

Keywords: Venue; personal jurisdiction.

General: 28 U.S.C. § 1391(c) still supplements 28 U.S.C. § 1400(b) regarding venue in patent infringement cases despite Congress' 2011 amendments to 28 U.S.C. § 1391.

In re: TC Heartland LLC
(2016-105 Fed. Cir. 2016)
April 29, 2016

I. Facts and Procedural History

TC Heartland LLC (hereinafter, "Heartland") is a limited liability company organized and existing under Indiana law and headquartered in Indiana. Kraft Foods Group Brands LLC (hereinafter, "Kraft") is organized and exists under Delaware law and has its principal place of business in Illinois. Kraft filed a patent infringement suit in district court in Delaware claiming Heartland's liquid water enhancer products infringed three of Kraft's patent. Heartland move to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction. In district court, Heartland alleged it is not registered to conduct business in Delaware, has no local presence in Delaware, has no supply contracts in Delaware, and has not called on any accounts in Delaware to solicit sales. However, Heartland did ship orders of the accused products (44,707 cases) into Delaware in 2013 due to contracts with two national accounts. The revenue from these shipments represented about 2% of the total sales for the accused product in that year. A magistrate judge, citing *Beverly Hills Fan*, determined it had personal jurisdiction over Heartland for claims involving the accused products. The magistrate judge also rejected Heartland's arguments that Congress' 2011 amendments to 28 U.S.C. § 1391 changed the law governing venue for patent infringement suits and nullified *VE Holding*. The district court supported these findings. In response, Heartland petitioned for a writ of mandamus to the Federal Circuit.

II. Issues

1. Is Heartland's right to mandamus clear and indisputable with regard to venue?
2. Is Heartland's right to mandamus clear and indisputable with regard to personal jurisdiction

III. Discussion

1. No. The Federal Circuit held that Congress' 2011 amendments to 28 U.S.C. § 1391 did not nullify *VE Holding* and change the law governing venue for patent infringement. In *VE Holding*, the Federal Circuit held that definition of corporate residence in the general venue statute, 28 U.S.C. § 1391(c), applied to the patent venue statute, 28 U.S.C. § 1400(b). Heartland had argued that Congress' 2011 amendments to § 1391 overruled *VE Holding*. The first of the relevant 2011 amendments to § 1391 included changing "For the purposes of venue under this chapter . . ." to "For all venue purposes . . ." The Federal Circuit found this to be a broadening (not a narrowing) of the definition of corporate residence.

The second of the relevant 2011 amendments to § 1391 included adding "Applicability of section.--Except as otherwise provided by law" language to § 1391(a). With regard to this amendment, Heartland argued that "law" otherwise defined corporate residence for patent cases and, thus, that § 1391(c), the general venue statute, no longer applied to patent cases. The Federal Circuit noted that Heartland acknowledged that most special venue statutes do not include rules about residency and that § 1391(c) can apply to those statutes. The Federal Circuit also noted that the patent venue statute does not define corporate residence and that no statutory law satisfied Heartland's argument that Congress' 2011 amendments rendered § 1391(c)'s definition for corporate residence inapplicable to venue for patent cases. Heartland argued that Congress, via the 2011 amendments, intended to include federal common law limited to Supreme Court

precedent in the law (i.e., *Fourco*). In *Fourco*, the Supreme Court held that § 1391 does not supplement § 1400(b) and that § 1400(b) is the sole and exclusive provision governing venue in patent infringement cases. However, the Federal Circuit noted that Congress' 1988 amendments ("For the purpose of venue under this chapter") to § 1391(c) made the definition of corporate residence applicable to patent cases (which was determined in *VE Holding*), rendering *Fourco* no longer applicable. Thus, the Federal Circuit held that in 2011 there was no Supreme Court common law regarding this issue. Moreover, the Federal Circuit noted that no case exists to support the position of Heartland that a general statement of "except as otherwise provided by law" was meant to codify Supreme Court common law. Heartland additionally argued that a footnote in the 2013 Supreme Court case, *Atlantic Marine*, set forth the Supreme Court's belief that § 1391 is not applicable to patent cases, and § 1400 is. The Federal Circuit stated that *Atlantic Marine* does not address that § 1400(b) fails to define a residence for a corporation and that the general statute § 1391(c) expressly reads itself into § 1400(b), only operates to define a term in § 1400(b), and does not conflict with § 1400(b). The court further noted that the Congressional reports recognized *VE Holding* as the prevailing law both prior to and subsequent to the 2011 amendments to § 1391. In conclusion, the Federal Circuit held that Congress' 2011 amendments did not codify *Fourco*.

2. No. The Federal Circuit held the district court had specific personal jurisdiction under the Due Process Clause of the Fourteenth Amendment. Heartland argued that the district court only had specific personal jurisdiction over Heartland for the alleged infringing acts that occurred in Delaware *only*. Heartland's argument was based on a footnote in the Supreme Court case, *Walden* (stating specific personal jurisdiction can only arise from activities taking place in the forum state), and Federal Circuit case law that states each act of patent infringement gives rise to a separate cause of action. In particular, Heartland argued that the statement in *Beverly Hills Fan* that forum state could hear claims for infringing acts outside of the state was dictum. The Federal Circuit stated that under Heartland's argument Kraft would have to bring separate suits in other states where alleged infringing products are found or bring a single suit against Heartland in its state of incorporation (i.e., Indiana). First, the Federal Circuit, citing *Beverly Hills Fan*, found that Heartland's shipments of the alleged infringing products into Delaware was sufficient for minimum contacts. Second, the Federal Circuit, citing *Beverly Hills Fan*, also found that the forum state's assertion of jurisdiction was reasonable. In particular, the Federal Circuit found Kraft and the forum state's interest outweighed the burden on Heartland. In response to Heartland's arguments, the Federal Circuit found the statement in *Beverly Hills Fan* was not dictum and that the footnote in *Walden* did not overturn *Beverly Hills Fan*.

IV. Conclusion

The Federal Circuit denied Heartland's petition for a writ of mandamus. Take home point: 28 U.S.C. § 1391(c) still supplements 28 U.S.C. § 1400(b) regarding venue in patent infringement cases despite Congress' 2011 amendments to 28 U.S.C. § 1391

V. Additional Comments

Heartland filed a petition for a writ of certiorari. The Supreme Court has granted certiorari. The question at issue: Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).

VI. Relevant Materials

28 U.S.C. § 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.

28 U.S.C. § 1400 – Patents and copyrights, mask works, and designs

(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.*