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INTELLECTUAL PROPERTY LAW

Intellectual Property Alert:

Federal Circuit Panel Not Sweet on TC Heartland's Petition to Change Rules for Patent Venue

By R. Gregory Israelsen

March 14, 2016 — "Boy, doesn't this feel like something a legislature should do?" So said Judge Moore on March 11 in the oral argument on the pending petition for a writ of mandamus in *In re TC Heartland LLC*.[i] Judges Wallach and Linn rounded out the Federal Circuit panel hearing the case, which as a whole seemed reticent to deviate from the existing standard for determining proper venue in patent litigation.

Background

The Petitioner, TC Heartland, LLC, is a limited liability company organized in Indiana. TC Heartland sells liquid water enhancer products (e.g., Refreshe Fruit Punch Drink Enhancer), and stands accused of infringing three patents owned by Kraft Foods Group Brands LLC. Kraft brought suit in Delaware, where Kraft is incorporated, alleging personal jurisdiction on Heartland's general sales of products in Delaware and in the U.S. District Court for the District of Delaware. Only two percent of the allegedly infringing sales occurred in Delaware.

28 U.S.C. § 1400(b) states:

> 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.

Section 1400 has remained unchanged since 1948.

Furthermore, in 1957, the Supreme Court held 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)."[ii]

In 1988, however, Congress amended 28 U.S.C. § 1391. Based on this amendment, the Federal Circuit in 1990 held in *VE Holding Corp. v. Johnson Gas Appliance Co.*[iii] that the changes to Section 1391 abrogated *Fourco*, and that patent law venue would now be governed by 28 U.S.C. § 1391(c). The Supreme Court denied certiorari in *VE Holding*, and it has remained settled law since then.

In 2011, Congress again amended 28 U.S.C. § 1391. Where Section 1391 before was limited to "purposes of venue under this chapter"—chapter 87—the new version applies to "all civil actions," "[e]xcept as otherwise provided by law."

Based on the latest amendments to Section 1391, Heartland moved the district court to dismiss or transfer the action, but was denied. Heartland then filed a petition for a writ of mandamus from the Federal Circuit, seeking an order directing the district court to dismiss or transfer the action.

Oral Argument

Heartland opened oral argument by stating, "This case turns on the meaning of six words: 'Except as otherwise provided by law.'" And indeed, that is the case.

Heartland argued that Section 1391's general definition of residency does not apply to patent cases, because Section 1400(b) specifically provides the standard for determining proper venue in patent litigation. Furthermore, Heartland argues that the Supreme Court's holding in *Fourco* should be included in the definition of what is "otherwise provided by law."

Kraft, on the other hand, argued that Congress's 2011 changes to Section 1391 could not have meant that Section 1391 no longer controlled patent venue, at least because those changes broadened Section 1391's applicability (i.e., changing from venue "under this chapter" to venue of "all civil actions"). And the judges seemed to agree; Judge Moore said, "it's hard to say that [the 2011 changes to Section 1391 were] a 'repeal' in the form of a purposeful, intentional conveyance of narrowing."

Kraft further argued that even if changing the standard for patent venue is warranted, this would not be the best case in which to do so. Kraft is incorporated in Delaware, and therefore is interested in litigating in Delaware. If the court's motivation for revising the venue standard is partially animated by the high number of cases in the U.S. District Court for the Eastern District of Texas, Kraft argued, it would at least make sense to change the standard in a case originating in that district.

Conclusion

Based on the oral argument, it seems unlikely that this Federal Circuit panel will change the existing standard for patent venue. Even if the panel agrees with Heartland, only the Federal Circuit sitting *en banc* has the authority to overrule *VE Holdings*. Other options open to Heartland include appealing to the Supreme Court, or persuading Congress to pass legislation. Thus, defendants looking to transfer infringement actions out of the Eastern District of Texas will be unlikely to sweeten their hopes with *TC Heartland*.

The Federal Circuit's opinion in *In re TC Heartland* is expected in early summer 2016.

Audio of the oral argument is available here.

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[i] *In Re TC Heartland LLC*, No. 2016-0105 (Fed. Cir. argued Mar. 11, 2016).
[ii] *Fourco Glass Co. v. Transmirra Products Corp*., 353 U.S. 222, 229 (1957).
[iii] *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).