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The State of Incorporation Is the *TC Heartland* of the Matter

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In what is perhaps one of the most highly anticipated U.S. Supreme Court patent law decisions since *Alice Corp. v. CLS Bank Int'l,* the Supreme Court held on May 22 that, for purposes of venue in patent cases, a defendant corporation resides only in its state of incorporation. The opinion goes against long-standing Federal Circuit precedent that previously interpreted "resides" to allow venue to lie in nearly any forum where a defendant is subject to personal jurisdiction. Many expect this dramatic shift to cause a significant decrease in high-volume patent filings in patentee-friendly forums such as the Eastern District of Texas.

In the unanimous and highly anticipated opinion, *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the Supreme Court held that a domestic corporation resides only in its state of incorporation for the purposes of the patent venue statute. As a result, a defendant in a patent infringement action may be sued only in the defendant's state of incorporation or where the defendant has a regular and established place of business and committed acts of infringement.

Before the *TC Heartland* decision, the patent venue statute, 28 U.S.C. § 1400(b), was interpreted broadly to confer proper venue in nearly any forum where a defendant was subject to personal jurisdiction. The Supreme Court's recent ruling narrows the scope of venue over domestic defendants in patent infringement suits and will likely cause a considerable decrease in filings in certain patentee-friendly forums such as the Eastern District of Texas.

Patent Venue Before *TC Heartland*

The issue in *TC Heartland* concerns the meaning of the term "resides" in the patent venue statute, which provides that "[a]ny 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."

Previously, the Supreme Court in *Fourco Glass Co. v. Transmirra Products Corp*. considered the meaning of "resides" in the context of the patent venue statute. The Court declined to supplant the meaning with the broader definition of "residence" from the general venue statute, 28 U.S.C. § 1391(c), instead concluding that, for purposes of the patent venue statute, a domestic corporation resides only in its state of incorporation.

In 1988, however, Congress amended Section 1391(c) to provide that a corporation resides in any judicial district in which it is subject to personal jurisdiction. The Federal Circuit, in *VE Holding Corp. v. Johnson Gas Appliance Co*., announced its

view that the amendment redefined the meaning of the term "resides" for patent venue as well. Following *VE Holding*, Congress adopted the current version of Section 1391(c), which provides that the broader, general venue definition applies "[f]or all venue purposes." After this amendment—and leading to the present case—the Federal Circuit further held in *Kraft Foods Group Brands LLC v. TC Heartland LLC* that the subsequent statutory amendments had effectively amended Section 1400(b) such that the more expansive general venue statute also supplied the definition of "resides" in patent infringement actions.

This broad reading of "resides" has strongly influenced where plaintiffs have pursued patent infringement actions over the past 30 years. Defendants were subject to jurisdiction almost anywhere they conducted business, leading to disproportionately high-volume patent filings in patentee-friendly jurisdictions. Of the 4,520 patent complaints filed in 2016, for example, 36.4 percent were filed in the Eastern District of Texas, followed by 10.1 percent in the District of Delaware.

The Supreme Court Weighs In

Earlier this week, the Supreme Court reversed the Federal Circuit and held that the term "resides" in the patent venue statute refers only to the state of incorporation. The Court emphasized that the history of the relevant statutes provides important context for this issue. In *Fourco*, for example, the Supreme Court reaffirmed its previous holding that Section 1400(b) is the sole and exclusive provision controlling venue in patent infringement cases and is not to be supplanted by the general venue statute. The Court also definitively and unambiguously concluded in *Fourco* that the word "resides" in the patent venue statute had a particular meaning applied to domestic corporations: the state of incorporation.

When Congress amended the general venue statute in 1988, it did not give any indication that it also intended to alter the meaning of the patent venue statute as interpreted by the Supreme Court in *Fourco*. Rather, the current version of the general venue statute contains a savings clause stating that the provision does not apply when "otherwise provided by law." This means that the definition of "resides" in the patent venue statute may conflict with the default definition provided in the general venue statute. Finally, the Court found no indication that Congress ratified the Federal Circuit's decision in *VE Holding*.

In resolving the tension between the general and patent venue statutes, the Supreme Court concluded that, as applied to domestic corporations, the term "resides" in Section 1400(b) refers only to the state of incorporation.

Takeaway

While the boundaries of proper venue will continue to be defined, the Supreme Court's opinion dramatically shifts course from Federal Circuit precedent that interpreted "resides" to allow venue to lie in nearly any forum where a defendant was subject to personal jurisdiction. With a stricter definition of "resides" in place, many expect a significant decrease in high-volume patent filings in pro-plaintiff forums, including the Eastern District of Texas. Defendants now are subject to jurisdiction for patent infringement actions only in the defendant corporation's state of incorporation or where the defendant has an established place of business and committed acts of infringement.

The ruling does not shield defendants from the Eastern District of Texas completely, however. A patent holder may still file an infringement action in any judicial district where the defendant has committed acts of infringement and has an established place of business. Thus a defendant, including one operating nationally, that makes, uses, sells, or offers to sell products in a forum, and has an established place of business within that forum, may find itself subject to suit in that forum under this second prong of the patent venue statute. In light of the more restrictive view of the "resides" prong, we can expect that courts and litigants will expend significant resources defining the outer bounds of the second prong.

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