Published on *The National Law Review* https://natlawreview.com

Patent Venue Legislation Could Have A Dramatic Impact on Popular Patent Venues

Article By:

Lucas I. Silva

This month, three United States Senators introduced the "***Venue Equity and Non-Uniformity Elimination Act of 2016***." The bill would dramatically narrow the venue statute that applies to patent cases and, it appears, prevent most cases from being litigated in the popular venues for patent cases, such as the Eastern District of Texas.

Under the proposed bill, 28 U.S.C. 1400(b) would be eliminated. The statute currently states that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides," and it has been interpreted to mean that venue is proper in any district where the defendant is subject to personal jurisdiction. (See ***VE Holding Corp. v. Johnson Gas Applicance Co.***, 917 F.2d 1574 (Fed. Cir. 1990).) In its place, the proposed bill would provide that an action for patent infringement may only be brought where:

- the defendant has its principal place of business;
- the defendant has infringed **and** has a physical facility that gives rise to the act of infringement;
- the defendant has agreed to be sued in that case;
- the inventor conducted research and development that led to the application for the patent-in-suit; or
- a party operates a regular physical facility and has engaged in the management of significant research and development of an invention claimed in a patent-in-suit prior to the effective date, or manufactured a product or implemented a process claimed in a patent-in-suit.

In other words, under the proposed bill, and absent an agreement between the parties, a patent case could only be brought in a district where at least one of the parties (or the named inventor) actually operates. The bill even goes so far as to provide that the residence of a telecommuting employee "shall not constitute a regular and established physical facility of the defendant."

Although a similar provision was introduced by the House of Representative with the 2015 "Innovation Act," the timing of this particular bill is interesting because the Federal Circuit recently heard argument on a petition for a writ of mandamus filed by Kraft Foods seeking transfer of venue from Delaware to Kraft's home state of Indiana. (In re: TC Heartland, LLC, 16-105 (Fed. Cir.). In that case, Kraft argued to the lower court that amendments to the general venue statute (§ 1391(c)) in 2011 had the effect of changing the state of patent venue as it relates to § 1400(b). (See Kraft Foods Group Brands LLC v. TC Heartland LLC, 14-cv-00028 (D. Del.).)

The question has been rattling around since 1957, when the Supreme Court held in Fourco Glass Co. v. Transmirra Prods. Corp. (353 U.S. 222) that "the residence of a corporation for purposes of [Section] 1400(b) is its place of incorporation." Then, in 1988 Congress amended § 1391(c) to begin "[f]or purposes of venue under this chapter." As referenced above, the Federal Circuit in VE Holding interpreted that change to mean that § 1391(c) should be read into § 1400(b), meaning a patent infringement action can be brought in any forum where the defendant is subject to personal jurisdiction. In 2011, Congress passed the Federal Courts Jurisdiction and Venue Clarification Act of 2011, which replaced "for the purposes of venue under this chapter" with "[f]or all venue purposes." According to Kraft, because the Federal Circuit had relied on the now amended language of § 1391(c) in deciding VE Holding, the decision should be treated as a nullity and § 1391(c) should no longer be interpreted to define the term "resides" in § 1400(b).

Ironically, during oral argument in early March on Kraft's Federal Circuit mandamus petition, Judge Moore mused that Kraft's request to overturn VE Holding "feel[s] like something a legislature should do." Congress may now indeed address the issue. Just yesterday, Judge Bryson, sitting by designation in the Eastern District of Texas, denied a motion to dismiss in which Amazon was also attempting to argue its way out of the Eastern District by also attacking the holding of VE Holding. See Script Security Solutions LLC v. Amazon.com, Inc. et al. (15-cv-01030 (E.D Tex.)).

National Law Review, Volume VI, Number 91