wiley

ALERT

Federal Circuit Patent Bulletin: *TC Heartland LLC v. Kraft Foods Group Brands LLC*

May 22, 2017

"[A] domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute [(35 U.S.C. §1400(b))]."

On May 22, 2017, in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, the U.S. Supreme Court (Thomas*) reversed and remanded the Federal Circuit's denial of TC Heartland's petition for a writ of mandamus seeking to direct the district court to either dismiss or transfer Kraft's suit alleging that TC Heartland infringed U.S. Patent No. 8,293,299, which related to containers for dispensing multiple doses of concentrated liquids and shelf stable concentrated liquids. The Court stated:

The question presented in this case is where proper venue lies for a patent infringement lawsuit brought against a domestic corporation. [We] hold that a domestic corporation "resides" only in its State of incorporation for purposes of the patent venue statute.

Petitioner, which is organized under Indiana law and headquartered in Indiana, manufactures flavored drink mixes. Respondent, which is organized under Delaware law and has its principal place of business in Illinois, is a competitor in the same market. As relevant here, respondent sued petitioner in the District Court for the District of Delaware, alleging that petitioner's products infringed one of respondent's patents. Although petitioner is not registered to conduct business in Delaware and has no meaningful local presence there, it does ship the allegedly infringing products into the State. Petitioner moved to dismiss the case or transfer venue to the District Court for the Southern District of Indiana, arguing that venue was improper in Delaware. . . .

Authors

Neal Seth
Partner
202.719.4179
nseth@wiley.law

Practice Areas

Intellectual Property
Patent

[In 1988,] Congress amended the general venue statute, §1391(c), to provide 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 at the time the action is commenced." The Federal Circuit in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F. 2d 1574 (1990), announced its view of the effect of this amendment on the meaning of the patent venue statute. The court reasoned that the phrase "[f]or purposes of venue under this chapter" was "exact and classic language of incorporation," and that §1391(c) accordingly established the definition for all other venue statutes under the same "chapter." Because §1400(b) fell within the relevant chapter, the Federal Circuit concluded that §1391(c), "on its face," "clearly applies to §1400(b), and thus redefines the meaning of the term 'resides' in that section."

Following *VE Holding*, no new developments occurred until Congress adopted the current version of §1391 in 2011 (again leaving §1400(b) unaltered). Section 1391(a) now provides that, "[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." And §1391(c)(2), in turn, provides that, "[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." In its decision below, the Federal Circuit reaffirmed *VE Holding*, reasoning that the 2011 amendments provided no basis to reconsider its prior decision.

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. Congress has not amended §1400(b) since *Fourco*, and neither party asks us to reconsider our holding in that case. Accordingly, the only question we must answer is whether Congress changed the meaning of §1400(b) when it amended §1391. When Congress intends to effect a change of that kind, it ordinarily provides a relatively clear indication of its intent in the text of the amended provision.

The current version of §1391 does not contain any indication that Congress intended to alter the meaning of §1400(b) as interpreted in *Fourco*. Although the current version of §1391(c) provides a default rule that applies "[f]or all venue purposes," the version at issue in *Fourco* similarly provided a default rule that applied "for venue purposes." In this context, we do not see any material difference between the two phrasings. . . .

Respondent suggests that the saving clause in §1391(a) does not apply to the definitional provisions in §1391 (c), but that interpretation is belied by the text of §1391(a), which makes clear that the saving clause applies to the entire "section." Finally, there is no indication that Congress in 2011 ratified the Federal Circuit's decision in *VE Holding*. If anything, the 2011 amendments undermine that decision's rationale. 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. In short, nothing in the text suggests congressional approval of *VE Holding*.

As applied to domestic corporations, "reside[nce]" in §1400(b) refers only to the State of incorporation. Accordingly, we reverse the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion.