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Federal Circuit Unanimously Declines Invitation to Limit Venue in Patent Infringement Cases in *In Re: TC Heartland LLC*

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On April 29, 2016, the Federal Circuit issued its decision in *In re: TC Heartland LLC* (No. 2016-105), denying TC Heartland LLC's petition for a writ of mandamus to direct the United States District Court for the District of Delaware to either dismiss or transfer the patent infringement suit to the Southern District of Indiana. In doing so, the court rejected an argument by TC Heartland that could have significantly reduced the number of patent cases filed in forums considered patent-friendly such as the Eastern District of Texas. Judge Moore authored the court's unanimous order, joined by Senior Judge Linn and Judge Wallach.

This case involves a patent infringement suit over liquid water enhancer products filed by Kraft Foods Group Brands LLC ("Kraft") in the District of Delaware against TC Heartland LLC ("TC Heartland"), an Indiana-based company. Although TC Heartland shipped approximately 2% of its liquid water enhancer products to its customers' distribution facilities in Delaware, TC Heartland argued that venue was improper in Delaware because TC Heartland was not registered to do business in Delaware and does not have any regular or established place of business in Delaware. Accordingly, TC Heartland requested a transfer of venue from the District of Delaware to the Southern District of Indiana. In denying the request, the lower court adopted a magistrate's order that rejected TC Heartland's arguments that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the law governing venue for patent infringement suits in a manner that nullified the Federal Circuit's holding in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990). The court also determined that the court had specific personal jurisdiction over TC Heartland. TC Heartland then filed a petition for a writ of mandamus in the Federal Circuit, seeking an order from the court directing the Delaware district court to dismiss the case or transfer the case to the Southern District of Indiana.

In its petition, TC Heartland argued that it is entitled to a writ of mandamus because it does not "reside" in Delaware for venue purposes according to the patent venue statute, namely 28 U.S.C. § 1400(b). That statute provides that "[a]ny 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." Over twenty-five years ago, however, the Federal Circuit determined in *VE Holding* that corporate residence under the patent venue statute was governed by the general venue statute (28 U.S.C. § 1391) and accordingly permitted a patent infringement suit to be brought wherever a defendant was subject to personal jurisdiction. TC Heartland argued that Congress had overruled *VE Holding* in 2011 when it amended the general venue statute. According to TC Heartland, the 2011 amendments reinstated the common law prior to *VE Holdings*, pursuant to which the term "resides" for a corporation in a patent case is limited to its place of incorporation.

Writing for the court, Judge Moore rejected TC Heartland's argument by addressing the two changes in the 2011 amendments to Section 1391. First, she found that the change from "For the purposes of venue under this chapter …" to "For all venue purposes …" in the general venue statute broadened the applicability of the definition of corporate residence. Accordingly, she concluded that this amendment did not support TC Heartland's position. Second, Judge Moore stated that the addition of the language of "Except as otherwise provided by law" to the general venue statute did not support TC Heartland's position that Congress intended to codify the pre-*VE Holding* state of common law in its 2011 amendments. Indeed, the court pointed out that before and after the 2011 amendments, in the context of considering amending the patent venue statute, Congress repeatedly recognized *VE Holding* as the prevailing law.

Therefore, even if Congress' 2011 amendments were meant to capture existing federal common law, *VE Holding* was the law that was captured, not the pre-*VE Holding* common law.

The Federal Circuit also addressed TC Heartland's argument that the Delaware district court lacked specific personal jurisdiction over it for this civil action. In refuting TC Heartland's arguments, the court stated that "Heartland's arguments are foreclosed by our decision in *Beverly Hills Fan*." *See Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21F.3d 1558, 1571 (Fed. Cir. 1994). Applying the principles enunciated in *Beverly Hills Fan*, the court found sufficient minimum contacts based on TC Heartland's shipped orders of the accused products directly to Delaware under contracts. The court also found the exercise of jurisdiction reasonable.

As the court concluded that TC Heartland's arguments on venue and personal jurisdiction are foreclosed by long-standing precedent, the court denied TC Heartland's petition for a writ of mandamus as it failed to show that its right to mandamus is clear and indisputable.

The battle continues in Congress. For example, on March 17, 2016, Senator Jeff Flake (R-AZ) introduced a bill titled the Venue Equity and Non-Uniformity Elimination Act of 2016 (VENUE Act). This bill would restrict patent infringement actions to a limited number of district courts with more significant connections to the defendant's actions or business. The House of Representatives also has a pending patent bill, titled the Innovation Act, which provides for limits that are similar to those in the proposed VENUE Act.

For more information on the potential impact of the *TC Heartland* decision, please contact your usual Ropes & Gray attorney or Dalila Argaez Wendlandt.