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Patent Venue: 2018

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Mr. Lavelle is a partner in the Washington, DC office of DLA Piper LLP (US) where he practices patent litigation. The views expressed herein are the author's alone and do not necessarily reflect the views of DLA Piper (US) or any client of that firm. This article expands and builds on an article published in a PLI publication by the same author shortly after the *TC Heartland* decision. This article covers the Federal Circuit and district court developments on the subject of venue through approximately Dec. 18, 2018, the date the paper was due at PLI.

SUMMARY:

This paper supplements the talk on Critical Issues that Win Patent Cases. That talk will discuss patent venue as one of the major developments affecting patent litigation in 2018. This paper supplements the talk and provides additional details on the case law and decisions on patent venue since the Supreme Court decision in *TC Heartland LLC v. Kraft Foods Group Brands, LLC.*

I. PATENT VENUE BASICS –BEFORE *TC HEARTLAND*

Venue in patent cases is governed by a federal statute, 28 USC § 1400(b). Section 1400(b) states as follows:

> Any civil action for patent infringement may be brought in 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.

The statute thus provides two bases for venue: (1) venue is proper in the district where the defendant resides; and (2) venue is proper where the defendant has committed acts of infringement and has a regular and established place of business.

Congress enacted the first venue statute specific to patent cases in 1887.[2] Similar to § 1400(b), the 1887 statute made venue proper in the district where the defendant was an inhabitant or where the defendant maintained a regular and established place of business and committed an act of infringement.[3] At that time, a corporation was deemed to "inhabit" only the State in which it was incorporated.[4] In *Stonite Products Co. v. Melvin Lloyd Co.,* the Supreme Court held that the original patent venue statue was the sole venue provision for patent cases and could not be supplemented by other general venue statutes.[5]

Congress enacted § 1400(b) in 1948. It was the same as its predecessor statute, except that Congress substituted the word "resides" in §1400(b) for the word "inhabit" in the predecessor statutes.[6] At the same time it enacted 28 USC § 1400(b), Congress also enacted 28 USC § 1391(c), which defined the "residence" of a corporate defendant for general venue purposes broadly, to allow venue over a corporate defendant to be proper

2. *TC Heartland LLC v. Kraft Food Group Brands LLC,* 137 S.Ct. 1514, 1518 (U.S. Supreme Court May 22, 2017) (hereafter "*TC Heartland*").
3. *Id.*
4. *Shaw v. Quincy Mining Co.,* 145 U.S. 444, 449-50 (1892).
5. 315 U.S. 561, 562-63 (1942).
6. *TC Heartland,* Slip Op. at 5.

in any district where it was incorporated or licensed to do business or actually did business.[7] In 1957, the Supreme Court, in *Fourco Glass Co. v. Transmirra Products Corp.,* ruled that Section 1400(b) remained the exclusive basis for venue in patent cases, following its prior decision in *Stonite*.[8] The Court in *Fourco* found that the provision of § 1391(c) was not applicable in patent cases.[9] There, matters stood for 30 years until the Federal Circuit addressed the issue.

In 1990, the Federal Circuit broadened patent venue substantially in *VE Holdings Corp. v. Johnson Gas Appliance Co.*[10] Congress had amended § 1391(c) again in 1988, and the issue in *VE Holding* was whether the amendments to § 1391(c) made the general venue provision applicable in patent cases. As amended in 1988, §1391(c) read:

> (c) *For purposes of venue under this chapter,* a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.

(Emphasis added).

The Federal Circuit noted that the phrase "this chapter" refers to chapter 87 of title 28, which encompasses §§ 1391-1412, and thus includes § 1400(b). Therefore, the Federal Circuit concluded that, "[o]n its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term "resides' in that section."[11]

With regard to the apparently controlling decision in *Fourco,* Judge Plager made two points. First, the version of §1391(c) in *Fourco* no longer was in force, and the new version was clear on its face that § 1391(c) applied to patent cases. Second, he noted that in *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc*.,[12] the Supreme Court found that the alien venue statute 28 USC § 1391(d) applied in patent cases notwithstanding *Stonite* and *Fourco*.[13] Thus, the Federal Circuit found that *Stonite* and *Fourco* were not controlling and ruled that §1391(c), as amended in 1988, applied in patent cases as well to supplement the venues where a corporate patent defendant can be sued. The Supreme Court denied certiorari in the *VE Holdings* case.[14] Based on a search using the *Docket Navigator* tool, we could not find another case between 1991 and 2016 where a defendant

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7. *Id.*
8. *Fourco Glass Co. v. Transmirra Products Corp.,* 353 U.S. 222, 226 (1957).
9. *Id.*
10. 917 F.2d 1574 (Fed. Cir. 1990).
11. *Id.* at 1578.
12. 406 U.S. 706 (1972).
13. 917 F.2d at 1579.
14. 499 US 922 (1991).

sought Supreme Court review of the venue doctrine announced by the Federal Circuit in *VE Holdings*. It seems that for 25+ years, litigants treated the venue issue as being decided in *VE Holdings*.

Following the *VE Holdings* decision, forum shopping promptly and predictably began. For a while, cases were filed in districts that had reputations as "rocket dockets," such as the Eastern District of Virginia. The rationale was generally that if the plaintiff can prepare its infringement proofs before it files the case, the short time to trial in these cases would work in the plaintiff's favor. Later, the plaintiff's bar moved to a "plaintiff-friendly juries" forum shopping strategy which, over time, led to nearly 40% of all patent cases being filed in small towns like Marshall, Tyler, Sherman, and Texarkana, Texas in the Eastern District of Texas. Judge Ward and later Judge Gilstrap became central figures in the administration of patent cases and the E.D. Texas bench and bar conference became a major event for the patent bar each year.

II. THE DECISION IN *TC HEARTLAND*

In 2014, Kraft Foods sued TC Heartland in the District of Delaware alleging infringement of three Kraft patents by one of TC Heartland's water enhancement products.[15] The complaint alleged that TC Heartland was a corporation, which TC Heartland admitted, although it turns out that TC Heartland was actually an unincorporated association. The courts, including the Supreme Court, treated TC Heartland as a corporation as the error apparently was not discovered until a merits briefing in the Supreme Court.[16] TC Heartland was treated as an Indiana corporation with its principal place of business in Indiana.

TC Heartland moved to dismiss or transfer based on venue being improperly laid in Delaware, relying on the *Fourco* decision. TC Heartland asserted that it was not registered to do business in Delaware, has no presence in Delaware, had not entered into any supply contracts in Delaware or called on any accounts there. TC Heartland admitted it shipped orders of the accused products into Delaware, which sales amounted to about $300,000 in revenue and were about two percent of Heartland's total sales of the accused products that year.[17] The District Court denied TC Heartland's motions based on existing Federal Circuit precedent to the

15. *Kraft Foods Grp. Brands LLC v. TC Heartland, LLC*, No. 14-28-LPS, 2015 WL 4778828, at *1 (D.Del. Aug. 13, 2015).
16. *TC Heartland,* Slip Op. at 1, note 1.
17. *In re TC Heartland LLC,* 821 F.3d 1338, 1340 (Fed. Cir. 2016).

contrary. TC Heartland petitioned the Federal Circuit for a writ of mandamus, arguing that some minor amendments to § 1391(c) in 2011 changed the result in *VE Holdings.* The Federal Circuit disagreed and denied the mandamus petition.[18]

The Supreme Court granted certiorari and a unanimous Court reversed.[19] The Court noted that, in *Fourco*, the Court ruled that the term "reside" or "residence" in Section 1400(b) "refers only to the State of incorporation" of a domestic company.[20] As § 1400(b) had not been amended since *Fourco,* the Court said the only question to answer was whether Congress changed the meaning of §1400(b) when amending § 1391.[21]

The Supreme Court found no evidence that Congress intended to change the application of §1400(b) in either the 1988 or 2011 amendments, and hence, *Fourco* still applied. Thus, for purposes of § 1400(b), a domestic corporation resides only in its State of incorporation.[22]

III. THE STATE OF VENUE LAW AFTER *TC HEARTLAND*

A. *TC Heartland*'s Impact on Pending Cases

At the time of the *TC Heartland* decision, in May 2017, there were many cases pending where venue was proper when the case was filed under *VE Holdings,* but where venue was no longer proper in the district under *TC Heartland.* Many motions to change venue were filed in the immediate wake of the *TC Heartland* decision.

An early issue that the courts had to deal with was whether defendants who had previously answered during the *VE Holdings* regime had waived their venue defense. In federal courts, venue is a personal defense which can be waived by the defendant.[23] For example, venue can be waived by admitting venue is proper in the answer, or by failing to raise an objection to venue in the answer or to make a motion under Fed.R.Civ.P 12(b)(3). *See* FRCP 12(g)(2). Similarly, venue can be waived by making other Rule 12 motions and failing to make a venue motion under Rule 12(b)(3). *Id.* In addition, even if

18. *Id.*
19. Justice Gorsuch was not confirmed until after the case was argued and did not participate in the case or its decision. Slip Op. at 10.
20. *TC Heartland* at 7-8.
21. *Id.* at 8.
22. *Id.* at 10.
23. *Leroy v. Great W. United Corp.*, 443 U.S. 173, 180 (1979); *Hoffman v. Blaski*, 363 U.S. 335, 343 (1960).

proper venue is denied in the answer, failure to make a venue motion in a timely fashion can still waive venue if defendant seeks affirmative relief, or demonstrates by its actions that it consents to litigate in a forum.[24] Oftentimes, filing substantive motions can be sufficient to trigger a finding of waiver.[25]

One of the first cases to apply *TC Heartland* was a decision from the Eastern District of Virginia in *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*[26] In *Cobalt Boats,* the Eastern District of Virginia held that *TC Heartland* did not qualify as a change in the law, as it merely reaffirmed the correctness of the Supreme Court decision in *Fourco.* According to the district court, the Federal Circuit's opinion in *VE Holdings* could not be controlling authority as the Federal Circuit cannot overrule the Supreme Court. *Id.* Thus, any party that disagreed with the result in *VE Holdings* could plead the venue defense and preserve the issue for appeal to the Supreme Court. As a result, the court held that the defendants had waived their venue defenses. The Federal Circuit denied several of the defendants' petitions for mandamus following the decision.[27]

Many of the first post-*TC Heartland* district court cases followed *Cobalt Boats* and found that *TC Heartland* did not change the law of venue. In particular, early cases from the Eastern District of Texas cases consistently find that *TC Heartland* did not change the law of venue.[28] District Courts in the Northern District of Illinois, the Southern District of California, the District of Delaware, and the District of Oregon also found that *TC Heartland* did not work a

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24. *See, e.g., Realtime Data LLC v. Rackspace US, Inc.,* No. 16-cv-961 (E.D. Tex. July 21, 2017); *City of S. Pasadena v. Mineta,* 284 F.3d 1154, 1156 (9th Cir. 2002).
25. *See Infogation Corp. v. HTC Corp.,* No. 16-CV-01902-H-JLB, 2017 WL 2869717, at *3 (S.D. Cal. July 5, 2017) (waiver based on motion to invalidate one patent and claim construction briefing and the Court's Markman ruling on another patent); *Meras Eng'g, Inc. v. CH2O, Inc*., No. C-11-0389 EMC, 2013 WL 146341, at *8 (N.D. Cal. Jan. 14, 2013) ("[C]ourts have found implied waiver of venue where a party has . . . actively pursued substantive motions"); *Ferraro Foods, Inc. v. M/V Izzet Incekara,* No. 01 CIV. 2682 (RWS), 2001 WL 940562, at *3-4 (S.D.N.Y. Aug. 20, 2001) (same); *Koninklijke Philips N.V. et al. v. ASUSTeK Computer Inc. et al.,* No. CV 15-1125-GMS, 2017 WL 3055517, at *3 (D. Del. July 19, 2017).
26. No. 2:15CV21, 2017 WL 2556679, at *2 (E.D. Va. June 7, 2017).
27. *In re: Sea Ray Boats, Inc.,* No. 2017-124 (Fed. Cir. June 6, 2017). It should be noted that the lawsuit in *Cobalt Boats* was at a very advanced stage and was essentially ready for trial. The procedural posture of the case likely had an impact on the district court's decision and Federal Circuit's decision to deny mandamus.
28. E.g., *Realtime Data; Tinnus Ent. v. Telebrands*, 15-cv-551 (E.D. Tex. July 5, 2017).

change the law. As with *Cobalt Boats,* many of these cases were well advanced toward trial at the time the venue motion was decided.

By contrast, in *Westech Aerosol Corp. v. 3M,* a court in the Western District of Washington held that *TC Heartland* did change the law for purposes of the "change of law" exception to waiver of venue.[29] The court recognized that venue can be waived, but that waiver did not occur if the legal basis for the defense did not exist at the time of the answer.[30] The court stated: "*TC Heartland* changed the venue landscape." "For the first time in 27 years," the court noted, a defendant can challenge venue in a district where it is subject to personal jurisdiction but where venue is not proper under § 1400(b).[31] The court also held that defendants could not reasonably have anticipated this change in law, which is slightly surprising as *TC Heartland* was pending but undecided in the Supreme Court when defendants answered the Complaint.[32]

The *Westech* decision was widely followed. Indeed, nearly every decision after *Westech* (other than those in the E.D. Texas) found that *TC Heartland* did change the law of venue and allowed a party to challenge venue. A list of many of the cases is set out in the footnote.[33]

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29. 2017 WK 2671297 (W.D. Wash. June 21, 2017).
30. *Id.* at *1.
31. *Id.* at *2.
32. *Id.*
33. *Simpson Performance Prods., Inc. v. Necksgen, Inc.,* 2017 WL 3616764 (W.D.N.C. Aug. 23, 2017) (transferring case after motion practice had taken place); *Maxchief Invs.,* 2017 WL 3479504, at *3-4 (transferring case after parties filed opening *Markman* briefing); *Valspar Corp. v. PPG Indus., Inc.*, No. 16-CV-1429 (SRN/SER), 2017 WL 3382063, at *3–4 (D. Minn. Aug. 4, 2017) (granting motion to dismiss and transferring case after parties filed joint claim construction statement); *Cutsforth, Inc. v. LEMM Liquidating Co., LLC*, No. 12-CV-1200 (SRN/LIB), 2017 WL 3381816, at *2-4 (D. Minn. Aug. 4, 2017) (granting motion to transfer despite five years of litigation and completion of *Markman* briefing); *Ironburg Inventions Ltd. v. Valve Corp.*, No. 1:15-CV-4219-TWT, 2017 WL 3307657, at *2–3 (N.D. Ga. Aug. 3, 2017) (granting motion to transfer after parties completed *Markman* briefing); *CG Tech. Dev., LLC v. FanDuel, Inc.*, No. 216CV00801RCJVCF, 2017 WL 3207233, at *2 (D. Nev. July 27, 2017) (granting motion to transfer despite seven consolidated cases and litigation activities prior to *Markman*); *OptoLum, Inc. v. Cree, Inc.*, No. CV-16-03828-PHX-DLR, 2017 WL 3130642, at *3-5 (D. Ariz. July 24, 2017) (granting transfer despite upcoming *Markman* hearing); *Hand Held Prod., Inc. v. Code Corp.*, No. CV 2:17-167-RMG, 2017 WL 3085859, at *3 (D.S.C. July 18, 2017) (granting transfer motion early in case); *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067-RBL, 2017 WL 2671297, at *2 (W.D. Wash. June 21, 2017); *see also IPS Group, Inc. v. CivicSmart, Inc.,* No. 3:17-CV-0632-CAB-(MDD), slip op. at 2 (S.D.

The question whether *TC Heartland* changed the law of patent venue was finally resolved by the Federal Circuit in *In re Micron Tech., Inc*.[34] *Micron* was a mandamus case. The district court in Massachusetts denied a motion to transfer finding that the defendant had waived venue by failing to include a venue motion with another motion under Rule 12.[35] The Federal Circuit granted mandamus and found that "*TC Heartland* changed the controlling law in the relevant sense: at the time of the initial motion to dismiss, before the [Supreme] Court decided *TC Heartland*, the venue defense now raised by Micron (and others) based on *TC Heartland's* interpretation of the venue statute was not 'available,' thus making the waiver of Rule 12(g)(2) and (h)(1)(A) inapplicable."[36]

The court found that this result was a common sense and practical one which comported with the broad purposes of the Federal Rules of Civil Procedure. It also noted that Circuit-court precedent is binding on district courts notwithstanding the possibility that the Supreme Court might come to disapprove that precedent some day in the future.[37] The court then reasoned that its decision in *VE Holdings* was thus binding precedent on the district courts until *TC Heartland* was decided and that after that decision Micron no longer resided in the District of Massachusetts for purposes of the patent venue statute. Hence, the Federal Circuit concluded, Micron had not waived its venue challenge as the motion was not previously available.[38]

The court was careful to note that while it agreed with Micron on the waiver issue, that Rule 12(h)(1) is not the sole basis on which a district court might rule that a defendant can no longer present a venue defense.[39] The court noted that "nothing in the Federal Rules of Civil Procedure would preclude a district court from applying other standards, such as those requiring timely and adequate preservation, to find a venue objection lost if, for example, it was not made until long after" such a motion would have been timely.[40] It also noted that district courts have inherent powers to manage their affairs

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Cal. Aug. 1, 2017) (finding no waiver by failing to make a venue motion before *TC Heartland* was decided).

34. No. 17-138 (Fed. Cir. Nov. 15, 2017).
35. *Id.* Slip Op. at 2.
36. *Id.*
37. *Id.* at 11.
38. *Id.* at 13.
39. *Id.*
40. *Id.* at 14.

so as to expeditiously resolve cases.[41] It also cited general venue cases that recognized that venue is a defense that can be waived by failure to assert it seasonably or by continued conduct of the litigation.[42]

The court did not denominate the other circumstances in which a district court could refuse to enforce a venue motion. However, it did note that the court had denied mandamus, finding no clear abuse of discretion, in several cases involving venue objections based on *TC Heartland* that were presented close to trial.[43] The case was then remanded to the district court for further consideration of the venue motion.

In *Intellectual Ventures II, LLC v. FedEx Corp.,* the Eastern District of Texas applied the *Micron* waiver doctrine to a case filed in 2016. The defendant had litigated the case in the Eastern district of Texas for over one year, had filed and lost a motion to transfer under §1404, filed several IPR petitions, and waited over two months after *TC Heartland* was decided to bring its venue motion.[44] In light of this delay, the Court found that defendant had waived its venue motion.

The *Intellectual Ventures II* decision brings up an important practice point. *TC Heartland* was decided approximately six months ago at the time of this writing. Litigants who have continued to litigate during those six months without raising a venue motion stand at risk of finding that the motion has been waived.

B. Venue in Future Cases after *TC Heartland*

Following the decision in *TC Heartland,* a defendant domestic corporation only resides in its state of incorporation.[45] Hence, the "regular and established place of business" prong of §1400(b) has taken on much greater importance. The Federal Circuit has only addressed this issue twice.

In *In re Cordis,* the Federal Circuit refused to grant mandamus to transfer a case involving a defendant who had no physical office in the district but had two witnesses that worked out of their homes in

41. *Id. See also Dietz v. Bouldin, Inc.*, 136 S.Ct. 1885, 1891 (2016).
42. *Id.* at 16, discussing *Neirbo Co. v. Bethlehem Shipbuilding Corp.* 308 U.S. 165, 168 (1939); *see Panhandle E. Pipe Line Co. v. Fed. Power Comm'n,* 324 U.S. 635, 639 (1945) ("The right to have a case heard in the court of proper venue may be lost unless seasonably asserted."); *Commercial Cas. Ins. Co. v. Consol. Stone Co*., 278 U.S. 177, 178–81 (1929).
43. *Id.* at 17.
44. No. Civ. 2:16-CV-00980-JRG (E.D.Tex. Nov. 22, 2017).
45. The law appears to be unclear on where a domestic corporation resides if there is more than one district in the state where it is incorporated.

the district.[46] Cordis was a Florida company with no offices in Minnesota and was not licensed to do business there.

District court found venue proper based on two employee salespeople in Minnesota who maintained substantial inventory in their houses and engaged secretarial services in Minnesota.[47] *Cordis* was medical device case– salesmen called on doctors, often went to surgery when pacemakers installed, did educational events for local doctors.

In denying mandamus, CAFC found the case a close one on the merits. The court noted that Section 1400(b) is not to be liberally construed.[48] The Court then stated the test for when a regular and established place of business exists:

> [I]n determining whether a corporate defendant has a regular and established place of business in a district, the appropriate inquiry is whether the corporate defendant does its business in that district through a permanent and continuous presence there and not . . . whether it has a fixed physical presence in the sense of a formal office or store.[49]

As on the merits, the question of whether the employee's home offices constituted a place of business for Cordis was a close one, the court denied the writ of mandamus.

The Federal Circuit did not address the question of the scope of the "regular and established place of business" of §1400(b) for another 32 years. However, after *TC Heartland* was decided, the court decided another venue-based-on-employees case, *In re Cray, Inc*.[50]

Cray, Inc. is a supercomputer company that resides in Washington State and has its principal offices there. Raytheon sued Cray in the Eastern District of Texas. Cray had no facilities in the Eastern District, but had one employee in the district that worked out of his house and called on customers in the region. The employee had no inventory in the district (supercomputers weigh 20 tons, after all), and he did not employ any secretarial services in the district, although he could download Cray sales literature into the district from Cray servers in other locations.[51]

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46. 769 F.2d 733 (Fed. Cir. 1985).
47. 769 F.2d at 735-36.
48. Citing *Schnell v. Peter Eckrich & Sons*, 365 U.S. 260 (1961).
49. 769 F.2d at 737.
50. No. 17-129 (Fed. Cir. Sept. 22, 2017).
51. *Id.* Slip Op. at 2-3.

Initially, the CAFC reaffirmed that Federal Circuit law, not regional circuit law, governs what § 1400(b) requires.[52] The CAFC then ruled that venue under the Second Clause of § 1400(b) requires three elements to be met:

(1) there must be a physical place in the district;

(2) it must be a regular and established place of business; and

(3) it must be the place of the defendant.

The court added that, "[i]f any statutory requirement is not satisfied, venue is improper under § 1400(b)."[53]

In describing the background of the venue statute, the court noted that the legislative history indicates that the "main purpose" of the patent venue statute was to "give original jurisdiction to the court where a permanent agency transacting the business is located." *Id.* at 9. The court added that the venue statute was "intended to define the exact limits of venue in patent infringement suits."[54] The court also made clear that the venue statute was not to be construed liberally and that Section 1400(b) requires more than just doing business in a district.[55]

With regard to the first *Cray* factor, a physical place in the district, the court reaffirmed the result in *Cordis* that the place need not be a store or office, but must be a physical location in the district where business is carried out. The physical place could be an employee home where inventory or literature is stored or a distribution center. Finally, the court made clear that §1400(b) cannot be read to refer to merely a virtual place or electronic communications.[56]

With regard to the "regular and established place of business requirement" in the second *Cray* factor, the court said that sporadic activity cannot create venue and a single act is not enough. The court also offered that semi-annual attendance at a trade show is not enough.[57] The court felt that a five-year continuous presence in the district is established enough for venue, citing older cases. The Court offered that an employee who can move at will is not an established place.[58]

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52. *Id.* at 8.
53. Slip Op. at 8.
54. Quoting *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 566 (1942).
55. Slip Op. at 9-10.
56. *Id.* at 11.
57. *Accord, Percept Techs. v. FOVE, Inc.*, 2017 WL 3427971, at *1 (D. Nev. Aug. 8, 2017).
58. Slip Op. at 11-13.

Regarding the third requirement is that the place is the place "of the defendant" the court indicated:

- The "place" must be place of defendant, not just an employee.
- It is relevant that defendant owns, leases, or possesses and controls the place.
- Small business might have a place in proprietor's home.
- Marketing materials might show defendant holds out a place as its office.
- Listings in directories or phone books may be relevant.
- Nature of the activity at the place compared to other company locations may be relevant.[59]

On those merits, the district court reversed. The court found that one employee in the district, with no inventory and buying no secretarial or other services in the district not enough under § 1400(b). The court noted that it appeared that the employee was free to live where he chose and that there was no direct evidence employees called on Cray customers in the district. Finally, the court concluded that the employee's social media listing and E.D. Tex. phone number not enough to convert the place into a place of business of the defendant Cray.[60]

Interestingly, the case does not definitively resolve the situation where defendant has no physical location in district but has multiple employees in the district that call on customers in the district. This fact pattern occurs a lot in the cases. *E.g., Invue Security Prods. v. Mobile Tech Inc.,* 2017 WL 3595486 (W.D.N.C. Aug. 21, 2017) (six technicians in district enough for venue to be proper). It is interesting to question whether the "physical presence" met in this case or if it might be if the employees have company provided tools or inventory or assigned geographic districts in the district where plaintiff seeks to establish venue.

The "employees-in-the-district" line of cases continues to evolve. Recently in *Uniloc USA, Inc. v. Nutanix, Inc.,* the Eastern District of Texas held that venue had not been established in the district over a company that had 17 work-at-home employees in the district.[61]

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59. Slip Op. at 13.
60. Slip Op. at 13-19.
61. No. 2:17-cv-00174-JRG (E.D. Tex. Dec. 6, 2017).

In addition to the "employees-in-the-district" line of cases, there is a line of cases discussing non-resident defendants who have customers or distributors in the district. A number of cases hold that merely having customers in the District or having a web page that can be viewed in the district is insufficient to establish venue under Section 1400(b). See e.g. *Phillips v. Baker*, 121 F.2d 752, 756 (9th Cir. 1941) (holding that the presence of customers within the district is insufficient to convey the "necessary element of permanency" required for an "established" place of business); *Steubing Automatic Machine Co. v. Gavronsky*, No. 16-cv-576 (S.D. Ohio June 12, 20170 Slip op. at 8 (merely contacting customers or selling product to customers in the district not sufficient under § 1400(b) (copy attached); *Roblor Mktg. Grp., Inc. v. GPS Indus., Inc.*, 645 F. Supp. 2d 1130, 1146 (S.D. Fla. 2009) (holding venue improper because "[t]he only activity at issue with respect to Karrier's place of business is its website activity"); *Hsin Ten Enter. USA, Inc. v. Clar Enterprises, et. al.*, 138 F.Supp.2d 449, 461 (S.D.N.Y. 2000) (finding that venue was improper in the Southern District of New York pursuant to § 1400(b) even though defendant's interactive website supported personal jurisdiction there); *MTEC, LLC v. Nash*, 2008 WL 4723483, at *7 (D.Or. Oct. 20, 2008) (finding that mere solicitation of orders in a district is not sufficient by itself to establish that a defendant had a regular and established place of business in the district for purposes of establishing venue). Thus, it is likely that merely doing business in the district, as opposed to having an established facility in the district is unlikely to satisfy § 1400(b).

Another subject of litigation has been defendants who have one or more company owned retail stores in the district. The District of Delaware has ruled that one Apple Store in Delaware enough to support venue. *See Prowire LLC v. Apple Inc.,* No. 17-233 (D. Del. Aug. 9, 2017) ("Apple's retail store is a permanent and continuous presence where it sells the alleged infringing technology to consumers on a daily basis.").

There are a few procedural issues worthy of note. Courts seem to be split on the question of whether the plaintiff or defendant has the burden of proof on venue. *See Boston Scientific Corp. v. Cook Group Inc.*, No. 15-980 (D. Del. Sept. 11, 2017); *Raytheon Co. v. Cray, Inc*., 2017 WL 2813896 (E.D. Tex. June 29, 2017). As a practical matter however, it often does not matter.

Courts also disagree about whether a patentee may properly respond to a venue motion by seeking discovery. Compare*: Yardstash Solutions v. Marketfleet Inc.,* 17-cv-625 (S.D. Cal. Sept. 18, 2017)

(proper to seek discovery), with *Telebrands, Inc. v. Illinois Indus. Tool,* No. 17-3411 (D.N.J. Sept. 18, 2017) (not proper) and *Boston Scientific Corp.* ("fishing expedition").

In *Albritton v. Acclarent, Inc.* the district court granted a plaintiff's motion to amend its complaint to clarify the correctness of venue in the N.D. Texas after *TC Heartland.*[62] While the motion to amend was granted, the court noted that proposed amendment may be deficient as it alleges the defendant, a Delaware company, conducts business throughout the United States, which is not the same things as having a regular and established place of business in the district, which is what § 1400(b) requires.[63]

In *QFO Labs, Inc. v. Parrot,* the issue before the court was a motion to dismiss or transfer the case to another district where an earlier filed case was pending.[64] In granting the motion to transfer, the court noted that the fact that venue over defendant was improper after *TC Heartland* was a strong factor supporting applying the first to file rule in that case.[65]

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62. No. 16-cv-3340 (N.D. Tex. May 31, 2017).
63. *Id.*
64. No. 16-cv-3443 (D. Minn. May 26, 2017).
65. Slip Op. at 6.

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