Home is where the Heartland is

THE CASE:
TC Heartland LLC v Kraft Foods Group Brands LLC
Supreme Court of the US
22 May 2017

Lawyers will need to pay close attention to future rulings that implement May's game-changing *TC Heartland* case, explain **Kenneth R Adamo, Eugene Goryunov**, and **Noah S Frank**

35 USC § 1400(b), the patent venue statute, allows a suit for alleged patent infringement to "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." In *TC Heartland LLC v Kraft Foods Grp Brands LLC*, the US Supreme Court held that "[a]s applied to domestic corporations, 'reside[nce]' in § 1400(b) refers only to the State of incorporation."[1] This article discusses this holding.

Procedural background

Kraft Foods Group Brands LLC ("Kraft") sued TC Heartland LLC ("Heartland") in the District of Delaware, alleging patent infringement. Heartland is organised and headquartered in Indiana, and moved to dismiss or transfer venue to the Southern District of Indiana. Heartland argued that, for purposes of § 1400(b), as clarified by the US Supreme Court in *Fourco Glass Co v Transmirra Prod Corp*, it did not have a "regular and established place of business" in Delaware.[2] The trial court denied Heartland's motion. Heartland then petitioned the US Court of Appeals for the Federal Circuit for a *writ of mandamus*, but the Federal Circuit denied the requested relief relying on its *VE Holding Corp v Johnson Gas Appliance Co* decision.[3]

In *VE Holding*, the Federal Circuit first noted that the 1988 amended version of 35 USC § 1391(c), the general venue statute, stated 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."

"The court began… by explaining the history of the venue statutes, starting with the Judiciary Act of 1789, which allowed a suit to be filed in any federal district court in which the defendant was 'an inhabitant' or could be 'found'."

The court noted that the use of the term "under this chapter" meant that the definition of residency in § 1391(c) expressly applied not just to the general residency statute, but also to § 1400(b), the patent venue statute.[4] The court held that it was not bound by the US Supreme Court's 1957 *Fourco* decision because the 1988 amendment was express, and therefore the "general rule that a specific statute is not controlled or nullified by a general statute" did not apply.[5]

Heartland, nevertheless, argued that *VE Holding* was not controlling based on a 2011 amendment to § 1391. First, "Except as otherwise provided by law" was added to the "Applicability" section of § 1391(a). Secondly, § 1391(c) was amended from "For purposes of venue under this chapter" to "For all venue purposes."[6] The Federal Circuit disagreed, holding that venue was proper in Delaware. Heartland petitioned for *writ of certiorari* to the US Supreme Court.

The SCOTUS decision[7]

The court granted *certiorari* to address whether the definition of a corporation's "residence" in § 1391(c) "supplants the definition announced in *Fourco* and allows a plaintiff to bring a patent infringement lawsuit against a corporation in any district in which the corporation is subject to personal jurisdiction."[8]

The court began its analysis by explaining the history of the venue statutes, starting with the Judiciary Act of 1789, which allowed a suit to be filed in any federal district court in which the defendant was "an inhabitant" or could be "found." An 1887 amendment, which allowed suit only in the district where the defendant was an inhabitant, and the court's *In re Hohorst* decision,[9] introduced ambiguity as to whether the 1887 amendment applied to patent cases. Because of that ambiguity, congress enacted a patent-specific venue statute in 1897 which permitted suit either where the defendant was an "inhabitant" or where the defendant "maintained a 'regular and established place of business' and committed an act of infringement."[10] Importantly, the court noted that, at that

time, a corporation was understood to be an inhabitant of only the state in which it was incorporated. The court also pointed to its precedent that the patent venue statute "alone should control venue in patent infringement proceedings."[11]

The court then explained that congress recodified the patent venue statute as § 1400(b), which used the term "resides" instead of "inhabits," while at the same time enacting § 1391(c), which defined residence as applied to corporations, as "any judicial district in which it is incorporated or licensed to do business or is doing business."[12] The confusion – and differing conclusions – as to whether § 1391(c)'s definition of "residence" applied to § 1400(b) led to the *Fourco* decision that § 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and [] is not to be supplemented by [] § 1391(c),"[13] and that "resides" meant the same as "inhabits." Accordingly, despite the fact that § 1391(c) applies to "all actions," for patent infringement actions, venue was only proper in a corporation's state of incorporation.[14]

With that background in mind, the court went on to discuss the basis for the Federal Circuit's conclusion in *VE Holding* that the 1988 amendment included "exact and classic language of incorporation."[15] While the Federal Circuit interpreted the 1988 amendment to be explicit and only then looked for congressional intent that § 1391 did not alter § 1400, the US Supreme Court approached the question from the opposite viewpoint. The court noted the standard rules that a general statute does not alter a specific statute and that congress ordinarily makes its intention clear when making this type of change. From that baseline, the court then searched for any indication that congress intended to change the meaning of "residence" in § 1400(b) when it amended § 1391. Because section 1400(b) had not been amended since *Fourco*'s "definitive[] and unambiguous[]" holding that "'residence' in § 1400(b) has a particular meaning as applied to domestic corporations,"[16] and the court could find no indication that congress meant otherwise, it held that § 1391 did not alter the meaning of § 1400(b).

The court made three findings in reaching this conclusion. First, the court pointed out that the pre-1988 amended § 1391(c) at issue in *Fourco* applied "for venue purposes". The current provision applies "for all venue purposes" and there is no "material difference between the two phrasings."[17] Secondly, the court pointed out that the current version of § 1391 additionally includes the savings clause "otherwise provided by law," which "makes explicit the qualification that this court previously found implicit in the statute."[18] Lastly, the court pointed out that there was no indication that the 2011 amendment ratified the Federal Circuit's decision in *VE Holding*, which relied "almost exclusively" on the language "under this chapter."[19] As that language was deleted by the 2011 amendment, the current version of the statute was "almost identical[]" to the original statute at issue in *Fourco*. Because of a clear lack of congressional intent, the court reversed the Federal Circuit and held that "residence" in 1400(b) means only a corporation's state of incorporation.

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This case holds that domestic corporations reside only in their state of incorporation for venue for patent infringement suits. While this is a considerable change from the previous regime, which allowed for venue almost anywhere in the US, venue is still available in a corporation's state of incorporation or where the corporation "has committed acts of infringement and has a regular and established place of business." Given that *VE Holding*'s broad interpretation of residency obviated any need to apply the infringement and place of business test, there is very little case law applying that test since 1990. It will be important for practitioners to keep on top of new cases applying the court's ruling. Practitioners can expect a rise in motions to dismiss or transfer venue, as well as an increase in jurisdictional discovery.

Footnotes

1. No. 16-341, 2017 WL 2216934, at *8 (US 22 May, 2017) (slip op).
2. Id at *3 (citing 353 US 222, 226 (1957)).
3. *In re TC Heartland LLC*, 821 F.3d 1338, 1340-43 (Fed Cir 2016) (citing 917 F.2d 1574, 1579 (Fed Cir 1990)).
4. *VE Holding*, 917 F.2d at 1578.
5. Id at 1580.
6. *TC Heartland*, 821 F.3d at 1341.
7. Justice Thomas delivered the opinion of the court. The opinion was unanimous except for Justice Gorsuch, who took no part in the consideration of the case.
8. *TC Heartland*, 2017 WL 2216934, at *3.
9. 150 US 653 (1893).
10. Id.
11. Id (citing *Stonite Prod Co v Melvin Lloyd Co*, 315 US 561, 566 (1942)).
12. Id at *4.
13. Id. at *5 (citing 353 US at 229).
14. Id.
15. Id at *6.
16. Id.
17. Id at *7.
18. Id.
19. Id.

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