

Fourteen Points about TC Heartland v. Kraft Foods

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1. The case involves four statutes.

(i) The Patent Venue Statute: 28 U.S.C. § 1400(b) (1948 to current), which provides:

(b) 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.

(ii) The Patent Service of Process Statute: 28 U.S.C. § 1694 (1948 to current), which provides:

In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.

(iii) The General Venue Statute: 28 U.S.C. § 1391 (2011 to current), which provides:

§ 1391 - Venue Generally

(a) Applicability of Section.—Except as otherwise provided by law—

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

(2) the proper venue for a civil action shall be determined without regard to whether the action is local or transitory in nature.

(b) Venue in General.—A civil action may be brought in—

(1) a judicial district in which any defendant resides, if all defendants are residents of the State in which the district is located;

(2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated; or

(3) if there is no district in which an action may otherwise be brought as provided in this section, any judicial district in which any defendant

is subject to the court's personal jurisdiction with respect to such action.

(c) Residency.—For all venue purposes—

(1) a natural person, including an alien lawfully admitted for permanent residence in the United States, shall be deemed to reside in the judicial district in which that person is domiciled;

(2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, 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 and, if a plaintiff, only in the judicial district in which it maintains its principal place of business; and

(3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

(d) Residency of Corporations in States With Multiple Districts.—

For purposes of venue under this chapter, in a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

[Subsections (e), (f) & (g) omitted]

(iv) The ATM Exemption to the Patent Venue Statute: § 18(c) of the American Invents Act (2011), which provides:

(c) **ATM EXEMPTION FOR VENUE PURPOSES.**—In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code.

2. Each of these four statutes has a history that is relevant to the case, with the first two statutes (28 U.S.C. §§ 1400(b) & 1694) having a shared history.

3. The history of the patent venue and its companion service of process statute dates back to 1897.

Congress enacted versions of the patent venue statute and its companion service of process statute three times:

- (i) originally in 1897;
- (ii) in 1911 as part of a codification effort; and
- (iii) in 1948 as part of the codification of title 28 of the United States Code.

Prior to 1897, “a suit for infringement might have been maintained in any district in which jurisdiction of defendant could be obtained.” *Gen. Elec. Co. v. Marvel Rare Metals Co.*, 287 U.S. 430, 434 (1932). That result followed from precedents holding that patent infringement suits, being subject to *exclusive* federal court jurisdiction, were “therefore not affected by general provisions regulating the jurisdiction of the courts of the United States, *concurrent* with that of the several states.” *In re Keasbey & Mattison Co.*, 160 U.S. 221, 230 (1895) (emphasis added).

In 1897, Congress changed the law by enacting a statute containing only two sentences:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in suits brought for the infringement of letters patent the circuit courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Act of March 3, 1897, ch. 395, 29 Stat. 695-96 (1897) (the “1897 Act”).

The Court described the intent of the patent venue statute as being restrictive: “Congress adopted the predecessor to § 1400(b) as a special venue statute in patent

infringement actions to eliminate the ‘abuses engendered’ by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served.” *Schnell*, 365 U.S. at 262 (quoting *Stonite*, 315 U.S. at 563); *accord Pure Oil Co. v. Suarez*, 384 U.S. 202, 207 (1966) (“The patent infringement venue statute was enacted in 1897, 29 Stat. 695, specifically to narrow venue in such suits.”).

The first sentence in the 1897 Act authorized patent infringement suits to be brought either “[i] in ***the district*** of which the defendant is an inhabitant, or [ii] in ***any district*** in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business.” *Id.* (emphases and numerals added). The use of the singular “the district” in referring to the defendant’s place of inhabitation (contrasting with “any district” in referring to the defendant’s places of business) was consistent with the then-established meaning of “inhabitant” in statutes prescribing federal court jurisdiction and venue, for inhabitancy was considered as being as being in one place even for corporations. *See Shaw v. Quincy Mining Co.*, 145 U.S. 444, 450 (1892) (“the domicil, the habitat, the residence, the citizenship of the corporation can only be in the state by which it was created, although it may do business in other states whose laws permit it.”), *cited in Fourco*, 353 U.S. at 226.

By authorizing federal service of process, the second sentence of the 1897 Act ensured that plaintiffs could serve process on, and therefore obtain complete relief against, any non-inhabitant person or entity that was subject to suit (i.e., subject to proper venue) under the first sentence of the statute.

In 1911, the 1897 Act was re-enacted without substantive change as § 48 of the Judicial Code but with the outdated reference to “circuit courts” in the first sentence changed to “district courts,” as follows:

SEC. 48. In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business. If such suit is brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service of process, summons, or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business in the district in which suit is brought.

Judiciary Act of 1911, ch. 231, § 48, 36 Stat. 1087, 1100 (1911) (the “1911 Judicial Code”). Section 48 of the 1911 Judiciary Act was later unofficially codified as 28 U.S.C. § 109 (1940 ed.).

The Supreme Court interpreted § 48 of the 1911 Judicial Code in *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942). The *Stonite* Court noted that the 1897 Act “was intended to define the exact limits of venue in patent infringement suits” and “was a restrictive measure, limiting a prior, broader venue.” *Stonite*, 315 U.S. at 566. “Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue of civil suits, but rather that it alone should control venue in patent infringement proceedings.” *Id.* “The main purpose” of the 1897 Act, according to its principal sponsor, was “to give original jurisdiction to the court where a permanent agency transacting the business is located, and that business is engaged in the infringement of the patent rights of someone who has such rights anywhere in the United States.” 29 CONG. REC. 1900 (daily ed. Feb. 16, 1897) (statement of Rep. Lacey). “Isolated cases of infringement would not confer this jurisdiction, but only where a permanent agency is established.” *Id.*

Based on that history, the *Stonite* Court defined the relationship between the then-existing version of the patent venue statute, § 48 of the 1911 Judicial Code, and more general venue statutes. The Court held that § 48 was “the exclusive provision controlling venue in patent infringement proceedings,” 315 U.S. at 563, and that a corporate defendant could not be sued for patent infringement in a district where venue was improper under § 48 even if venue might appear to be proper under provisions in a general venue statute. *Id.* at 563–67.

In 1948, Congress enacted title 28 of the United States Code as positive law. *See* Act of June 25, 1948, 62 Stat. 869 (the “1948 Act”). As part of that codification, the first and second sentences of § 48 of the 1911 Judicial Code were placed into separate sections of the new Code, 28 U.S.C. § 1400(b) and § 1694. The text of those two sections are set forth above and they have not been changed at all since 1948.

The revised sections use the words “resides” and “resident” in place of the word “inhabitant,” which was used in both sentences in the pre-codification version. The Reviser’s Note to 28 U.S.C. § 1400(b) (Supp. II 1949) states in part: “Words ‘inhabitant’ and ‘resident,’ as respects venue, are synonymous.” The Reviser’s Note to § 1694 states: “Changes were made in phraseology.” 28 U.S.C. § 1694 (Supp. II 1949. Congress has not altered the texts of 28 U.S.C. § 1400(b) or § 1694 since the 1948 codification.

4. The interaction between the 1948 versions of § 1400(b) and the general venue statute gave rise to a circuit split resolved in *Fourco Glass*.

The 1948 codified title 28 also included a new § 1391 headed “Venue generally” whose full text was:

(a) A civil action wherein jurisdiction is founded only on diversity of citizenship may, except as otherwise provided by law, be brought only in the judicial district where all plaintiffs or all defendants reside.

(b) A civil action wherein jurisdiction is not founded solely on diversity of citizenship may be brought only in the judicial district where all defendants reside, except as otherwise provided by law.

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

(d) An alien may be sued in any district.

62 Stat. at 935.

Soon after the 1948 codification, a circuit split developed over whether the above-quoted provision in § 1391(c), “such district *shall be regarded as the residence* of such corporation *for venue purposes*” (emphasis added), applied to the § 1400(b) provision, “*the* judicial district where the defendant *resides*” (emphasis added). *See Fourco*, 353 U.S. at 224 n.3.

In *Fourco* itself, the defendant was a West Virginia corporation that had a regular and established place of business in the Southern District of New York but had not committed acts of infringement there. Venue was thus not possible under the second option provided in § 1400(b) (“where the defendant has committed acts of infringement and has a regular and established place of business”). Nevertheless, the plaintiff in the case argued that venue was permissible under the first option in § 1400(b) (“where the defendant resides”) because the defendant’s conducting of business in the Southern District of New York made that district a residence of the defendant “for venue purposes” pursuant to § 1391(c).

The District Court rejected the plaintiff’s theory of venue, but the Second Circuit reversed. The Second Circuit characterized § 1391(c) as creating a “definition” of “corporate residence” and reasoned that § 1400(b) “requires but the insertion in it of the definition of corporate residence from [§ 1391(c)] . . . just as

that definition is properly to be incorporated into other sections of the venue chapter, e.g., §§ 1392, 1393, 1395, 1396, 1397, 1400, etc.” *Transmirra Prods. Corp. v. Fourco Glass Co.*, 233 F.2d 885, 886 (2d Cir. 1956), *rev’d*, 353 U.S. 222 (1957).

The Supreme Court granted review of the Second Circuit’s decision to decide “whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions, or whether that section is supplemented by 28 U.S.C. § 1391(c).” *Id.* at 222.

In answering that question, *Fourco* began with the Court’s holding in *Stonite* that the immediate predecessor of 28 U.S.C. § 1400(b) was “the exclusive provision controlling venue in patent infringement suits.” 353 U.S. at 225 (quoting *Stonite*, 315 U.S. at 563). *Fourco* characterized this holding as meaning that § 48 of the 1911 Act was “complete, independent and alone controlling in its sphere.” *Id.* at 228. *Fourco* continued:

The soundness of the *Stonite* case is not here assailed, and, unless there has been a substantive change in what was § 48 of the Judicial Code at the time the *Stonite* case was decided, on March 9, 1942, it is evident that that statute would still constitute “the exclusive provision controlling venue in patent infringement proceedings.”

353 U.S. at 225.

The Court considered (i) changes in the wording of 28 U.S.C. §§ 1400(b) and 1694 as compared with the corresponding text of § 48 of the 1911 Act; (ii) the wording of the text of 28 U.S.C. § 1391(c); (iii) contemporaneous congressional statements that “every change made in the text is explained in detail in the Reviser’s Notes,” 353 U.S. at 226; (iv) “the fact that the Reviser’s Notes do not express any substantive change,” *id.* at 227; (v) “the fact that several of those having importantly to do with the revision say no change is to be presumed unless clearly expressed,” *id.* at 228; and (vi) “no substantive change being otherwise apparent,” *id.*

Based on all of those indicia of statutory meaning, the Court concluded: “we hold that 28 U.S.C. § 1400(b) made no substantive change from 28 U.S.C. (1940 ed.) § 109 [§ 48 of the 1911 Judicial Code] as it stood and was dealt with in the *Stonite* case.” 353 U.S. at 228. The *Fourco* Court then reiterated the continued vitality of its earlier interpretation of the patent venue statute, stating that § 1400(b) “is complete, independent and alone controlling in its sphere as was held in *Stonite*,” 353 U.S. at 228, and that it was “not to be supplemented by the provisions of 28 U. S. C. § 1391 (c).” *Id.* at 229. The final two paragraphs in the *Fourco* opinion were:

We think it is clear that § 1391(c) is a general corporation venue statute, whereas § 1400 (b) is a special venue statute applicable, specifically, to *all* defendants in a particular type of actions, *i.e.*, patent infringement actions. In these circumstances the law is settled that “However inclusive may be the general language of a statute, it ‘will not be held to apply to a matter specifically dealt with in another part of the same enactment. . . . Specific terms prevail over the general in the same or another statute which otherwise might be controlling.’ *Ginsberg & Sons v. Popkin*, 285 U. S. 204, 208.” *MacEvoy Co. v. United States*, 322 U.S. 102, 107.

We hold that 28 U. S. C. § 1400 (b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391 (c). The judgment of the Court of Appeals must therefore be reversed and the cause remanded for that court to pass upon the District Court’s ruling that there had been no showing of acts of infringement in the district of suit.

353 U.S. at 228-29 (emphasis in original).

As construed in *Fourco*, the phrase, “the judicial district where the defendant resides” (§ 1400(b)), denotes a defendant’s “*domicile*, and, in respect of corporations, mean[s] the state of incorporation only.” 353 U.S. at 226 (emphasis in original; citing *Shaw*, 145 U.S. at 450). *Accord Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 707 n.2 (1972) (“the residence of a corporation for purposes of § 1400(b) is its place of incorporation”).

Fourco’s interpretation of § 1400(b) was accepted and unquestioned law for more than three decades. *See, e.g., Pure Oil*, 384 U.S. at 207 (“This Court in *Fourco*, after determining that the 1948 revision of § 1400(b) was meant to introduce no substantive change in the provision, was merely following the purpose and letter of the original enactment.”); *Schnell*, 365 U.S. at 262-64 (following *Fourco* and affirming dismissal for improper venue); *Hoffman v. Blaski*, 363 U.S. 335, 336–44 (1960) (affirming order granting writ of mandamus directing transfer of patent infringement action); *In re Cordis Corp.*, 769 F.2d 733, 736 (Fed. Cir. 1985) (“The Supreme Court has held that § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c), having to do with general corporation venue.”).

5. Although the patent venue statute was never amended after *Fourco*, the general venue statute was amended in 1988 and 2011.

Section § 1391(c) has been substantively amended twice since the decision in *Fourco*—in 1988 and again in 2011.

In 1988, 28 U.S.C. § 1391(c) was revised as indicated below (emphasis added):

Pre-1988 Text of § 1391(c)	1988 Text of § 1391(c) (first sentence)
<p>A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation <i>for venue purposes.</i></p>	<p><i><u>For purposes of venue under this chapter,</u></i> a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.</p>

As shown above, before 1988 § 1391(c) had provided that certain districts would be “*regarded as the residence of such corporation for venue purposes*” (emphasis added), whereas in 1988 this sentence was re-written to say that corporations would be “deemed to reside” in certain districts “[f]or purposes of venue under *this chapter,*” with “this chapter” referring to chapter 87 entitled “District Courts; Venue.” See Judicial Improvements and Access to Justice Act of 1988, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (the “1988 Act”).

The section of the 1988 Act which amended § 1391(c) was located in a “Miscellaneous Amendments” title and characterized in a contemporaneous House Report as being one of a series of “miscellaneous provisions dealing with relatively minor discrete proposals.” H.R. REP. NO. 100-889, at 66 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6027.

Soon after that 1988 amendment, the Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), concluded that, due to the change in the wording of § 1391(c), “the meaning of the term ‘resides’ in § 1400(b) has changed.” 917 F.2d at 1575. Although the pre-1988 text of § 1391(c) (which applied “for venue purposes”) was textually broader than the 1988 text (which facially applied only “[f]or purposes of venue under this chapter”), the Federal Circuit characterized the corporate “residence” clause of the pre-1988 text of § 1391(c) as “surplusage” or “at best confusing.” 917 F.2d at 1578. The Federal Circuit thus characterized the issue before it as one “of first impression,” to wit, what “the Congress *now* intends by this new language in the venue act.” *Id.* at 1579 (emphasis in original).

The *VE Holding* court placed significant weight on the addition of the words “this chapter” in the 1988 amendment of § 1391(c), reasoning:

The phrase “this chapter” refers to chapter 87 of title 28, which encompasses §§ 1391-1412, and thus includes § 1400(b). On its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term ‘resides’ in that section.

917 F.2d at 1578. The court viewed the phrase “[f]or purposes of venue under this chapter” as “exact and classic language of incorporation,” *id.* at 1579, and therefore held that “the general venue statute, § 1391(c), expressly reads itself into the specific statute” and “supplement[s] § 1400(b).” 917 F.2d at 1580.

Under the court’s holding, § 1400(b)’s phrase “the judicial district where the defendant resides” changed in 1988 to mean “any district where there would be personal jurisdiction over the corporate defendant.” *Id.* at 1583. The court defended that change on the grounds (asserted to be “not in dispute”) that an era of “more liberalized venue law” had made “the ‘freezing’ of patent venue as a result of *Fourco* . . . an anomaly.” 917 F.2d at 1582.

In 2011, Congress completely rewrote 28 U.S.C. § 1391 and repealed the language (“[f]or purposes of venue under this chapter”) that the *VE Holding* court had relied upon to justify its holding. See the Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (2011) (the “2011 Act”).

The new § 1391 is set forth above on pp. 1-2.

6. Also in 2011, Congress enacted the “ATM exemption for venue purposes” in § 18(c) of the America Invents Act, which provides that an automatic teller machine (ATM) is not to be considered a regular and established place of business for purposes of the patent venue statute, § 1400(b).

Because Congress enacted both the most recent version of the general venue statute and the ATM exemption to § 1400(b) in the year 2011, the exact chronology of events in that year is worth describing.

2011 Timeline

- February 11, 2011: The U.S. House of Representatives issues House Report on general venue reform. Although the House Report extensively quotes and follows many of the suggestions found in a 2004 study by the American Law Institute (American Law Institute, *Federal Judicial Code Revision Project*

(2004)), the House version of the legislation and the House report do not call for any changes to § 1400(b) even though the ALI study called § 1400(b) a “cancer” and called for the provisions complete repeal. The House passes this bill later in the month.

- September 16, 2011: AIA enacted. In § 18(c), Congress narrows venue in patent cases by stating legislatively that ATM machines are not regular and established places of business under § 1400(b).
- December 7, 2011 (Pearl Harbor Day): Congress passes a new version of the general venue statute, § 1391, that repeals the language upon which the Federal Circuit had relied to justify its departure from Supreme Court precedent and that also includes the explicit exceptions clause in § 1391(c).

Heartland’s explanation for the ATM provision in AIA § 18(c) is that the provision was intended to, and does in fact, *restrict* the application of § 1400(b) for banks and other businesses that own ATMs. Before the enactment of § 18(c), an ATM owned by a bank or other business might have been viewed as a regular and established place of business under the second clause of § 1400(b) and thus could have justified venue against the ATM owner. After the enactment, the ATM itself cannot justify venue under the second clause of § 1400(b).

Section 18(c) makes no sense, however, if the word “resides” in the first clause of § 1400(b) is given the definition provided in § 1391(c) of the general venue statute—i.e., if “resides” as applied to defendant businesses means “any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question.” If that definition applied, the AIA’s “ATM exemption for venue purposes” would accomplish nothing for business-owned ATMs because businesses would reside in all districts where personal jurisdiction lies. The first clause of § 1400(b) would eliminate any defense of venue, so the second clause would be irrelevant.

Kraft’s explanation for § 18(c) is (from Resp. Br. 36-37 note 18):

Heartland also relies on an uncodified provision of patent law providing that in cases involving a particular kind of financial patent, an ATM “shall not be deemed to be a regular and established place of business for purposes of section 1400(b).” That statute was enacted before the 2011 Act, and so sheds no light on what the later statute means; it also does not change the provision making patent venue proper in the district of “residence.” Because of the history of venue complexity involving national banks as defendants, see note 10 [in Respondent’s brief], Congress may simply have decided to take extra care with this limited set of financial patents.

7. Three crucial points can be gleaned from the history.

i. First, the Supreme Court in its *Fourco Glass* precedent held:

- that the special patent venue statute (28 U.S.C. § 1400(b)) is “not to be supplemented” by § 1391(c), and
- that the phrase “where the defendant resides” in § 1400(b) is to be interpreted as meaning “*domicile*,” *Fourco*, 353 U.S. at 226 (emphasis in original)—a concept that always refers to a specific, singular place. Restatement (Second) of Conflict of Laws § 11 (1971) (“no person has more than one domicile at a time”).

ii. Second, *Fourco* respected by the original meaning of the statute; made sense the statute’s structure; and respected the statute’s history, including the Supreme Court’s prior interpretations of the section.

iii. Third, Congress has had the opportunity to repeal the patent venue statute, most recently in 2011 when the Congress was revising venue law generally and had before it the recommendations of the ALI. Instead of repealing the statute, Congress that very year

- retained 1400(b);
- passed AIA § 18(c)—a statute that makes no sense unless *Fourco*’s interpretation of 1400(b) remains good law; and
- amended § 1391 to include an exceptions clause that makes it even easier than it was in *Fourco* to respect § 1400(b)’s text, structure and history.

8. The Respondent’s position in *TC Heartland v. Kraft Foods* undermines the statutory structure of § 1400(b) and is hard to reconcile with the exceptions clause in § 1391(a).

Like the respondent in *Fourco*, the Respondent Kraft Foods asserts that the original meaning of “resides” in § 1400(b) should be abandoned in favor of the artificial meaning of “reside” borrowed from 28 U.S.C. § 1391(c). To accept Respondent’s argument would be to make nonsense of § 1400(b)’s express distinction between resident and non-resident defendants and, for a large class of defendants, to destroy the protection that § 1400(b) and predecessor statutes have extended since 1897.

But the more overwhelming defect in Respondent’s argument is that the current version of § 1391 provides in subsection (a): “APPLICABILITY OF SECTION.— Except as otherwise provided by law—(1) this section shall govern the venue of all civil actions brought in district courts of the United States.” This exception qualifies the entirety of § 1391 and encompasses the special two-part structure of § 1400(b), which “otherwise provide[s]” for venue in patent infringement actions.

The exception provision in current § 1391(a)(1) presents an obvious textual difficulty for Respondent, but its attempt to address that difficulty comes only in two paragraphs on pages 31–32 of its brief. Respondent asserts that “the ‘[e]xcept’ language in Section 1391(a) has nothing to do with the definitions in Section 1391(c)” because “[t]hose definitions do not ‘govern . . . venue.’” Resp. Br. at 32. Yet Respondent’s own brief asserts that “Section 1391(c) now governs ‘[f]or all venue purposes.’” Resp. Br. at 8.

That is to say, Respondent argues that § 1391(c) “governs ‘[f]or all venue purposes” but § 1391(c)’s “definitions do not ‘govern . . . venue.’” Resp. Br. 8, 32.

Unlike Respondent’s unfathomable construction of the word “govern” in § 1391(a)(a), Petitioner’s interpretation of the text is straightforward. The word “govern” ordinarily means “to control, direct, or strongly influence the actions and conduct of,” “determine, guide, regulate,” and “to constitute a rule or law for: serve as a precedent or deciding principle for.” *Webster’s Third New Int’l Dictionary* (2017) (entry for “govern”). Any of those definitions leads to the common-sense result that § 1391(c) is a part of the statute that governs (i.e., controls, exerts influence over, or serves as a deciding principle for) venue.

As for statutory structure, subsection (c) is in § 1391, and the exception provision in § 1391(a)(1) applies to the whole “section.”

Petitioner’s interpretation is also consistent with the history of § 1391. At the time *Fourco* was decided, 28 U.S.C. § 1391 lacked any express exceptions clause similar to current § 1391(a)(1), and broadly provided that certain judicial districts “shall be regarded as the residence of such corporation for venue purposes.” 28 U.S.C. § 1391(c) (1952) (emphasis added) (reproduced in Pet. App. 58a). The § 1391(c) language that *Fourco* considered (“for venue purposes”) is not meaningfully different from the current § 1391(c) preamble (“[f]or all venue purposes”).

Indeed, the breadth of the prior language in § 1391(c) is confirmed by *Pure Oil Co. v. Suarez*, 384 U.S. 202 (1966), which interpreted § 1391(c) as “appl[ying] to *all venue statutes* using residence as a criterion, at least in the absence of contrary restrictive indications in any such statute.” *Id.* at 204–05 (emphasis added). The Court specifically cited *Fourco* as an example where such “contrary restrictive

indications” were in the statute, *id.* at 206–07, but the Court nonetheless applied the then-existing version of § 1391(c) to define a company’s residence for purposes of the Jones Act, 46 U.S.C. § 688 (1964).

Thus, the history of § 1391(c) is that the statute has long applied to “all venue statutes,” but with exceptions. That approach is precisely the approach evident in the text and structure of current § 1391—covering “all” venue in (c) but with exceptions permitted under (a)(1). It is also a common and sensible approach for a generally applicable statute. Thus, for example, the Administrative Procedure Act provides a “general” right of judicial review with an exception where another “statute [preclude[s] judicial review.” *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 345 (1984). And such an exception can be triggered where the application of the general rule “would severely disrupt th[e] complex and delicate” provisions of another statute. *Id.* at 348.

Finally, Respondent does not defend the Federal Circuit’s suggestion (Pet. App. 5a–7a) that Supreme Court precedent interpreting § 1400(b) is not “law” within the meaning of § 1391(a)(1). “The term law in our jurisprudence usually includes the rules of court decisions as well as legislative acts.” *Warren v. United States*, 340 U.S. 523, 526 (1951); *see also Illinois v. City of Milwaukee*, 406 U.S. 91, 100 (1972). Congress clearly knows how to exclude case law precedent from statutory exceptions. Cf. 28 U.S.C. § 1367(a) (“Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute” (emphasis added)).

The term “law” in § 1391(a)(1) is easily broad enough to encompass judicial decisions construing the meaning of statutes. *Fourco* held that § 1400(b) was “complete, independent and alone controlling in its sphere,” 353 U.S. at 228, and “is not to be supplemented by the provisions of 28 U.S.C. § 1391(c).” *Id.* at 229. That interpretation prescribes the meaning of § 1400(b)’s text and thus is an integral part of the venue “law” that § 1391(a)(1) excepts from the operation of § 1391.

9. The phrase “all venue purposes” does not make current § 1391(c) apply more broadly than in *Fourco*.

Respondent relies heavily on the presence of the word “all” in current § 1391(c) and interprets that single word as mandating a rigid rule admitting of absolutely no exceptions. Yet even the version of § 1391(c) in force at the time of *Fourco* was interpreted by the Supreme Court’s *Pure Oil* decision to apply to “all” venue statutes (with exceptions). 384 U.S. at 204-05. History provides additional reasons for rejecting the Respondent’s interpretation.

After its amendment in 1988, the text of § 1391(c) facially restricted the subsection so that it applied only “[f]or purposes of venue under this chapter.” 28

U.S.C. § 1391(c) (1988) (emphasis added). That restrictive language raised the possibility that *Pure Oil*—which applied § 1391(c) to a statute well outside the venue chapter of title 28—was no longer good law. Such a result, one leading commentator bemoaned, would be not only an “undesirable” result but also something that “Congress could not possibly have intended when it amended Section 1391(c) in 1988.” 17 James Wm. Moore et al., *Moore’s Federal Practice* § 110.03[4][b], at 110-38 (3rd ed. Supp. 2008).

Although no lower court appears to have ever relied on the 1988 amendment’s restrictive language to constrain the application of § 1391(c) definitions,¹ the American Law Institute’s Federal Judicial Code Revision Project, which was approved May 17, 2001, viewed the language “[f]or purposes of venue under this chapter” as an “unfortunate prefatory phrase.” Am. Law Inst., *Federal Judicial Code Revision Project* 189 (2004) (the “ALI Project”). The ALI Project therefore proposed adding “the introductory phrase . . . ‘[f]or all venue purposes’” as a means of “resolv[ing] the problem created [by] the 1988 amendment.” *Id.*

Thus, the word “all” was suggested by the ALI Project to resolve a specific problem, and that word, coupled with the exceptions clause in (a)(1), restructured the statutory text language to be precisely as *Pure Oil* had interpreted the section decades earlier—applying to “all” venue statutes but with exceptions for statutes like § 1400(b).

The ALI Project also describes the new prefatory phrase as applying “globally,” *id.* at 188, a word Respondent quotes repeatedly. See, e.g., Resp. Br. at 18, 21, 42, 47. But the word “globally” does not appear in the statute. The ALI Project also never hinted that § 1391(a)(1)’s exceptions clause was inapplicable to subsection (c).

Furthermore, the ALI Project was simultaneously and vigorously urging Congress to repeal § 1400(b), describing the statute as a “cancer” and “pernicious.” *Id.* at 212, 214. The ALI’s recommendation came in 2001, but a decade later, Congress rejected the recommendation. The ALI Project thus highlights what Congress did *not* do. Perhaps the congressional rejection of the ALI’s

¹ See *McCracken v. Auto. Club of S. Cal.*, 891 F. Supp. 559, 562 (D. Kan. 1995) (collecting authorities demonstrating that, although “the introductory phrase ‘For purposes of venue under this chapter’ . . . arguably limits the applicability of [§ 1391(c)], the practice of supplementing special venue statutes with § 1391(c) continues”); see also 17 James Wm. Moore et al., *Moore’s Federal Practice* § 110.03[4][b], at 110-37 (3rd ed. Supp. 2008) (recommending that courts “should” apply the 1988 version of § 1391(c) to statutes outside of the venue chapter of title 28). It is ironic that the only lower court to give the restrictive language of the 1988 amendment any operative force was the Federal Circuit in *VE Holding*, but it relied on the restrictive language to *expand* the application of § 1391(c).

recommendation was because times had changed: By 2011, the ill effects of expansive patent venue were already being experienced due to the Federal Circuit's erroneous decision in *VE Holding*. Or perhaps the Congress had other reasons. In any event, the views of the ALI Project are—to put it mildly—a fundamentally unreliable source for discerning the appropriate relationship between current §§ 1391 and 1400(b).

Finally, Respondent's simplistic all-means-all-without-exceptions construction of § 1391(c) does not even account for the very next provision in the statute. Current § 1391(d) provides a definition of corpo-rate residence different from, and narrower than, the definition provided in subsection (c)(2). Section 1391(d) can be reconciled with subsection (c) only by accepting that the word “all” in § 1391(c) does not preclude exceptions.

10. Respondent cannot reconcile its position with the existence of the ATM provision in AIA § 18(c).

Respondent relegates its discussion of § 18(c) of the Leahy-Smith America Invents Act (“AIA”) to a single footnote but is unable to reconcile its position with the existence of that statute.

Respondent describes § 18(c) as “an uncodified provision of patent law.” Resp. Br. at 36 n.18. Yet a statute is a statute whether codified or not, and Respondent cites no authority that uncodified statutes have less weight.

Respondent also notes that § 18(c) was enacted before (about three months before) the 2011 Amendment to § 1391, but Respondent errs in arguing that the earlier statute cannot be used in determining what “the later statute means.” Resp. Br. at 37 n.18. The canon against implied repeals is precisely designed to assist courts in reaching the correct interpretation of “the later of the two statutes,” with the courts avoiding interpretations that would render the “new statute . . . as wholly or even partially amending a prior one.” *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 134 (1974) (citation omitted).

Here, there can be no doubt that Respondent's interpretation renders § 18(c) partially and perhaps even completely inoperative because Respondent's position renders “the second part of Section 1400(b) unused in most cases,” except “in suits against individual defendants.” Resp. Br. at 34. Yet that “second part of Section 1400(b)—i.e., the part providing venue in districts “where the defendant has committed acts of infringement and has a regular and established place of business”—is precisely the part that § 18(c) restricts.

Under Respondent’s position, Congress decided in September of 2011 to restrict patent venue by excluding ATMs from being considered regular and established places of business under § 1400(b), but then three months later, the very same Congress *impliedly* repealed that protection for almost every patent infringement defendant (save for natural persons personally owning ATM machines). Respondent’s interpretation of the 2011 amendment—in addition to being based on a highly implausible sequence of events—clearly triggers the canon against implied repeals and should be disfavored.

By contrast, Petitioner’s interpretation of the 2011 Amendment is not disfavored by the implied repeal canon because, under that interpretation, the 2011 Amendment did not affect AIA § 18(c) at all. The House Report on the 2011 Amendment was issued seven months prior to the passage of AIA § 18(c), and that report already omitted the ALI’s proposal to repeal § 1400(b). See H.R. REP. NO. 112-10 (2011). Thus, when AIA § 18(c) was being enacted, members of Congress would have expected that § 1400(b) would remain good law, so the slight adjustment to § 1400(b)’s scope was sensible.

11. Congress clearly wrote a special venue rule for patent litigation.

Some of Respondent’s amici assert that “[i]n general matters of litigation, such as procedural rules, there is typically no reason to treat patent law differently from other areas of law.” Br. of 22 Law, Economics and Business Professors in Support of Re-spondent at 14. That broad generalization does not withstand even the slightest scrutiny.

First, the statute at issue here was originally enacted by Congress in 1897 and was only two sentences long. It was entirely a special statute just for patent law governing two matters of litigation procedure: venue (now § 1400(b)) and service of process (now § 1694). In 2011, Congress also had a recommendation to repeal § 1400(b), and it declined. The courts should not second-guess those congressional choices.

Second, several federal district courts have promulgated special local rules applicable only to patent cases. See, e.g., E.D. Tex. Pat. Rules, <http://www.txed.uscourts.gov/d/1179>; N.D. Cal. Pat. Rules, <http://www.cand.uscourts.gov/localrules/patent>. The existence of these special local patent rules underscores Petitioner’s point that patent infringement “is a tort that differs in important respects from other torts that federal courts are called upon to remedy.” Pet. Br. at 33. Respondent’s brief does not dispute this point.

Third, the patent field is home to one of the largest exceptions to the ordinary rules of litigation—the nationwide exclusive jurisdiction of the Federal Circuit. 28 U.S.C. § 1295(a)(1).

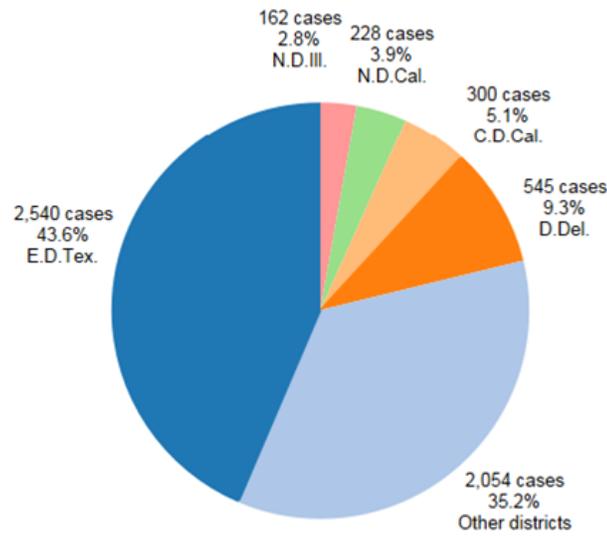
12. The Federal Circuit’s departure from the Supreme Court’s interpretation of § 1400(b) has had significant effects in the allocation of patent infringement suits amongst districts.

The Federal Circuit new interpretation of § 1400(b) has led to significant changes in patent litigation. By 2005, a decade and a half after *VE Holding*, 156 patent cases—or about 6% of the 2612 patent cases filed in all federal districts that year—were brought in one district court, the Eastern District of Texas.² The next year, the burgeoning number of patent cases in the Eastern District of Texas was considered sufficiently newsworthy that it generated a feature story in the *New York Times*, which commented on the district’s “red-hot patent docket.” See Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. Times, Sep. 24, 2006, <http://www.nytimes.com/2006/09/24/business/24ward.html>. That article speculated that the patent docket in the Eastern District of Texas “may not be able to sustain its current pace of growth” because it was “starting to attract so many cases that a certain sluggishness may be setting in.” *Id.*

That prediction proved to be inaccurate. In 2006, the year of the *Times* article, more than 9% of all patent cases in the country (256 of 2745 cases) were filed in the Eastern District of Texas.³ Nine years later in 2015, more than 40% of all patent cases were brought in that district, and more than 50% of patent cases were filed in just two districts (E.D. Tex. and D. Del.), as illustrated in the chart below (Brian Howard, *Lex Machina 2015 End-of-Year Trends Fig.3* (Jan. 7, 2016), available at <http://www.lexmachina.com/lex-machina-2015-end-of-year-trends>):

² Figures are drawn from Matthew Sag, *IP Litigation in U.S. District Courts*, 101 Iowa L. Rev. 1065 (2016). See *id.* at 1111 (setting forth the number of patent cases filed in certain district courts); *id.* at 1082 (setting forth the total number of patent cases filed per year in table 3, columns 1 & 2).

³ See Sag, 101 Iowa L. Rev. at 1082, 1111.



Multiple empirical studies suggest that the ongoing centralization of patent litigation in a few judicial districts has been driven by forum shopping. Thus, for example, Professor Sag has published statistics showing a “marked divergence between the rate of patent litigation in the Eastern District of Texas and the District of Delaware and other forms of IP litigation in these districts.”⁴ Professor Sag asserts: “The reality is that these courts are not better in any value-neutral sense; they are simply better for patent plaintiffs and worse for patent defendants.”⁵

Similarly, the firm PricewaterhouseCoopers (which publishes an annual survey of patent litigation) has collected data to show that “[c]ertain districts ... continue to be more favorable venues for patent holders.” 2016 Patent Litigation Study at 15 (May, 2016) (<https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf>) (the “PwC Study”). The PwC study ranks patentee-favorable venues on the basis of simple average of each venue’s ranking in three variables: “[i] shorter time-to-trial, [ii] higher success rates and [iii] greater median damages awards.” *Id.* The Study ranked D. Delaware and E.D. Texas as numbers 1 and 2, respectively, under those criteria. Those are also the top two districts in terms of number of patent filings.

The Federal Circuit’s destruction of the patent venue defense harms small and medium-sized businesses the most. For example, a paper by Professors Colleen Chien and Michael Risch includes the following table showing that at least *two-*

⁴ Sag, 101 Iowa L. Rev. at 1099.

⁵ *Id.* at 1104.

thirds of businesses with annual revenues at or below \$100 million are currently being sued in districts that are improper under the Supreme Court’s *Fourco* decision and more than 50% of businesses with revenues up to \$5 billion are also being sued in the wrong district:

Share of Defendants Impacted by Venue Reform			
Revenue of D	Number of Ds	VENUE	TC Heartland
0-10M	182	43%	69%
10+-100M	174	45%	68%
100M+-1B	222	48%	58%
1B-\$5B	192	43%	54%
5B+-100B	241	38%	43%
100B+	48	25%	29%

Colleen V. Chien & Michael Risch, Recalibrating Patent Venue 42 *tbl.* 10 (Oct. 6, 2016), Santa Clara Univ. Legal Studies Research Paper No. 10-1, <https://ssrn.com/abstract=2834130>.

13. Respondent has made potentially misleading claims about the effects of adhering to the Supreme Court’s *Fourco* decision.

For example, the Respondent suggests that adhering to *Fourco* could hurt universities. *See* Res. Br. 58. Yet the study by Chien & Risch estimate that applying the rule in *Fourco* would affect 0% of suits brought by universities and non-profits. Chien & Risch pp. 40-41.

The Respondent also argues that, under *Fourco*, “just three districts ... would account for more than 62% of all NPE cases.” Resp. Br. 53 (citing Chien & Risch at p. 35 table 6). That very page shows that currently 64% of all NPE suits are brought in one district—E.D. Tex—so the concentration of NPE suits in a single district would decline.

Chien & Risch study also probably overestimates the cases that would remain in E.D. Texas because:

- The study assumes (at p. 29) that acts of infringement occur in a district if defendant has any “regular and established” place of business there. That is obviously not always true (e.g., it was not true in *Fourco* itself).
- The Chien & Risch study does not account for the possibility that defendants might move places of business out of the E.D. Texas.

The Chien & Risch study also probably overestimates the cases that would move to D. Delaware because:

- The study assumes (p. 26) that, if a suit *could* be brought in Delaware, it *would* be brought in Delaware in most cases under *Fourco*.
- The study does not consider the possibility of transfers of venue.
- The study does not consider the possibility that the litigation would not be brought.

14. In sum, the Petitioner’s position makes sense of all of the relevant statutes in the case. The Respondent’s position elevates one subsection of one statute so that none of the other statutory provisions makes sense.

Statute	Heartland’s position	Kraft’s position
§ 1400(b)	The meaning is defined by <i>Fourco</i> , and Congress has never changed.	Congress overruled <i>Fourco</i> ’s interpretation of § 1400(b) in 2011 (or maybe 1988) by amending the one statute the Supreme Court held should <i>not</i> be used in interpreting § 1400(b).
§ 1694	Section 1400(b) should be read <i>in pari materia</i> with this section, which uses the concept of resides and has arguably been changed. Section 1694 ensures that personal jurisdiction is possible and is consistent with <i>Stonite</i> ’s statement that the 1897 statute identified specific courts that would have “jurisdiction” over patent infringement cases.	Section 1400(b) and 1694 “no longer align.” – Resp. Br. at 32.
AIA § 18(c)	Narrows venue slightly.	Incoherent position in footnote 18, Resp. Br. 32-33.
§ 1391	(a) Exceptions clause in (a) creates exceptions generally. (c) The word “all” restores <i>Pure Oil</i> —all subject to exceptions. (d) Multi-district State provision is another exception.	(a) doesn’t apply to (c) because the definitions in (c) “do not ‘govern ... venue,’” Resp. Br. 32, even though § 1391(c) “governs ‘[f]or all venue purposes.’” <i>Id.</i> 8. (c) The word “all” means all. (d) Unclear views.

***TC HEARTLAND v. KRAFT FOODS*: WHY PATENT LAW POLICY
SUPPORTS RETAINING THE FEDERAL CIRCUIT'S LONG-
STANDING VENUE RULE**

Ted Sichelman*

INTRODUCTION

TC Heartland LLC v. Kraft Foods Group Brands LLC, now pending in the U.S. Supreme Court, raises both statutory interpretation and policy issues regarding venue in patent lawsuits. This paper focuses on the policy issues involved in that case.¹

In short, the aims of patent law are better served under the Federal Circuit's rule—that a corporate defendant can be sued in any district in which personal jurisdiction lies—than a rule that limits venue solely to those districts in which the defendant is incorporated or has a regular and established place of business and has committed acts of infringement. There are three major reasons supporting this position.

First, Petitioner and its supporting amici highlight the concentration of patent lawsuits in a small number of judicial districts. However, reversing the decision below would not change this concentration. Indeed, a rigorous academic study by one of Petitioner's own amici shows that adopting Petitioner's position would have no impact on the present concentration of roughly 60% of all patent cases in just five jurisdictions. Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, at 36 (Working Paper, Oct. 6, 2016), <https://ssrn.com/abstract=2834130>. In other words, regardless of how this Court rules in this case, roughly 60% of cases will continue to be filed in the same handful of jurisdictions.

The same study shows that the only major shift in lawsuits would be from a single district to merely two other districts. Specifically, the Eastern District of Texas would drop from about 36% to 15% of all cases, and the Northern District of California and the District of

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¹ This paper has been adapted from an amicus brief I filed in the case. See Ted M. Sichelman, *Brief of 22 Law, Economics, and Business Professors As Amici Curiae in Support of Respondent in TC Heartland v. Kraft Foods* (March 8, 2017), available at <https://ssrn.com/abstract=2929793>.

Delaware would collectively rise from about 14% to 37% of all cases. *Id.*

No plausible argument can be made—and Petitioner and its amici have not offered an argument—that shifting cases from *one* district to *two* districts would result in a meaningful distribution of patent cases among the *ninety-four* federal district courts.

Second, Petitioner and its *amici* argue, directly or indirectly, that the Eastern District of Texas is too pro-patentee, particularly to patent owners that rely heavily on licensing to generate revenue, including so-called patent assertion entities (PAEs) and non-practicing entities (NPEs).² What Petitioner and its amici do not acknowledge is that the Northern District of California is on-the-whole less hospitable to patent owners, and the District of Delaware is less hospitable to non-pharmaceutical patent owners, especially NPEs.

Furthermore, adopting Petitioner’s position would result in more than twice the number of cases being filed in the District of Delaware. Given the small size of that district’s bench, this increase would almost certainly lead to much longer times to case resolution. Other than pharmaceutical companies involved in Hatch-Waxman actions seeking to prevent generic drugs from entering the market, delays in patent actions typically prejudice all types of patent owners. Tilting the playing field against patentees by reshuffling cases among a few districts does not promote the goal of equitable case distribution.

Whatever one’s position is on whether the Eastern District of Texas, the Northern District of California, or the District of Delaware best implements patent law, the proper *judicial* remedy for aggrieved parties to correct substantive and procedural “errors” in these districts is through the appellate process.³ Of course, if Congress

² These terms are often misnomers because they are not used consistently and often refer to disparate types of entities—such as universities, individual inventors, research-focused companies, and patent aggregators—that may vary widely in their patent litigation and licensing behavior. *See, e.g.*, Christopher A. Cotropia, Jay P. Kesan & David L. Schwartz, *Unpacking Patent Assertion Entities (PAEs)*, 99 Minn. L. Rev. 649, 651-54 (2014); Kristen Osenga, *Sticks and Stones: How the FTC’s Name-Calling Misses the Complexity of Licensing-Based Business Models*, 22 Geo. Mason L. Rev. 1001, 1002-04 (2015).

³ Indeed, Congress created the Federal Circuit Court of Appeals in 1982 to

believed any district presented a sufficient cause for concern, it could legislatively restructure patent venue rules. Notably, despite numerous calls to do so, Congress has not imposed a single restriction on patent venue since the rise in patent litigation in the 1990s and 2000s, even as it substantially altered other portions of the patent statutes. Contrary to Petitioner’s and its amici’s allegations of bias, Congress effectively authorized the Eastern District of Texas to be part of the Patent Pilot Program, which is designed to channel cases to judges well-versed in patent law.

Third, corporate defendants often commit substantial and actionable harm in numerous jurisdictions. When a corporate defendant’s level of harm and contacts with a jurisdiction are so substantial that a lawsuit in that jurisdiction would not offend “traditional conception[s] of fair play and substantial justice,” *International Shoe Co. v. Washington*, 326 U.S. 310, 320 (1945), Congress has determined that as a default rule for any type of civil case brought in federal court, venue is proper. In other words, corporate defendants are generally subject in *any* civil complaint to venue in *any* district in which personal jurisdiction lies.

Thus, what Petitioner and its *amici* characterize as allegedly pernicious “forum shopping” and “forum selling” that must be eliminated is effectively a position that Congress has already rejected in its default rule governing venue for corporate defendants in essentially all federal civil cases. This decision is sound: a plaintiff should be entitled to seek redress in a district in which a corporate defendant has inflicted substantial harm—so substantial that the defendant “should reasonably anticipate being haled into court” in that district. *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 474 (1985) (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980)).

Patent law is no different from other areas of law when it comes to so-called forum shopping—a plaintiff for any type of action will choose the forum that provides it the best opportunity for success. Contrary to the assertions of some of Petitioners’ amici, there is no reliable evidence showing that NPEs typically bring baseless or weak claims to extract a nuisance settlement. Rather, like any area of law, some plaintiffs will bring meritless claims—and, in patent law, this

increase the uniformity of decisions in patent cases. *See* Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25.

includes NPEs and non-NPEs alike. And, like any area of law, courts and defendants have numerous tools to root out such claims. Importantly, this Court has consistently found that patent law is not an island to its own, especially in procedural matters. Affirming the opinion in this case merely maintains the alignment of patent venue with standard venue rules.

Even assuming that “forum shopping” in patent cases warranted exceptional treatment, only Congress can craft a solution that meaningfully distributes cases among the district courts and equitably treats patent owners and accused infringers alike. In contrast, by merely shifting cases from one jurisdiction that is relatively favorable to patent owners to two jurisdictions that are relatively less favorable, Petitioner’s proposed venue rule is not only inequitable, but would very likely create serious impediments to innovative activity for many types of patent owners.

Innovators and their investors have long been vital to a flourishing innovation economy in the United States. Startups, venture capitalists, individual inventors, universities, and established companies often rely heavily on patents to recoup their extensive investments in both research & development and commercialization. By restricting the districts in which a patent owner can bring suit, the value of the patent itself is lessened, diminishing the economic incentives the patent system provides to spur innovation.

I. ADOPTING PETITIONER’S POSITION WOULD NOT MEANINGFULLY DISTRIBUTE PATENT LAWSUITS AMONG THE DISTRICT COURTS

Petitioner and its supporting amici argue that *VE Holding* and its progeny have led to a disproportionate share of patent lawsuits being filed in one judicial district, namely, the Eastern District of Texas. *See* Pet. Br. 14-16, 37-39; ABA Br. 7-9; GPhA Br. 3, 11.

As a preliminary matter, Petitioner and its amici focus on the year 2015, highlighting that approximately 44% of all patent lawsuits were filed in the Eastern District of Texas in that year. Pet. Br. 15. Yet, in 2014, the Eastern District of Texas heard only 29% of all patent cases, and in 2016, it heard 36% of all patent lawsuits. Docket Navigator Analytics, New Patent Cases, <https://www.docketnavigator.com/stats> (visited Mar. 2, 2017). In 2017, so far the rate has remained at about 35%. *Id.*

Regardless of this decline, it remains clear that a substantial

number of patent lawsuits are filed in just a handful of the ninety-four district courts. Specifically, five districts—the Eastern District of Texas, the District of Delaware, the Central District of California, the Northern District of California, and the District of New Jersey—accounted for roughly 60% of all patent cases filed in 2016. *Id.*

On its face, this concentration of lawsuits in just five districts could be a cause for concern. Yet, Petitioner’s proposed solution in this case would not meaningfully disperse cases among all the district courts. A recent empirical study by one of Petitioner’s own amici found that restricting venue in the manner advocated by Petitioner would still leave roughly 60% of all patent cases in the same five jurisdictions. Chien & Risch, *Recalibrating Patent Venue*, at 36. Rather, all that would result is a net shift from roughly 35% of cases being heard in the Eastern District of Texas to roughly 37% of cases being heard in the Northern District of California and the District of Delaware.⁴ *Id.* In other words about 21% of all cases would, on balance, be channeled from one district to two districts. *Id.*

No plausible argument can be made—and Petitioner and its amici have not offered one—why shifting the concentration of cases from *one* district to *two* districts would result in a meaningful distribution of patent cases among the *ninety-four* federal district courts. Even if one believed that substantial benefits would arise from the widespread distribution of patents cases, a reversal in this case would not achieve those benefits.

II. PETITIONER’S AND ITS AMICI’S GOAL IS TO CHANNEL PATENT LAWSUITS TO JURISDICTIONS THAT ARE GENERALLY MORE FAVORABLE TO ACCUSED INFRINGERS

As just explained, the policy argument that there is an unjustified concentration of patent lawsuits in one or two districts is a red herring in this case. This argument is intended to divert attention from a more understandable and prosaic goal: to make it more difficult for certain patent owners to win their lawsuits in district court.

It is well-known that the Eastern District of Texas is viewed

⁴ The study finds that for “NPE” cases, the Eastern District Texas would drop from 64% to 19% of all NPE cases, and the District of Delaware and Northern District of California would rise collectively from about 10% to 43% of all NPE cases. *Id.*

favorably by patent owners. It is equally well-known that the Northern District of California is viewed less favorably by patent owners. Although the District of Delaware is sometimes considered to be favorable for patent owners, this view is mainly explained by the relatively large number of patent infringement cases filed there by pharmaceutical companies. When those cases are disregarded, the District of Delaware is much less favorable for patent owners, especially for NPEs, than the Eastern District of Texas. *See, e.g.*, John R. Allison, Mark A. Lemley & David L. Schwartz, *Our Divided Patent System*, 82 U. Chi. L. Rev. 1073, 1149 (2015) (showing in a full regression that controls for industry-type and for other relevant factors that there is no significant or substantial increased likelihood of a patent owner winning its suit from filing in the District of Delaware); PricewaterhouseCoopers LLP, 2016 Patent Litigation Study, at 16, Fig. 20 (May 2016), <https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf> (finding that from 1996-2015 the “NPE success rate” was 48% in the Eastern District of Texas, 27% in the District of Delaware, and 13% in the Northern District of California).

Moreover, if this Court adopts Petitioner’s position, the District of Delaware will become even less favorable for non-pharmaceutical patentees because—given its small number of judges—times to resolution in this district are likely to increase substantially. Longer times to resolution increase not only litigation costs, but also the harms from a defendant’s on-going infringement. The same studies cited above indicate caseloads in the district would more than double—from about 450 cases per year to 1070 cases. This is alarming for most patent owners, as even in 2013, then-Chief Judge Sue Robinson testified to Congress that the district’s patent docket was expanding quickly and the court could not “keep this level of work up indefinitely.” *Federal Judgeship Act of 2013: Hearing Before the Subcomm. on Bankruptcy and the Courts of the S. Comm. on the Judiciary*, 113th Cong. 3 (2013).

It is unsurprising that large corporate defendants that often find themselves accused of patent infringement would undertake efforts to relocate their cases to jurisdictions in which they are more likely to obtain more favorable results through the costs of delay or judgments in their favor. Indeed, many of the same companies and industry associations that have submitted numerous amicus briefs in favor of Petitioner have been lobbying Congress for several years to pass laws,

like the VENUE Act, S. 2733, 114th Cong. (2016),⁵ which would similarly result in shifting patent cases from the Eastern District of Texas to the Northern District of California and the District of Delaware. *See* Chien & Risch, *Calibrating Patent Venue*, at 37. It is notable that, despite this extensive lobbying, the only action Congress has taken with respect to the Eastern District of Texas was to effectively authorize it for its Patent Pilot Program, which is designed to channel cases to judges well-versed in patent law.⁶

It is important to recognize that corporate defendants are not left without recourse under current law. First, if a patentee has truly filed a frivolous suit, defendants may seek attorneys' fees and costs, particularly under this Court's recent decisions that liberalized the legal standards in these circumstances. *See Highmark Inc. v. Allcare Health Management System, Inc.*, 134 S. Ct. 1744 (2014); *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

Second, if an aggrieved party believes that a district court wrongly decided an issue, failed to adhere to procedural dictates, and the like, that party may of course raise the issue in an appellate court. And litigants who are sued in the Eastern District of Texas are not without remedy. For example, in *In re Google, Inc.*, Case No. 2017-107 (Fed. Cir. Feb. 23, 2017), following a denial of a transfer motion in the Eastern District of Texas, the Federal Circuit granted Google's mandamus petition to transfer the case to the Northern District of

⁵ *See, e.g.*, Ryan Davis, *Senate Judiciary Leader Won't Consider Patent Venue Bill*, Law360, May 13, 2016, <https://www.law360.com/articles/796196/senate-judiciary-leader-won-t-consider-patent-venue-bill> (listing Intel, the Electronic Frontier Foundation, and Public Knowledge as supporting the VENUE Act); United for Patent Reform, *Letter to Senators Flake, Gardner, and Lee*, Mar. 18, 2016, <http://www.unitedforpatentreform.com/files/final-upr-venue-intro-letter1213646601.pdf> (listing National Association of Realtors, Engine Advocacy, and Software & Information Industry Association as supporting the VENUE Act).

⁶ Although the Administrative Office of the U.S. Courts nominally selected the district courts for the program, Congress authorized selection from among the 15 district courts with the largest number of patent cases and those with local patent rules. The Eastern District of Texas satisfied both criteria, and—given active lobbying relating to patent venue issues from the mid-2000s to 2011—Congress was presumably well-aware of that fact when it passed the authorizing Act. *See* Patent Pilot Program Act of 2011, Pub. L. No. 111-349, 124 Stat. 3674.

California. The Federal Circuit has similarly granted mandamus petitions in other actions, including cases filed in the Eastern District of Texas.⁷

Although the appellate process may be more costly than winning in the first instance,⁸ as the next section explains, this is a cost that Congress has long tolerated in its policy choices regarding venue selection.

III. THE GENERAL RULE IN CIVIL CASES THAT PLAINTIFFS MAY SUE CORPORATE DEFENDANTS IN ANY DISTRICT IN WHICH PERSONAL JURISDICTION LIES IS SENSIBLE FOR PATENT ACTIONS

Petitioner and its amici complain of “forum shopping” and “forum selling” that allegedly occurs in patent actions. *See, e.g.*, Pet. Br. 37-39; SIAA Br. 19-25. Several amici further complain that districts other than where the defendant is incorporated or has a regular and established place of business and commits acts of infringement have “little connection to the defendant or its alleged infringement.”⁹ SIAA Br. 21. What these arguments overlook is that the default venue rule in all federal actions against corporate defendants is that *they may be sued in any district in which personal jurisdiction lies*. *See* 28 U.S.C. § 1391(b), (c)(2) (2012).

⁷ *See, e.g., In re Toyota Motor Corp.*, 747 F.3d 1338 (2014); *In re Apple, Inc.*, 581 Fed. Appx. 886 (2014); *In re WMS Gaming, Inc.*, 564 Fed. Appx. 579 (2014); *In re TOA Techs., Inc.*, 543 Fed. Appx. 1006 (2013); *In re Verizon Bus. Network Servs.*, 635 F.3d 559 (2011); *In re Genentech*, 566 F.3d 1338 (2009); *In re TS Tech United States Corp.*, 551 F.3d 1315 (2008).

⁸ Despite these reversals, there is no evidence that the Eastern District of Texas exhibits a substantially higher reversal rate than average. According to a study by PricewaterhouseCoopers, from 2006 to 2012, the Eastern District of Texas was fully affirmed 42% of the time, compared with 48% for all districts. PricewaterhouseCoopers LLP, 2015 Patent Litigation Study, at 21 (May 2015), <https://www.pwc.com/us/en/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf>. Given the variation in the types of cases and issues appealed from different districts—for instance, the Eastern District of Texas typically handles a large number of software cases, which tend to have higher reversal rates on issues like claim construction—this difference is not particularly meaningful, much less large.

⁹ On Petitioner’s view, even suit in a district in which an accused infringer is headquartered would be improper unless acts of infringement occurred there. *See* Resp. Br. 49-50 (describing this result).

First, Congress has already determined that in essentially all types of actions—consistent with due process requirements and the possibility of transfer—a plaintiff may select any forum in a suit against a corporate defendant. Thus, what Petitioner labels “forum shopping” is essentially the long-chosen federal policy in suits against corporate defendants. *See Goad v. Celotex Corp.*, 831 F.2d 508, 512 n.12 (4th Cir. 1987) (“There is nothing inherently evil about forum-shopping. . . . [C]omplaints about forum shopping expressly made possible by statute are properly addressed to Congress, not the courts.”).

It is now well-settled that “the plaintiff is the master of the complaint,” *Caterpillar Inc. v. Williams*, 482 U.S. 386, 398-99 (1987), and that it can ordinarily bring suit in any jurisdiction in which a corporate defendant has committed substantial harm. 14D Charles Alan Wright *et al.*, *Federal Practice and Procedure* §§ 3805, 3811 (4th ed. 2016). According to the leading civil procedure treatise, Congress has “nearly eliminate[d] venue as a separate restriction in cases against corporations.” *Id.* § 3802.

In general matters of litigation, such as procedural rules, there is typically no reason to treat patent law differently from other areas of law. This Court has repeatedly recognized as much in its recent decisions. *See, e.g., Halo Electronics, Inc. v. Pulse Electronics*, 136 S. Ct. 1923 (2016) (enhanced damages); *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (abrogating patent-specific rules on fee shifting under § 285 of the Patent Act by reference to “comparable fee-shifting statutes” in other areas of law); *Gunn v. Minton*, 133 S. Ct. 1059 (2013) (subject matter jurisdiction); *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007) (rejecting special rule for patent cases in declaratory judgment actions); *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388 (1996) (holding that construction of patents is a legal question because, among other reasons, the “construction of written instruments is one of those things that judges often do and are likely better to do than juries unburdened by training in exegesis”); *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 810-11 (1986) (holding that the Federal Circuit must follow FRCP 52(a)’s standard of review of factual determinations by district courts in patent cases). *Cf. eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (injunctions).

The policy concerns raised by Petitioner and its amici so as to justify a restricted rule of venue for patent actions are either

unsubstantiated or are no different from concerns arising in other areas of civil litigation. First, there is the concern about individuals and companies pejoratively known as “patent trolls” or by the allegedly more neutral-sounding terms “patent assertion entities” (PAEs) or “non-practicing entities” (NPEs). The implicit allegation is that a very large percentage of cases brought by NPEs are essentially baseless or weak cases.

However, there is no valid empirical evidence that supports such an assertion. See Adam Mossoff & Ted M. Sichelman, *Letter to Congress from 28 Law Professors & Economists Urging Caution on the VENUE Act* (Aug. 1, 2016), <http://ssrn.com/abstract=2816062>; John R. Allison, Mark A. Lemley & David L. Schwartz, *How Often Do Non-Practicing Entities Win Patent Suits?*, at 52-54 (Working Paper, Apr. 22, 2016), <https://ssrn.com/abstract=2750128> (finding that once other explanatory factors, such as jurisdiction and technology, were taken into account, “[o]perating companies . . . were not demonstrably more likely than NPEs to win their patent cases”).¹⁰ Like any area of law, a small percentage of cases will be frivolous or weak (*i.e.*, have a low probability of success). There is no reliable evidence that patent law has a greater percentage of frivolous or weak cases than other complex areas of the law, such as securities and products liability.

In this regard, the assertion that the venue rules applying to *all* patent owners should be severely restricted given the actions of *some* patent owners is not only ill-advised but fundamentally unfair to those patent owners who file good faith claims. For example, it would serve no legitimate purpose to deny Respondent Kraft Foods—a

¹⁰ Of course, it is always possible to divide up the category of NPEs more and more finely in order to find a class of defendants that appear to abuse the system. For example, relying on a recent report by the Federal Trade Commission, some of Petitioners’ amici allege that “litigation PAEs”—an NPE sub-group consisting of patent aggregators that appear to frequently litigate the patents they own—often file nuisance suits. Prof. Law. Econ. Br. 9. As an initial matter, these amici loosely sprinkle the terms “troll,” “PAE,” and “litigation PAE” together, when “litigation PAE” is but a distinct subclass of NPEs. In any event, even if such assertions are true—though, to be certain, no reliable, systematic empirical evidence exists to substantiate such claims—there is no compelling reason why the abusive behavior of a relatively narrow sub-class of patent owners should dictate a policy regarding venue that affects all patent owners, including not only those NPEs that are not “litigation PAEs” but also operating companies. See *infra*.

manufacturer who is certainly *not* a “troll” and who did not file a lawsuit in the Eastern District of Texas—the ability to choose a suitable forum, just like plaintiffs suing corporate defendants in nearly all other areas of law.

Second, there is the allegation that some district courts are “forum selling” by intentionally making their jurisdiction more attractive to plaintiffs. *See, e.g.*, Prof. Law. Econ. Br. 6-10. Like “forum shopping,” allegations of “forum selling” are common in many areas of civil litigation. *See Tyler v. Michael Stores, Inc.*, 150 F. Supp. 3d 53, 66 n.29 (D. Mass. 2015) (discussing in a class action case that the problem of forum selling “is applicable to district courts generally”); Todd J. Zywicki, *Is Forum Shopping Corrupting America's Bankruptcy Courts?*, 94 Geo. L.J. 1141, 1144-45 (2006) (discussing how forum selling led to a concentration of bankruptcy cases in the Southern District of New York and the District of Delaware in the 1980s and 1990s); Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S. Cal. L. Rev. 241, 285-99 (2016) (tracing forum selling to the seventeenth and eighteenth centuries and gathering recent examples such as mass torts, class actions, bankruptcies, and domain name dispute resolutions).¹¹

Similar to the allegations about problems from “trolls,” there is no reliable, rigorous study that proves that forum “shopping” or “selling” is occurring in any significant manner in patent cases that would justify systemic deviation from the general venue rule. But even if such concerns justified an exceptional approach, this Court cannot change the existing venue rule in a way that meaningfully distributes cases among the district courts and equitably treats patent owners and accused infringers alike.

Specifically, the relevant statutory provisions leave this Court with no more than a simple, binary choice: maintain the existing rule or adopt Petitioner’s narrow construction. As explained earlier,

¹¹ Much of the early literature on a forum adapting its law and procedures to generate business in the jurisdiction concerns Delaware’s corporation-friendly legal environment. *See, e.g.*, William L. Cary, *Federalism and Corporate Law: Reflections upon Delaware*, 83 Yale L.J. 663, 663 (1974) (“Delaware is both the sponsor and the victim of a system contributing to the deterioration of corporation standards.”). Ironically, the very corporations that have actively benefited from such “forum selling” in the corporate law context now seek to limit patent venue—so as to channel many of their cases to Delaware—to combat “forum selling” in the patent litigation context.

rather than reallocate cases among many jurisdictions in an equitable manner, Petitioner's approach would merely result in a shift of cases from one jurisdiction that is relatively favorable to patent owners to two jurisdictions that are relatively less favorable. To the extent there is a problem in need of a solution, only Congress has the flexibility to craft an appropriate set of rules.

The inequities of adopting Petitioner's position are readily apparent in this case. Respondent Kraft Foods sued Petitioner TC Heartland in the District of Delaware for the same reason patent owners are suing in the Eastern District of Texas: that is where a substantial amount of alleged infringing acts occurred and where Kraft Foods believes it is likely to succeed on the merits. There is nothing unfair about this choice. TC Heartland purposefully availed itself of substantial financial benefits in Delaware by selling its allegedly infringing products there, such that Delaware's jurisdiction over it comports with notions of "fair play and substantial justice."¹² *International Shoe*, 326 U.S. at 320. In choosing its forum, Respondent Kraft Foods has engaged in conduct that is "no different from the litigation strategy of countless plaintiffs who seek a forum with favorable substantive or procedural rules or sympathetic local populations." *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 779 (1984).

CONCLUSION

For the foregoing reasons, the Federal Circuit's rule that venue is proper in a patent infringement suit against a corporate defendant in any district in which personal jurisdiction lies should be retained.

¹² Notably, Petitioner did not appeal the Federal Circuit's denial of mandamus on the ground of lack of personal jurisdiction. *See* Pet. i.