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Litigation Webinar Series

Update on Venue Decisions Post *TC Heartland*



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Statutory and Common Law Framework Governing Patent Venue

Statutory Framework: Two Venue Statutes

- 28 U.S.C. § 1391
 - General venue statute for civil suits in federal court
 - “... ***shall be deemed to reside***, if a defendant, ***in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question...***”
- 28 U.S.C. § 1400
 - Specific venue statute for patent infringement cases
 - “... ***in the judicial district where the defendant resides...***”

Section 1391: Broadly Defines a Defendant's Residence

28 U.S.C. § 1391 - Venue generally.

(a) APPLICABILITY OF SECTION.—***Except as otherwise provided by law—***

(1) ***this section shall govern the venue of all civil actions*** brought in district courts of the United States. . . .

[Subsection (b) identifies the circumstances where venue is appropriate in general civil litigation.]

(c) RESIDENCY.—***For all venue purposes . . .***

(2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, ***shall be deemed to reside***, if a defendant, ***in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question*** and, if a plaintiff, only in the judicial district in which it maintains its principal place of business. . . .

Section 1400: Patent Venue Where a Defendant “Resides”

28 U.S.C. § 1400 - Patents and copyrights, mask works, and designs

...

(b) Any 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.

Common Law Interpretation: Is “Resides” in § 1400 the Same as in § 1391?

- You might think so. . .
 - § 1391 says it governs “the venue of all civil actions” and that its definition applies “for all venue purposes.”
 - It also defines where the defendant “resides.”
- But *Fourco* held otherwise:
 - “We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391(c).”
 - “[W]here the defendant resides” in § 1400(b) “mean[s] the state of incorporation only.”

Fourco Glass Co. v. Transmirra Products Corp., 353 US 222, 228 (1957).

Common Law Interpretation: Is “Resides” in § 1400 the Same as in § 1391?

- Section 1391(c) was amended in 1988 to refer to venue under the entire chapter of the statute:
 - “***For 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.”
- The Federal Circuit soon held that this statutory amendment overruled *Fourco*:
 - “Section 1391(c) as it was in *Fourco* is no longer. We now have exact and classic language of incorporation: ‘For purposes of venue under this chapter....’ Congress could readily have added ‘except for section 1400(b),’ if that exception, which we can presume was well known to the Congress, was intended to be maintained.”

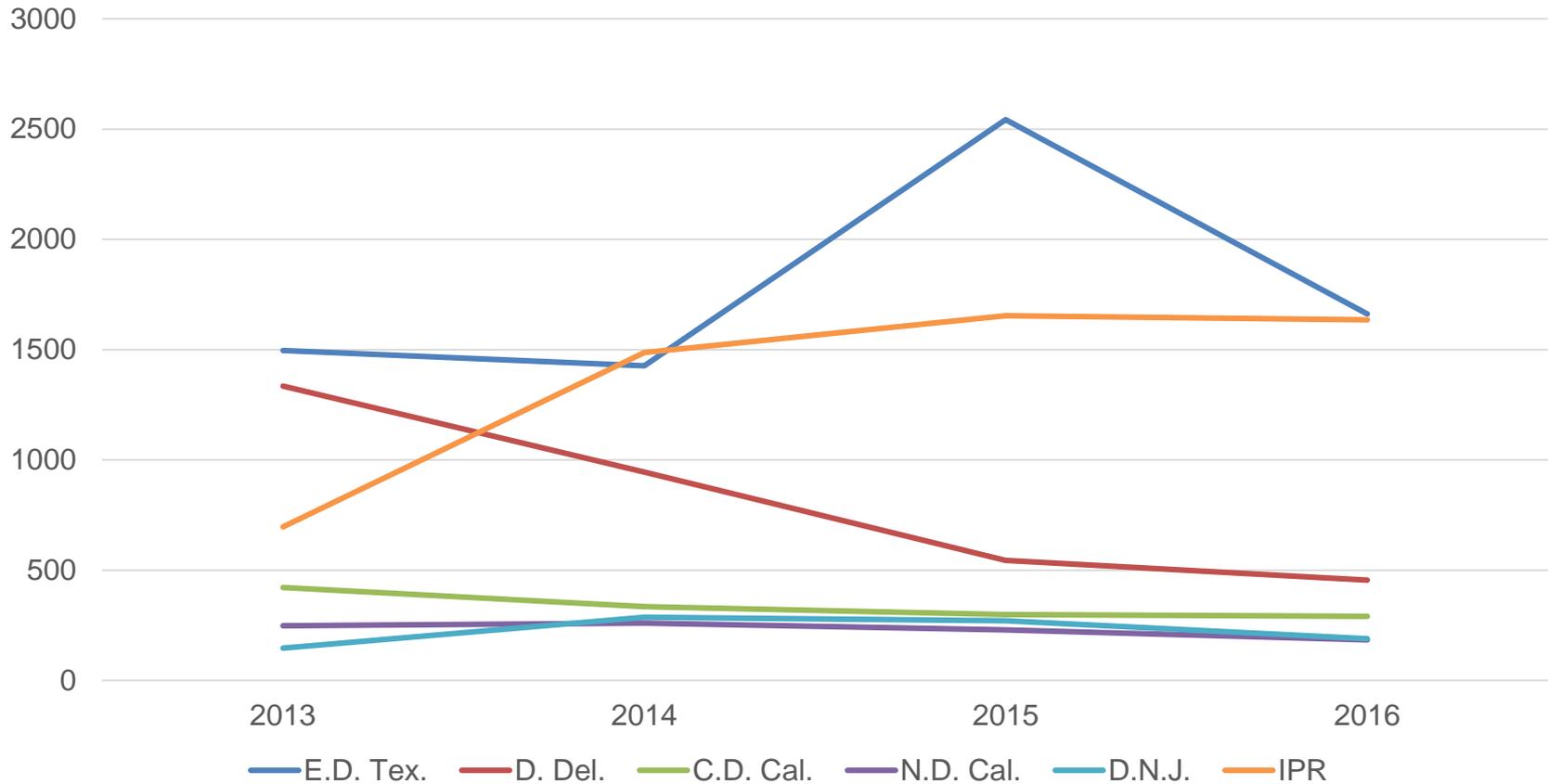
VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1579 (Fed. Cir. 1990).

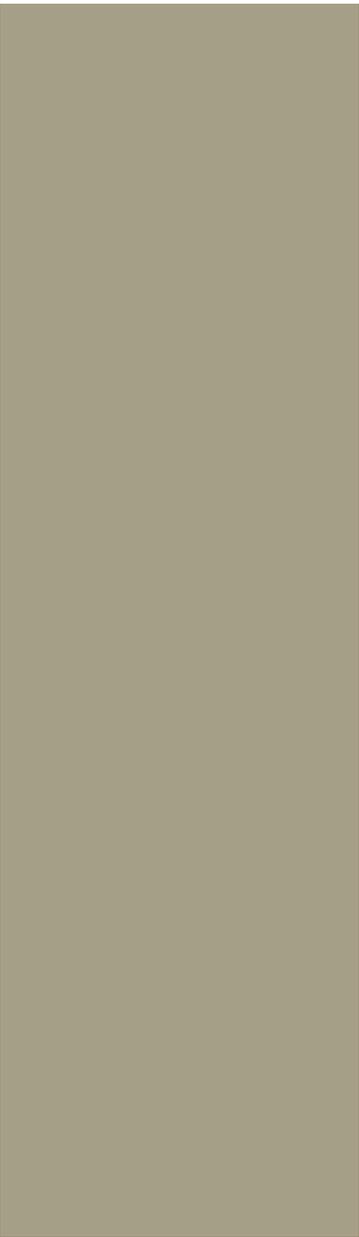
VE Holding Corp. v. Johnson Gas Appliance Co., 917 F. 2d 1574 (Fed. Cir. 1990)

- 28 U.S.C. § 1391(c) (pursuant to 1988 amendment): “(c) For 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.**
 - Federal Circuit read “[f]or purposes of venue under this chapter,” as applying to § 1400(b).
 - Federal Circuit interpreted § 1391(c) as providing a definition of “reside” under § 1400(b).
 - Thus, under *VE Holding*, a corporation “resides” in any district in which it was subject to personal jurisdiction at the time the case was filed.

Practical Effect of *VE Holding*: Case Distribution

Pre-TC Heartland Patent Filings





FISH.

TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514 (2017)

- Considered where proper venue lies for a patent infringement suit brought against a domestic corporation.
- Analyzed the amended § 1391(c)'s effect on § 1400(b):
 - Section 1391(a): “[e]xcept as otherwise provided by law,” “this section shall govern the venue of all civil actions brought in district courts of the United States.”
 - Section 1391(c)(2): “[f]or all venue purposes,” certain entities, “whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question.”

TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514 (2017)

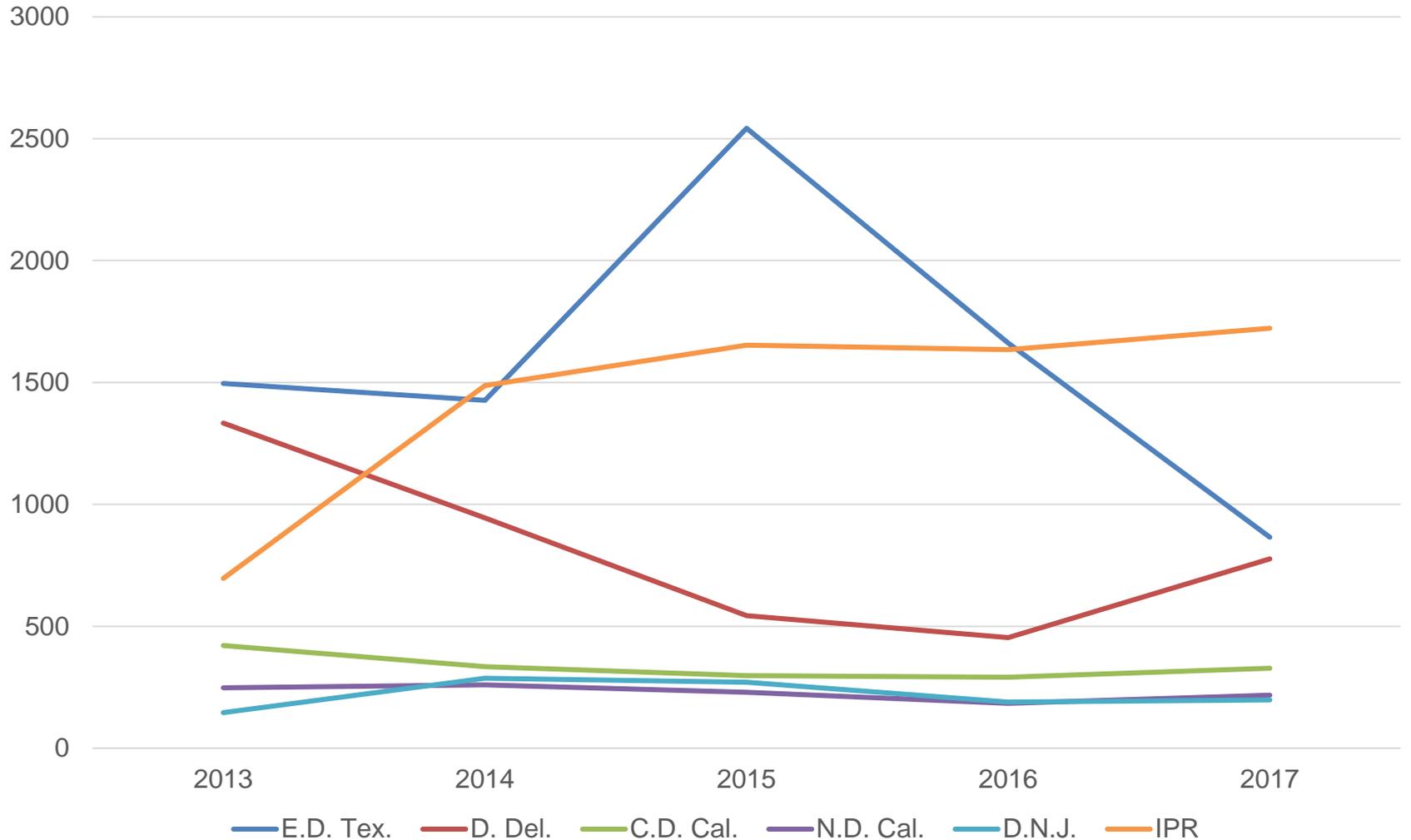
- Re-affirmed *Fourco* holding that § 1400(b) was not modified by § 1391(c).
- Held that “[a]s applied to domestic corporations, ‘reside[nce]’ in §1400(b) refers only to the State of incorporation.”
- Overturned the Federal Circuit’s decision in *VE Holdings*.
- Did not consider what constitutes a “regular and established place of business.”

Practical Effects of *TC Heartland*: Interpretation of § 1400(b)

- To establish proper venue over a defendant, the plaintiff now had two options:
 - Sue in the district where the defendant “resides,” i.e. is incorporated; or
 - Establish that the defendant has committed acts of infringement and has a “regular and established place of business” in the district.
- Parties filed motions to dismiss or transfer for improper venue under § 1400(b) across the country.
 - Courts had to decide whether defendants waived an improper venue defense by omitting it from a responsive pleading, or whether *TC Heartland* was an intervening change in law that first made the defense available justifying any delay in raising it.
- The Federal Circuit and district courts grapple with issues of burden, timing, and what constitutes “acts of infringement” and a “regular and established place of business.”

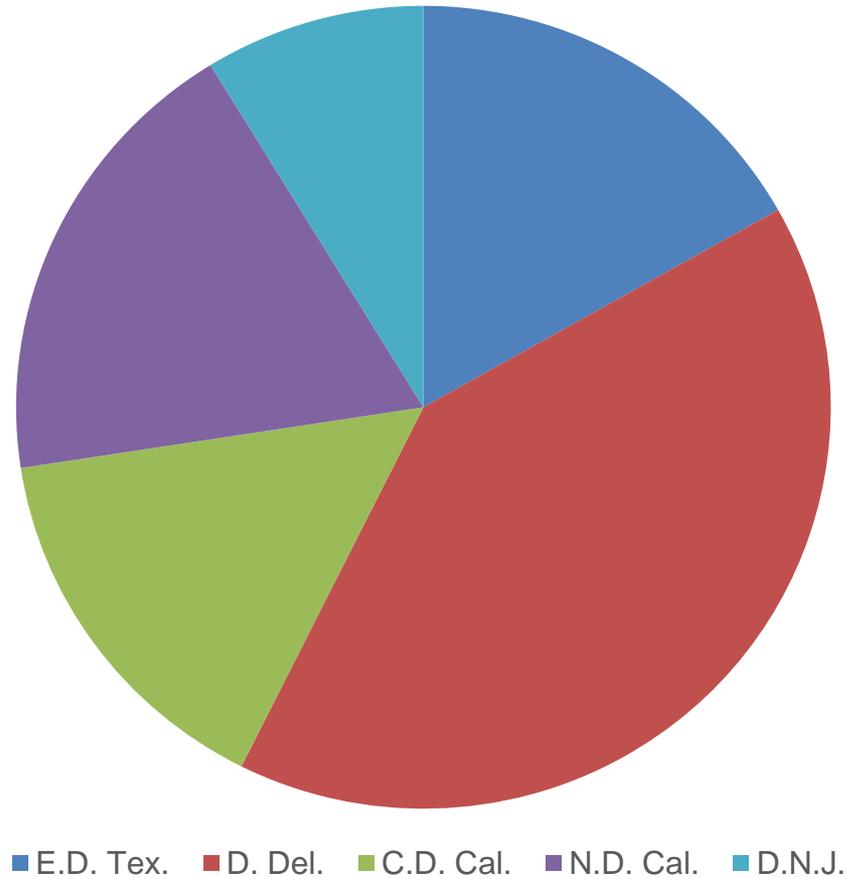
Practical Effects of *TC Heartland*: Case Distribution

Post-*TC Heartland* Patent Filings



Practical Effects of *TC Heartland*: Case Distribution

2018 Patent Filings





Current State of Patent Venue

Courts Split on Venue-Related Issues

- Burden of proof.
- Timing of determination of proper venue.
- Waiver of improper venue defense.
- “Regular and established” place of business:
 - Standard for a REPB.
 - Sales representatives case law.
- Hatch-Waxman venue cases.

Burden of Proof

- Courts are split on who has the burden of proof to prove that venue is proper over the defendant:
 - Defendant:
 - *Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals Inc.*, 2017 WL 3980155 (D. Del. Sept. 11, 2017) (finding that the burden of proof for a motion for improper venue is governed by regional law and that the burden is on the defendant to prove improper venue).
 - Plaintiff:
 - *Personal Audio, LLC v. Google, Inc.*, 280 F.Supp.3d 922 (E.D. Tex. 2017) (finding the burden of proving venue is proper is on the plaintiff).
 - *Galderma Labs., L.P. v. Teva Pharms. USA, Inc.*, 2017 WL 6505793 (N.D. Tex. Nov. 17, 2017) (finding that the burden of proving that venue is proper is on the plaintiff once the defendant has objected to the forum, and finding that the plaintiff bears the burden of sustaining venue in the district in which the suit is brought).

Timing of Determination of Proper Venue

- At the time the Complaint was filed and not when the cause of action accrued:
 - *Galderma Labs., L.P. v. Teva Pharmaceuticals United States, Inc.*, 2017 WL 6505793 (N.D. Tex. Nov. 17, 2017).
 - *Personal Audio, LLC v. Google, Inc.*, 280 F.Supp.3d 922 (E.D. Tex. 2017).
 - *Infinity Computer Products, Inc. v. OKI Data Americas, Inc.*, 2018 WL 1035793 (E.D. Pa. Feb. 23, 2018).
- Venue is proper in the district if the defendant had a regular and established place of business at the time the cause of action accrued and the suit was filed within a reasonable time after:
 - *Welch Sci. Co. v. Human Eng'g Inst., Inc.*, 416 F.2d 32 (7th Cir. 1969).
 - *Wi-LAN Inc. v. Lenovo (United States), Inc.*, 2017 WL 3194692 (S.D. Cal. July 27, 2017).
 - *ParkerVision, Inc. v. Apple Inc.*, C.A. No. 3:15-cv-01477 (M.D. Fla. March 8, 2018).

Waiver of Improper Venue Defense

- Post *TC-Heartland*, courts were split on whether a defendant waived an improper venue defense by not raising it in defendant's first 12(b) motion or by admitting that venue was proper in its answer.
 - FRCP 12(h)(1): "A party waives any defense listed in Rule 12(b)(2)-(5) by: (A) omitting it from a motion in the circumstances described in Rule 12(g)(2); or (B) failing to either: (i) make it by motion under this rule; or (ii) include it in a responsive pleading or in an amendment allowed by Rule 15(a)(1) as a matter of course."
 - FRCP 12(g)(2): "Except as provided in Rule 12(h)(2) or (3), a party that makes a motion under this rule must not make another motion under this rule raising a defense or objection that was available to the party but omitted from its earlier motion."

Waiver of Improper Venue Defense

- *In re Micron Tech., Inc.*, 875 F.3d 1091 (Fed. Cir. Nov. 15, 2017)
 - Considered whether waiver under FRCP 12 applied to Micron’s improper venue defense, i.e. whether the venue defense was “available” to Micron in August 2016.
 - The Federal Circuit held that that venue objection as not available until the Supreme Court decided *TC Heartland* because, before then, Micron’s improper venue defense would have been improper.
 - However, “Rule 12(h)(1) is not the sole basis on which a district court might, in various circumstances, rule that a defendant can no longer present a venue defense that might have succeeded on the merits.”
 - The Federal Circuit did not consider whether the district court’s consideration of the “timeliness” of a defendant’s improper venue defense may consider the proximity to trial or defendant’s “wait-and-see” approach to raising the defense.

Section 1400: Second Prong

28 U.S.C. § 1400 - Patents and copyrights, mask works, and designs

...

(b) Any 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.***

“Regular and Established” Place of Business

- *In re Cray*, 871 F.3d 1355 (Fed. Cir. Sept. 21, 2017)
 - In the lower district court decision, *Raytheon v. Cray*, the E.D. Tex. court adopted a test to determine whether venue was proper in the district: (1) physical presence; (2) defendant’s representations; (3) benefits received; and (4) targeted interactions with the district.
 - The Federal Circuit rejected this test as impermissibly broadening the scope of § 1400(b).
 - The Federal Circuit further clarified what constitutes a “regular and established place of business”:
 - **Physical place in the district** – “there must be a physical, geographical location in the district from which the business of the defendant is carried out.”
 - **Regular and established** - business in the district must operate in a “steady, uniform, orderly, and methodical manner”; not transient but settled.
 - **Place of the defendant** – must be the place of the defendant and not solely a place of the defendant’s employees.

“Regular and Established” Place of Business

- *In re Cray*, 871 F.3d 1355 (Fed. Cir. Sept. 21, 2017)
 - **Place of the defendant** – must be the place of the defendant and not solely a place of the defendant’s employees:
 - Whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place.
 - Whether the defendant conditioned employment on an employee’s continued residence in the district or the storing of materials at a place in the district so that they can be distributed or sold from that place.
 - Defendant’s representations that it was a place of business in the district – whether the defendant lists the place of business on a website or in a directory; places its name on a sign associated with the building.
 - Nature and activity of the alleged place of business of the defendant in the district in comparison with that of other places of business of the defendant in other venues.

“Regular and Established” Place of Business

- *In re Cray*, 871 F.3d 1355 (Fed. Cir. Sept. 21, 2017)
 - The Federal Circuit cautioned against imputing personal jurisdiction considerations into a venue analysis:
 - “Courts should be mindful of [Section 1400(b)’s] history in applying the statute and be careful not to conflate showings that may be sufficient for other purposes, e.g., personal jurisdiction or the general venue statute, with the necessary showing to establish proper venue in patent cases. As the district court correctly stated, ‘the regular and established place of business standard requires more than the minimum contacts necessary for establishing personal jurisdiction or for satisfying the doing business standard of the general venue provision, 28 U.S.C. § 1391(c).’”

“Regular and Established” Place of Business

- The requirement that the defendant owns/leases the place or exercises attributes of possession or control over the place, is proving to be a difficult burden to meet to establish venue is proper based on the presence of sales representatives.
 - *Uniloc USA, Inc. v. Nutanix, Inc.*, C.A. No. 2:17-cv-00174 (E.D. Tex. Dec. 6, 2017) (finding that the presence of nineteen employees, including sales representatives, in the district did not establish proper venue over the defendant because the defendant did not lease or own any portion of the employees’ homes).

Hatch-Waxman Venue Cases

- 28 U.S.C. § 1400(b): Any 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.
- Compare with the “artificial act of infringement” of submitting an ANDA:
 - 35 U.S.C. § 271(e)(2)(A): “It shall be an act of infringement to submit (A) an application under 505(j) of the Federal Food, Drug and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent... if the purpose of such submission is to obtain approval under such Act to engage in the commercial manufacture, use, or sale of a drug ... claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.”

Hatch-Waxman Venue Cases

- *Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals*, 2017 WL 3980155 (D. Del. Sept. 11, 2017):
 - Identified the “mismatch” between the past tense in § 1400(b) (“has committed acts of infringement”) and the future act of selling a drug after FDA approval.
 - The court rejected Mylan’s argument that there is no actual infringement in an ANDA case and, therefore, venue is limited to where the defendant resides (i.e., is incorporated).
 - “In the Court’s view, the best, most reasonable conclusion after *Acorda* is that an ANDA filer’s future, intended acts must be included as part of the ‘acts of infringement’ analysis for purposes of determining if venue is proper under the patent venue statute. In *Acorda*, the Federal Circuit plainly held that intended, planned, future acts that **will** occur in a district in the future (after FDA approval) are acts that **must be considered now** in determining whether an ANDA filer has sufficient contacts with that district **right now** to make Hatch-Waxman litigation in such a district appropriate from a jurisdictional perspective.”

Hatch-Waxman Venue Cases

- *Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals*, 2017 WL 3980155 (D. Del. Sept. 11, 2017):
 - “Regular and established place of business”:
 - The court allowed Plaintiff BMS to take venue discovery, including investigation into the relationships between Defendant Mylan Pharmaceuticals Inc. (“MPI”) and 40 Mylan entities in Delaware, the presence of sales representatives in the district, how the industry operates/how sales, marketing, and promotions are conducted, details of MPI’s operations with wholesalers, and MPI’s relationships with end consumers.
 - Note that *BMS v. Mylan* predates *In re Cray*.
 - The court also found that there did not need to be a nexus between the act of infringement and the regular and established place of business.

Hatch-Waxman Venue Cases

- *Galderma Labs., L.P. v. Teva Pharmaceuticals United States, Inc.*, 2017 WL 6505793 (N.D. Tex. Nov. 17, 2017):
 - Focusing on the past tense used in the second prong of § 1400(b), the court found that the language “has committed acts of infringement” only applies to the filing of the ANDA in the Hatch-Waxman context.
 - “The *Bristol–Myers Squibb* decision borrowed heavily from *Acorda*, but *Acorda* is a personal jurisdiction decision, not a venue decision. *In re Cray*, the most recent pronouncement from the Federal Circuit on the application of the patent venue statute, warns courts to ‘be careful not to conflate showings that may be sufficient for other purposes, e.g., personal jurisdiction or the general venue statute, with the necessary showing to establish proper venue in patent cases.’ *In re Cray, Inc.*, 871 F.3d at 1361. This language provides a clear admonition to courts to avoid importing personal jurisdiction standards into a venue analysis. **This Court declines to find that an act of infringement occurs wherever an ANDA filer intends to market the accused product.**”

Hatch-Waxman Venue Cases

- *Galderma Labs., L.P. v. Teva Pharmaceuticals United States, Inc.*, 2017 WL 6505793 (N.D. Tex. Nov. 17, 2017):
 - For purposes of venue in Hatch-Waxman cases, the court found that it was appropriate to look to the forum where the ANDA submission was prepared and submitted.
 - The court found that the venue inquiry did not include preclinical research studies performed in connection with the preparation of the ANDA, as those activities would be covered under the “safe harbor” of 35 U.S.C. § 271(e)(1). The court only relied on the actual preparation and submission of the ANDA.

Hatch-Waxman Venue Cases

- *Javelin Pharmaceuticals, Inc. v. Mylan Laboratories Limited*, 2017 WL 5953296 (D. Del. Dec. 1, 2017):
 - Relying on *BMS v. Mylan*, the court found that Mylan “has committed acts of infringement” by submitting an ANDA for a generic copy of Javelin’s product Dyloject® and intending to market its generic product within the district.
 - The court granted Plaintiff’s venue discovery on Mylan’s corporate entities’ relationships:
 - “While Defendants contend that ‘there is no evidence to establish the Mylan Defendants have a regular and established place of business here’ (D.I. 73 at 2), the Court finds Plaintiffs’ theory—that the ‘places’ of any Mylan entity, including Mylan affiliates, subsidiaries, parents, or alter egos, may be attributable to the named Mylan Defendants for purposes of venue—is not frivolous and justifies some limited venue-related discovery.”
- *Mallinckrodt IP v. B. Braun Medical Inc.*, 2017 WL 6383610 (D. Del. Dec. 14, 2017) (granting venue discovery and noting that the places of business of related corporate entities may be relevant to whether venue is proper over the defendant).
- *Celgene Corp. v. Hetero Labs Ltd.*, 2018 WL 1135334 (D.N.J. March 2, 2018) (granting venue discovery and, following *BMS v. Mylan*, finding that Mylan’s intent to market its generic product in the district satisfied § 1400(b)’s requirement that Mylan “has committed acts of infringement” in the district).

Questions?

Thank you!



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