METROPOLITAN CORPORATE COUNSEL®

JULY / AUGUST 2017 WWW.METROCORPCOUNSEL.COM

Four Likely Implications from *TC Heartland v. Kraft Foods*

The Supreme Court's decision on venue in patent litigation could shake things up

By Beth S. Rose / Sills Cummis & Gross P.C.

Who would have thought that the question of where venue lies in a patent infringement action could generate so much buzz among lawyers? But it has. The U.S. Supreme Court's May decision in *TC Heartland v. Kraft Foods Group Brands* held that, under the patent venue statute, a domestic corporation resides only in its state of incorporation.

This was a big deal. The implications for forum shopping could be huge. But don't count plaintiffs out yet. They still have options. And some of them may create new problems for defendants.

But first, let's review how we got here.

The Background

TC Heartland, which is incorporated and headquartered in Indiana, manufactures flavored drink mixes. Kraft Foods, a Delaware corporation with its principal place of business in Illinois, sued in the U.S. District Court of Delaware alleging patent infringement. Heartland was not registered to conduct business in Delaware and did not maintain a business presence there, though it did ship products to Delaware.

Heartland moved to transfer venue to the Southern District of Indiana. Relying on the patent venue statute, which permits cases to be venued where the defendant resides or where it has committed acts of infringement and has an established place of business, Heartland argued that it did not reside in Delaware and had no "regular and established business" in the state. It relied on a 1957 Supreme Court decision (*Fourco Glass Co. v. Transmirra Products Corp.*) that held that, for purposes of the patent venue statute, a domestic corporation "resides" only in its state of incorporation. The *Fourco* court also rejected arguments that the general venue statute in effect at the time should determine the residence of a corporation in patent litigation.

But in 1988, Congress amended the general venue statute to provide that "[f]or 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." Two years later, in *VE Holding Corp. v. Johnson Gas Appliance Co.*, the U.S. Court of Appeals for the Federal Circuit determined that the phrase "for purposes of venue under this chapter" signaled that Congress intended to establish the definition for all venue statutes. And further, it ruled that venue in patent litigation lay in any court where a defendant was subject to personal jurisdiction. Relying on *VE Holding*, the district court and Federal Circuit denied Heartland's motion to change venue.

In *TC Heartland*, the Supreme Court reversed. In its unanimous 8–0 opinion authored by Justice Clarence Thomas (Justice Neil Gorsuch did not participate), the court reaffirmed its "definitive and unambiguous" holding in *Fourco* that the patent venue statute governed the analysis and that its reference to "resides" refers only to the state of incorporation. The ruling means that venue in patent cases lies where the defendant either (1) resides (state of incorporation) or (2) committed the alleged acts of infringement and has a regular and established place of business.

> *Opportunities for forum shopping just got tougher.*

Potential Implications

What does this case mean? Time will tell, but there are several expected implications.

1. Opportunities for forum shopping just got tougher. Commentators are already reporting a decrease in filings in the plaintiff-friendly rocket docket of the Eastern District of Texas. By contrast, filings are likely to increase in Delaware, where many companies are incorporated, and in California, home to many technology companies.

2. After *TC Heartland*, the available venues to sue domestic corporations are certainly more limited. But don't count on patent owners taking their marbles and going home. Rather, anticipate increased reliance on where a defendant committed its alleged acts of infringement and has a regular and established place of business to support venue choices.

3. A patent owner may no longer be able to sue multiple defendants in the same jurisdiction. This may lead to filings in multiple jurisdictions, followed by motions for multidistrict litigation (MDL) handling under 28 U.S.C. §1407. If such motions are granted, the MDL judge may be located in a jurisdiction where no party "resides."

4. On the flip side, cooperation among defendants (joint defense and cost sharing) may be more challenging if lawsuits are brought in multiple jurisdictions. This is especially true in Hatch-Waxman litigation, where branded pharmaceutical companies often sue generics in the same jurisdiction.

Beth S. Rose *is a partner at Sills Cummis & Gross P.C., where she chairs the product liability practice group. She also serves as New Jersey counsel to pharmaceutical companies defending Hatch-Waxman litigation. She can be reached at brose@sillscummis.com.*

While the *TC Heartland* decision clarified the meaning of the word "resides," many questions remain. The court did not address the impact of its decision on pending cases. Improper venue is a defense subject to waiver. Will defendants in pending cases be deemed to have waived the defense if they did not file a motion to transfer venue? Similarly, the court did not provide any guidance as to where venue lies against a foreign parent or foreign subsidiary, entities that are often named as defendants in patent litigation.

Other questions loom. What impact will the opinion have on Hatch-Waxman litigation? Some commentators have argued that the opinion will have profound effects (see, for example, Arent Fox, The Supreme Court's TC Heartland Decision: Implications for Hatch-Waxman Litigation). Others have opined that the case is unlikely to "move the needle" (see Jamaica Szeliga, Venue in ANDA Litigation: Will *TC Heartland* Be a Sea Change or Just a Drop in the Bucket? in BioLoquitur: The Life Sciences Patent Blog, May 26, 2017).

One thing is certain. Questions of venue in patent cases will continue to be litigated in the years to come.

The opinions in this article are those of the author and do not necessarily reflect those of Sills Cummis & Gross P.C.