Federal Circuit Denies TC Heartland's Petition to Change the Venue Standard, Renewing Interest in Congressional Venue Reform

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Last week, a Federal Circuit panel rejected TC Heartland's Petition for Mandamus to direct the United States District Court for the District of Delaware to either dismiss or transfer the patent infringement suit filed against it by Kraft. TC Heartland had argued that the 2011 amendments to the venue statute changed the standard for patent cases to permit venue only (1) where a defendant resides or (2) where the defendant allegedly infringes the patent and has a place of business. As a result, the broad range of venue options available case remains for now.

Section 1391 addresses venue generally, and §1400(b) addresses venue for patent infringement, i.e., "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." The Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co*., 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991) held that §1391(c) should be applied to §1400(b), and therefore a patent suit could be brought any place in which the alleged infringer had sales.

In support of its petition, TC Heartland argued that the Federal Circuit's *VE Holding* decision no longer applies in light of the 2011 amendment to §1391, the general venue statute. That amendment added the provision "*except as otherwise provided by law* this section shall govern the venue of all civil actions." TC Heartland argued that this amendment narrowed the venue law as applied to patent cases.

TC Heartland also argued that "*VE Holding* has produced enormous venue shopping opportunities in patent infringement actions," pointing out that, "in the most recent year [2014], one district (E.D. Tex.) has 50% more patent filings that the next most popular district (D. Del.)." During oral argument, Judge Moore questioned whether curtailing venue shopping and the creation of specialized patent courts was a policy decision more appropriate for Congress.

In its decision, the Court rejected TC Heartland's argument about the effect of the 2011 amendments, characterizing it as "utterly without merit or logic," noting that TC Heartland presented no evidence that Congress intended to narrow the patent venue statute with its 2011 amendments. The Court reasoned that, to the contrary, "Congressional reports have repeatedly recognized that *VE Holding* is the prevailing law." The Court concluded that TC Heartland failed to show a right to mandamus that is "clear and indisputable" in light of the Court's "long standing precedent."

This may not be the end of the story. TC Heartland could file for a petition for en banc rehearing by the Federal Circuit or a petition for certiorari in the Supreme Court review. At the same time, those troubled by the current venue law continue to look to Congress for venue reform.

Legislative Action on Patent Venue

The Innovation Act, H.R. 9, currently pending in Congress, includes venue provisions intended to address concerns about the reach of the current law and resulting high concentration of patent cases filed in the Eastern District of Texas. The Manager's Amendment to H.R. 9, approved by the Judiciary Committee, added a venue provision to the Innovation Act that would amend §1400(b) and clarify that §1391 does not govern patent cases. As amended, H.R. 9 represents an attempt to balance the rights of patent owners (in particular those with active research, development and manufacturing activities) with those of accused infringers. It provides that a patent infringement action or an action for declaratory judgment may be brought only in a judicial district where (1) the defendant has its principal place of business or is incorporated; (2) where the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement; or (3) the defendant has agreed or consented to be sued in the instant action.

However, pursuant to this proposed venue provision, a patent plaintiff may also bring suit in any judicial district where (1) a named inventor conducted research and development that led to the application for the patent in suit; or (2) where it has a regular and established physical facility that such party controls and operates (not primarily for the purpose of creating venue) and has managed significant research and development of the claimed invention of the patent in suit; manufactured embodiments of the invention claimed in a patent in suit; or implemented a manufacturing process that is claimed in a patent in suit. H.R. 9 excludes (1) retail facilities and (2) telecommuters or "teleworkers" from the definition of "regular and established physical facility." Significantly, it contemplates mandamus review of decisions denying motions to dismiss or transfer.

On the Senate side, the Protecting American Talent and Entrepreneurship (PATENT) Act, S. 1137, has no corresponding venue provision. However, soon after the oral arguments in *In re Heartland*, Sen. Flake of Arizona introduced Senate bill S. 2733, entitled "Venue Equity and Non-Uniformity Act of 2016." Senate bill S.2733 largely tracks the venue provisions of H.R. 9 with a few minor differences. For example, S. 2733 omits the exclusion of retail facilities when defining "regular and established physical facility."

It is clear that many stakeholders would like to strike a different balance between plaintiff's venue choice and the potential burden on a defendant than the current law allows. Exactly how to strike that balance is less clear. Efforts in the courts have been stymied and current bills, even if enacted, may create ambiguity and fact-specific disputes, resulting in more inefficiency and expense in patent litigation.

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