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ALERT

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Nearly One Year After *TC Heartland*, Federal Circuit Addresses Unanswered Venue Questions in a Trio of Decisions

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Almost one year after the Supreme Court's landmark patent venue decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the Federal Circuit continues to address the consequences of the Supreme Court's decision for patent litigants. This past week, the Federal Circuit issued three separate precedential decisions on petitions for writ of mandamus, addressing three open questions that lower courts had grappled with since the *TC Heartland* ruling:

- *In re ZTE(USA) Inc.*: In granting-in-part a petition for a writ of mandamus, the Federal Circuit held that the question of patent venue is a matter of Federal Circuit law, and that when a defendant challenges venue in a patent case, the burden is on the *plaintiff* to demonstrate the venue is proper.

- *In re BigCommerce, Inc.*: In granting a petition for a writ of mandamus, the Federal Circuit clarified that when a defendant is incorporated in a state with multiple judicial districts, the defendant "resides" only in the single judicial district where it maintains its principal place of business (or office, as recorded with the state).

- *In re HTC Corp.*: In denying a petition for a writ of mandamus, the Federal Circuit explained that neither *TC Heartland* nor recent legislative action change the law as to the appropriate venue for patent infringement cases against foreign corporations, who under decades-old Supreme Court precedent may be sued in any judicial district in the United States.

In re ZTE (USA) Inc.: Plaintiff bears the burden of patent venue

On May 14, the Federal Circuit provided guidance regarding the burden and applicable law in venue cases in *In re ZTE (USA) Inc.* In this case, ZTE petitioned the Federal Circuit for a writ of mandamus to dismiss for improper venue a patent suit brought in the Eastern District of Texas. The district court denied ZTE's motion after applying Fifth Circuit law, placing the burden on the defendant to show lack of a regular and established place of business in the district. The court then found that ZTE's contract with a call center in the district was sufficient to establish a "regular and established place of business" for venue purposes.

In the panel decision written by Judge Linn (Judges Reyna and Hughes joining), the court found that Section 1400(b) is patent law-specific, and therefore, Federal Circuit law applies—stating that Congress "placed patent infringement cases in a class by themselves, outside the scope of general venue legislation." The panel then found that under Federal Circuit law, the burden is on the *plaintiff* to show proper venue in patent cases if venue is challenged. Because the district court improperly allocated the burden to the defendant and failed to make sufficient factual findings relevant to the inquiry for establishing venue under the "regular and established place of business" prong of Section 1400(b), the Federal Circuit granted the petition.

In Re BigCommerce, Inc.: Venue in multidistrict states

On May 15, the Federal Circuit resolved the open venue question of where a defendant "resides" when it is incorporated in a state with multiple judicial districts. In *In re BigCommerce, Inc.*, the defendant (BigCommerce) petitioned the Federal Circuit for a writ of mandamus to dismiss for improper venue a patent suit brought in the

Eastern District of Texas. BigCommerce is incorporated in Texas, but has its principal place of business in the Western District and no presence in the Eastern District. The district court first found BigCommerce's venue objection waived as untimely, but that even if there was no waiver, venue would be proper because a corporation resides in *every* judicial district of a state in which it is incorporated.

The Federal Circuit panel, which consisted of the same judges as *In re ZTE* (Judges Linn, Reyna and Hughes), granted BigCommerce's petition, finding no waiver and that a corporation "resides" only in the judicial district where it has its principal place of business (or office as recorded with the state). The panel relied on statutory construction and a plain reading of the language of Section 1400(b) to find that "*the judicial district* where the defendant *resides*" refers to a single judicial district, not every judicial district of a multi-district state. The panel also relied on a 1942 Supreme Court case, *Stonite Products v. Melvin Lloyd Company*, which analyzed the predecessor to Section 1400(b) and found venue improper where the defendant corporation was incorporated in a state with multiple judicial districts, but had no presence in the judicial district where the complaint was filed.

In re HTC: A foreign corporation may be sued for patent infringement in any district

On May 9, the CAFC issued its decision in *In Re: HTC Corporation*. Here, HTC Corporation (HTC Corp.), a Taiwanese company, petitioned the Federal Circuit for a writ of mandamus to dismiss for improper venue a patent suit brought against it in the District of Delaware. At the district court, the plaintiffs filed a suit for patent infringement against both HTC Corporation and its U.S.-based subsidiary, HTC America, Inc. Both HTC America and HTC Corp. filed motions to dismiss for improper venue under Rule 12(b)(3). The district court found venue improper as to HTC America (which resided in Washington state and had no place of business in Delaware). But as to HTC Corp.—a foreign corporation—the district court found venue was proper, reasoning that under 28 U.S.C. § 1391(c)(3), "a defendant not resident in the United States may be sued in any judicial district."

In the panel decision written by Chief Judge Prost (with Judges Wallach and Taranto joining), the court denied HTC Corp.'s petition for a writ of mandamus. The Federal Circuit specifically rejected the arguments that Section 1391(c)(3) does not apply in patent cases, explaining that "the patent venue statute was not intended to supplant the longstanding rule that the venue laws do not protect alien defendants," an issue addressed by the Supreme Court in its 1972 opinion in *Brunette Machine Works v. Kockum Industries*. The Federal Circuit further explained that neither *TC Heartland* nor certain amendments to the venue laws since *Brunette* altered this well-established rule. Finally, the Federal Circuit appeared to warn defendants against filing petitions for writs of mandamus to redress denials of improper venue motions, noting that in most cases, appeal after final judgment is the appropriate avenue.

Implications

These decisions provide significant post-*TC Heartland* guidance for district court litigants. Placing the burden on plaintiffs to show venue (if venue is challenged) may have positive and negative consequences for *both* sides: while defendants may have an increased chance of winning on the merits, courts may also be more apt to grant the plaintiff venue-related discovery before ruling. Additionally, a defendant winning a venue motion will rarely see dismissal of the case, as courts historically prefer to transfer cases when venue is improper. Further, companies incorporated in multi-district states with a high volume of patent litigation (such as Texas, California, or Florida) need not worry about being forced to defend suits in a district across the state where they do not maintain a presence. Finally, *TC Heartland* did not create a "foreign company loophole" allowing foreign companies to avoid being sued for patent infringement in the U.S. The status quo remains – a foreign company may be sued anywhere. Finally, mandamus relief is extraordinary and rarely granted; the Federal Circuit is unlikely to address "garden variety" venue fights on mandamus. So if an improper venue motion is denied, a defendant will need to identify an important, unsettled question to be addressed (like ZTE and BigCommerce did) or wait until final judgment to appeal the venue issue.

If you would like to discuss the foregoing or any related patent litigation matter, please contact the Ropes & Gray attorney with whom you regularly work or any attorney in our IP litigation practice.