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Supreme Court to Hear "The Republic of Texas is No More"1 Patent Venue Case; A Potential Blow to Patent Trolls

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Many patent holders, including patent trolls, have long preferred the federal courts of the Eastern District of Texas because they have the reputation for being "plaintiff friendly." In 2016, 1668 patent cases[2] were filed in the Eastern District of Texas, comprising about 37% of all the patent litigation filed in the United States. These Eastern District of Texas filings are more than California (576), Delaware (452), and New York (152) combined. One reason plaintiffs select the Eastern District is that the Eastern District's local patent rules can make defending against a patent infringement suit relatively expensive, a result that often favors the plaintiff. For example, discovery rules require that documents are produced early, often a difficult and expensive task for defendants.

The principal reason that so many patent cases find themselves in the Eastern District of Texas is an interesting interaction between venue statutes associated with patent infringement. The patent venue statute, 28 U.S.C. § 1400(b), provides that the appropriate venue in a patent case is limited to "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 many patent cases, however, the basis for proper venue in the Eastern District of Texas finds itself in 28 U.S.C. § 1391(c)(2). Section 1391c)(2) provides a broad definition of where an entity "resides" for the purposes of venue: "an entity . . . shall be deemed to reside . . . in any judicial district in which such defendant is subject to the court's personal jurisdiction . . ." Historically, courts have supplemented the "resides" requirement of the patent venue

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statues, 28 U.S.C. § 1400(b), with the broad definition of "resides" in § 1391. Thus, so long as a defendant is subject to personal jurisdiction in the Eastern District of Texas, venue is proper under §1391 even though venue would be improper under §1400(b) alone.

On December 14, 2016, the Supreme Court agreed to hear TC Heartland v. Kraft Foods (SCT Docket No. 16-341) concerning a question about patent litigation venue and whether the broad language of § 1391 can be used to supplement the patent venue statute. The specific issue before the Supreme Court is as follows: "Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c)."

The Supreme Court, and Congress, have been struggling with how to address patent trolls for more than a decade. While the TC Heartland v. Kraft Foods case does not involve patent trolls, it appears the Supreme Court took this case to further curtail patent troll activity. In its brief, TC Heartland included statistics that report 44% of patent case filings in 2015 were filed in the Eastern District of Texas, 3% in New Jersey, 4% in Northern California, 5% in Central California, 9% in Delaware, and 35% in all the other federal courts combined. Taking the position that this particular appeal was not the case to manage patent trolls, Respondent Kraft stated that it "does not dispute the existence of patent venue shopping. However, the task of patent venue reform lies squarely with Congress."

According to statistics derived from an online blog covering the Supreme Court[3], from 2010 to 2015, the average reversal rate of the Federal Circuit (the Court of Appeals from which TC Heartland v. Kraft Foods hails) by the Supreme Court is 68%. Therefore, there is a better chance than not that the Supreme Court will modify the venue analysis for patent infringement cases, which should significantly reduce the number of patent infringement cases filed in the Eastern District of Texas. Practically, it is unlikely that the Supreme Court would grant certiorari in TC Heartland unless it was going to change the current law. If this occurs, congressional intervention may not be required to prevent your company from being hauled into the Eastern District of Texas. However, if your company (1) resides in, or (2) commits acts of infringement and has a regular and established place of business in, the Eastern District of Texas, you could still expect to be in this Texan court.

When contemplating filing or defending against a patent infringement lawsuit, a thoughtful analysis of the jurisdiction and venue issue should be performed with an experienced patent litigation attorney very early in the decision-making process, preferably pre-filing for plaintiff and prior to the first court filing by the defendants.

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1 Texas President Anson Jones delivered these memorable words on February 19, 1846, during the annexation of the Republic of Texas into the United States of America. JONES, ANSON (1798-1858). Anson Jones, doctor, congressman, and the last president of the Republic of Texas

2 As shown in the PACER Case Locator https://www.pacer.gov/

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3 http://www.scotusblog.com/

If you have questions, please contact the authors of this alert, Douglas W. Kim and Lance A. Lawson, P.E., members of the firm's Intellectual Property and Litigation practice groups.