Portfolio Media. Inc. | 111 West 19th Street, 5th floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Does The Path To The Right Venue Have To Be Narrow?

By **Sue Robinson**


Sue Robinson

Much has been written about venue since the U.S. Supreme Court in TC Heartland LLC v. Kraft Foods Group Brands LLC[1] reversed the Federal Circuit's holding in VE Holding Corp. v. Johnson Gas Appliance Co.[2] In its TC Heartland decision, the Supreme Court related the history of the relevant venue statutes, going back to the first general venue statute enacted in the Judiciary Act of 1789[3] and the amendment to that statute in 1887 that limited suit to only that district "of which the defendant was an inhabitant or, in diversity cases, of which either the plaintiff or defendant was an inhabitant."[4] Because a subsequent opinion of the Supreme Court[5] created some confusion as to whether the Act of 1887 applied to patent cases, the first patent-specific venue statute was enacted by Congress in 1897.[6] In its historical recitation, the Supreme Court in TC Heartland refers to its decision in Stonite Products Co. v. Melvin Lloyd Co.[7] for the relatively straightforward proposition that "the patent venue statute constituted 'the exclusive provision controlling venue in patent infringement proceedings' and thus was not supplemented or modified by the general venue provisions."[8] The Supreme Court concluded that the first prong of § 1400(b), "[a]s applied to domestic corporations," limits "residen[nce]" "to the State of incorporation."[9]

With residence now clearly understood to be the state where the defendant is incorporated, the current debate is focused on the meaning of the remaining language of § 1400(b) that the Supreme Court did not interpret. Specifically, what does it mean for a defendant to have a "regular and established place of business" pursuant to § 1400(b) so that venue is established? The post-TC Heartland decisions suggest that the Supreme Court has mandated a narrow (for lack of a better word) construction of such language. The purpose of this article is simply to give food for thought in this regard.

I'll start with the Federal Circuit's recent decision on venue, In re Cray Inc.[10] In that case, the Federal Circuit anchors the framework governing venue on yet another review of not only the prior statutory language, but the legislative history for such. More specifically, the Federal Circuit — quoting a statement by a single representative — describes the "'main purpose'" of the patent-specific venue statute emanating from the Act of 1897 as "'giv[ing] original jurisdiction to the court where a permanent agency transacting the business is located.'"[11] The Federal Circuit goes on to recite Supreme Court precedent as a cornerstone of its reasoning, including quotes from Olberding v. Illinois Central Railroad Co.,[12] Stonite,[13] and Schnell v. Peter Eckrich & Sons Inc..[14] My intention is to explore these cases and the origins of the language called out in In re Cray Inc. to justify the Federal Circuit's reading of § 1400(b), which, despite the Federal Circuit's recognition that "the world has changed," does little to incorporate contemporary meanings to language originating in 1897.[15]

The Federal Circuit in In re Cray Inc., for example, referenced both Stonite and Schnell when proposing that the predecessor to § 1400(b) in 1897 was adopted to "eliminate the ... 'abuses engendered' by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served'" and, thus, should be viewed as a "restrictive measure."[16] The "abuse" language originated in Stonite, where the Supreme Court explained that the Act of 1875 "allow[ed] suit wherever the defendant could be found. The abuses engendered by this extensive

venue provision prompted the Act of March 3, 1887," which "permitted civil suits to be instituted only in the district of which the defendant was an inhabitant, except in diversity jurisdiction cases."[17] The predecessor to § 1400, however, was not enacted as a direct result of the breadth of the Act of 1875. Rather, and as related above, it was only after the Supreme Court's decision in In re Hohorst, which left open the question of whether patent cases were subject to the general venue statute at all, that Congress responded with a "special new venue statute for the occasion."[18] It is in this context that the Supreme Court in Stonite characterized the predecessor to § 1400(b) as "intended to define the exact limits of venue in patent infringement suits."[19] Therefore, when the court in Stonite declared that "the Act of 1887 was a restrictive measure,"[20] it is not ineludible that such a statement should be transformed into a general limitation on the interpretation of § 1400(b).

So, too, the Supreme Court's statement in Olberding, that venue statutes are not to be given a "liberal construction,"[21] has been projected as a general principle of statutory construction by the Federal Circuit in such cases as In re Cray Inc., among others.[22] The Supreme Court in Olberding, however, was addressing the more restrictive venue statute enacted in 1887[23] that "permit[ted] suit only in the district of which the defendant was an inhabitant or, in diversity cases, of which either the plaintiff or defendant was an inhabitant."[24] Olberding was a diversity case; the plaintiff had initiated suit in a district other than that authorized by the statute, claiming that the defendant had consented to such. As it turned out, the defendant had not consented to waive his rights under the federal venue provision. It was in this context that the Supreme Court described "[t]he requirement of venue" as being "specific and unambiguous" and "not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction."[25] The Olberding reasoning makes perfect sense in this context.

The Supreme Court in Schnell was also addressing a very discrete question of law, whether an Illinois manufacturer by his conduct (assuming the defense of its Indiana customer) waived the statutory venue provisions of § 1400(b), when it was conceded that the manufacturer had no place of business in Indiana. The Supreme Court opined that the conduct at issue (a "practice" that was "not at all unusual at the time of this statute's passage") did not justify waiving the "clear and specific" "mandate of the Congress."[26] The Supreme Court added, almost as a throw-away, the Olberding language that the requirement of venue is "not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal construction."[27]

Which brings me to the point of this article: If you juxtapose the "narrow interpretation" language of the post-TC Heartland decisions with the actual contexts in which the Supreme Court uttered such dicta, it should not be a foregone conclusion that the court meant to eschew all contemporary insights when interpreting § 1400(b). To be more precise, although the Federal Circuit in In re Cray Inc. "recognize[d] that the world has changed since 1985 when the Cordis decision issued,"[28] nevertheless, it observed that courts should be mindful of § 1400's history "in applying the statute" and then proceeded to discuss conventional understandings to what it deemed the three primary requirements contained in the statute. That is, there must be a "place" to which the adjectives "regular" and "established" might apply. An analytical framework with such a narrow focus suggests that the debate over what constitutes a "regular and established place of business" will surely not be tethered to the realities of conducting business in the 21st century. To wit: The days of the brick and mortar businesses are waning; the era of electronic commerce is becoming fully realized.

I leave you with several observations. The mantra seen in more than one venue decision — that venue statutes should not be given a liberal construction — is based on language from cases resolving discrete legal issues not necessarily related to § 1400(b), or policy considerations and not statutory interpretation. Consider as well the context of this discussion — patent litigation, where the property at issue is constitutionally protected, the subject matter involves cutting-edge technology, and the disputes generally are national in scope. To transform the Olberding dicta into a general principle of statutory construction[29] is, I propose, not mandated by Supreme Court precedent and, at least arguably, not consistent with a just determination of a proper venue as selected by an injured patent owner.

Sue L. Robinson is an attorney at Farnan LLP in Wilmington, Delaware. She served for 25 years as a U.S. district judge for the District of Delaware and retired from the court this year.

The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

[1] 137 S. Ct. 1514 (2017).

[2] 917 F.2d 1574, 1578 (Fed. Cir. 1990).

[3] That statute permitted suit in any district where a defendant was "an inhabitant" or could be "found" for service of process. TC Heartland, 137 S. Ct. at 1518.

[4] Id.

[5] In re Hohorst, 150 U.S. 653, 661-62 (1893).

[6] TC Heartland, 137 S. Ct. at 1518.

[7] 315 U.S. 561, 564-65 (1942).

[8] TC Heartland, 137 S. Ct. at 1518 (citing Stonite, 315 U.S. at 563).

[9] TC Heartland, 137 S. Ct. at 1521.

[10] 871 F.3d 1355 (Fed. Cir. 2017).

[11] Id. at 1361 (citing 29 Cong. Rec. 1900 (1897) (statement of Rep. Lacey)).

[12] 346 U.S. 338, 340 (1953).

[13] 315 U.S. at 566.

[14] 365 U.S. 260, 262 (1961).

[15] In re Cray Inc., 871 F.3d at 1359.

[16] Id. at 1361 (citing Stonite, 315 U.S. at 566; Schnell, 365 U.S. at 262).

[17] Stonite, 315 U.S. at 563.

[18] Brunette Mach. Works, Ltd. v. Kockum Indus., Inc., 406 U.S. 706, 712 (1972).

[19] Stonite, 315 U.S. at 566.

[20] Id.

[21] Olberding, 346 U.S. at 340.

[22] In re Cray Inc., 871 F.3d at 1361. See In re Cordis, where the Federal Circuit starts its venue analysis by declaring – without citation – that the "Supreme Court has stated that the provisions of § 1400(b) are not to be liberally construed." 769 F.3d 733, 736 (Fed. Cir. 1985). See also Bristol-Myers Squibb Co. v. Mylan Pharmaceuticals Inc., 2017 WL 3980155, at *12 (D. Del. Sept. 11, 2017).

[23] Recall that this statute was enacted to address the "abuses engendered" by the very broad venue statute of 1875.

[24] TC Heartland, 137 S. Ct. at 1518.

[25] Olberding, 346 U.S. at 340.

[26] Schnell, 365 U.S. at 262-63.

[27] Id. at 264, quoting Olberding, 346 U.S. at 340.

[28] In re Cray Inc., 871 F.3d at 1359. The Federal Circuit in In re Cordis held that a defendant could have a "regular and established place of business" without having a "fixed physical presence in the sense of a formal office or store." 769 F.2d at 737.

[29] See, e.g., DyStar Textilfarben GmgH v. C.H. Patrick Co., 464 F.3d 1356, 1367 (Fed. Cir. 2006), where the Federal Circuit warned of the "danger inherent in focusing on isolated dicta."
