corp*, 353 US 222 (1957), holding that the patent-specific venue section stood for itself and was not affected by the definitions in the general venue statute. Subsequent to that case, Congress in 1988 changed the general venue statute to include the definition of the word resides and added a preamble to the section that stated: "For the purposes of venue under this chapter." That change led the Federal Circuit to sidestep

Alan Albright is a partner and Chad Ennis is an IP litigation attorney at Bracewell.

Foreco in the 1990 case of *VE Holdings Corp v Johnson Gas Appliance Co*, 917 F.2d 1574 (Fed. Cir. 1990) to hold that the definition of resides in §1391 applied to §1400. The definition of resides found in §1391 allowed for actions to be brought anywhere that the defendant was subject to personal jurisdiction. This had the practical effect of holding that a defendant could be sued for patent infringement in any district where the defendant purposefully shipped the products at issue. For most accused patent infringers, that effectively meant they could be sued in any district in the country including the Eastern District of Texas.

This has been the state of the law ever since. In the interim, defendants have had little excuse to seek the overruling of *VE Holdings* since the statutory scheme remained unchanged. In 2011, however, without targeting *VE Holdings*, Congress again tinkered with the general venue statue as codified in §1391. Congress replaced "For the purposes of venue under this chapter" with a new subsection that begins: "Except as otherwise provided by law… this section shall govern the venue of all civil actions brought in district courts of the United States." Heartland seizes on this change and now argues that §1391 cannot be used to interpret §1400 because §1400 is a more specific venue section. As *Foreco* held way back in 1957, the section stands alone. *Foreco*, Heartland argues, lays out the "otherwise provided by law". And since the statute has changed, *VE Holdings* is no longer good law and must be overruled.

Ultimately, Heartland is asking for a return to the pre-*VE Holdings* state of the law with respect to venue in patent actions. Under this interpretation, a defendant resides where it is incorporated for the purposes of §1400. A patent holder would be free to sue a defendant where the defendant is incorporated or any district where the defendant has committed acts of infringement and has a regular and established place of business. If a patent holder uses the latter option to provide venue in a district outside the district of incorporation then its recovery is limited to the acts of infringement in that district.

"What the Federal Circuit will do with this case is anyone's guess. The easiest decision would be to decline to rule and hold that this case is not suited for a writ of *mandamus*."

What the Federal Circuit will do with this case is anyone's guess. The easiest decision would be to decline to rule and hold that this case is not suited for a writ of *mandamus*. The litigants do not spend much time discussing this issue, but writs are an extraordinary remedy. Given the well-settled law on venue, granting a writ would be aggressive.

Heartland also must avoid the rule that only an *en banc* panel can overrule binding Federal Circuit precedent. Heartland does provide the panel some cover if it is inclined to go back to pre-*VE Holdings* venue rules. Using a bit of legal jujitsu, Heartland posits that the Federal Circuit panel does not have to overrule *VE Holdings*. The court must only rule that *VE Holdings* no longer applies because the language of §1391 has changed. This helps Heartland avoid the *en banc* rule, but the panel may be hesitant to work around the rule in that fashion. Of course, were the panel to do so the respondent would likely end up asking for an *en banc* review so the results would work out the same.

If Heartland overcomes the problems with a writ and the *en banc* problem, then it would be left with the practical consideration of asking the court to upend the vast majority of patent litigation in progress throughout the country. It is difficult to imagine how many cases would need to be shifted around, but our guess is that it would be over 90%. This would be a very disruptive endeavour.

Beyond the practical considerations, Heartland also has to overcome the very strong evidence that Congress has had multiple opportunities to address patent venue and forum shopping in patent cases and has declined to address the issue. Congress made joinder changes in the America Invents Act in 2012, which was in part designed to make motions to transfer venue more likely to succeed, but it did not adopt any other venue provisions. In 2015, patent reform was heavily debated, but these bills were mostly focused on non-practising entities and little was proposed on venue. And, of course, nothing passed Congress in 2015. The respondent lists several citations to the Congressional Record showing that Congress has been troubled by forum shopping in patent cases, but has not been able to come to any consensus on a fix. And there is nothing to suggest that Congress was attempting to alter the *status quo* with respect to §1400 with its 2011 amendments to the venue statute.

But Heartland does have strong public policy arguments for its position. There are not too many defenders of the concept of having a single district as the epicentre of patent litigation. Indeed, it is doubtful that this is the venue arrangement Congress had in mind when it drafted the venue statutes or what the Federal Circuit had in mind when it decided *VE Holdings*.

So will Heartland win? No one can really say with any certainty. It will likely depend, in part, on the make-up of the panel that hears the case. *In Re TC Heartland* is a case we should all keep an eye on.