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TC Heartland And Its Aftermath: A Litigant's View

By **James Dabney**
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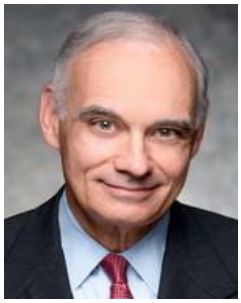

James Dabney

On June 23, 2014, a defendant in a civil action for alleged patent infringement served its initial response to the plaintiff's complaint. The defendant (and my client) was an Indiana limited liability company named TC Heartland LLC, and the response was a motion which urged the district court in Delaware to dismiss or, in the alternative, to transfer venue of the action because it was "a case laying venue in the wrong division or district."[1]

The legal basis for TC Heartland's motion was straightforward: 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions; § 1400(b)'s phrase, "the judicial district where the defendant resides," was held in Fourco Glass Co. v. Transmirra Products Corp.[2] to mean the judicial district where a defendant was domiciled;[3] and TC Heartland, an Indiana LLC, was not domiciled in Delaware. TC Heartland's domicile location was independent of whether TC Heartland might be subject to personal jurisdiction with respect to the claims that were then being made against it.

In its papers opposing TC Heartland's motion, the plaintiff argued that the § 1400(b) phrase, "the judicial district where the defendant resides," did not mean the single, unique district where a defendant was domiciled (as Fourco had held), but rather meant any and every judicial district where a defendant was subject to personal jurisdiction. The latter interpretation of § 1400(b) had been announced in VE Holding Corp. v. Johnson Gas Appliance Co.[4] The briefing in TC Heartland thus raised a question that Chief Justice John Roberts memorably asked of the plaintiff's counsel at oral argument: "Is our Fourco decision law?"[5]

The VE Holding decision had construed 28 U.S.C. § 1400(b) in light of a version of the general venue statute, 28 U.S.C. § 1391, which Congress had comprehensively amended in 2011. As amended in 2011, the general venue statute was qualified in its entirety by a new subsection "(a)" titled "Applicability of Section" whose text began, "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."[6] Chief Justice Roberts observed at oral argument: "Well, the current statute says 'except as otherwise provided by law.' And I would have thought that excluded overturning the Fourco decision."[7]

The 2011 amendment of 28 U.S.C. § 1391 had also deleted language that the VE Holding decision had identified as critical to its holding. The U.S. Supreme Court observed: "As petitioner points out, VE

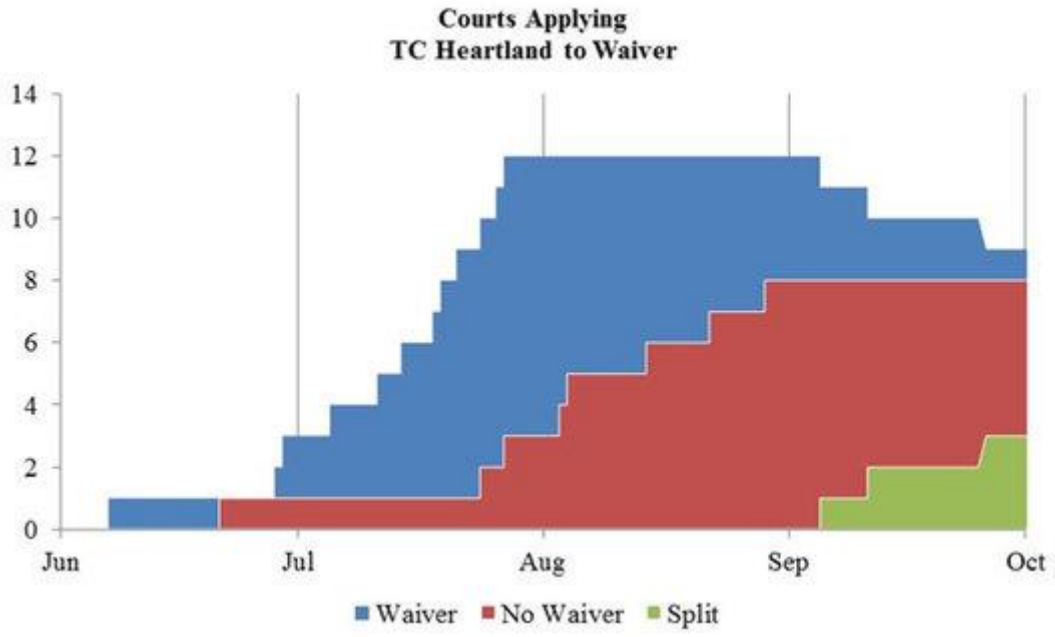
Holding relied heavily — indeed, almost exclusively — on Congress' decision in 1988 to replace 'for venue purposes' with '[f]or purposes of venue *under this chapter*' (emphasis added) in § 1391(c). Congress deleted 'under this chapter' in 2011 and worded the current version of § 1391(c) almost identically to the original version of the statute. Compare § 1391(c) (2012 ed.) ('[f]or all venue purposes') with § 1391(c) (1952 ed.) ('for venue purposes')."[8]

Post-1990 amendments to 28 U.S.C. § 1391 had thus provided a basis for arguing that VE Holding did not answer the venue question raised in TC Heartland. To the extent this was so, a district court judge or a Federal Circuit panel could have ruled in favor of TC Heartland under then-currently in force statutory law and regardless of whether VE Holding had been correctly decided. The question whether the Supreme Court's Fourco decision was "law" within the meaning of 28 U.S.C. 1391(a) was one that the Federal Circuit had never considered in any reported decision as of 2014. And when that question did come before the Federal Circuit in 2016, the court's answer to it was: "Even if Congress' 2011 amendments were meant to capture existing federal common law, as Heartland argues, regarding the definition of corporate residence for venue in patent suits, Fourco was not and is not the prevailing law that would have been captured."[9]

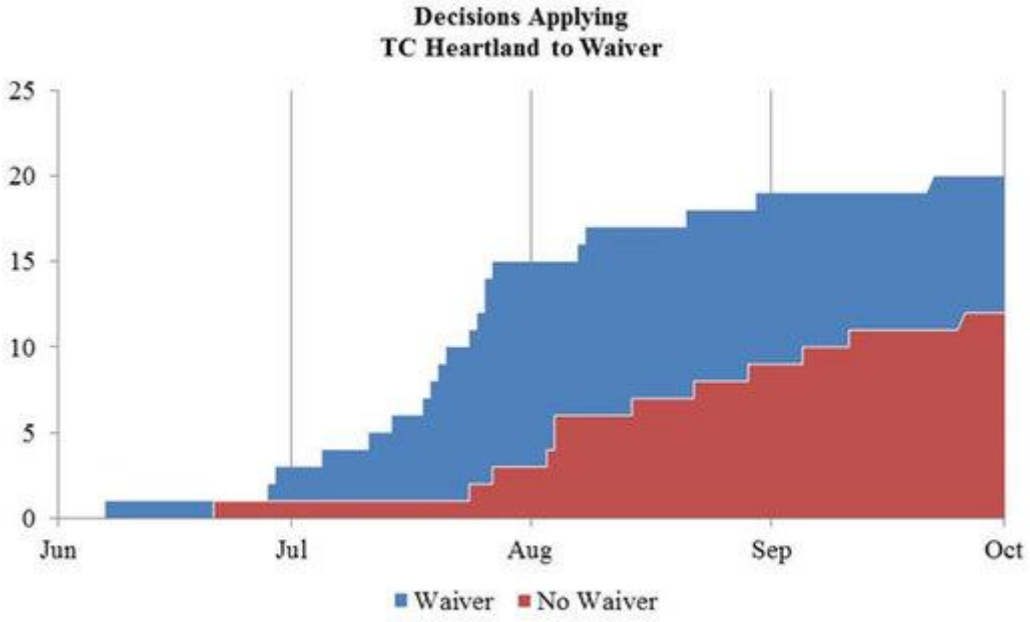
In its decision handed down May 22, 2017, the Supreme Court unanimously reversed the Federal Circuit, stating: "We reverse the Federal Circuit. In Fourco, this Court definitively and unambiguously held that the word 'reside[nce]' in § 1400(b) has a particular meaning as applied to domestic corporations: It refers only to the State of incorporation."[10] The court held that post-Fourco amendments to 28 U.S.C. § 1391 were not rightly interpreted as changing the meaning of 28 U.S.C. § 1400(b) from what the text of § 1400(b) had meant at the time of its original enactment and what the court had declared that text to mean in its 1957 Fourco decision.[11] This was a broader ground for obtaining transfer of venue than TC Heartland had urged in the lower courts, but one that TC Heartland was free to and did raise in the Supreme Court. The Supreme Court's decision in TC Heartland does not distinguish, but overrules VE Holding.

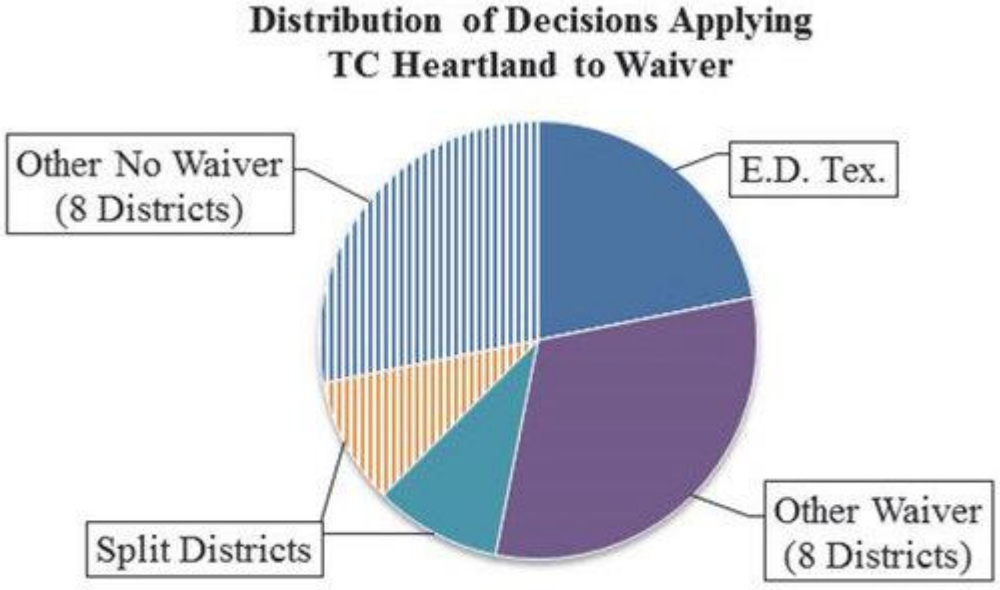
Although the Supreme Court's TC Heartland decision reversed a strongly worded decision of the Federal Circuit and overruled VE Holding, some district courts have been persuaded that TC Heartland did not effect any change in the law of patent venue at all. According to this view, TC Heartland did not change the law because the Supreme Court merely reaffirmed what it had previously held was the proper construction of 28 U.S.C. § 1400(b). The TC Heartland decision itself, on this view, shows that the improper venue defense that TC Heartland successfully raised was always there and available notwithstanding the contrary holding of the Federal Circuit in VE Holding. District courts taking the "no change" view have held that a defendant that failed to press a venue defense in reliance on Federal Circuit precedent waived the defense and could not revive it based on the Supreme Court's TC Heartland decision. An example of a case taking this view is Koninklijke Philips NV v. ASUSTeK Computer Inc.[12]

More recently, a growing number of district courts have concluded that "TC Heartland did effect an intervening change in the law."[13] District courts taking this view have permitted defendants to raise improper venue defenses based on the Supreme Court's TC Heartland decision even if the defense had been omitted from a previously filed answer or pre-answer motion. On this view, waiver is the intentional relinquishment of a known right and a defendant is not charged with knowing that a circuit court precedent would be overruled. The charts below show that the "change in the law" view is in the ascendancy, with not a single new district holding to the contrary since July, with the Eastern District of Texas contributing by far the most to the "no change" camp:



	Waiver	No Waiver
Cases	20 (62.5%)	12 (37.5%)
Courts	9 (45%) C.D. Cal. N.D. Cal. S.D. Cal. D. Mass. (2) S.D. Miss. (2) E.D. Tex. (7) N.D. Tex. S.D. Tex. E.D. Va.	8 (40%) D. Ariz. N.D. Ga. D. Minn. (2) W.D.N.C. D. Nev. E.D. Tenn. W.D. Va. W.D. Wash.
Split Districts 3 (15%) D. Del. N.D. Ill. D. Ore.		





Solid: Waiver
Striped: No Waiver

Oliver Wendell Holmes once wrote in a famous essay: “The prophecies of what the courts will do in fact, and nothing more pretentious, are what I mean by the law.”[14] Judged by this standard, the TC Heartland easily qualifies as a decision that has changed at least Federal Circuit law.[15] In its Sept. 21 Crayruling, the Federal Circuit never once cited to VE Holding, but referred to “the Supreme Court’s holding in TC Heartland” as “effectively reviving Section 1400(b) as the focus of venue in patent cases.”[16]

At issue in Cray was the meaning of § 1400(b)’s phrase, “where the defendant ... has a regular and established place of business.” Cray held that this phrase prescribes three distinct requirements: “(1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.”[17] In reaching this result, Cray notably cited to dictionaries from 1891 and 1911 as sources of meaning for the statutory text.[18]

Cray reversed a district court order that had held that an employee’s personal residence satisfied the statutory description, “where the defendant ... has a regular and established place of business.”[19] Although the employee was paid a salary and corresponded with customers listing a phone number in the forum district, those facts were held insufficient to establish that the employee’s home was a place of business “of” the defendant.[20] The defendant in Cray did not own, lease or rent any portion of its employee’s home; the defendant in Cray did not have any role in selecting where its employee lived; the defendant in Cray did not require its employee to reside in the district; and the defendant in Cray did not publicly identify its employee’s home as a place for transacting business with the defendant. Cray’s interpretation of 28 U.S.C. § 1400(b) was consistent with the text of 28 U.S.C. § 1694, which was enacted contemporaneously with the special patent venue statute and provides: “In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business.” Section 1694 is most naturally read as describing “a physical, geographical location in the district from which the business of the defendant is carried out.”[21]

TC Heartland and Cray interpret 28 U.S.C. § 1400(b) in a manner that should reduce the cost of determining where venue is proper in civil actions for patent infringement. TC Heartland reaffirmed that § 1400(b)’s phrase, “where the defendant resides,” denotes a defendant’s “domicile.”[22] The concept of domicile refers to a specific, singular place within a jurisdiction. “[N]o person has more than one domicil at a time.”[23] The location of the domicile of a juristic person is typically specified in the person’s corporate charter.[24] This point has relevance in multidistrict states.[25]

Whether a defendant owns or controls an alleged “regular and established place of business” is also an issue that should be relatively straightforward to establish. The Cray decision would appear to foreclose creative arguments, for example, that a federal courthouse frequented by a litigant is a place of business “of” that litigant for purposes of 28 U.S.C. § 1400(b). Cray also disapproved the idea that “virtual space[s]” or “electronic communications from one person to another” could satisfy the “place” requirement of the statute.[26] Future cases will doubtless raise new questions of agency, imputation and waiver, but in the aftermath of TC Heartland, the terms of the debate have been sharply narrowed and focused.

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firm's intellectual property and technology practice group. He was lead counsel for TC Heartland LLC in both lower courts and as arguing counsel in the U.S. Supreme Court.

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[1] 28 U.S.C. § 1406(a).

[2] 353 U.S. 222 (1957).

[3] At the time of its enactment, the § 1400(b) phrase, "the judicial district where the defendant resides," denoted the judicial district where a defendant's "domicile" was located, Fourco, 353 U.S. at 226 (emphasis in original), and was "synonymous" with the district "of which the defendant is an inhabitant" found in § 1400(b)'s immediate predecessor statute, id. at 225–26 (quoting Judicial Code of 1911, ch. 231, § 48, 36 Stat. 1087, 1100). The word "inhabitant" is narrower than "citizen" and denotes a location within a state. See Shaw v. Quincy Mining Co., 145 U.S. 444, 447 (1892); Galveston, Harrisburg & San Antonio Ry. Co. v. Gonzalez, 151 U.S. 496, 504–06 (1894).

[4] 917 F.2d 1574 (Fed. Cir. 1990).

[5] Transcript of Oral Argument at 25:11, TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514 (2017) (No. 16-341), https://www.supremecourt.gov/oral_arguments/argument_transcripts/2016/16-341_8njq.pdf . ("Oral Arg. Tr.")

[6] 28 U.S.C. § 1391(a)(1) (2012) (emphasis added).

[7] Oral Arg. Tr. at 25:18–21.

[8] TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514, 1521 (2017).

[9] In re TC Heartland, 821 F.3d 1338, 1343 (Fed. Cir. 2016), rev'd, 137 S. Ct. 1514 (2017).

[10] 137 S. Ct. at 1520 (footnote omitted).

[11] Id. at 1520–21.

[12] No. 15-1125-GMS, 2017 WL 3055517 at *4 (D. Del. Jul. 19, 2017) (citing authorities).

[13] Boston Sci. Corp. v. Cook Grp. Inc., No. 15-980-LPS-CJB, 2017 WL 3996110 at *8 (D. Del. Sept. 11, 2017).

[14] Oliver Wendell Holmes, The Path of the Law, 10 Harv. L. Rev. 457, 461 (1897).

[15] See In re Cray, 2017-129, 2017 WL 4201535 at *4 (Fed. Cir. Sept. 21, 2017) ("Federal Circuit law, rather than regional circuit law, governs our analysis of what § 1400(b) requires.").

[16] Id. at *3 (emphasis added).

[17] Id. at *4.

[18] Id. at *5–*6.

[19] Id. at *5 (emphasis added).

[20] Id. at *7.

[21] Id. at *5.

[22] TC Heartland, 137 S. Ct. at 1519 (quoting Fourco, 353 U.S. at 226) (emphasis in original in TC Heartland and Fourco).

[23] Restatement (Second) of Conflict of Laws § 11 (1971).

[24] See, e.g., Fairbanks Steam Shovel Co. v. Wills, 240 U.S. 642, 647–48 (1916).

[25] See Galveston, Harrisburg & San Antonio Ry, 151 U.S. at 504–06 (resident corporate defendant was not domiciled in district of suit).

[26] 2017 WL 4201535 at *5.
