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TC Heartland: The Patent Venue Question Is Informed By Personal Jurisdiction Issues

Richard Samp*

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I. INTRODUCTION

For the past twenty-seven years, the U.S. Court of Appeals for the Federal Circuit has interpreted the federal patent venue statute quite liberally, with the result being that large companies accused of patent infringement can be sued in virtually any federal district court.¹ The U.S. Supreme Court, which previously construed the very same venue statute

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¹ See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991).

far more narrowly,² has agreed to review the issue once again,³ and it will render its decision by this June.

The issue of patent venue has received increased attention in recent years, mostly due to the emergence of the United States District Court for the Eastern District of Texas as the go-to district for patent holders seeking a fast-moving and patent-friendly court.⁴ However, companies that do not maintain a regular place of business in that largely rural section of Texas question why it is appropriate that they can be hauled into the Eastern District to answer on a nationwide basis for allegedly infringing activity. On the other hand, some patent holders worry that if the Supreme Court overturns the Federal Circuit, they may face increased difficulty in finding a convenient forum for raising all of their claims against an alleged infringer.

While the proper construction of the patent venue statutes will be the principal focus of the Supreme Court's decision in *TC Heartland LLC v. Kraft Foods Group Brands*, lurking in the background is the Court's recent increased interest in the enforcement of due process limits on courts' exercise of personal jurisdiction over out-of-state defendants.⁶ Allowing a court in Marshall, Texas to exercise jurisdiction over a foreign (*i.e.*, non-Texas) corporation based on allegedly infringing activity that occurred outside the State raises as many personal-jurisdiction concerns as venue concerns. The Court may well construe the patent venue statute narrowly as a means of avoiding the difficult constitutional issues that would arise if venue rules permitted companies that operate on a nationwide basis to be sued in any federal district in which they sell their products.

Part II of this Article briefly discusses the relevant federal statutes and how they have been construed by the Federal Circuit. Part III outlines the evolution of venue rules governing federal-court patent litigation over the past 125 years, as well as the evolution of limits on personal jurisdiction during that same period. Part IV explains why current rules—under which a patentee may sue a defendant for all of its allegedly infringing activity in any district in which *any* infringing sales occur—raise serious due process concerns. This Article concludes with the acknowledgement that

² *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957).

³ *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 821 F.3d 1338 (Fed. Cir. 2016), *cert. granted*, 137 S. Ct. 614 (U.S. Dec. 14, 2016) (No. 16-341).

⁴ In 2015, 44% of all patent infringement lawsuits filed nationwide were filed in the Eastern District of Texas. Brian Howard, *Lex Machina 2015 End-of-Year Trends* (Jan. 7, 2016).

⁵ 28 U.S.C. § 1400(b).

⁶ *See, e.g.*, *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014). The Court has scheduled oral argument on April 25, 2017 in two pending cases that raise important personal jurisdiction issues: *Bristol-Myers Squibb Co. v. Superior Court*, Case No. 16-466; and *BNSF Railway Co. v. Tyrrell*, Case No. 16-405.

some patent owners may have legitimate concerns over the *Fourco* venue rules' potential for creating serious difficulties. These concerns should be addressed to Congress, which has promised to revisit the issue regardless how the Court rules in *TC Heartland*.

II. WHERE DOES A CORPORATION "RESIDE" FOR VENUE PURPOSES?

In 1897, Congress first enacted a "special" patent venue statute only applicable to patent-infringement litigation. The current version, adopted in 1948, states in its entirety: "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."⁷

TC Heartland boils down to a dispute over the meaning of the word "resides," as used in § 1400(b). In 1957, the Supreme Court held that a corporation being sued for patent infringement "resides" solely in one place: the State in which it is incorporated.⁸ In 1990, the Federal Circuit ruled that the word "resides" should be read far more broadly; it concluded that a corporation "resides," for patent venue purposes, in any judicial district in which it "is subject to personal jurisdiction."⁹ The Federal Circuit based its broadened reading of "resides" on Congress's 1988 adoption of a technical amendment to 28 U.S.C. § 1391(c), a subsection within the general venue statute.¹⁰ The Federal Circuit concluded that Congress intended to "redefine[] the meaning of the term 'resides' in [§ 1400(b)]."¹¹ It held that after 1988, § 1400(b) incorporated the revised § 1391(c)'s broad understanding of where a corporation should "be

⁷ 28 U.S.C. § 1400(b). Patents are issued by the federal government, and litigation regarding whether a patent is valid and infringed is heard exclusively in the federal courts. Section 1400(b)'s reference to "judicial district" is a reference to the district in which a federal district court is located.

⁸ *Fourco*, 353 U.S. at 226. As interpreted by *Fourco*, § 1400(b) authorized venue in a judicial district: (1) in a corporate defendant's State of incorporation; *or* (2) in which it committed acts of infringement *and* has a regular and established place of business.

⁹ VE Holding, 917 F.2d at 1578, 1584.

¹⁰ The amendment slightly revised 28 U.S.C. § 1391(c), which after 1988 read as follows: "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." Section 1391(c) was revised again in 2011 and currently states: "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."

¹¹ VE Holding, 917 F.2d at 1578.

deemed to reside”¹²—that is, a corporation “resides” wherever it “is subject to personal jurisdiction at the time the action is commenced.”

Soon thereafter, the Federal Circuit addressed the question left open by *VE Holding Corp. v. Johnson Gas Appliance Co.*¹³: in which judicial districts is a corporate defendant “subject to personal jurisdiction?” The Federal Circuit ruled in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*¹⁴ that a corporation is subject to personal jurisdiction in a federal district in *any* State in which its allegedly infringing product is sold. Moreover, it concluded that the district court could exercise personal jurisdiction with respect to *all* allegedly infringing sales, not simply those sales that occurred in the forum State.¹⁵ The appeals court determined that by permitting a district court to exercise jurisdiction on a nationwide basis, “these other states will thus be spared the burden of providing a forum for [the plaintiff] for these sales. And defendants will be protected from harassment resulting from multiple suits.”¹⁶

As a result of the Federal Circuit’s *VE Holding* and *Beverly Hills Fan* decisions, corporate defendants that sell products on a nationwide basis can be sued in federal district court anywhere in the United States. *TC Heartland*, the defendant in the case at issue in this Article, sells no more than 2% of its allegedly infringing product in Delaware and maintains no established place of business there. Nevertheless, the Federal Circuit concluded that the Delaware federal district court’s decision to invoke the Delaware long-arm statute to exercise personal jurisdiction over *TC Heartland* with respect to *all* allegedly infringing activity—even the 98% of such activity that bore no relationship to Delaware—was consistent with constraints imposed on courts by the Due Process Clause.¹⁷

¹² *Id.*

¹³ *Id.* at 1274.

¹⁴ *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994). The court imposed one caveat: personal jurisdiction was proper only if the forum State’s long-arm statute also authorized courts to exercise jurisdiction over the corporation. *Id.* at 1569. But that caveat has little practical significance, given that the long-arm statutes of virtually all States permit their courts to exercise personal jurisdiction over foreign defendants to the full extent permissible under the Due Process Clause of the Fourteenth Amendment.

¹⁵ *Id.* at 1568.

¹⁶ *Id.*

¹⁷ *In re TC Heartland LLC*, 821 F.3d 1338, 1343-45 (Fed. Cir. 2016).

III. A BRIEF HISTORY OF PATENT VENUE AND PERSONAL JURISDICTION

A. *Patent Litigation Through 1970*

Congress adopted a “special” patent venue statute, the predecessor of 28 U.S.C. § 1400(b), in 1897.¹⁸ This statute (referred to herein as § 48) stated that venue for patent-infringement actions existed “in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business.”¹⁹ As the Supreme Court concluded in its 1942 decision in *Stonite Products Co. v. Melvin Lloyd Co.*, Congress adopted the statute in order to “limit th[e] jurisdiction” of federal district courts over patent-infringement actions.²⁰ The Court explained that Congress was responding to “abuses engendered by extensive venue” authorized by previous statutes governing federal courts; these statutes had permitted actions (including patent-infringement actions) to be maintained “wherever the defendant could be found.”²¹

A decade earlier, in 1887, Congress had adopted a statute that sought to impose general limits on venue, but courts construing the statute expressed uncertainty regarding whether those limitations applied to patent-infringement suits.²² Thereafter, Congress adopted the Act of 1897, which contained § 48, a provision solely focusing on venue in patent litigation.²³ Congress’s purpose in doing so was to “eliminate [that] uncertainty” by “defin[ing] the exact jurisdiction of the federal courts in actions to enforce patent rights.”²⁴ The *Stonite* Court concluded that this “purpose indicates that Congress did not intend the Act of 1897 to dovetail with the general provisions relating to the venue in civil suits, but rather that it alone should control venue in patent infringement proceedings.”²⁵

Congress’s 1897 adoption of § 48 occurred in an era when the authority of courts to exercise personal jurisdiction over those not living in the forum State was more limited than it is today. In 1877, the Supreme Court in *Pennoyer v. Neff* held that state courts could exercise *in personam* jurisdiction over a nonresident only by effecting personal service of

¹⁸ See Act of March 3, 1897, c. 395, 29 Stat. 695.

¹⁹ In 1911, the patent venue statute was codified as Section 48 of the Judicial Code, 28 U.S.C. § 109 (1940).

²⁰ *Stonite Products Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565 n.1 (1942).

²¹ *Id.* at 563.

²² *Id.* at 564.

²³ *Id.* at 565.

²⁴ *Id.*

²⁵ *Id.* at 565-66.

process within the State; service in another State or by publication within the State was insufficient.²⁶ Accordingly, in the Nineteenth Century, it was often very difficult to obtain personal jurisdiction over a defendant outside its home State, even if the defendant conducted business in other States.

However, the one exception permitted by *Pennoyer*—personal service of process on a non-resident defendant while the defendant happened to be located in the forum State—led to widespread confusion when the defendant was a corporation. Courts had to grapple with the issue of when a nonresident corporation should be deemed physically present in a State. As the Supreme Court noted in *Stonite*, the issue was particularly difficult in patent infringement litigation because many pre-1897 court decisions interpreted federal venue statutes as permitting infringement suits to be filed “wherever the defendant could be found,” and such an interpretation led to “abuses.”²⁷

Section 48, the “special” patent venue statute, eliminated this confusion. In fact, it did so in a manner that was reasonably favorable to plaintiffs when compared to other, contemporaneous venue provisions. The statute authorized venue not only in the defendant’s home jurisdiction, but also in any federal judicial district in which the alleged infringer “shall have committed acts of infringement and have a regular and established place of business.”²⁸ Venue in other types of actions was more limited; for example, in diversity-jurisdiction cases, Congress prescribed that venue was proper only in a judicial district in which either the plaintiff or the defendant resided.²⁹

The patent venue rules established in 1897 did not change throughout most of the Twentieth Century. The Supreme Court affirmed those rules in 1942 (*Stonite*) and 1957 (*Fourco*), rejecting efforts to liberalize venue restrictions.³⁰

B. Patent Litigation in Recent Decades

While patent venue rules remained the same, Twentieth Century legal developments eventually led some scholars to conclude that those rules were out-of-date. In particular, the Supreme Court in *International Shoe v. Washington* overturned *Pennoyer* and held that a defendant’s physical presence in the forum State was no longer a constitutional prerequisite to

²⁶ *Pennoyer v. Neff*, 95 U.S. 714, 726-27 (1877).

²⁷ *Stonite*, 315 U.S. at 563-65.

²⁸ Sec. 48 of the Judicial Code of 1911, 28 U.S.C. § 109 (1940).

²⁹ Act of March 3, 1887, c. 373, 24 Stat. 552, amended by Act of August 13, 1888, c. 866, 25 Stat. 433.

³⁰ *Stonite*, 315 U.S. at 566; *Fourco*, 353 U.S. at 229.

a court's exercise of personal jurisdiction over the defendant.³¹ The Court held:

[D]ue process requires . . . that in order to subject a defendant to a judgment *in personam*, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.³²

As a result of *International Shoe*, companies became subject to suit wherever their products were sold, without any regard to whether they regularly conducted business in the forum State. In light of the Court's decision, some scholars in the 1960s and 1970s began to question what they viewed as overly restrictive patent venue rules. If a company could be sued on state-law products-liability claims in any State to which the allegedly defective product was shipped, then why could a company that made infringing sales in all fifty States only be sued in its home State, or a judicial district in which it maintains "a regular and established place of business?"³³ The patent venue rules seemed all the more anomalous to those critics as lower federal courts began to view *International Shoe* as having largely eliminated *all* due process constraints on the exercise of personal jurisdiction over large, nationwide corporations, even when the lawsuit bears no substantial relationship to the forum State.

The Federal Circuit in *VE Holding* appears to have arrived at its decision based largely on its belief that patent venue rules were out-of-date, and only secondarily on the thin evidence that Congress really intended to change those rules when it amended the general venue statute in 1988. The decision cited extensive criticism of restrictive patent rules, including a claim that "[t]he continued existence of the patent venue statute serves only to prolong patent litigation and make it more expensive."³⁴ The court asserted that Congress adopted the 1988 amendments "in response to pressure from the bar and the courts,"³⁵ thereby suggesting that Congress altered the language of 28 U.S.C. § 1391(c) for the purpose of liberalizing patent venue rules. However, the court provided no citations for that assertion. To the contrary, all available

³¹ *International Shoe Co. v. Washington*, 326 U.S. 310 (1945).

³² *Id.* at 316 (citations omitted).

³³ *See, e.g.*, Richard Wydick, *Venue in Actions for Patent Infringement*, 25 STANFORD L. REV. 551 (1973).

³⁴ *VE Holding*, 917 F.2d at 1583.

³⁵ *Id.* at 1578.

evidence suggests that Congress viewed the altered language as a minor technical amendment, not a substantial overhaul of patent venue rules.³⁶

If *VE Holding* was the product of an era when limits on venue and personal jurisdiction were skeptically viewed as unnecessary obstacles to efficient and low-cost litigation, then this era appears to have come to an end. Perhaps driven by increased concerns over unfairness to defendants caused by excessive forum shopping, the Supreme Court in recent years has demonstrated greater willingness to impose limits on personal jurisdiction. This trend is best illustrated by the Court's decision in *Daimler AG v. Bauman*, which categorically rejected the widespread view of many lower courts that large corporations are subject to general personal jurisdiction in all 50 States.³⁷ *VE Holdings* is in considerable tension with *Daimler* and other recent personal jurisdiction case law.

IV. EXERCISE OF PERSONAL JURISDICTION OVER TC HEARTLAND IN DELAWARE RAISES SERIOUS DUE PROCESS CONCERNS

A. *Due Process Limitations on Exercise of Jurisdiction over Out-of-State Defendants*

The Federal Circuit's decision in *TC Heartland* interprets the federal patent venue statute as permitting an out-of-state corporate defendant to be hauled into federal court in a district (Delaware) where it arguably fails to satisfy the "minimum contacts" required to sustain personal jurisdiction.³⁸ The ruling permits a Delaware court to exercise personal jurisdiction over claims that *TC Heartland* infringed—on a nationwide basis—three patents held by Kraft Foods, even though 98% of those claims bear no relationship whatsoever to Delaware.³⁹ Although *TC Heartland* did not raise this due process issue in its certiorari petition, the constitutional concerns raised by the case may provide the Supreme Court with an additional ground to adopt *TC Heartland*'s interpretation of the patent venue statute.

When considering the Delaware court's personal jurisdiction over *TC Heartland*, it is important to note that Kraft Foods (like most plaintiffs in patent infringement litigation) asserts personal jurisdiction under state law, not federal law. "Federal courts ordinarily follow state law in

³⁶ See, e.g., H.R. REP. NO. 100-889, at 66 (1988) (characterizing the amendment to § 1391(c) as one of a series of miscellaneous provisions dealing with relatively minor discrete proposals).

³⁷ *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014).

³⁸ *In re TC Heartland LLC*, 821 F.3d 1338, 1344 (Fed. Cir. 2016).

³⁹ *Id.* at 1343-44.

determining the bounds of their jurisdiction over persons.”⁴⁰ The Delaware court may exercise personal jurisdiction over the claims against *TC Heartland* if, and only if, it is permitted to do so under the Delaware long-arm statute.⁴¹

In appropriate circumstances, federal law may supplement state law in authorizing a federal court’s exercise of personal jurisdiction.⁴² Furthermore, there is a federal statute⁴³ that grants limited authorization for federal district courts to exercise jurisdiction over defendants charged with patent infringement. However, Kraft has no plausible claim that the Delaware federal district court may assert personal jurisdiction over *TC Heartland* on the basis of the federal statute.⁴⁴

The Fourteenth Amendment’s Due Process Clause imposes strict limits on the authority of a state court to exercise personal jurisdiction over out-of-state defendants.⁴⁵ Those limitations serve both to protect litigants from inconvenient or distant litigation, and to recognize limits on the sovereignty of each State with respect to affairs arising in other States.⁴⁶

The Supreme Court has consistently held that a state court may not exercise personal jurisdiction over an out-of-state defendant simply because the defendant has engaged in continuous and systematic activities within the State. Rather, personal jurisdiction also requires a showing that the defendant’s in-state activities are sufficiently connected to the plaintiff’s claim.⁴⁷ As *Daimler* explained, personal jurisdiction may not be exercised over nonresident defendants based on claims “having nothing

⁴⁰ *Daimler*, 134 S. Ct. at 753 (citing FED. R. CIV. P. 4(k)(1)(A)).

⁴¹ Given the breadth of the Delaware long-arm statute, the personal-jurisdiction analysis is essentially a due process analysis. Under that statute, Delaware state courts (and, accordingly, the U.S. District Court for the District of Delaware) may exercise personal jurisdiction on virtually any basis not inconsistent with the U.S. Constitution. For example, the statute authorizes state courts to exercise personal jurisdiction over any nonresident who, *inter alia*, “Transacts any business or performs any character of work or services in the State,” “Contracts to supply services or things in this State,” or “Causes tortious injury in the State by an act or omission in this State.” 10 Del. C. § 3104(c).

⁴² See FED. R. CIV. P. 4(k)(2).

⁴³ 28 U.S.C. § 1694.

⁴⁴ Section 1694 provides that “a patent infringement action [may be] commenced in a district where the defendant is not a resident but has a regular and established place of business” and that service of process may be made upon the defendant’s “agent or agents conducting such business.” 28 U.S.C. § 1694. But Kraft has never attempted to rely on that jurisdictional provision, nor could it because *TC Heartland* does *not* have “a regular and established place of business” in Delaware.

⁴⁵ See, e.g., *J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873, 881 (2011) (plurality) (“[T]hose who live or operate primarily outside a State have a due process right not to be subjected to judgment in its courts as a general matter.”).

⁴⁶ See, e.g., *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 293 (1980).

⁴⁷ See, e.g., *Daimler*, 134 S. Ct. at 757.

to do with anything that occurred or had its principal impact in” the forum State.⁴⁸

In addition, a defendant is generally required to answer any and all claims asserted in its “home” jurisdiction, even if the claim bears no relationship to the jurisdiction. The Supreme Court refers to an assertion of personal jurisdiction where the defendant is “at home” as an exercise of “general jurisdiction.”⁴⁹ *Daimler* made plain, however, that an assertion of general jurisdiction over a corporation can be sustained in only two places: the State in which a corporation maintains its principal place of business and the State of incorporation.⁵⁰ In *Daimler*, the Court found the plaintiffs’ request for approval of “the exercise of general jurisdiction in every State in which a corporation engages in a substantial, continuous, and systematic course of business,” to be “too grasping.”⁵¹ When a patent infringement lawsuit is filed outside the defendant’s “home” jurisdiction, a federal district court seeking to exercise personal jurisdiction over the defendant with respect to each of the patent-infringement claims asserted by the patentee must do so on the basis of “specific jurisdiction.”⁵²

B. Most of Kraft’s Claims Are Unrelated to TC Heartland’s Contacts with Delaware

It is undisputed that *TC Heartland* is not subject to *general* jurisdiction in Delaware. It is not incorporated in Delaware, nor does it maintain its principal place of business in the State. Therefore, for the Delaware district court to properly exercise personal jurisdiction over *TC Heartland* with respect to each of the patent infringement claims asserted by Kraft, it must do so on the basis of “specific jurisdiction”—that is, a showing that each claim “arises out of or relates to the defendant’s contacts with the forum.”⁵³

Importantly, only those forum contacts that are directly related to the plaintiff’s claims are relevant to the due process determination.⁵⁴ Kraft can demonstrate the requisite minimum contacts with respect to its claims that *TC Heartland* shipped infringing products to Delaware. While those shipments were relatively small and amounted to less than 2% of *TC Heartland*’s total sales of the infringing product, the Delaware shipments

⁴⁸ *Id.* at 762.

⁴⁹ *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 564 U.S. 915, 919 (2011).

⁵⁰ *Daimler*, 134 S. Ct. at 760.

⁵¹ *Id.* at 760-61.

⁵² *Id.* at 754.

⁵³ *Id.*

⁵⁴ *See, e.g., Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014) (for a court to exercise personal jurisdiction consistent with due process, “the defendant’s *suit-related conduct* must create a substantial connection with the forum State”) (emphasis added).

establish a “substantial connection” between Delaware and the alleged patent infringement. Those claims are adequate to allege that *TC Heartland* “deliver[ed] its products into the stream of commerce with the expectation that they [would] be purchased by consumers in the forum State.”⁵⁵

However, the complaint is not limited to claims based on allegedly infringing acts with a connection to Delaware. Kraft further alleges that *TC Heartland* infringed its patents by manufacturing products in Indiana and selling them in States other than Delaware.⁵⁶ Those claims—which encompass more than 98% of *TC Heartland*’s allegedly infringing sales—bear no relationship to Delaware. Accordingly, specific jurisdiction cannot serve as a justification for the district court’s exercise of personal jurisdiction over those claims. Although *TC Heartland* does in fact have some contacts with Delaware, these contacts cannot justify an expansive exercise of specific jurisdiction because they bear no relationship to the specific claims at issue—that *TC Heartland* infringed the patent by manufacturing patented products and by selling them in States other than Delaware.

In the field of patent law, courts have long understood that each alleged infringement of a patent gives rise to a separate cause of action.⁵⁷ While a claim that a defendant sold an infringing product in California may raise one or more issues of fact that are common to issues of fact raised by a claim that the defendant also sold an infringing product in Delaware, they remain separate causes of action for which the plaintiff will need to submit separate evidence. Specific jurisdiction is limited to claims for which the defendant’s forum contacts “gave rise to the liabilities sued on.”⁵⁸ Because *TC Heartland*’s contacts with Delaware quite clearly did not “g[i]ve rise to” the claims alleging that *TC Heartland* manufactured and sold infringing products outside of Delaware, there is no justification for the district court to exercise “specific jurisdiction” over those out-of-state claims.

The Federal Circuit relied on its 1994 *Beverly Hills Fan* decision in finding that *TC Heartland*’s small number of product shipments to Delaware sufficed to establish personal jurisdiction over *TC Heartland* with respect to infringement claims arising in the other forty-nine States and lacking any connection with Delaware.⁵⁹ However, that decision is a relic of the pre-*Daimler* era, in which many federal courts of appeals

⁵⁵ *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 298 (1980).

⁵⁶ *In re Heartland LLC*, 821 F.3d at 1340.

⁵⁷ *See Hazelquist v. Guchi Moochie Tackle Co., Inc.*, 437 F.3d 1178, 1180 (Fed. Cir. 2006).

⁵⁸ *Daimler*, 134 S. Ct. at 754.

⁵⁹ *In re TC Heartland LLC*, 821 F.3d at 1344.

permitted large corporations to be sued in any State where they maintained a substantial presence.

Beverly Hills Fan concluded that nationwide jurisdiction over patent-infringement claims (in any district in which alleged infringement occurred) was warranted because it would “provid[e] a forum for efficiently litigating plaintiff’s cause of action.”⁶⁰ However, the Supreme Court has never allowed efficiency considerations to trump due process constraints on the exercise of personal jurisdiction. Those constraints impose firm limits on the authority of courts to exercise jurisdiction over claims and defendants that lack a sufficient connection to the forum:

Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its laws to the controversy; even if the forum State is the most convenient location for litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment.⁶¹

Moreover, the Federal Circuit’s decision overlooks the possibility that there will always be some jurisdiction—perhaps multiple jurisdictions—in which a patentee can sue an alleged infringer for all infringing activity without regard to where it occurred. *Daimler* makes clear that a corporate defendant will be subject to general jurisdiction in both its State of incorporation, and the State in which it maintains its principal place of business.⁶² Furthermore, Congress has established personal jurisdiction—for patent-infringement claims arising anywhere in the United States—in any district in which the defendant “is not a resident but has a regular and established place of business.”⁶³

The Federal Circuit has interpreted the patent venue statute, 28 U.S.C. § 1400(b), as authorizing the filing of a nationwide patent infringement lawsuit in any judicial district in which infringing sales occurred (*i.e.*, *anywhere* in the United States, when the corporate defendant sells its products on a nationwide basis).⁶⁴ However, even under the broadest possible construction of the statute that (according to the Federal Circuit) defines where a corporation “resides” for purposes of § 1400(b),⁶⁵ residence (and thus, venue) extends only to judicial districts in which the

⁶⁰ *Beverly Hills Fan*, 21 F.3d at 1568.

⁶¹ *World-Wide Volkswagen*, 444 U.S. at 294.

⁶² *Daimler*, 134 S. Ct. at 760.

⁶³ 28 U.S.C. § 1694.

⁶⁴ *In re TC Heartland LLC*, 821 F.3d at 1343-45.

⁶⁵ 28 U.S.C. § 1391(c)(2).

defendant “is subject to the court’s personal jurisdiction with respect to the civil action in question.”⁶⁶ Thus, the broad corporate-residence rules created by the general venue statute can plausibly be interpreted to be inapplicable to the patent venue statute for the additional reason that applying them to § 1400(b) (in the manner prescribed by *Beverly Hills Fan*) would arguably create venue in judicial districts in which the district court would lack nationwide personal jurisdiction over the alleged infringer.

The Supreme Court can avoid the due process concerns outlined above by adopting the more limited interpretation of 28 U.S.C. § 1400(b) urged by *TC Heartland* and accepted by *Fourco*. Under this interpretation, a corporation “resides” only in the district in which it is incorporated. This means that venue is appropriate in the district in which the alleged infringer is incorporated, or in any district in which it has committed acts of infringement and has a regular and established place of business. Establishing venue in the district in which the defendant is incorporated is consistent with the due process limits on general jurisdiction established by *Daimler*. Furthermore, establishing venue in a district in which the defendant has committed acts of infringement and has a regular and established place of business, is both consistent with due process and authorized by the federal statute, 28 U.S.C. § 1694, governing the distribution of cases within the unified federal court system.

C. Congress May Wish to Amend § 1400(b) to Promote Efficiency

In construing the meaning of § 1400(b), the Supreme Court has two options. It can re-affirm *Fourco*’s narrow reading of patent venue rules, or it can uphold the Federal Circuit’s far broader reading. For the reasons outlined above, the *Fourco* reading is the preferred outcome, in large part because it is the only outcome that does not raise serious constitutional concerns.

This is not to suggest, however, that the patent venue rules established by *Fourco* are fair and efficient under all circumstances. Some patent owners may indeed have legitimate concerns that the *Fourco* rules could create serious difficulties for plaintiffs seeking to defend their patent rights in federal court. For that reason, Congress may be wise to take a fresh look at the patent venue issue regardless of how the Supreme Court decides the *TC Heartland* case.⁶⁷

⁶⁶ *Id.*

⁶⁷ Indeed, Senator Orrin Hatch in February 2017 promised to take up the issue regardless of how the Supreme Court rules. See Gene Quinn, *Hatch Says Patent Venue Reform Likely Regardless of SCOTUS Decision in TC Heartland*, IPWATCHDOG (Feb. 16, 2017), www.ipwatchdog.com/2017/02/16/hatch-venue-reform-likely-scotus-tc-heartland/id=78495/.

In particular, under the *Fourco* rules patent owners seeking to file suit simultaneously against multiple infringers may have great difficulty in finding a single forum in which to file a nationwide infringement action against all defendants. The *Fourco* rules ensure that there will be at least one forum (and likely multiple forums) within which to sue a single defendant. However, if there is no single forum in which venue is proper for *all* defendants, the plaintiff might be required to file multiple suits. Filing multiple suits is rarely an attractive option for a patent owner; multiple patent lawsuits are not only expensive, but they also increase the risk that at least one federal court will declare the patent invalid.

This issue may be particularly problematic for owners of pharmaceutical patents. The Hatch-Waxman Act⁶⁸ provides potential generic-drug competitors with lucrative incentives to file applications with the Food and Drug Administration (FDA) that essentially force the patentee to file a patent infringement lawsuit against the applicants.⁶⁹ If a patented drug has substantial sales, it is highly likely that multiple generic drug companies will file FDA applications, thereby requiring the patentee to file infringement claims against each of them. If there is no single forum in which all generic companies can be sued under the *Fourco* venue rules, the patentee could be forced to defend its patent by filing multiple infringement suits simultaneously.

If Congress were to determine that the patent venue statute needed to be tweaked to prevent such difficulties from arising, it would have little difficulty in drafting a legislative fix that would conform to due process requirements. For example, such proposed legislation could decree that venue is proper in the Districts of Maryland and the District of Columbia (where FDA is located) for any infringement lawsuit prompted by FDA filings. It could then amend 28 U.S.C. § 1694 to grant the two federal district courts the authority to exercise personal jurisdiction over patent-infringement defendants in those circumstances.⁷⁰

On the other hand, what the Supreme Court should not do is to follow the lead of the Federal Circuit; in other words, it should not allow

⁶⁸ Pub. L. 98-417, 98 Stat. 1585 (1984).

⁶⁹ See *FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2228 (2013).

⁷⁰ Congress, when establishing venue and jurisdiction within the unified federal court system, is not subject to the same due process constraints imposed on States by *Daimler*, because the federal government does not operate under the same federalism-based constraints faced by States when they seek to exercise authority within the borders of other States. Indeed, the Supreme Court has indicated that whether the Fifth Amendment's Due Process Clause imposes any limits on Congress's power to expand personal jurisdiction over American entities in the federal district courts is an open question. *Omni Capital Int'l, Ltd. v. Rudolph Wolff & Co.*, 484 U.S. 97, 102 n.5 (1987); see Robert A. Lusardi, *Nationwide Service of Process: Limitations on the Power of the Sovereign*, 33 VILL. L. REV. 1, 48 (1988).

perceived policy preferences to influence its interpretation of the patent venue statute. That statute has been virtually unchanged for 125 years, and it has twice been construed authoritatively by the Supreme Court. If the needs of patent litigants suggest that changes in patent venue rules are warranted, those changes ought to come from Congress, not the courts.

V. CONCLUSION

While the question presented in *TC Heartland* focuses solely on the proper construction of the patent venue statute,⁷¹ the case also implicates important personal jurisdiction issues. The Federal Circuit decision under review not only interpreted the patent venue statute broadly, it also very broadly construed the authority of federal district courts to exercise nationwide personal jurisdiction over out-of-state corporations that maintain few contacts with the forum. The Federal Circuit's personal jurisdiction ruling conflicts with recent Supreme Court precedent and raises serious due process concerns. The Supreme Court can avoid the need to address those concerns by reaffirming its prior, narrow interpretation of the patent venue statute: a corporation should be deemed to "reside" solely in the State where it is incorporated.

⁷¹ 28 U.S.C. § 1400(b).