New York Law Journal
SERVING THE BENCH AND BAR SINCE 1888
WWW.NYLJ.COM
An ALM Publication
VOLUME 259—NO. 16
WEDNESDAY, JANUARY 24, 2018

PATENT AND TRADEMARK LAW

Expert Analysis

The 'TC Heartland' Reshuffling Of Patent Cases Continues

For decades patent holders have enjoyed the ability to forum shop—in most cases, effectively, to sue infringers in any district court nationwide. That dynamic resulted in the concentration of patent litigation in a few courts that were widely considered to be plaintiff- and patentee-friendly, and no doubt contributed to the rise in patent litigation through the 1990s and 2000s.

All that has now changed. The Supreme Court's May 2017 decision in *TC Heartland v. Kraft Foods Group Brands*, 137 S. Ct. 1514 (2017), reshaped the patent litigation landscape in the United States—now more evenly dispersing patent cases across courts nationwide. But courts continue to grapple with questions spawned by that decision, including as to whether it constituted a change in the law that could permit defendants in now-pending cases to raise new venue objections, even if they had not done so before.

By **Robert L. Maier**

Background: SCOTUS Decision In 'TC Heartland'

In May 2017, the Supreme Court issued its landmark decision addressing the question of the correct interpretation of the term "resides" in the venue statute applicable to patent cases, 28 U.S.C. §1400(b). *TC Heartland*, 137 S. Ct. at 1516-17. Under that statute, patent infringement cases "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." The question in *TC Heartland* was whether "residence" was limited to the state of incorporation of a defendant, or whether it was extended by the general venue statute of 28 U.S.C. §1391 to also include any place in which a defendant was subject to personal jurisdiction. *TC Heartland*, 137 S. Ct. at 1516-17.

The Supreme Court's decision in *TC Heartland* stems from its 1957 decision in *Fourco Glass Co. v. Transmirra Products*, 353 U.S. 222 (1957), in which it held that corporate residence for patent venue purposes was limited to the place of incorporation. That had been the law for decades. Then in 1990, the Federal Circuit in *VE Holding v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), determined that Congress had overruled *Fourco* with its 1988 amendments to the general venue statute, 28 U.S.C. §1391(c), in such a way that broadly redefined residency, and which allowed patent holders to sue a defendant in any judicial district in which the defendant sold allegedly infringing products—including over the Internet. *VE Holding,* 917

> Courts continue to grapple with questions spawned by 'TC Heartland'.

ROBERT L. MAIER *is a patent lawyer and intellectual property partner in the New York office of Baker Botts.*

F.2d at 1575. *VE Holding,* in effect, gave a patent holder broad forum shopping power to sue a defendant in any judicial district nationwide, and resulted in the concentration of patent litigation in certain districts that were widely considered to be plaintiff- and patent holder-friendly.

But *TC Heartland* tightened the reins, establishing that a U.S. company can only properly be sued in a venue in which it either is incorporated or in which it "has committed acts of infringement and has a regular and established place of business," thereby dispensing with the broader view that allowed suit against a company anywhere it was subject to personal jurisdiction. *TC Heartland*, 137 S. Ct. at 1516-17.

A Game-Changer

The Supreme Court's decision in *TC Heartland* has surely changed the game. While patent litigation was previously concentrated in judicial districts that were deemed to be favorable to patent holders—a direct result of forum shopping—filings post-*TC Heartland* show a trend of more even distribution. In the months following *TC Heartland*, patent case filings in the Eastern District of Texas—notorious for years as a patent holder's preferred choice of forum—as a total share of cases nationwide has declined from 37 percent to just 14 percent, according to LegalMetric data. In the same time period, the District of Delaware, in which so many companies are incorporated and thus can be properly sued post-*TC Heartland*, has seen the most dramatic increase, doubling its share from 12 percent of cases to 24 percent. Other of the most popular venues for patent cases—the Central District of California, Northern District of California, Northern District of Illinois, District of New Jersey, and the Southern District of New York—have also seen modestly increased shares, as have other courts across the country.

While patent holders have lost the forum shopping advantage they've enjoyed for decades, district courts have grappled with a question that could lead to even more transfers in the short term: whether the Supreme Court's decision in *TC Heartland* was really a change in the law, or instead merely an acknowledgement of then current law. The issue matters for parties engaged in patent cases filed before the Supreme Court's decision because some courts have rejected venue challenges in those cases on the ground that the challenger had waived a venue objection by not raising it previously, and because those courts concluded that *TC Heartland* was not so much a change in the law (which would excuse prior waiver), but rather an acknowledgment of the law as it already existed. The Federal Circuit in *In re Micron Tech.*, 875 F.3d 1091 (Fed. Cir. 2017), has now resolved this issue.

Was 'TC Heartland' a Change In the Law?

Patent litigators had for decades proceeded with the expectation that *VE Holding* was the law of the land, and patentee forum shopping was widely accepted as the way of the world. Defendants typically did not challenge venue, even when sued in judicial districts in which they were not incorporated and did not have a place of business. But since *TC Heartland*, defendants in many pending cases have raised new venue challenges, even where they had not objected to venue before. These parties have argued that *TC Heartland* was an intervening change in the law which excused prior waiver and renewed their ability to challenge venue.

District court responses on this issue have been mixed. Most courts concluded that, because the Supreme Court never expressly endorsed *VE Holding* or otherwise addressed the subsequent amendments to the venue statutes, the law of *Fourco* is and has always remained the law—even if litigants and practitioners believed otherwise. See Chase Perry, "Stats on How TC Heartland is Affecting Patent Litigants," Law360, Nov. 6, 2017 (Table 2, outlining district court treatment of this issue). Accordingly, these decisions found that defendants that had not objected on venue grounds prior to *TC Heartland* had waived the issue and could not raise it now.

Other courts, however, viewed *TC Heartland* as an intervening change in the law, which would excuse a party for having not objected on venue grounds previously. Some of these latter courts concluded it asked too much of litigants to find that a defense was "available" if it required pursuit all the way to the Supreme Court to validate the defense; these courts reasoned the venue defense pre-*TC Heartland* was

"available" to defendants "only in the most technical sense of the word," and that the "clairvoyance demanded [of defendants under these circumstances is] inconsistent with the doctrine of waiver." See, e.g., *CG Tech. Dev. v. FanDuel*, 2017 WL 3207233, at *2 (D. Nev. July 27, 2017). As one district court put it, "[t]he Supreme Court owes no explanation for changing its evaluation of these considerations…, but Movants likewise needn't blush for their inability to divine the change." Id. at *1 n.1.

'In re Micron'

The Federal Circuit recently took up this question in *In re Micron*. There, Micron moved, after the Supreme Court's decision in *TC Heartland*, to dismiss or transfer the case out of the District of Massachusetts for improper venue. *President & Fellows of Harvard Coll. v. Micron Tech.*, 2017 WL 3749419, at *1 (D. Mass. Aug. 30, 2017). Plaintiff Harvard University opposed, and the district court denied the motion, finding that Micron untimely raised its venue challenge and that *TC Heartland* did not constitute a change in the law. Id. at *4. Micron petitioned for a writ of mandamus, asking the Federal Circuit to set aside the district court's decision as an abuse of discretion. *In re Micron Tech.*, 875 F.3d at 1093.

The Federal Circuit, in granting the petition, found these to be "unsettled, recurring legal issues over which there is considerable litigation producing disparate results." Id. at 1095. The Federal Circuit held that, as a matter of law, the venue objection "was not available until the Supreme Court decided *TC Heartland* because, before then, it would have been improper, given controlling precedent, for the district court to dismiss or to transfer for lack of venue." Id. at 1096. The Federal Circuit went on to explain:

> Where controlling law precluded the district court, at the time of the motion, from adopting a defense or objection and on that basis granting the motion, it is natural to say, in this context, that the defense or objection was not "available" to the movant. The law of precedent is part of what determines what law controls. The language "was available" focuses on the time of the motion in the district court, not some future possibility of relief on appeal, thus pointing toward how the district court may permissibly act on the motion at the time—i.e., where the motion is for dismissal, whether it can dismiss the case and thereby avoid wasting resources on continued litigation.

The Federal Circuit's decision in 'In re Micron' answered one of the lingering post-'TC Heartland' venue questions, and will surely result in further redistribution of patent cases across the country in the midst of the continuing reshuffling of patent cases nationwide.

Id. at 1097. The Federal Circuit vacated the district court's decision denying Micron's motion, and remanded for further proceedings. The district court thereafter found no waiver or forfeiture and ordered transfer of the case to the District of Delaware "pursuant to the Order of the Federal Circuit." See *President and Fellows of Harvard College v. Micron Tech.*, No. 1:17-cv-01729-LPS-SRF, Dkt. 166 (Nov. 30, 2017).

The effects of the Federal Circuit's decision in *In re Micron* also continue to play out across other district courts, including here in New York. See, e.g., *AlmondNet v. Yahoo!*, No. 1:16-cv-01557-ILG-SMG, Dkt. 92 (Oct. 31, 2017) (and ongoing briefing on defendant Yahoo's motion to dismiss for improper venue, following denial of that motion and Yahoo's subsequent petition for mandamus).

The Federal Circuit's decision in *In re Micron* answered one of the lingering post-*TC Heartland* venue questions, and will surely result in further redistribution of patent cases across the country in the midst of the continuing reshuffling of patent cases nationwide. In the meantime, patent holders will continue to reformulate strategy, to the more limited extent now permitted under *TC Heartland*, in seeking out advantageous forums for asserting their patent rights.