DRAMATIC CHANGE IN PATENT VENUE RULES: U.S. SUPREME COURT REVERSES TC HEARTLAND

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Paul's work has been featured in a variety of publications, including the American Lawyer, Bloomberg BNA, the Daily Beast, Forbes, the Guardian, MSNBC, the National Law Journal, the New Yorker, NPR's All Things Considered, and the Washington Post. And his work contributed to Mayer Brown's inclusion in The National Law Journal's 2017 Appellate Hot List as well as the 2017 Pro Bono Hot List.

Paul has significant experience with intellectual property appeals. He argued a trademark matter in the U.S. Supreme Court, Hana Financial, Inc. v. Hana Bank, 135 S.Ct. 907 (2015). He has handled more than 30 cases in the Federal Circuit. Successes include Rapid Litig. Mgmt. Ltd. v. CellzDirect, Inc., 827 F.3d 1042 (Fed. Cir. 2016), and B.E. Technology, L.L.C. v. Google, Inc., 2016 WL 6803057 (Fed. Cir. Nov. 17, 2016).

Additionally, Paul often litigates appeals involving banking and securities law. He recently argued and won a transnational financial case (Toumazou v. HSBC, No. 14-7170) in the DC Circuit. Paul obtained an interlocutory victory in Retirement Board of the Policemen's Annuity and Benefit Fund v. The Bank of New York Mellon, 775 F.3d 154 (2d Cir. 2014), a closely-watched case involving the Trust Indenture Act.

ANDREW J. PINCUS, also a Partner with Mayer Brown, focuses his appellate practice on briefing and arguing cases in the Supreme Court of the United States and in federal and state appellate courts; developing legal strategy for trial courts; and presenting policy and legal arguments to Congress, state legislatures, and regulatory agencies. Andy has argued 27 cases in the Supreme Court, including most recently his victories in Impression Products, Inc. v. Lexmark International, Inc., 137 S.Ct. 1523 (2017); Kindred Nursing Centers Limited Partnership v. Clark, 137 S.Ct. 1421 (2017); and Spokeo, Inc. v. Robins, 136 S.Ct. 1540 (2016). Law360 ranked Andy's victory in AT&T Mobility v. Concepcion, 563 U.S. 333 (2011), as the most important Supreme Court class Legal 500 ranked Andy as a Leading Lawyer in Mayer Brown's tier one Supreme Court practice (2015), and Benchmark Litigation (2016) named Andy as a National Litigation Star. According to Legal 500 (2014), Andy has a "superb reputation" and "is 'one of the best Supreme Court advocates in the country' and a 'brilliant strategist'" (2013). An "'excellent Supreme Court oralist'" (2011), he "is cited by clients as 'a total superstar' who is 'unbelievably smart,' and who 'objectively belongs on any list of leaders'" (2008). Andy's appellate experience has also won him recognition in The Best Lawyers in America (2006-2016). While serving as General Counsel of the United States Department of Commerce (1997-2000), Andy had principal responsibility for the Digital Millennium Copyright Act and the Electronic Signatures in Global and National Commerce Act. He also participated in formulation of policy concerning intellectual property protection, privacy, domain name management, taxation of electronic commerce, export controls, international trade, and consumer protection.

Andy was named a 2015 Litigation Trailblazer by The National Law Journal, and was profiled as a member of Law360's 2014 Appellate A-List. Andy's work in Concepcion and successful defense of Chicago Mayor Rahm Emanuel's right to run for office were cited by the American Lawyer in its article naming Mayer Brown as one of the top six U.S. litigation firms in the 2012 Litigation Department of the Year report. Andy's practice also includes detailed written and oral advocacy before Congress, other legislative bodies, and regulatory agencies regarding a variety of policy and legal issues. He frequently testifies before Congress on a variety of subjects, including patent reform, the Consumer Financial Protection Bureau, reform of the federal litigation system, and the Supreme Court's decisions in cases involving business law issues. Andy successfully represented clients in connection with passage of the Private Securities Litigation Reform Act.

In TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S.Ct. 1514 (2017), the Supreme Court addressed the patent venue statute, 28 U.S.C. § 1400(b), and reversed nearly three decades of Federal Circuit law. The Court's holding will likely have significant implications with respect to so-called patent magnet jurisdictions, such as the Eastern District of Texas, which currently adjudicate a significant portion of the nation's patent disputes.

Section 1400(b) provides that in patent infringement cases venue is proper "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." In Fourco Glass Co. v. Transmirra Products Corp., 353 U.S. 222, 226 (1957), the Supreme Court concluded that a domestic corporation "resides" only in its state of incorporation.

Subsequently, Congress amended the general venue statute, 28 U.S.C. § 1391(c). The amended statute states that, "[e]xcept as otherwise provided by law" and "[f]or all venue purposes," a corporation "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 VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990), the Federal Circuit held that this amendment applied to the patent venue statute, Section 1400(b), overriding the Supreme Court's decision in Fourco.

In the wake of VE Holding's significant relaxation of patent venue rules—which effectively permitted suit in any district in which the defendant is subject to specific personal jurisdiction—certain judicial districts emerged as "magnets" for patent litigation. In 2015, for example, 74.6 percent of patent infringement cases were filed in just eight of the nation's 94 judicial districts. And 44.2 percent of the nationwide patent cases were filed in the Eastern District of Texas.

In TC Heartland, the Supreme Court reversed VE Holding. The Court concluded that "Congress has not amended § 1400(b) since Fourco." The Court reasoned that the amended Section 1391(c) is substantially similar to that in place at the time of Fourco. Additionally, Congress gave no clear indication that it was altering the settled construction of Section 1400(b), and the current version of Section 1391(c) contains a savings clause indicating that "it does not apply when 'otherwise provided by law.'" TC Heartland thus concluded that, "[a]s applied to domestic corporations, 'reside[nce]' in § 1400(b) refers only to the State of incorporation."

We anticipate that TC Heartland will have several significant effects.

1. RESISTING VENUE IN MAGNET JURISDICTIONS

First, it will provide domestic patent defendants a powerful basis to resist venue in magnet jurisdictions so long as the defendant neither is incorporated in the state nor maintains a "regular and established place of business" there. Commentators will closely watch filing trends and transfer rates of patent cases to gauge the magnitude of this decision's effects.

2. CONTINUING IMPORTANCE OF DISTRICT OF DELAWARE

Second, given that many U.S. entities are incorporated in Delaware, we anticipate that litigants will continue to routinely file patent infringement suits in the District of Delaware. Long one of the leading patent jurisdictions, the District of Delaware may continue to grow in importance.

3. FOCUS ON SECOND PRONG OF SECTION 1400(B)

Third, litigants are likely to focus on the breadth of the second prong of Section 1400(b), which provides venue "where the defendant has committed acts of infringement and has a regular and established place of business." Given the Federal Circuit's prior, broad interpretation of where a patent defendant "resides," courts have not recently considered what qualifies, in this context, as a "regular and established place of business." Litigants are now likely to dispute whether retail locations, distribution centers, factories, and the like qualify as a "[r]egular and established place of business."

4. EXPECT MORE LITIGATION

Fourth, the implications of TC Heartland on foreign corporations will be subject to significant litigation. In its decision, the Supreme Court repeatedly acknowledged that it was addressing "*domestic* corporations," and it noted that it did not decide "the implications of petitioner's argument for foreign corporations." Some litigants will thus assert that Section 1391(c)(3), which provides that "a defendant not resident in the United States may be sued in any judicial district," remains applicable to non-domestic corporations. If that approach is adopted, TC Heartland may have limited effect for non-U.S. entities.