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Supreme Court Dramatically Narrows Patent Venue Statute, Likely Shifting More Patent Cases to the Most Populous Districts

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Client Advisory
May 24, 2017 by John M. Griem, Jr.

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On May 22, 2017, the United States Supreme Court held in *TC Heartland LLC v. Kraft Foods Group Brands LLC* that for purposes of patent venue, a domestic corporation "resides" only in the state where it is incorporated. Previously, a domestic corporation could be sued for patent infringement almost anywhere an allegedly infringing item was sold. The Supreme Court's decision was unanimous and overturned a 29-year-old decision of the appellate court that specializes in patent appeals, the Court of Appeals for the Federal Circuit.

The Supreme Court's decision in *TC Heartland* is likely to dramatically curtail patent litigation actions in federal district courts not located in Delaware or encompassing places where patent defendants have a regular and established place of business. In particular, patent filings in the Eastern District of Texas, a rural district generally considered favorable to plaintiffs that is the site of approximately 40% of patent actions today, are likely to see a dramatic falloff. In addition, many patent actions may be transferred to other districts if nonresident defendants see an advantage to moving the action to a district close to the defendant's main place of business.

The patent venue statute, 28 U. S. C. §1400(b), 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." Under the Supreme Court's new interpretation of "resides", the District of Delaware is likely to become a very busy district because of the number of corporate defendants organized under Delaware law. Other states having a large number of corporate entities, like New York and California, are also likely to become more frequent venues.

In addition, patent infringement actions can be brought anywhere the defendant has a "regular and established place of business." The scope of this statutory phrase has not been construed by the Supreme Court. However, in *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985), the Federal Circuit Court of Appeals said that "in determining whether a corporate defendant has a regular and established place of business in a district, the appropriate inquiry is whether the corporate defendant does its business in that district through a permanent and continuous presence there." *Id.* at 738. The *Cordis* decision held that is not necessary for the defendant to have "a fixed physical presence in the sense of a formal office or store," agreeing that a salaried employee's home office where orders could be accepted and stock was stored was sufficient. *Id.* The exact contours of the type and scope of presence necessary in order to satisfy this second prong of Section 1400(b) will be tested in future cases.

Thus, nationwide retailers and other companies with many locations are likely still amenable to suit in many districts. Manufacturers who distribute their products and services through others, however, are more likely to be successful in arguing that they can only be sued in those few places they have a physical location. The Supreme Court expressly left open the question of how to apply Section 1400(b) to foreign corporations that do not have any regular and established place of business in the United States. It remains to be seen whether patent owners

will turn to Congress in an effort to overturn the holding in *TC Heartland* and regain the right to sue alleged infringers wherever they may be found, and how national corporations will respond to lobbying by patent owners.

For more information concerning the matters discussed in this publication, please contact the author,John M. Griem, Jr. (212-238-8659, griem@clm.com), or your regular Carter Ledyard attorney.

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related professionals

John M. Griem, Jr. / Partner
D 212-238-8659
griem@clm.com