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PATENTS

Ropes & Gray LLP attorneys discuss rulings by district courts, since the Supreme Court's May 2017 decision in *TC Heartland*, on defendants' requests to move cases to other venues.

***TC Heartland* – An Intervening Change in the Law?**

BY MATTHEW J. RIZZOLO AND DARLENA SUBASHI

In the May 2017 case of *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the U.S. Supreme Court significantly curtailed where many domestic corporations may be sued for patent infringement. In potentially hundreds of currently-pending patent cases, courts are now faced with the issue of whether the Supreme Court's decision is an "intervening change in the law" such that a defendant who previously had not raised a defense of improper venue would now be able to do so at an advanced stage of a proceeding.

In the months since the decision, district courts across the country have split. Many have decided that the ruling is *not* an intervening change in the law, because the Court merely affirmed that its 1957 decision in *Fourco Glass Co. v. Transmirra Prods. Corp.* remains

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the controlling law. Other district courts have said that there is no doubt that *TC Heartland* was in fact an intervening change in the law, because venue challenges until *TC Heartland* would have been unsuccessful under then-binding precedent of the U.S. Court of Appeals for the Federal Circuit.

It seems likely that the Federal Circuit will eventually weigh in on this issue in the near future to resolve this district court divide.

TC Heartland

TC Heartland addressed whether a domestic corporation "reside[d]" under the patent venue statute (28 U.S.C. § 1400(b)) in only its state of incorporation, or whether the corporation "shall be deemed to reside" wherever it is subject to personal jurisdiction (as provided under the general venue statute, 28 U.S.C. § 1391(c)(2)). In 1990, the Federal Circuit held in *VE Holding Corp. v. Johnson Gas Appliance Co.* that Congress intended to define a corporation's residence in patent venue cases through the general venue statute. Because this led venue in patent cases to essentially become co-extensive with personal jurisdiction, patent cases have since become concentrated in certain districts, such as the U.S. District Court for the Eastern District of Texas, perceived to be plaintiff-friendly.

In *TC Heartland*, the Supreme Court reaffirmed its decision in *Fourco*, holding that patent venue is defined exclusively by Section 1400 and that for domestic corporations, residence is limited to the state of incorporation. The result is that now, for patent infringement suits, a corporation can only be sued in its state of incorporation (or under the second prong of Section 1400(b), "where the defendant has committed acts of infringement and has a regular and established place of business.") There is little historical precedent regarding where a corporation has a "regular and established place of business" under Section 1400(b), and this issue has already begun to be litigated post-*TC Heartland*.

Regardless, it is likely that *TC Heartland* will shift the majority of newly filed patent suits from the Eastern District of Texas to other districts, such as the District of Delaware and the Northern District of California.

But what about the hundreds of patent suits that were pending—some for years—when the Supreme Court decided *TC Heartland*? Could a defendant raise an improper venue defense based on the decision? As explained below, the answer to that question appears to depend on whether *TC Heartland* is an “intervening change in the law.”

An “Intervening Change in the Law”

a. The Issue

Generally, venue is an issue that must be raised in a pre-responsive pleading motion or as part of a responsive pleading, or else it is waived. Fed. R. Civ. P. 12(b), 12(h)(1). Waiver, though, is an equitable doctrine that can be flexibly applied by courts. Sometimes an intervening change in the law will create an exception to waiver and forgive a defendant’s failure to timely raise an objection or defense. See, e.g., *Minton v. Nat’l Ass’n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1377 (Fed. Cir. 2003). For example, where there is strong legal precedent prior to the change—such that the failure to raise the issue was not unreasonable and the opposing party was not prejudiced by the failure to raise the issue sooner—a court may find that waiver shouldn’t apply. See *Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc.*, No. 3:15-cv-00064-HZ, op. at 12 (D. Or. Sept. 5, 2017). The logic is that a defendant should not be required to raise any and all objections to preserve its positions just in case the governing law changes later in the case.

The question for current litigants, then, is whether *TC Heartland* changed the law regarding patent venue. On one hand, it can be argued that *TC Heartland* did not change the law at all, because it merely affirm[ed] the viability of the Supreme Court’s prior ruling in *Fourco*. On the other hand, for the past nearly three decades, virtually all venue challenges have been unsuccessful due to the Federal’s Circuit ruling in *VE Holding*. In that sense, *TC Heartland* has wrought a change in the law to bring litigants back to the positions they were in at the time of *Fourco*.

b. District Courts Are Divided

Courts across the country who have addressed the issue since *TC Heartland* have split on this question. The majority of cases hold that *TC Heartland* is not an intervening change in the law to excuse waiver of a venue challenge. For example, the District of Massachusetts recently denied Micron’s motion to dismiss for improper venue in *President and Fellows of Harvard College v. Micron Tech., Inc.*, No. 16-11249-WGY, 2017 BL 305259 (D. Mass. Aug. 30, 2017). The *President* court reviewed the decisions to date and determined that “[t]he majority have held that *TC Heartland* does not qualify as intervening law.”

One such case it cited was *iLife Techs., Inc. v. Nintendo of Am., Inc.*, No. 3:13-cv-04987, 2017 BL 220809 (N.D. Tex. June 27, 2017). There, the court held that *TC Heartland* is not an intervening change in the law, stating that “[i]n *VE Holding*, the Federal Circuit clearly thought that Congress had implicitly overridden *Fourco* by statutory amendment. However, until the Supreme

Court considered the question, *Fourco* remained the law.” Finding no sympathy in the defendant’s position, the *iLife* Court went on to state that “[t]he intervening twenty-seven years may have created reliance on *VE Holding* by litigants, . . . but that ‘does not change the harsh reality’ that a party could have ultimately succeeded in convincing the Supreme Court to reaffirm *Fourco*, just as the petitioner in *TC Heartland* did.”

In *President*, the court explained that *TC Heartland* was not an intervening change in the law, finding the majority view’s analysis more persuasive than those offered by other courts and concluding that *TC Heartland* was not an intervening change in the law *President*, 2017 BL 305259.

Notably, though, an increasing number of district courts have gone the other way. Among those is the District of Arizona in *OptoLum, Inc. v. Cree, Inc.*, No. CV-16-03828-PHX-DLR, 2017 BL 255360 (D. Ariz. July 24, 2017). There, the court held that *TC Heartland* is an intervening change in the law, noting that “*TC Heartland* changed the venue landscape just as *VE Holding* had done 27 years earlier.” As to the argument that *Fourco* remained the law all along because *VE Holding* could not have overruled *Fourco*, the Court disagreed with this characterization, stating that “*VE Holding* did not purport to ‘overrule’ *Fourco*, but instead determined whether Congress intended to do so when it amended § 1391(c). . . . The Supreme Court disagreed with *VE Holding* in this regard, but it did not do so on the ground that *VE Holding* had improperly ‘overruled’ *Fourco*.” Thus, *VE Holding* could not and did not overrule *Fourco*—rather, it became the prevailing law when it determined that Congress had overruled *Fourco*. In recent months, other judges in a variety of district courts have sided with the reasoning of the District of Arizona in *OptoLum*.

The following non-exhaustive list illustrates the split across the country, by district:

TC Heartland was an intervening change:

OptoLum, Inc. v. Cree, No. CV-16-03828-PHX-DLR (D. Ariz. July 24, 2017).

IPS Grp., Inc. v. Civicsmart, Inc., No. 3:17-cv-0632-CAB-(MDD) (S.D. Cal. Aug. 1, 2017).

Valspar Corp. v. PPG Indus., Inc., No. 16-cv-1429 (D. Minn. Aug. 4, 2017).

CG Tech Dev., LLC v. FanDuel, Inc., No. 2:16-cv-00801-RCJ-VCF (D. Nev. July 27, 2017).

Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, Inc., No. 3:15-cv-00064-HZ (D. Or. Sept. 5, 2017).

Maxchief Invs. Ltd. v. Plastic Dev. Grp., LLC, No. 3:16-cv-63 (E.D. Tenn. Aug. 14, 2017).

Westech Aerosol Corp. v. 3M Co., No. C17-5067-RBL (W.D. Wash. June 21, 2017).

TC Heartland was not an intervening change:

Jarratt v. Amazon.com, Inc., No. 5:16-CV-05302 (W.D. Ark. Aug. 10, 2017).

McRo, Inc. v. Valve Corp., No. SACV 13-1874-GW(FFMx) (C.D. Cal. July 24, 2017).

Fox Factory, Inc. v. SRAM, LLC, No. 3:16-cv-00506-WHO (N.D. Cal. July 18, 2017).

Infogation Corp. v. HTC Corp., No. 16-cv-01902-H-JLB (S.D. Cal. July 5, 2017).

Takeda Pharma. U.S.A., Inc. v. Mylan Pharma. Inc., No. 16-cv-987 (D. Del. Aug. 3, 2017).

Chamberlain Grp., Inc. v. Techtronic Indus. Co., No. 16 C 6097 (N.D. Ill. June 28, 2017).

Amax, Inc. v. ACCO Brands Corp., No. 16-10695-NMG (D. Mass. June 29, 2017).

Skyhawk Techs, LLC v. Deca Int'l Corp., No. 3:10cv708TSL-RHW (S.D. Miss. July 21, 2017).

Reebok Int'l Ltd. v. TRB Acquisitions LLC, No. 3:16-cv-1618-SI (D. Or. July 14, 2017).

Elbit Sys. Land & C4I Ltd. v. Hughes Network Sys., LLC, No. 2:15-cv-00037-RWS-RSP (E.D. Tex. June 20, 2017).

iLife Techs., Inc. v. Nintendo of Am., Inc., No. 3:13-cv-04987 (N.D. Tex. June 27, 2017).

Mantissa Corp. v. Ondot Sys., Inc., No. 4:15-cv-1133 (S.D. Tex. July 26, 2017).

Cobalt Boats, LLC v. Sea Ray Boats, Inc., No. 2:15cv21 (E.D. Va. June 7, 2017).

There is even an intra-district conflict in the District of Oregon and the Southern District of California, in which different judges have come down on both sides of this issue.

c. Possible Resolution by the Federal Circuit

The emerging split may cry out for resolution by the Federal Circuit, in its status as the circuit court with the last word on all substantive legal issues unique to patent law. Indeed, a few post-*TC Heartland* venue cases have already gone up to the Federal Circuit on petitions for writs of mandamus—all of which the Federal Circuit has thus far denied.

For example, in *In re: Sea Ray Boats, Inc.*, No. 2017-124, Dkt. No. 15 (Fed. Cir. June 9, 2017) (per curiam), the Federal Circuit denied Sea Ray Boats' petition for a writ of mandamus, filed on the eve of trial, to transfer venue to a proper district or stay trial and determine whether venue is proper. The Federal Circuit ruled that Sea Ray Boats had not satisfied the standard for mandamus relief. Judge Pauline Newman dissented from the court's denial of the stay and petition, opining that there is "little doubt" that the Supreme Court's *TC Heartland* decision was a change in the law of venue. Newman explained that it was the court's responsibility to ensure that *TC Heartland* "is properly applied to the facts of this case" before the parties and the court spent the resources required for a two-week jury trial.

It is possible that the Federal Circuit may at some point weigh in on these issues in a case before a trial takes place, but the court has not been inclined to take this step thus far, denying two other similar petition for mandamus relief. *In re: Hughes Network Sys., LLC*, No. 2017-130 (Fed. Cir. July 24, 2017); *In re: Techtronic Indus. N. Am.*, No. 2017-125 (Fed. Cir. July 25, 2017). Thus, if the issue is ultimately addressed by the Federal

Circuit, it will most likely come up in an appeal on the merits—after the parties and the court have expended the resources for a trial.

Notably, even if the Federal Circuit finally provides guidance on the issue of whether *TC Heartland* is an intervening change in the law, that may not be the end of the inquiry in many pending cases. The issue of waiver—and specifically, whether an intervening change in the law provides an exception to general rules of waiver—is generally a procedural issue subject to regional circuit law, which may vary throughout the U.S. Thus, even if the Federal Circuit holds that *TC Heartland* was in fact an intervening change in the law, this would excuse waiver *only* for those litigants in circuits where such an exception exists.

And the regional circuits vary in their treatment of this doctrine. For example, in the First Circuit, an exception to waiver exists "for any defense that was not available when the defendant made their first defensive move." *President*, 2017 BL 305259 (citing *Glater v. Eli Lilly & Co.*, 712 F.2d 735, 738-39 (1st Cir. 1983)). Other circuits, such as the Second, Third, Fourth, Sixth, Seventh, Ninth, Tenth, D.C., and Federal Circuits also appear to provide an exception to the waiver doctrine for intervening changes in the law.

Forebodingly for many defendants, it is unclear whether such an exception exists in the Fifth Circuit—the home circuit for the Eastern District of Texas. Recently, the Northern District of Texas in *iLife* expressly declined to address the issue. *iLife*, 2017 BL 220809 ("[T]he Court concludes that *TC Heartland* does not qualify as an intervening change in law, and accordingly, does not reach whether the Fifth Circuit recognizes an exception to waiver in circumstances such as these."). The issue was touched on in *Martinez v. Tex. Dept. of Crim. Justice*, 300 F.3d 56 (5th Cir. 2002), where the Fifth Circuit appeared to leave the possibility for an "intervening change in the law" exception to waiver open in "extraordinary circumstances."

Summary

In sum, while *TC Heartland* may have appeared at first glance to provide an exit for companies accused of patent infringement in inconvenient or unfavorable fora, defendants already engaged in litigation at the time of the decision—especially those in the Eastern District of Texas—are playing the waiting game for Federal Circuit guidance. And because the Federal Circuit's interpretation may not fully resolve the issue due to existing conflicts among the courts of appeal, it's possible that *TC Heartland* could eventually spawn another Supreme Court case down the road.