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Locating Burden Of Proof When Patent Venue Is Challenged

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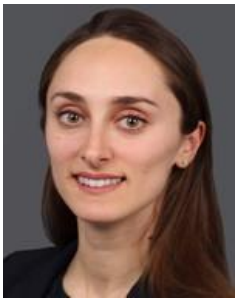
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When venue is challenged, who bears the burden of proof in patent cases?[1] It turns out the courts are sharply divided on this important issue, and litigants will benefit from carefully considering this issue when developing and implementing their litigation strategies.

By now it is well-known that in TC Heartland LLC v. Kraft Foods Group Brands LLC[2] the U.S. Supreme Court held that, for purposes of 28 U. S. C. § 1400(b), a domestic corporation "resides" only in its state of incorporation.[3] TC Heartland abrogated the Federal Circuit's 1990 decision in VE Holding Corp.[4] that the interpretation of "resides" under § 1400(b) includes any district where a corporate defendant would be subject to personal jurisdiction.[5] In doing so, the Supreme Court overturned more than 25 years of lower court precedent. In response to TC Heartland, patent litigation defendants throughout the country filed motions challenging venue, often in cases well beyond the pleading stage.

28 U.S.C. § 1400(b) reads: "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." Thus, when venue is challenged,[6] it lies for domestic corporations where they are incorporated, normally easily proven, or where they have committed acts of infringement and have a regular and established place of business. But in the latter case, who bears the burden to prove whether the acts of infringement have or have not occurred in the chosen jurisdiction and whether or not the accused infringer has a regular and established place of business in that jurisdiction?[7]

Courts in the First, Second, Fourth, Seventh and Ninth Circuits place this burden on plaintiffs.[8] Generally, these courts reason that the burden should be on the plaintiff because it has the obligation to institute the action in a permissible forum.[9] [10] To the contrary, courts in the Third and Eighth Circuits place the burden on defendants,[11] while the Fifth and Sixth Circuit courts have not yet addressed the issue.[12]

In Myers v. American Dental Association,[13] the leading Third Circuit case on venue burden, the court noted that a motion to dismiss for improper venue is an affirmative defense and reasoned that "[i]n most instances, the purpose of statutorily specified venue is to protect the defendant against the risk that a plaintiff will select an unfair or inconvenient place of trial." Therefore, over a strong dissent, the court ruled that defendant bears the burden to prove that venue is improper.[14] The Myers decision may be distinguishable from patent venue cases though, because it considered antitrust venue statutes that were "designed to aid plaintiffs by giving them a wider choice of venues, and thereby to secure a more effective, because more convenient, enforcement of antitrust prohibitions." United States v. Nat'l City Lines, 334 U.S. 573, 586 (1948). In contrast, the patent venue statute was intended to further limit the provisions of the general venue statute. TC Heartland, 137 S. Ct. at 1518.

Like the Third Circuit, in resolving motions to transfer for improper venue, the Eighth Circuit places the burden of proof on defendant. United States v. Orshek, 164 F.2d 741, 742 (8th Cir. 1947). But notably, in Spainer v. American Pop Corn Co., the Northern District of Iowa followed Orshek but acknowledged that there are valid arguments for requiring a plaintiff to establish venue and explained that numerous district court decisions in the Eighth Circuit have placed the burden to establish proper venue on the plaintiff without citing to, discussing, or distinguishing Orshek.[15]

As noted above, the Fifth Circuit has not decided the question of whether the plaintiff or defendant bears the burden of proof in patent venue disputes. However, several recent Eastern District of Texas decisions have considered this issue. On June 29, 2017, in Raytheon v. Cray, a patent infringement action pending in the Eastern District of Texas, the court analyzed but did not decide the burden question, explaining, as we have done above, that circuit courts and district courts have conflicting views on the proper way to allocate the burden of proof in venue disputes.[16] Likewise, the court noted that even legal scholars have conflicting views on the proper way to allocate the burden of proof in venue disputes.[17] The court referenced Wright & Miller for the proposition that: "[T]he weight of judicial authority appears to be that when the defendant has made a proper objection, the burden is on the plaintiff to establish that the chosen district is a proper venue."[18] In contrast, the court cited to Moore's Federal Practice for the proposition that: "Once the defendant timely objects to venue, courts of appeals generally, and correctly, treat the venue question as an affirmative defense. Therefore, the defendant has the burden of establishing that venue is proper."[19] Although on first blush Moore's view appears diametrically opposed to Wright & Miller's view, in the context of patent litigation, Moore agrees that the plaintiff should bear the burden of proof in venue disputes. Moore goes on to say: "Placing the burden on the plaintiff is justified only in a case involving an exclusive venue statute, such as in patent infringement cases, in which venue lies in the district where the infringement takes place."[20]

On July 25, 2017, in Soverain IP LLC v. Apple, the court, citing the Third Circuit's Myers decision, ruled that in the Eastern District of Texas defendants bear the burden to prove that venue is improper.[21] The court reasoned that "when understood as a personal privilege and shield from inconvenience, it is logical to place the burden of exercising the privilege and establishing the inconvenience on the defendant."[22] While acknowledging its conclusion "is far from undisputed" the court noted that other courts in the circuit "have agreed" with its conclusion.[23] The court did not address or distinguish the numerous Eastern District of Texas cases that have placed the burden of proof on the plaintiff in venue disputes.[24] [25]

On Aug. 28, 2017, in Kranos IP Corp. v. Riddell Inc.,[26] the Eastern District of Texas denied a motion to dismiss under § 1406(a) because "venue [was] proper," but granted a motion to transfer the case to the Northern District of Illinois as a more convenient forum under § 1404(a). The court again considered the

burden question, acknowledged that Soverain had placed the burden on the defendant, noted that the court "sees no apparent error in the Soverain decision," but again declined to address the issue "as the result would be the same regardless."

Until the Supreme Court resolves the question of who should bear the burden of proof in venue disputes under 28 U.S.C. § 1400(b), it is clear that plaintiffs will want to give serious consideration to the venue burden issue when selecting the forum to bring their patent litigations. All other things being equal, courts in the Third Circuit, such as Delaware and in the Fifth Circuit, such as the Eastern District of Texas, seem more likely to provide a favorable forum for plaintiffs with concerns about whether venue will be proper. From the defendant's perspective, the burden issue needs to be carefully considered before making a Rule 12(b)(3) motion. In jurisdictions where the defendant bears the burden to prove that venue is improper, carefully crafted and detailed affidavits (submitted with the opening brief) that establish that the accused products were not made, used, sold, offered for sale or imported into the jurisdiction and/or that demonstrate that the defendant does not have a "regular and established place of business" in the jurisdiction will be especially important.

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[1] If venue is not proper, a defendant may move to dismiss the case or transfer it to a district in which the case could have been brought. Fed. R.Civ. P. 12(b)(3); 28 U.S.C. § 1406(a).

[2] TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S.Ct. 1514, 1517 (2017). TC Heartland reaffirmed Fourco Glass Co. v. Transmirra Products Corp., 353 U.S. 222, 226–229 (1957), which reconfirmed Stonite Products Co. v. Melvin Lloyd Co., 315 U.S. 561 (1942), holding § 1400(b) is "the sole and exclusive provision controlling venue in patent infringement actions" and "is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)."

[3] While § 1400(b) does not define the word "resides," the Supreme Court concluded in Fourco Glass that under § 1400(b) a domestic corporation resides only in its state of incorporation. 353 U.S. 226; TC Heartland, 137 S.Ct. at 1521.

[4] VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990).

[5] The Federal Circuit was construing § 1400(b) in light of the 1988 amendments to § 1391(c).

[6] Venue need not be pled in most jurisdictions and must be challenged by the defendant or it is waived.

[7] Courts generally accept well pled allegations of infringement in the complaint as sufficient to meet this prong of the test unless the defendant establishes that the allegedly infringing acts did not happen in the subject jurisdiction.

[8] See e.g., Cordis Corp. v. Cardiac Pacemakers, 599 F.2d 1085 (1st Cir. 1979); Gulf Ins. Co. v.

Glasbrenner, 417 F.3d 353 (2d Cir. 2005); Bartholomew v. Virginia Chiropractors Ass'n, Inc., 612 F.2d 812 (4th Cir. 1979); Grantham v. Cook Brothers, Inc., 420 F.2d 1182 (7th Cir. 1969); Amba Mktg. Sys., Inc. v. Jobar Int'l, Inc., 551 F.2d 784, 790 n.9 (9th Cir. 1977); Piedmont Label Co. v. Sun Garden Packing Co., 598 F.2d 491 (9th Cir. 1979).

[9] Some courts have placed the burden on plaintiffs by analogizing venue motions to jurisdictional motions.

E.g. Gulf Ins. Co. v. Glasbrenner, 417 F.3d 353, 355 (2d Cir. 2005); Phillips v. Baker, 121 F.2d 752, 756 (9th Cir. 1941). Some commentators have criticized this approach because a jurisdictional motion challenges the court's authority to hear the case while a venue motion challenges the fairness of making a defendant litigate in that particular jurisdiction. 15 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure § 3826 (4th ed. 2017); Myers v. American Dental Association, 695 F.2d 716,724 (3d Cir. 1982)..

[10] Recent decisions placing the burden to establish proper venue on patent plaintiffs include: Reebok Int'l Ltd. V. TRB Acquisitions LLC, No. 3:16-cv-1618 (D. Or. July 14, 2017); Neonatal Product Group, Inc. dba Creche v. Shields, No. 13-2601 (D. Kan. July 20, 2017); OptoLum, Inc. v. Cree, Inc., 16-cv-3828 (D. Ariz. July 24, 2017); Ironburg Inventions Ltd. v. Valve Corporation, 15-cv-4219 (N.D. Ga. Aug. 3, 2017); Prolacta Bioscience, Inc. v. Ni-Q, LLC, No. 17-cv-4071 (C.D. Cal. Aug. 7, 2017); P&G v. Ranir, No. 1:17-cv-185 (S.D. Ohio Aug. 17, 2017); Invue Security Prods. Inc. v. Mobile Tech, Inc., No. 3:15-cv-610 (W.D.N.C. Aug 21, 2017); NSixty, LLC v. uPost Media, Inc, No. 1:17-cv-335 (S.D. Ohio Aug. 22, 2017); Free-Flow Packaging International, Inc. v. Automated Packaging Systems, Inc., No. 3:17-cv-1803 (N.D. Cal. Aug. 29, 2017).

[11] Recent decisions placing the burden to establish improper venue on patent defendants include: Koninklijke Philips N.V., No. 15-cv-01125 (D. Del. July 19, 2017); Prowire LLC v. Apple Inc., 1:17-cv-223 (D. Del. Aug. 9, 2017); Soverain IP, LLC v. Apple, Inc., No. 2:17-cv-207 (E.D. Tex. July 25, 2017).

[12] See Raytheon Co. v. Cray, Inc., No. 2:15-cv-01554, 2017 WL 2813896 (E.D. Tex. June 29, 2017) (Gilstrap J.); Conceivex, Inc. v. Rinovum Women's Health, No. 5:16-cv-11810 (E.D. Mich. Aug. 15, 2017). We have not found an opinion from the Tenth or Eleventh Circuit Courts ruling on the burden to establish proper venue, nor a district court case confirming that these appellate courts have not yet ruled on the issue.

[13] Myers, 695 F.2d 716.

[14] Id. at 726.

[15] Spainer v. American Pop Corn Co., No. C15-4071, 2016 WL 1465400, at *10 (N.D. Iowa April 14, 2016) (citing Beckley v. Auto Profit Masters, L.L.C., 266 F. Supp. 2d 1001, 1003 (S.D. Iowa 2003); Davis v. Advantage Int'l,Inc., 818 F. Supp. 1285, 1286 (E.D. Mo. 1993); Pfeiffer v. International Academy of Biomagnetic Med., 521 F. Supp. 1331, 1336 (W.D. Mo 1981)).

[16] Raytheon, 2017 WL 2813896, at *2–3.

[17] Id. at *2 n.4.

[18] Id. (citing 15 C. Wright, A. Miller & E. Cooper, Federal Practice and Procedure §3826 (4th ed. 2017))

(our emphasis added).

[19] Id. (citing 17 Moore's Federal Practice—Civil §110.01) (our emphasis added). Raytheon does not include a citation to the edition of Moore's relied upon, but the language is consistent with language quoted in Dudash v. Varnell Struck & Assocs., Inc., No. C 04-2748, 2004 WL 2623903, at *2 (N.D. Cal. Nov. 16, 2004), which cites to the 2004 edition of Moore's. Id. at *4.

[20] 17 Moore's Federal Practice—Civil §110.01[5][c] (3d ed. 2017). Although it is unclear which edition Raytheon relied on, Moore's included this proposition at least as early as 2004. See MB Fin. Bank, N.A. v. Walker, 741 F. Supp. 2d 912, 915 (N.D. Ill. 2010) (citing 2004 edition of Moore's for the same).

[21] Soverain IP, LLC v. Apple, No. 2:17-cv-207 (E.D. Tex. July 25, 2017) (Payne, Mag. J.). Apple filed a timely objection to that Report and Recommendation on August 8, 2017. The court entered a joint stipulation of dismissal with prejudice on August 15, 2017.

[22] Soverain IP, slip op. at 2. The Court noted an exception for forum-selection clauses. Id. at 2 n.1 (citing Atl. Marine Const. Co. v. U.S. Dist. Court for W. Dist. Of Texas, 134 S. Ct. 568, 574 (2013)).

[23] Id. (citing Roach v. Bloom, No. CIV.A. 3:08-cv-439-L, 2009 WL 667218, at *2 (N.D. Tex. Mar. 16, 2009); LAS Enterprises, Inc. v. Accu Sys., Inc,. No. CIV. A. 11-2196, 2011 WL6697043, at *4 (E.D. La. Dec. 20, 2011).)

[24] E.g. Elbit Sys. Land v. Hughes Network Sys., LLC, No. 2:15-cv-37, 2016 WL 3675590, at *2 (E.D. Tex. Mar. 30, 2016); Vomastek v. AXA Equitable Life Insurance Co., No. 5:15-cv-50, 2016 WL 3771278, at *2 (E.D. Tex. Feb. 17, 2016); Transamerica Adjusters, Inc. v. Huntington Nat'l Bank, No. 2:13-cv-668, 2014 WL 12685938, at *2 (E.D. Tex. Aug. 5, 2014); Funimation Entertainment v. Does 1 - 1,427, No. 2:11-cv-269, 2013 WL 5200453, at *2 (E.D. Tex. Sep. 16, 2013); Watts v. L-3 Commc'ns Corp., 2:12-cv-28, 2012 WL 4480721, at *1 (E.D. Tex. Sept. 26, 2012); Payne v. Grayco Cable Services, Inc., No. 1:11-cv-487, 2011 WL 13076902 (E.D. Tex. 2011); ATEN International Co. v. Emine Tech. Co., 261 F.R.D. 112, 120 (E.D. Tex. 2009); Langton v. Cbeyond Commc'n, L.L.C., 282 F.Supp.2d 504, 508 (E.D. Tex. 2003); L & H Concepts LLC v. Schmidt, No. 6:07-cv-65, 2007 WL 4165259, at *1 (E.D. Tex. Nov. 20, 2007).

[25] On September 5, 2017, the Court issued another opinion placing the burden to show improper venue on the defendant. See American GNC Corp. v. ZTE Corp. et al., No. 2-17-cv-107 (E.D. Tex. Sep. 5, 2017) (Payne, Mag. J.).

[26]Kranos IP Corp. et al. v. Riddell, Inc., No. 2:17-cv-443, 2017 WL 3704762, at *3 (E.D. Tex. Aug. 28, 2017) (Gilstrap J.).
