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Attorneys React To Supreme Court Patent Venue Ruling

Law360, New York (May 22, 2017, 8:52 PM EDT) -- The U.S. Supreme Court on Monday decided in TC Heartland LLC v. Kraft Food Brands Group LLC to put tighter restrictions on where patent owners can file infringement lawsuits. Here, attorneys tell Law360 why the decision is significant.

Steve Coyle, Cantor Colburn LLP

“One area where the TC Heartland decision may not have as great an impact is in Hatch-Waxman litigation. While, in theory, TC Heartland may require brand pharmaceutical companies to sue individual generic defendants in their home states, in practice it may be that generics choose not to contest venue as they seek final determinations within the 30-month FDA stay period. Additionally, given that many pharma cases involve multiple defendants, consolidation into multidistrict litigation may be likely anyway if suits on the same drug are initially brought in different districts. Still, for those generic defendants seeking to avoid a brand company’s chosen forum, the TC Heartland decision may provide a useful weapon.”

Jonathan Bowser, Buchanan Ingersoll & Rooney PC

“The court’s decision in TC Heartland will have a significant impact on where patent owners may bring infringement actions against domestic corporations. For most patent owners, venue choices will be limited to the accused corporation’s principal place of business or its state of incorporation. The Eastern District of Texas will likely see a dramatic reduction in its number of patent infringement cases. The decision is not unexpected considering the court’s recent track record in overturning the Federal Circuit and the narrower definition of venue in 28 U.S.C. Section 1400(b), which is a special-purpose venue statute for patent infringement cases.”

Robert R. Brunelli, Sheridan Ross PC

“The significance of the decision breaks down along 2 lines. New patent cases: In newly filed patent cases, venue will only be proper where a U.S. corporation is actually incorporated or where the corporation has committed acts of infringement and 'has a regular and established place of business.' What a 'regular and established place of business' is will be the thing of motions practice and currently is not well defined. However, I believe the cases interpreting that language currently do not allow for venue to attach just because the corporation does business in a district. Rather, the corporation will

need to really have offices, people, equipment etc. in the district for venue to attach. Previously filed case: Rule 12(b)(4) allows a defendant to seek dismissal for improper venue. The defense is waived, however, if a motion challenging venue is not filed or the defense is not included in a responsive pleading. Further, even if included in a responsive pleading, the defense could be deemed waived, under some circuit precedent, where the defendant meaningfully participates in the action. The upshot, I believe, is that motions to dismiss for improper venue that were previously denied will be reargued and new motions will be filed in any case where there is even an argument that venue is improper and waiver did not occur."

David Callahan, Latham & Watkins LLP

"The immediate impact of today's decision appears to be that significantly fewer patent cases will be able to be venued in the Eastern District of Texas and perhaps other jurisdictions currently favored by patent holders. Whether it results in an overall drop in the number of patent cases filed remains to be seen. It does appear likely that there will be more patent filings in the District of Delaware, which might exacerbate docket issues in a district that recently had one of its four assigned judges retire and another take senior status."

Michael C. Cannata, Rivkin Radler LLP

"The significance of the Supreme Court's ruling is that we will likely see a marked decrease in the number of patent infringement lawsuits filed in historically plaintiff-friendly jurisdictions, such as, the U.S. District Court for the Eastern District of Texas."

Paul Cronin, Nutter McClennen & Fish LLP

"Today, the U.S. Supreme Court issued a unanimous opinion in TC Heartland LLC v. Kraft Foods Group Brands LLC and ended the practice of 'forum shopping' in patent infringement cases. This seismic shift in venue practice effectively closes the doors to patent infringement hotbeds like the Eastern District of Texas, deals a severe blow to non-practicing entities or 'patent trolls' and shifts home court advantage to companies accused of patent infringement."

Celine Jimenez Crowson, Hogan Lovells

"This is potentially a game-changing decision. All parties in existing cases and potential plaintiffs in future cases will be rethinking the appropriateness of where their cases are pending or where they should be filed. This resolution by the Supreme Court may partly relieve pressure for patent venue reform in Congress."

John C. Doherty, Tully Rinckey PLLC

"Reaffirming a 1957 decision, the Supreme Court made clear that for patent cases a defendant corporation 'resides' in its state of incorporation, and not anywhere it does business, which might allow venue for matters other than patent cases. This decision reverses a 1990 decision by the Federal Circuit court and is significant procedurally. It does not impact substantive patent law as a whole; however, it may impact individual cases, which may now need to be brought in a district court not as sympathetic to plaintiff's claims as plaintiff might like. Ironically, while today's ruling moves a patent case out of the Delaware district court, it will ultimately drive more cases there, as Delaware is the domicile of so many U.S. companies."

Glenn Forbis, Harness Dickey & Pierce PLC

"The Supreme Court's decision in TC Heartland today will result in a substantial shift in patent lawsuits away from the Eastern District of Texas because many defendants, though subject to personal jurisdiction, are not incorporated and do not have a regular and established place of business there. While the District of Delaware and the Northern District of California will see increased filings, plaintiffs will also be forced to more frequently file in other courts that are far less experienced in patent cases. This may result in less predictability, as relatively inexperienced courts struggle with complicated and arcane aspects of patent cases."

Shawn Hansen, Nixon Peabody LLP

"Forum shopping in patent litigation is over. Today the Supreme Court rejected a venue rule that for more than 25 years has permitted patent suits to be filed anywhere an accused infringer is subject to personal jurisdiction. This rule enabled the Eastern District of Texas — a rural region between Dallas and the Louisiana border — to attract something like half of all patent litigation in recent years despite its lack of a meaningful connection with most patent disputes. After today's ruling, very few patent cases will qualify for venue in East Texas. Much like all politics are local, litigation procedures and policies are highly localized, which is why venues like East Texas can become popular. Although the Supreme Court's ruling is mundanely procedural on its face, it will have major impacts on the practicalities of patent litigation going forward. The half of patent cases previously filed in East Texas will now have to shift to places like Delaware, California and New York. The costs of defending patent litigation will be reduced, and the costs of patent trolling activity will be increased. Together with the reforms of the America Invents Act, todays' ruling in TC Heartland may be remembered as among the most impactful patent reforms in recent memory."

Art Hasan, Lewis Roca Rothgerber Christie LLP

"The Supreme Court's opinion today in TC Heartland significantly restricts the potential for forum shopping in patent infringement cases, and likely will reduce or eliminate the selection of the Eastern District of Texas as a 'go-to' patent venue. Following today's ruling, domestic corporations must be sued for patent infringement either in the state in which they are incorporated or in a venue where alleged infringement has occurred and the defendant corporation has a 'regular and established place of business.' For technology companies in particular, other jurisdictions, most notably Delaware and California, will likely see a relative increase in the number of patent infringement cases going forward."

Matthew Holohan, Kilpatrick Townsend Stockton LLP

"The court's ruling will likely lead to a significant reduction in the number of cases filed in the Eastern District of Texas as plaintiffs must now look for venues where defendants are either incorporated or have a regular and established place of business. Many U.S. companies are incorporated in Delaware, so we should see an increase in cases filed in that district, which is already a somewhat popular venue for patent cases. Large technical centers like Northern California will also see an uptick, and in general there will be more regional diversity in patent filings. This may even encourage more courts to adopt patent local rules to more easily litigate patent cases. Further, the court left unanswered the question of how its ruling impacts foreign corporations, so the Eastern District of Texas will likely remain a popular venue for suits against foreign defendants. This could tee up another venue fight over foreign corporations in the near future. Courts will also have to consider how to apply the ruling in cases that name multiple defendants incorporated in different states."

Robert M. Isackson, Venable LLP

“The immediate impact of this decision is that many just-filed cases, where venue has not been waived, will now see motions to dismiss for lack of venue and/or motions to transfer under Section 1406, and a shift of patent litigation to those states where corporations are incorporated or have committed acts of infringement and have regular and established places of business. Going forward, many patent cases that would have been filed in the Eastern District of Texas, and to a much lesser extent Western District of Wisconsin, Central District of California, Middle District of Florida and the Eastern District of Virginia, will now be filed in other courts, most likely scattered throughout the country but with a large concentration in Delaware, Nevada and other states where incorporations are high.”

Sam Miller, Baker Donelson Bearman Caldwell & Berkowitz PC

"The net result of today’s decision will be the redistribution of patent cases throughout the United States. Whereas the Eastern District of Texas has three to five times more patent cases than any other court, Delaware, a common choice for incorporation, is likely to become the busiest patent court in the nation with many other courts about to see significant increases as well. The redistribution of cases will impact the duration of cases, assessments of likelihood of success and damages, the cost of cases and the efficiency of cases in courts that do not routinely handle patent cases."

John O’Quinn, Kirkland & Ellis LLP

“The Supreme Court’s unanimous decision in TC Heartland is a seismic decision, which will affect where patent litigation occurs throughout the country. Given the definition of 'resides' is limited to the 'state of incorporation,' it may lead to a swell in patent cases in Delaware and otherwise funnel cases towards defendants’ home jurisdictions. It will also put increased focus on the second prong of 1400(b), which provides for venue 'where the defendant has committed acts of infringement and has a regular and established place of business.'”

Cynthia Rigsby, Foley Lardner LLP

“This decision deals a staggering blow to the patent assertion entities and practitioners that had built their business models around exacting settlement leverage over domestic corporations by forcing them to litigate in perceived plaintiff-friendly venues, such as the Eastern District of Texas. The decision in TC Heartland is consistent with the goals set out in Chairman Goodlatte’s agenda, to discourage abusive patent litigation. So, rather than seeing more changes as a result of this decision, we are likely only to see changes that confirm TC Heartland’s holding."

Nathan Speed, Wolf Greenfield & Sacks PC

“Many expect that the Eastern District of Texas will lose a significant number of the patent cases it typically handles. For example, one study suggests that the percentage of all U.S. patent suits filed there will drop from 44 percent to 15 percent. As a result, other districts will see a sharp rise in cases filed. The same study expects that the District of Delaware will become the top patent litigation district in the country, while the Northern District of California would roughly match the recalibrated popularity of the Eastern District of Texas.”

Rudy Telscher, Husch Blackwell LLP

“TC Heartland is a patent venue game changer. 1400(b) now controls where patent suits can be brought. In all but rare cases, the Eastern District of Texas will no longer be an appropriate venue. The new

dominant jurisdiction will likely be Delaware, where many companies are incorporated. I also expect nonpracticing entities to look closely at the International Trade Commission, where injunctions are automatic and multiple defendants can be joined in one suit. I also expect Congress to consider legislation that allows plaintiff patent owners to bring suit in their home court, without opening the door to Eastern District of Texas becoming an allowed jurisdiction unless there is a legitimate connection to the jurisdiction.”

Ellisen S. Turner, Irell & Manella LLP

“Patent suits in Delaware, where so many companies are incorporated, may increase. That highlights the need to increase judicial resources in that district, particularly with Judge Sleet taking senior status. But this does not spell the end for patent infringement suits outside a defendant’s state of incorporation. The statute’s second clause, which the decision does not address, permits suits where the defendant has infringed and has 'a regular and established place of business.' Further, patent protection is an increasingly global endeavor. The decision expressly declines to address how the statute applies to foreign corporations sued for infringement in the U.S.”

Jonathan Waldrop, Kasowitz Benson Torres LLP

“The Supreme Court's TC Heartland decision is the most significant Supreme Court decision in patent law in 20 years, putting cap on the court's reshaping of patent litigation over the last decade. By restricting venue to the place of incorporation for patent cases, the court has dramatically changed the dockets of the Eastern District of Texas and the District of Delaware overnight. The decision will also lead to significant motion practice across the country as defendants seek to move pending cases. This will cause a fair amount of confusion and inconsistent results as district courts and the Federal Circuit struggle in a game of musical chairs, expected to last several years.”

--Editing by Alyssa Miller.

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