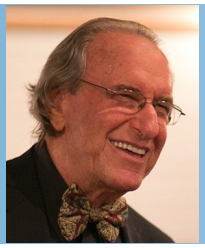
TC HEARTLAND: THE PATENT VENUE BOMBSHELL



Paul J Sutton
Sutton Magidoff

On May 22, the US Supreme Court issued a bombshell decision which will have a profound effect on where owners of patents will be able to bring lawsuits against accused infringers. The highly anticipated decision was rendered in the case of *TC Heartland v Kraft Food Brands Group*.

Kraft sued its competitor TC Heartland in the US District Court for the District of Delaware, alleging patent infringement arising out of TC Heartland's shipping of Indiana-made products into Delaware. TC Heartland, unhappy with the case residing in Delaware, asked the Delaware court to transfer venue of the case to one of the US district courts in Indiana where, it claimed, its corporation resided. In an effort to convince the Delaware court of its position, TC Heartland argued that it had no regular and established place of business in Delaware.

The Delaware district court denied TC Heartland's motion to transfer and the US Court of Appeals for the Federal Circuit also rejected this argument. TC Heartland thereafter appealed from these adverse decisions to the US Supreme Court.

The term "venue" refers to where it is proper to bring a lawsuit based on patent infringement, for example. There is a specific patent venue statute that governs this area, namely, 28 USC section 1400(b), which provides that "… any 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."

There is an accompanying general venue statute which the Federal Circuit has relied on being incorporated into section 1400, namely, 28 USC section 1391, which provides that "… except as otherwise provided by law … and for all venue purposes, a domestic corporation shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question."

The Federal Circuit, until the *TC Heartland* decision, had held that venue was proper where a defendant was subject to the personal jurisdiction of the district court.

In *TC Heartland* the Supreme Court reversed the rulings of both lower courts and held that for domestic (US-based) corporations, their "residence" under section 1400(b) refers solely to their "state of incorporation".

Less leeway to choose

What does this mean to patent owners wishing to commence infringement litigation against accused infringers? It is clear that they will have far less leeway over where they will be able to sue than they have enjoyed until now. Specifically, they will be less able to file what have in some cases been serial lawsuits against multiple defendants in the US District Court for the Eastern District of Texas, a favourite venue for plaintiff patent owners.

This patent-favourable Texas district court handles more patent litigation than any other district court in the country. Plaintiff patent owners will now have a more difficult time "forum-shopping" for courts whose rulings typically are more favourable to them.

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At last count, two thirds of publicly traded companies are registered as Delaware companies with no place of business in patent-favourable districts such as the Eastern District of Texas. The same is true for many Silicon Valley companies. Plaintiff patent owners will now have to accurately determine the proper district of incorporation for prospective defendants. And there will undoubtedly be a great many more cases filed in Delaware in the future.

The *TC Heartland* decision will greatly affect companies known as "patent trolls" who often file multiple litigations with the goal of obtaining quick settlements. This will make things far more difficult for them. Of course, accused infringers with many warehouses and/or sales offices in locations around the country will be subject to the "place of business" patent venue criteria.

As for patent infringement litigation that is currently pending in a patent-friendly court, the status of the case and the discretion of the judge are factors that will come into play regarding defendants' efforts to transfer their cases to more defendant-favourable jurisdictions.

One issue that the Supreme Court did not address in *TC Heartland* relates to corporations of countries based in countries other than the US. Such corporations may very well remain subject to suits in patent-friendly jurisdiction. ■

Paul J Sutton is founding partner of IP boutique law firm Sutton Magidoff. He can be contacted at: paul@suttonmagidoff.com