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CASE BRIEF – TC HEARTLAND LLC V. KRAFT FOODS GROUP BRANDS LLC

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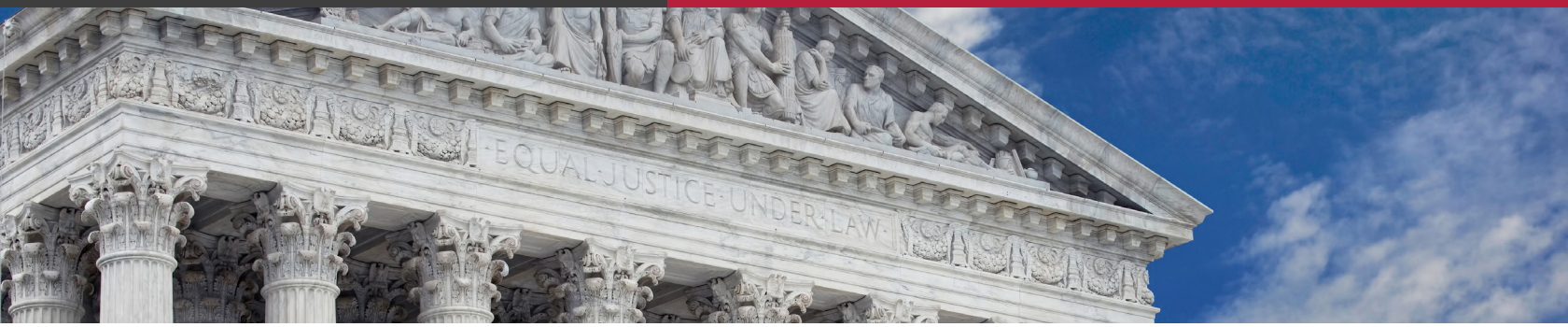

On May 22, 2017, the United States Supreme Court issued its opinion in *TC Heartland,* reversing the Federal Circuit's longstanding interpretation of the federal patent venue statute and adopting a much more restrictive interpretation. The patent venue statute states:

> 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.

28 U.S.C. § 1400(b) (emphasis added). Although this statute includes two separate permissive venue provisions for patent cases, patentees have typically relied only on the first one, residence, under prior precedent. Previous Federal Circuit law interpreted § 1400(b) as incorporating the general venue statute, 28 U. S. C. §1391(c), which states that "[e]xcept as otherwise provided by law" and "[f]or all venue purposes," a 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." This week the Supreme Court rejected application of the general venue statute to patent case and held that "a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute." Slip. Op. at 2.

The Supreme Court limited its holding to only domestic corporations, and did not address unincorporated entities or foreign corporations. The Court did not disturb its 1972 holding in Brunette that foreign defendants are subject to suit for patent infringement in any district under § 1391(d), which is likely governing law at this time. Slip Op. at 7 n.2; *Brunette Machine Works, Ltd. v. Kockum Indus., Inc.*, 406 U. S. 706 (1972). However, the Court left open the possibility for later review of *Brunette*, as the Court stated that Brunette was decided "under then existing statutory regime." *Id.*

Effect on Current Cases

The effect on currently pending patent cases will be mixed. Under Federal Rule of Civil Procedure 12(h), the defense of improper venue is waived if it is not made by pre-answer motion under Rule 12 or in the answer, so many currently pending cases will stay in their current venues. Some number of defendants incorporated outside of the states or districts in which they were sued may have preserved a venue defense in anticipation of the Supreme Court ruling, and a large percentage of those defendants are likely to challenge venue under *TC Heartland*. Of those who challenge venue, at least some will likely be denied based on the defendants infringing and having a "regular and established

place of business" within the current district. *See* 28 U.S.C. § 1400(b). This will raise a number of as-yet unsettled issues regarding the boundaries of what constitutes a "regular and established place of business," such as whether physical structures, full-time employees, or corporate control will be required, among other issues. The effect of franchises and internet-based business will likely be explored. A significant number will likely be granted a change in venue, primarily to their states of incorporation.

Long-Term Effect

Until Federal district and appellate courts have had a chance to weigh in on the second half of § 1400(b), the lasting effect of *TC Heartland* will remain unclear. It is likely that the concentration of patent litigation will spread to districts with high incorporation or significant business headquarters, such as Delaware, the Northern and Southern Districts of Texas, the Northern District of California, and the Southern District of Illinois, all of which have significant experience with patent litigation. However, some districts with little patent experience but home to corporate defendants may be seeing more litigation. It is especially important in those instances for the parties to be represented by knowledgeable and experienced patent litigation counsel who can guide the court through the technologically and legally challenging process of patent litigation.

About the Authors

A partner at Gray Reed, Eric Tautfest is a skilled patent litigator and trial lawyer with extensive experience assessing the viability of patent monetization strategies and implementing aggressive patent enforcement litigation and licensing programs from inception through end-of-life. He has a long history of prosecuting and defending patent infringement claims in Federal court, and before joining Gray Reed, was a founding member and chief licensing officer of a large patent monetization entity. Eric's ability to reach timely and resourceful resolutions has led to his serving as settlement counsel in numerous patent infringement cases. Eric earned his B.A. from Brigham Young University and his J.D. from Southern Methodist University Dedman School of Law. (etautfest@grayreed.com)

A partner at Gray Reed, Jared Hoggan's practice focuses on patent litigation and has included actions in Federal District Court, the United States International Trade Commission, and the United States Court of Appeals for the Federal Circuit. Jared is experienced with all aspects of patent litigation, from pre-filing investigations and patent valuations to post-trial briefing and appeal. Before joining Gray Reed, Jared clerked with the Honorable Kimberly Moore of the U.S. Court of Appeals for the Federal Circuit. He earned his B.S. from Brigham Young University and his J.D. from The University of Texas School of Law, where he served as executive articles editor for the Texas Intellectual Property Law Journal and was the 2008 National Champion of the AIPLA-sponsored Giles S. Rich Interscholastic Moot Court competition. (jhoggan@grayreed.com)