

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.

TC Heartland, LLC v. Kraft Foods Group Brands, LLC
No. 16-341 (U.S. Supreme Court)
Decided May 22, 2017

I. Facts and Procedural History

TC Heartland LLC (“Heartland”) is a limited liability company organized and existing under Indiana law and headquartered in Indiana. Kraft Foods Group Brands LLC (“Kraft”) is organized and exists under Delaware law and has its principal place of business in Illinois. Kraft filed a patent infringement suit in the district court in Delaware claiming Heartland’s liquid water enhancer products infringed three of Kraft’s patents. Heartland moved to dismiss the complaint under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction, and citing *Fourco*’s holding that a corporation resides only in its state of incorporation, Heartland also moved to dismiss the case or transfer venue arguing that it did not reside in Delaware under the first clause of 28 U.S.C. § 1400(b) and that it had no “regular and established place of business” in Delaware under the second clause of § 1400(b).

Heartland 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*, which held that a 1988 amendment to § 1391 effectively redefined the residency requirement in § 1400(b). Thus, the district court found that it had personal jurisdiction over Heartland due to its sales in Delaware and that venue in Delaware was proper in view of the residency requirements of § 1391(c).

In response, Heartland petitioned for a writ of mandamus to the Federal Circuit. The Federal Circuit denied the petition, concluding that § 1391(c) supplies the definition of “resides” used in § 1400(b). Heartland filed for Certiorari with the Supreme Court, and the case was accepted.

II. Issues

Does the definition of residency in § 1391 supplant the definition announced in *Fourco* and, thus, allow a plaintiff to bring a patent infringement suit in any federal district in which a corporate defendant is subject to personal jurisdiction?

III. Discussion

No. The Court stated that the question presented in this case is where proper venue lies for a patent infringement suit brought against a domestic corporation. The patent venue statute 28 U.S.C. § 1400 provides that 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.” In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 226

(1957), the Court concluded that for purposes of § 1400, a given domestic corporation resides only its state of incorporation. In reaching that conclusion, the Court rejected the broader definition of residency contained in the general venue statute, 28 U.S.C. § 1391. Since the *Fourco* decision, Congress has not amended § 1400, but it has amended § 1391 twice. Section 1391 now provides that except “as otherwise provided by law” and “for all venue purposes,” a corporation shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the Court’s personal jurisdiction.

In 1897, to resolve a conflict regarding proper venue for patent cases, Congress enacted a specific venue statute, and in doing so, it placed patent infringement cases in a class by themselves outside of the scope of the general venue statute. This predecessor of § 1400 permitted suit in the district in which the defendant was an inhabitant or a district in which the defendant maintained a regular place of business and had committed an act of infringement. At that time, a corporation was understood to only inhabit the state in which it was incorporated. Accordingly, subsequent decisions held that the patent venue statute constituted the exclusive provision for controlling venue in a patent infringement suit and was not supplemented or modified by the general venue statute. After the original statute was re-codified as § 1400 in 1948, “inhabits” was replaced with “resides.” At the same time, Congress also enacted the general venue statute § 1391, which defined residency for corporate defendants. Following conflicting decisions relating to the 1948 amendments, the Court again, in *Fourco*, re-affirmed its holding that § 1400 is the exclusive provision controlling venue in patent infringement actions and that it is not supplemented by § 1391, and it further held that a corporation resides only in its state of incorporation. This landscape remained unchanged until 1988 when Congress amended the general venue statute to provide that “for purposes of venue under this chapter, 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.” The Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1571 (Fed.Cir. 1990), reasoned that the phrase established definition for all other venue statutes under the same chapter, thus including § 1400. The Supreme Court apparently did not review or challenge this interpretation. As a result, patent infringement actions have been brought in judicial districts all over the nation based solely on personal jurisdiction.

In 2011, Congress again amended § 1391, and again left § 1400 unaltered. With this amendment, §1391 now states that “except as otherwise provided by law” “this section shall govern the venue of all civil actions brought in district courts.” With this issue again squarely in front of the Court, it noted that Congress has not amended § 1400 since *Fourco*, so the only question is whether Congress changed the meaning of § 1400 with the 2011 amendment of § 1391. Here, the Court found no compelling evidence to suggest that the exclusive venue statute for patent infringement § 1400 had been supplanted by the general venue statute § 1391. Indeed, the Court found that the particular argument was even weaker under the current version of § 1391 than it was under the provision in place at the time of *Fourco*, because the current provision provides a saving clause expressly stating that it does not apply when otherwise provided by law. In short, the Court found that the saving clause makes explicit the qualification that the Court found implicit in the statute in the *Fourco* case. As a result, the Court held that, as applied to domestic corporations, the residency requirement in § 1400 refers only to the state of incorporation and, thus, reversed the judgement of the Federal Circuit.

IV. Conclusion

As a result of this case, rocket docket jurisdictions, such as the Eastern District of Texas, will undoubtedly see a huge decrease in filings of patent infringement cases. As a further result, jurisdictions where defendants are typically incorporated, such as Delaware, will undoubtedly see an increase in patent infringement filings.

V. 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.*