

No. 16-341

IN THE
Supreme Court of the United States

TC HEARTLAND LLC

Petitioner,

V.

KRAFT FOODS GROUP BRANDS LLC

Respondent.

**ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

**BRIEF OF AMICUS CURIAE AMERICAN
INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF NEITHER PARTY**

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QUESTION PRESENTED

Whether the patent venue statute, 28 U.S.C. § 1400(b) is the sole venue provision for patent cases and does not take into consideration the definition of “reside” set forth in the general venue statute, 28 U.S.C. § 1391(c), and specifically applicable “For all venue purposes,” “except as otherwise provided by law.”

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INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community. AIPLA’s members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.¹

AIPLA has no stake in the parties to this litigation or in the result of this case, other than its interest in

¹ In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the correct and consistent interpretation of the laws affecting intellectual property.²

SUMMARY OF ARGUMENT

Twenty-seven years ago, no one predicted the results of the Federal Circuit’s plain meaning interpretation of the 1988 Amendments to the federal venue statutes. Congress’s intent to harmonize the meaning of corporate “resident” in the various venue statutes was clear on the face of the amendments. Title 35 U.S.C. § 1391(c) was changed from a substantive provision to reflect the definition of corporate “Residency” and explicitly done so “[f]or the purposes of venue under this chapter.” The special patent venue statute, section 1400(b), although not amended, uses the word “resides,” and hence relates back to the definitional section at the beginning of the chapter, section 1391(c)(2). Bringing corporate patent venue in line with other corporate venue requirements seemed the appropriate change, particularly because, over the years, the patent venue statute had not changed with the general venue statute had evolved to reflect the more mobile corporate users. Indeed, the patent venue statute was seen to lag behind other venue statutes.

However, along with the greater choice of venue came other changes in the federal court system that highlighted several regional district courts as “patent friendly.” District courts that were already considered

² AIPLA has the consent of the parties to file this amicus brief, pursuant to Supreme Court Rule 37.3(a), based on letters filed with the Court by Petitioner and Respondent granting blanket consent to the filing of amicus briefs.

plaintiff friendly, opened their doors to patent plaintiffs. Additionally, many district courts passed local patent rules that favored the types of litigants they wanted to attract. And, in 2011, Congress passed the Patent Pilot Program, providing training in patent litigation for the judges of participating districts. Therefore, the change in the definition of “resides” the patent venue statute, the local patent rules, and the Patent Pilot Program, along with the rise in litigation by non-practicing-entities, ushered-in an age of forum shopping for patent plaintiffs.

AIPLA agrees that forum shopping in patent litigations should be minimized; however, return to mid-20th Century doctrine would be harmful to the evolution of patent law. The practice has benefitted from the developed expertise of much of the federal judiciary. These are judges that enjoy hearing patent cases, and not all judges do. Additionally, such a return could further consolidate the preferred patent districts to those where certain types of companies generally are found, for example, New Jersey for pharmaceutical cases, the Northern District of California for technology cases, and as a default, Delaware as the most common state of incorporation.

Proper patent venue reform must be more nuanced. Reform must take advantage of the positive developments in patent law in the past 27 years and provide appropriate restrictions to continue such positive development. Congress recognizes that reform of the patent venue statute is required, House and Senate bills were prepared last year. Therefore, rather than reverse the procedures in operation for the past 27 years in favor of an admittedly antiquated version

of venue, the Court should let the legislative process take its course.

ARGUMENT

I. CONGRESS INTENDED TO HARMONIZE THE MEANING OF “RESIDENT” IN THE GENERAL VENUE STATUTE AND THE PATENT VENUE STATUTE

AIPLA agrees with with the Federal Circuit in both *VE Holdings Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991), and *In re TC Heartland LLC*, 821 F.3d 1338 (Fed. Cir. 2016), that the definition of “reside” found in the “general venue statute, 28 U.S.C. § 1391(c), applie[s] to the patent venue statute, 28 U.S.C. § 1400(a).” *Heartland*, 821 F.3d at 1341; Response Brief in Opposition on Petition (Resp.) at 1. In addition to the statutory construction arguments presented by Respondent Heartland, analysis of the reasons for changes in the patent venue provisions show that Congress intentionally amended them to bring them in line with other corporate venue statutes.

A. Prior To 1988, The Patent Venue Statute Was More Restrictive Than General Venue Provisions

Prior to the 1988 Amendments, venue was proper in a patent action only in the district in which the defendant was an inhabitant or in any district in which the defendant committed acts of infringement and has a regular and established place of business. *See* 28 U.S.C. § 1400(b) (1948); *see also Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 225 (1957). As

the federal venue provisions evolved, the general venue provision became more broad, but the specific patent venue provision remained the same. By the mid 1960's the general venue provision also allowed suit against corporate defendant where it is "doing business" or "where the claim arose." *See, e.g.*, 28 U.S.C. § 1391(c) (1966). By 1966, the Court recognized that "changes in the general venue law have left the patent venue statute far behind." *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 713, n. 13. (1966).

With the 1988 Amendments, Congress too recognized that various special venue provisions were inconsistent and lingering behind the general venue provision. Resp. at 5. Congress therefore changed the definition of corporate residence in section 1391(c) to provide a "basis for applying the substantial number of venue statutes enacted as part of the various substantive federal laws," set forth in Chapter 87. *See* 39 Patent, Trademark & Copyright Journal 435, 439 (March 29, 1990)

There is no evidence in the Congressional Record or contemporaneous writings that anyone expected the resulting changes in the pattern of patent litigation filings.

B. The 2011 Legislative History Confirms A Plain Meaning Interpretation

Congress had the opportunity to revise the patent venue statute when it amended the federal venue provisions in 2011. Rather than return patent venue to the unduly restrictive pre-*Fourco* requirements, Con-

gress went the opposite direction. Further standardizing the several venue statutes, Congress clarified that the definition of “residency” provided in 28 U.S.C. § 1391(c) apply “for all venue purposes.” 28 U.S.C. § 1391(c) (2011).

The legislative history to the 2011 Amendments confirms Congress’ intentions:

Venue Rule Applicable Universally (Proposed §1391(c)):

Under section 202 of the bill, *proposed section 1391(c) would apply to all venue statutes*, including venue provisions that appear elsewhere in the United States Code. It defines residency for natural persons, incorporated and unincorporated entities, and also provides a rule for nonresident defendants. This would replace current subsection 1391(c), which applies only to corporations as defendants, and only for purposes of venue under Chapter 87.

H.R. Rep. 112-10, 20 (2011) (emphasis added).

The 2011 Amendments were enacted as part of the America Invents Act (“AIA”), Leahy-Smith America Invents Act, 125 Stat. 284 *through* 125 Stat. 341 (2011), in which Congress attempted to limit the perceived abuse of the district court system by non-practicing patent entities (“NPE”), many of whom frequently chose the Eastern District of Texas to litigate. Michael Gulliford, *If IP Patent Reform Is Meant to Starve Patent Trolls, Why Is It Feeding Them Instead*, IP WATCHDOG, (2014), <http://www.ipwatchdog.com/2014/09/08/> (last visited January 22, 2017).

For example, the AIA changed the joinder rules, [CITE], partly in an attempt to address the argument that “large, multi-defendant cases allowed unscrupulous patent owners to trade on the defendants’ litigation costs and reach artificially high settlements.” Jake Holdreith, *IP: The Failure of Venue and Joinder Reform in Patent Litigation*, INSIDE COUNSEL MAGAZINE (2013).

AIA also created the special validity review court in the Patent Office, the Patent Trial and Appeal Board (“PTAB”) to allow patent validity to be determined more efficiently using a lower standard of review by a specialized tribunal. [CITE] These as well as other substantive changes would go a long way to curtail alleged abuse by patentees of the court system. Gulliford, IP WATCHDOG. Hence, it makes sense that Congress did not change the patent venue statute in 2011, but chose a wait-and-see approach.

C. Interpreting Section 1400(b) Without Applying the Definition From Section 1391(c) Would Lead To Nonsensical Results

The Judicial Code contains other special venue provisions, besides the patent venue provision, which have been interpreted with the general venue provisions in mind. For example, in antitrust, the courts have read section 1391 into the specific venue provisions, 15 U.S.C. § 22. *See, e.g., Delong Equip. Co. v. Washington Mills Abrasive Co.*, 840 F. 2d 843, 855 (11th Cir. 1988) (“In a federal antitrust case, venue may be established under [sections 15], or the general federal venue statute, 28 U.S.C. § 1391(b).”). Interpreting the specific venue provisions of the patent

laws in the same way as the specific venue provisions of the antitrust laws removes the stilted interpretation offered by Petitioner, and accords with the plain meaning of both the patent venue statute, section 1400(b) and the general venue provisions, section 1300(c).

Similarly, in 1972, the Court interpreted then 28 U.S.C. § 1391(d), providing that “[a]n alien may be sued in any district,” to apply to patent litigations, in addition to the patent venue statute, section 1400(b). *See Brunette Mach. Works*, 406 U.S. at 714. The Court held “[28 U.S.C.]§ 1391(d) [applicable to aliens] had broad and overriding application” that could not be confined to cases that otherwise fall under the general venue statute. *Id.*

Petitioner, here, argues the opposite of the Court’s analysis in *Brunette*. Pet. 23. However, interpreting section 1400(b) independently of any other venue provision provides that, if an accused patent infringer neither resides in any judicial district, nor has a regular place of business in any judicial district, then there would be no proper venue for resolving the accused patent infringement. In today’s global environment, it makes no sense to allow foreign corporations to evade the court’s jurisdiction and infringe U.S. patents at their leisure.

Finally, similarly to patent cases, copyright cases also have a special venue statute, 35 U.S.C. § 1400(a), which provides:

Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works or designs may be instituted in the

district in which the defendant or his agent *resides* or may be found.

28 U.S.C. § 1400(a). For copyright cases, “[i]t is well-established that a defendant ‘may be found’ in any district in which he is subject to personal jurisdiction; thus venue and jurisdiction are coextensive.” *See Editorial Musical America v. Mar Intern.*, 829 F. Supp. 62, 63 (S.D.N.Y. 1993); *see also Brayton Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1128 (9th Cir. 2010) (affirming that “[t]he Ninth Circuit interprets this statutory provision to allow venue ‘in any judicial district in which the defendant would be amenable to personal jurisdiction if the district were a separate state.’”); *Milwaukee Concrete Studios, Ltd. v. Fjeld Mfg. Co., Inc.*, 8 F. 3d 441, 446 (C.A. 7 1993) (holding, that section 1400(a) itself requires that a defendant be found in particular judicial district, rather than merely in the state in which the district court sits.”).

Interpreting “resides” in section 1400(a) in the same manner as Petitioner proposes for section 1400(b) would severely limit the venue options for a copyright plaintiff. Many times, defendants in copyright cases are internet companies with one place of business but allegedly committing copyright torts in almost every state. [CITE]. Requiring a copyright holder to chase a defendant to his one locale even though copyright infringement had been committed in many jurisdictions does not comport with the federal venue provisions and the purpose of the 1988 and 2011 Amendments to standardize venue practices. *See, e.g.*, H.R. Rep. 112-10, 20 (interpreting the 2011 Amendments). For example, online infringement actions or actions involving the distribution of infringing

publications would create a challenging venue environment because neither the defendant nor its agent is “found” in a particular district. *See Editorial Musical*, 829 F. Supp. at 63.

A finding of exclusivity for section 1400, as proposed by Petitioner, would result in a more cramped reading for both special IP venue matters, a result neither intended by Congress nor expected by copyright litigants.. *See, e.g.*, H.R. Rep. 112-10, 20 (2011) (interpreting the 2011 Amendments).

II. PATENT VENUE FORUM SHOPPING DID NOT RESULT ENTIRELY FROM CONGRESS’ 1988 AMENDMENTS

The changes to the venue statute defining “residency” for all venue purposes did not alone cause the unanticipated and criticized venue forum shopping. Indeed, other consequential events aimed at intentionally directing patent cases to specific forums occurred. Some have theorized that competition among district courts for patent cases has led to much of the forum shopping activity today. J. Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 659 (2015).

While not all judges enjoy hearing patent cases, some district courts compete for patent infringement actions because the specialist nature of the suits brings prestige to the district. Anderson at 636-67. In addition, “[t]he court competition theory suggests that by centralizing patent appeals in the Federal Circuit—and thus unifying the law nationally—the relative importance of distinctions between district court administrative practices increased significantly.” Anderson at 635. Recognizing that allowed district

courts to make distinctions in their case management practices to attract patent litigants. *Id.*³

A. Local Administrative Tools

District courts signal their interest in patent litigation in three ways:

First, the court can codify certain practices into local procedural rules. Second, word-of-mouth can convey the court's interest to other litigants. Practitioner publications are filled with suggestions of courts that are ideal for certain types of cases. Lastly, judges and courts can explicitly announce their interest in certain types of cases.

Anderson at 644. It is estimated that over thirty regional district courts have enacted separate local patent rules. *See, e.g.*, Local Patent Rules, Local Patent Rules Made Easy, <http://www.localpatentrules.com/> (listing districts with local patent rules) (last visited January 21, 2017).

Indeed, the enactment of the Eastern District of Texas Local Rules in 2005 further catapulted this district into the spotlight for patentees. United States District Court for the Eastern District of Texas, Local Patent Rules, 1. Scope of Rules, <http://www.txed.uscourts.gov/page1.shtml?location=rules:local> (last visited January 22, 2017). Even though the Eastern District of Texas had traditionally

³ “Bankruptcy judges have engaged in many of the same practices that district courts have used to attract litigants.” Anderson at 636.

been a “plaintiff-friendly” civil litigation forum with a short track to trial, implementation of local patent rules that were favorable to plaintiffs in the early 21st Century telegraphed to patentees that E.D. Tex. was the place to file. [CITE].

At about the same time this phenomena was occurring in Texas, the District of New Jersey, recognizing that it had a tremendous amount of pharmaceutical cases, passed it’s own local patent rules. New Jersey District Court, Local Patent Rules (2016), <http://www.njd.uscourts.gov/sites/njd/files/completelocalRules.pdf> (last visited Jan. 22, 2017). Indeed, the “State is home to 14 of the world’s 20 largest pharmaceutical companies.” Pharmaceuticals, State of New Jersey Business Portal, <http://www.nj.gov/njbusiness/industry/pharmaceutical/> (last visited January 22, 2017). In the early 21st Century, with the increasing number of pharmaceutical patent cases, the District implemented local patent rules that favored the residents. With time, New Jersey became a main district of choice for pharmaceutical cases. [CITE]. Other patent heavy jurisdictions acted similarly. *See, e.g.*, Local Patent Rules, Local Patent Rules Made Easy, <http://www.localpatentrules.com/> (listing districts with local patent rules) (last visited January 21, 2017).

B. The Patent Pilot Program

In 2011, fourteen judicial districts were selected to participate in the Patent Pilot Program. Pub. L. No. 111- 349, 124 Stat. 3674. The Patent Pilot Program lasts for 10 years, or 2021. During such time, specialized training on patent cases and case management

techniques will be provided to judges in the participating district courts who request it. When a new patent case is filed in a participating district court, after an initial random assignment, if the randomly assigned judge turns the case down, the case may be reassigned to one of the specially trained judges. *Id.*

Some of the Patent Pilot Program district courts were selected because they were among the 15 courts with the highest patent filing rate. Other courts were selected because they had adopted local patent rules. Jim Singer, IP SPOTLIGHT, (2011) <https://ip-spotlight.com/2011/06/09/14-district-courts-selected-for-patent-pilot-program/> (last visited Jan. 22, 2017). Because of their training and experience, the judges that participate in the Patent Pilot Program understand the nature and complexity of patent law, which serves both plaintiffs and defendants in achieving an efficient and effective patent litigation experience. Pub. L. No. 111- 349, 124 Stat. 3674. Returning to the *Fourco* venue restrictions will practically eliminate many of these highly trained judges, who want to hear patent cases, from being able to apply their specialized skills. This would be no only inefficient for the judiciary, but also unfortunate for litigants who benefit from a patent-experienced trial judiciary.

III. RETURN TO THE 60 YEAR OLD VENUE STANDARD OF *FOURCO* WOULD UNDLY RESTRICT PATENT LITIGATION VENUE OPTIONS

At present, no federal venue statute, specific or general, is as limited as Petitioner request the Court rule here. Indeed, while Petitioner waxes about the damage done by forum shopping Pet. 5, 8, 17-22, under a

more restrictive statute, it is likely that even fewer of the regional district courts would regularly hear patent cases. Byron Pickard and Joseph Kim, *The Future Of Forum-Shopping In A Post-TC Heartland World*, IP WATCHDOG, <http://www.ipwatchdog.com/2017/01/11/future-forum-shopping-post-tc-heartland/id=76960/> (Jan. 11, 2017).

It has been twenty-seven years since the Federal Circuit interpreted the 1988 Amendments to the venue statutes. After determining that the plain meaning of sections 1391(c) and section 1400(b) provided the interpretation we have been operating with since, this court denied certiorari. *VE Holdings*, 917 F.2d 1574 (Fed. Cir. 1990), *cert. denied*, 499 U.S. 922 (1991).

Since then, patent law has evolved, district court litigation has evolved, and Congress has recognized the interpretation provided by the Federal Circuit in *VE Holdings*. See, e.g., H.R. Rep. No. 110-314, at 39-40 (2007); S. Rep. No. 110-259, at 25 (2008); H.R. Rep. No. 110-259, at 25 (2008); H.R. Rep. No. 114-235, at 34 (2015) (stating that “Congress must correct” the interpretation in *VE Holding* by amending section 1400).

While a return to *Fourco* venue limitations would minimize the cases that could be brought in the Eastern District of Texas, consider the limitations a decision would bring to patent litigation. Restricting patent venue to either (1) the district in which the defendant is an inhabitant or (2) a district in which the defendant has committed acts of infringement *and* has a regular and established place of business, *Fourco*, 353 U.S. at 225, could further focus patent litigations on Delaware (and New York), already patent

heavy districts, because many companies are incorporated there. Pickard, *The Future Of Forum-Shopping In A Post-TC Heartland World*, IP WATCHDOG (Jan. 11, 2017). In addition, focusing on the second appropriate venue, many more technology cases could be focused in the Northern District of California because that's where the defendant may have a place of business and committed acts of infringement. *Id.* Such consolidation of patent venues would be inefficient at least because we would lose the benefit of the patent-trained judges of the other Patent Pilot Program districts. *See id.* In addition, such action would provide a loophole for foreign defendants as discussed in Section I.C. *supra*.

IV. CONGRESSIONAL BILLS PROPOSE NUANCED SOLUTIONS TO THE PATENT VENUE ISSUES AND SHOULD BE ALLOWED TO WORK THROUGH THE SYSTEM

Congress has recognized that “simply returning to the 1948 venue framework would be too strict for modern patterns of technology development and global commerce.” H.R. Rep. No. 110-314, at 40 (2007). However, Congress also has recognized that the current state of patent venue enforcement could be improved. H.R. Rep. No. 114-235, at 34 (2015).

Both the House and the Senate introduced bills during the 114th Congress aimed at rectifying the patent venue problem:

These bills are designed, *inter alia*, to amend the federal judicial code to restrict the venues where patent actions

may be brought to judicial districts where:

- the defendant has its principal place of business or is incorporated;
- the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement;
- the defendant has agreed or consented to be sued;
- an inventor named on the patent conducted research or development that led to the application for the patent in suit; or
- a party has a regular and established physical facility and has managed significant research and development for the invention claimed in the patent, has manufactured a tangible product alleged to embody that invention, or has implemented a manufacturing process for a tangible good in which the process is alleged to embody the invention.

H.R.9 – Innovation Act, 114th Cong. § 3(g) (Jul. 29, 2015); S. 2733 – Venue Equity and Non-Uniformity Elimination Act – 114th Cong. (March 17, 2016). These bills consider several factors outside the current dispute between Heartland and Kraft, such as a location of the research that led to the patent and a physical facility of the defendant. *Id.* However, the Petitioner here asks only for a polar determination – the current venue interpretation or that of 1948. Pet. 5.

Instead of a judicial reversal of the settled patent venue procedures, a more nuanced change along the lines of the 114th Congress' bills would attempt to harmonize current patent venue procedures with both general federal venue procedures and the forum shopping concerns recognized by most.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that the Court preserve the *status quo* applicable to the current patent venue statute and allow Congress to provide nuanced amendments that fairly represent the interests of all parties.

Respectfully submitted,

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