

Metaphysical Questions After TC Heartland

By **Ben Quarmby and Sara Margolis** (March 19, 2018, 1:11 PM EDT)

The U.S. Supreme Court in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017) reshaped the law on venue for patent infringement cases under 28 U.S.C. § 1400(b). In particular, it explained that the defendant’s “residence” under the statute is limited to its state of incorporation. But the court left unresolved the scope of the other grounds for venue — i.e., the place where the defendant has “committed acts of infringement.”

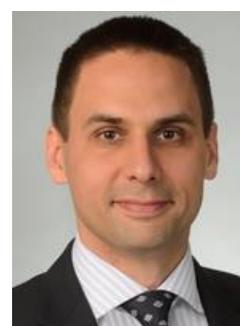
TC Heartland

In *TC Heartland*, the court addressed where proper venue lies for a patent infringement lawsuit brought against a domestic corporation. The patent venue statute, 28 U.S.C. § 1400(b), describes two types of districts in which venue is appropriate: (1) districts “where the defendant resides,” and (2) districts “where the defendant has committed acts of infringement and has a regular and established place of business.”

The *TC Heartland* opinion focused on the meaning of the word “resides” in the first prong of the venue statute. Federal Circuit precedent had broadly construed “residence” for purposes of §1400(b) to mean the same as that term was defined in the general venue statute, 28 U.S.C. §1391(c): Corporations “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.” The Supreme Court held that was error. The court noted that, in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 226 (1957), it had previously “held that the word ‘residence’ in § 1400(b) has a particular meaning as applied to domestic corporations: It refers only to the State of incorporation.”^[1] The court held that *Fourco* remained controlling, and that the Federal Circuit’s contrary interpretation was in error.

The “Commitment” Prong

The *TC Heartland* decision upended the venue landscape for patent infringement actions. No longer could plaintiffs choose from each jurisdiction in which their targets could plausibly be subject to personal jurisdiction. Jurisdictions that were traditionally attractive venues for patent owners — and in particular, nonpracticing entities — were no longer available under the “residence” prong of Section



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1400(b) in many post-TC Heartland cases. With venue substantially restricted under the first prong of Section 1400(b), potential plaintiffs may now turn to the second prong. That second prong provides for venue “where the defendant has committed acts of infringement and has a regular and established place of business.”

Litigation under that prong of the patent venue statute may face a whole new world of uncertainty. Neither the Supreme Court nor the Federal Circuit has ever squarely addressed the fundamental question under the second prong: Where is an act of infringement committed for the purposes of venue analysis?

There are at least two plausible reasons for this lack of guidance from the courts. The first is that, prior to TC Heartland, few if any plaintiffs had to rely on that prong to establish venue. Because the “residence” prong had been read to allow venue in any district in which an entity may be subject to personal jurisdiction, the options presented by that prong were so broad that there was no need for plaintiffs to litigate under the second prong.

The second reason is that the lack of guidance from the courts is self-perpetuating — uncertainty regarding the scope of the “commitment” prong may well have dissuaded parties to test its limits. Why take a chance on the second prong — when no one really knows how broadly to read it — when the first prong offers a safe shot at an acceptable venue?

It is now apparent, however, that courts will soon be called upon to address the meaning of the “commitment” prong head-on as patent plaintiffs increasingly rely on it to broaden their venue options in a post-TC Heartland world.

Current Analysis — NTP v. RIM

Indeed, the district courts are already having to address the “commitment” prong of the venue statute. And those courts are increasingly turning to the Federal Circuit’s opinion in *NTP v. Research in Motion*, 418 F.3d 1282 (Fed. Cir. 2005) for insight.

The Federal Circuit in *NTP* focused not on the Patent Act’s venue provision, but on the territorial reach of Section 271(a). That section provides that anyone who “without authority makes, uses, offers to sell, or sells any patented invention, within the United States” infringes the patent.^[2] The question before the court was whether those actions constitute infringement under Section 271(a) “if a component or step of the patented invention is located or performed abroad.”^[3]

That question was critical to the case because the accused system was a telecommunications system operated by RIM—the Blackberry system. The then-revolutionary system allowed out-of-office users to send or receive email communications through their handheld device. The system included the handheld unit, email redirector software, and a nationwide wireless network — components of which operated out of Canada.

In addressing the question presented, the court split its analysis into two parts, addressing system and method claims separately. The court recognized at the outset that infringement occurs where the act of infringement is committed. And the use of a claimed system under Section 271(a) is the place where the system is put into service — “the place where control of the system is exercised and beneficial use of the system obtained.”^[4] Since users sent and received emails from their handheld devices in the United States, the “use” of the communication system occurred there.

The court reached a different conclusion as to the method claims. It began by noting that a method claim is not infringed unless all the steps of the method are performed.[5] A method therefore could not be “used” in the United States under Section 271(a) unless each and every one of the steps was performed there. Since the asserted method claims involved a step that could only be performed in Canada, the method claims could not be infringed by use of RIM’s systems.[6]

Open Questions

Applying the rationale of NTP to a post-TC Heartland venue analysis yields some guidelines for practitioners, but falls short of providing absolute clarity.

Application of the NTP analysis to apparatus claims is straightforward. An apparatus claim will likely be infringed — thus conferring proper venue — “where the defendant has committed acts of infringement,” i.e., in whichever district the system is made, sold or in use.

But what does NTP mean for method claims? A very strict application of NTP’s reasoning might suggest that the “commitment” requirement is only met if each step of the method is performed within a single district. A less stringent application would find the “commitment” requirement met in any district where any step of the method is performed — provided all steps are performed in the United States. At least one district court has adopted the latter interpretation, holding that, for a method claim, “not all of the alleged infringing activity needs to have occurred [within the proposed venue] so long as some act of infringement took place there.”[7]

Clarifying that ambiguity is going to be critical, particularly for industries such as the software industry. Many of the methods claimed in software patents involve steps performed in a variety of different countries, let alone different districts. A strict reading of the commitment requirement would severely limit the ability of patentees to pursue venue under the second prong of Section 1400(b) in software cases.

That ambiguity is also going to have to be clarified quickly. As the number of potential venues available under the “residence” prong of Section 1400(b) has shrunk dramatically, new patent cases have overwhelmingly flocked to a small selection of districts — like the District of Delaware, for example. As this begins to impact time-to-trial statistics for those districts, the pressure to find alternative, faster venues will grow.

All eyes are now therefore on the few cases working their way through the district courts that focus on this issue. Having seen its venue jurisprudence on the “residence” prong dramatically narrowed by the Supreme Court, the Federal Circuit may soon be asked to define the scope of the “commitment” prong of the statute. And patent plaintiffs throughout the country will be hoping that when that happens, the Federal Circuit chooses an interpretation that allows a bit more flexibility in choosing venue.

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[1] TC Heartland, 137 S. Ct. at 1520.

[2] 28 U.S.C. § 271(a).

[3] NTP, 418 F.3d at 1315.

[4] Id. at 1317.

[5] Id. at 1318.

[6] Id.

[7] Blackbird Tech LLC v. Cloudflare Inc., 2017 WL 4543783, at *4 (D. Del. Oct. 11, 2017).