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Congress Stopped Short in Amending the Law of Venue in Patent Infringement Cases: *VE Holding Corp. v. Johnson Gas Appliance Co.*

I. INTRODUCTION

In 1988, Congress redefined the term “reside” in the general venue statute, 28 U.S.C. § 1391(c),¹ as it applies to corporate defendants. In *VE Holding Corp. v. Johnson Gas Appliance Co.*,² this new definition was applied to a corporate defendant in patent infringement suit by reading the definition into the patent venue statute.³ By applying the definition to corporations in patent infringement cases, the Court of Appeals for the Federal Circuit changed the 100 year-old basis for appropriate venue in patent infringement cases from the jurisdiction where the defendant resides to where personal jurisdiction may be obtained.⁴

The major argument in favor of applying the new definition to patent infringement cases is to bring the venue provisions in patent infringement cases “more in line with venue law generally, as well as with other types of patent litigation.”⁵ Although the 1988 amendment of the general venue statute as interpreted in *VE Holding* did make the law of venue in patent cases more consistent with venue laws generally, Congress should have repealed the patent venue statute, thereby placing all types of patent litigation under the general venue statute. Because the 1988 amendment to the general venue statute is expressly limited to corporations, the repeal of the patent venue statute is necessary to eliminate the inconsistencies that now exist in patent venue litigation.

Consequently, this note analyzes how venue law in patent infringement cases has changed as a result of the interpretation given in *VE Holding* and discusses the practical effects of

1. 28 U.S.C. § 1391(c) (1988). A corporate defendant is “deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.” *Id.*

2. 917 F.2d 1574, 1575 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

3. 28 U.S.C. § 1400(b) (1988).

4. *VE Holding*, 917 F.2d at 1575.

5. *Id.* at 1583-84.

those changes. More specifically, this note examines the inconsistencies and problems resulting from Congress's decision to make only part of the law of venue in patent cases consistent with general venue law.⁶ The note concludes that, in order to make venue law in patent cases consistent with general venue law, Congress should repeal the patent venue statute.

II. BACKGROUND

Appropriate venue for patent infringement cases, as now set forth in 28 U.S.C. § 1400(b),⁷ has remained virtually unchanged for nearly 100 years.⁸ In *Fourco Glass Co. v. Transmirra Products Corp.*,⁹ the Supreme Court held that § 1400(b) was the exclusive venue statute for patent infringement cases.¹⁰ Under § 1400(b) venue is appropriate in patent infringement cases when either of two tests is met: (1) the defendant resides in the judicial district, or (2) "the defendant has committed acts of infringement and has a regular and established place of business."¹¹ This section continues to govern patent infringement cases notwithstanding the general venue statute codified in 28 U.S.C. § 1391(c).¹²

Prior to *VE Holding*, the term "resides" as applied to a corporate defendant in the first prong of § 1400(b) meant the defendant's state of incorporation only.¹³ At the time *Fourco* was decided, § 1391(c) stated that a "corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."¹⁴ The plaintiffs in *Fourco* argued that § 1391(c) supplemented the provisions in § 1400(b) and that the defendant could be sued where it was doing business, not just the

6. *Id.* at 1584 (stating that the result of the change "is not a result so absurd that Congress could not possibly have intended it").

7. 28 U.S.C. § 1400(b) (1988).

8. *VE Holding*, 917 F.2d at 1575.

9. 353 U.S. 222, 229 (1957).

10. *See also* *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942) (holding that 28 U.S.C. § 109 (1940) was the exclusive provision controlling venue in patent cases). When 28 U.S.C. § 109 was recodified as 28 U.S.C. § 1400(b) in 1948, no substantial changes were made.

11. 28 U.S.C. § 1400(b) (1988).

12. *Fourco*, 353 U.S. at 229.

13. *See* *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1578 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

14. *Fourco*, 353 U.S. at 223 (quoting 28 U.S.C. § 1391(c) (1952)).

state of incorporation.¹⁵ The Court, however, rejected this argument and held that § 1391(c) did not supplement the specific venue provisions of § 1400(b).¹⁶

After receiving pressure from the bar and the courts,¹⁷ Congress amended § 1391(c) in 1988 and thereby introduced two significant changes.¹⁸ The first change affected how the general venue statute of § 1391(c) applies to other sections in the chapter. Section 1391(c) now begins with the phrase, "For purposes of venue under this chapter . . ." ¹⁹ Because § 1400(b) is within the same chapter as § 1391(c), the 1988 amendment applies to § 1400(b) as well. The second change involved the remaining language of § 1391(c), which now states that "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."²⁰ In *VE Holding*²¹ the Federal Circuit considered the effect of these two changes on the patent venue provisions in § 1400(b).

III. *VE Holding Corp. v. Johnson Gas Appliance Co.*

A. *The Facts*

VE Holding Corporation filed suit in federal district court in the Northern District of California against Johnson Gas Appliance Company, alleging "direct and contributory infringement of and inducement to infringe" patents held by VE Holding.²² Johnson Gas moved to dismiss the case for improper venue, arguing it was "an Iowa corporation with no regular and established place of business" in California, and venue was therefore not proper under § 1400(b).²³

The district court held that Johnson Gas did not "reside" in California as required under the old interpretation of the term "reside" in § 1400(b).²⁴ The district court also found that John-

15. *Id.* at 223-24.

16. *Id.* at 228-29.

17. For a discussion of the confusion courts encountered interpreting § 1391(c), see *Robert E. Lee & Co. v. Veatch*, 195 F. Supp. 528, 530 (W.D.S.C. 1961), *rev'd*, 301 F.2d 434 (4th Cir. 1961).

18. *VE Holding*, 917 F.2d at 1578.

19. 28 U.S.C. § 1391(c) (1988).

20. *Id.*

21. *VE Holding*, 917 F.2d at 1579.

22. *Id.* at 1576.

23. *Id.*

24. *Id.*

son Gas did not have a regular and established place of business in California as required by § 1400(b), and dismissed the case for improper venue.²⁵ However, because Johnson Gas conceded that personal jurisdiction was proper in California, the Court of Appeals for the Federal Circuit reversed and held that venue was proper in the Northern District of California.²⁶

B. *The Court's Reasoning*

The Federal Circuit stated that *VE Holding* was a case of first impression because the 1988 amendment made § 1391(c) applicable to the entire venue chapter, whereas the issue was open to interpretation when it was last considered in *Fourco*.²⁷ Upon examining the statute, the court held that § 1391(c) should be applied to § 1400(b), reasoning that where the language is clear, the plain meaning of the statute is conclusive.²⁸ The court found no exceptions to the plain meaning rule because there was no specific legislative history indicating that § 1391(c) should not apply to § 1400(b),²⁹ while evidence did exist that Congress was aware that the change would apply to the entire chapter.³⁰

The court also addressed the argument that § 1400(b) nullified § 1391(c) because § 1400(b) is a specific statute, whereas § 1391(c) is only a general statute. The court concluded that the general statute, § 1391(c), governed because § 1391(c) expressly defines the remainder of the chapter including § 1400(b).³¹ The court further reasoned that applying § 1391(c) to § 1400(b) would "bring the law of venue in patent

25. *Id.*

26. *Id.* at 1584.

27. *Id.* at 1579. Prior to the 1988 amendment, it was uncertain whether the two sections should be read together because of § 1391(c)'s nonspecific language. However, the section now specifically states, "For purposes of venue under this chapter . . ." 28 U.S.C. § 1391(c) (1988).

28. *VE Holding*, 917 F.2d at 1579.

29. *Id.* at 1580. See also Alan B. Rich et al., *The Judicial Improvements and Access to Justice Act: New Patent Venue, Mandatory Arbitration and More*, 5 HIGH TECH. L.J. 311, 315-20 (1990) (legislative history indicates that § 1391(c) should apply to § 1400(b)); Neil A. Smith, *Preliminary Injunctions in Patent Practice: A Tipping of the Scales*, in ALI-ABA COURSE OF STUDY, SECURING AND ENFORCING PATENT RIGHTS (1990), available in Westlaw, C567 ALI-ABA 397, at *17.

30. *VE Holding*, 917 F.2d at 1581-82. See also Rich et al., *supra* note 29, at 317-20 (tracing the amendment in its travels through congressional subcommittees where explicit language stated the amendment applied to all of Chapter 87, the venue chapter).

31. *VE Holding*, 917 F.2d at 1580.

cases more in line with venue law generally,"³² a result the court characterized as "not . . . so absurd that Congress could not possibly have intended it."³³ The court concluded by holding that the first test for venue under § 1400(b) for a corporate defendant is whether the corporation is subject to personal jurisdiction at the time the action is commenced.³⁴

IV. ANALYSIS

The amendment of § 1391(c) brought only part of the patent venue statute more in line with venue law generally because the amendment applies only to corporations. The result of the amendment will be that non-corporate defendants involved in patent litigation will be treated differently for purpose of venue than corporate defendants. In cases involving corporate defendants, collateral litigation over what constitutes proper venue will shift to a battle over what constitutes personal jurisdiction. Such a result may be desirable; however, in cases involving non-corporate defendants, collateral litigation³⁵ over proper venue will continue. To remedy this problem, Congress should repeal § 1400(b).

In support of the argument to repeal § 1400(b), this section will analyze the effects of the new definition of "reside" in the general venue statute and show the inconsistencies between the treatment of corporate and non-corporate defendants. The effects of the change on individual defendants, partnerships, and corporations in patent litigation will be analyzed by focusing on the breadth of the change in relation to the old statute through several examples. Finally, a possible solution to the issues raised in the analysis will be proposed.

A. *Effects on Individuals*

The change in § 1391(c) has no effect on individual defendants because Congress redefined the term "resides" only as it applies to corporations. Thus, § 1400(b) is not superfluous and remains applicable to individuals under *Fourco's* reasoning.³⁶

32. *Id.* at 1583.

33. *Id.* at 1584.

34. *Id.*

35. The court in *VE Holding* implied that Congress wanted the venue law for patent infringement cases to become more liberalized. The court never mentioned, however, whether Congress understood what effects this could have on collateral litigation. *See id.* at 1582-83.

36. *See* Appellant's Brief at 27-28, *VE Holding* (Nos. 90-1270, 90-1274) (noting

Under § 1400(b), venue is proper for an individual defendant where that defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.³⁷ Because the change in § 1391(c) is limited to corporations, the extensive collateral litigation³⁸ regarding proper venue over individuals will continue.

The amendment of § 1391(c) also failed to change an inconsistency that exists in venue law for individual defendants in declaratory judgment actions³⁹ and patent infringement actions. Unlike a patent infringement action, § 1400(b) is *not* controlling in a declaratory judgment action involving an individual defendant.⁴⁰ The amendment did change this inconsistency with respect to corporate defendants, but failed to remedy the problem with individual defendants.

Finally, by exempting individuals from litigating where corporations are required to litigate, individuals are given an unfair economic advantage because individuals are not forced to defend in as many forums as corporations. As one commentator noted, "[L]imiting venue to the forum most convenient to the alleged infringer is contrary to recent Supreme Court pronouncements on personal jurisdiction, the spirit of which apply with equal force to patent venue."⁴¹

that the district court erred in concluding that a portion of § 1400(b) is superfluous because the change in the definition of "resides" only applies to corporations); Smith, *supra* note 29, at *17 (noting that § 1391(c) applies only to corporate defendants and § 1400(b) is still applicable to natural persons).

37. 28 U.S.C. § 1400(b) (1988).

38. See *VE Holding*, 917 F.2d at 1583 n.19; see also Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 566-85 (1973).

39. A declaratory judgment action is the mirror image of a suit for patent infringement. This action is commenced by an alleged infringer to declare a patent is invalid or not infringed before the patent holder sues for infringement.

40. See *United States Aluminum Corp. v. Kawneer Co.*, 694 F.2d 193, 195 (9th Cir. 1982) (holding that for declaratory judgment actions, § 1391(c) of the general venue statute applies rather than § 1400(b)); see also Michael L. Keller & Kenneth J. Nunnenkamp, *Patent Law Developments in the United States Court of Appeals for the Federal Circuit During 1990*, 40 AM. U. L. REV. 1157, 1193 (1991).

41. Keller & Nunnenkamp, *supra* note 40, at 1194.

[W]here individuals 'purposefully derive benefit' from their interstate activities, it may well be unfair to allow them to escape having to account in other States for consequences that arise proximately from such activities; the Due Process Clause may not readily be wielded as a territorial shield to avoid interstate obligations that have been voluntarily assumed.

Burger King Corp. v. Rudzewicz, 471 U.S. 462, 473-74 (1985) (citation omitted).

B. *Effects on Partnerships*

In *Injection Research Specialists v. Polaris Industries*,⁴² the United States District Court for the District of Colorado held that partnerships are to be treated as corporations for purposes of venue under §§ 1391(c) and 1400(b).⁴³ Thus, *VE Holding* may well apply to both partnership and corporate defendants.⁴⁴ *Injection Research* gives additional support to the proposition that non-corporate defendants should not be treated differently than corporate defendants for purposes of venue.

C. *Effects on Corporations*

For corporations involved in patent infringement actions, the venue requirements are now the same as the general venue law for corporations; venue is proper where personal jurisdiction can be obtained at the time the action is commenced. In relation to the old patent venue statute, however, a significant change has occurred only in the area concerning additional venue districts. The only *additional* districts for proper venue under *VE Holding* are those districts where the defendant's contacts with the forum have the necessary nexus for personal jurisdiction, or where the defendant's contacts can be characterized as continuous and systematic general business contacts.⁴⁵

Under *Fourco's* reasoning, venue was proper in (1) the state of incorporation, or (2) where the defendant had committed acts of infringement and had a regular and established place of business.⁴⁶ With the decision in *VE Holding*, the new definition of "reside" does not alter the second, "regular and established place of business" test in § 1400(b). However, by redefining "reside" in § 1391(c) to allow venue where personal jurisdiction may be found, the first venue test under § 1400(b), as modified by § 1391(c), has swallowed up the second, "regular

42. 759 F. Supp. 1511 (D. Colo. 1991).

43. *Id.* at 1513.

44. However, this issue has not yet been addressed by the Federal Circuit which has exclusive jurisdiction over patent cases.

45. See *Plastic Films, Inc. v. Poly Pak Am., Inc.*, 764 F. Supp. 1238, 1239 (W.D. Mich. 1991).

46. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1577-78 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991).

and established place of business" test, because personal jurisdiction is always obtained where the defendant has committed acts of infringement and has a regular and established place of business.⁴⁷ The second "regular and established place of business" test in § 1400(b) is superfluous for corporations.

Thus, proper venue under *VE Holding* incorporates all proper venue districts under *Fourco* and adds one additional area. This area includes districts where personal jurisdiction can be obtained outside the state of incorporation or outside of the forum where the defendant had committed acts of infringement and has a regular and established place of business. To obtain personal jurisdiction in one of these *new* districts, the defendant's contacts with the forum state must be characterized as continuous and systematic general business contacts (general jurisdiction),⁴⁸ or include a "nexus between the plaintiff's alleged injury, the production, selling, or use of an article infringing its patent . . . , and the defendant's conduct"⁴⁹ (specific jurisdiction).⁵⁰ These contacts are necessary to meet due process considerations.⁵¹

In short, the results of the amendment are twofold for a corporation involved in patent litigation. First, collateral litigation over what constitutes proper venue will shift to a battle

47. See *Plastic Films*, 764 F. Supp. at 1241 (holding that there must be a necessary "nexus between the plaintiff's alleged injury, the production, selling, or use of an article infringing its patent, see 35 U.S.C. § 271, and the defendant's conduct"); see also *Shaffer v. Heitner*, 433 U.S. 186, 204 (1977). The district court in *VE Holding* noted that the second "regular and established place of business" test in § 1400(b) was superfluous with the amendment of § 1391(c) because personal jurisdiction is always obtained if the conditions in the first test of § 1400(b), as modified by § 1391(c), are met. Appellant's Brief at 27-28, *VE Holding* (Nos. 90-1270, 90-1274).

48. See *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408 (1984) (finding that general jurisdiction did not exist where the activities were not regular and systematic and the action did not arise out of contacts with the state); *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437 (1952) (finding general jurisdiction even though the claims were unrelated to local activities since the defendant's contacts were characterized as continuous and systematic general business contacts).

49. *Plastic Films*, 764 F. Supp. at 1241 (citation omitted).

50. See *Shaffer*, 433 U.S. at 204 (personal jurisdiction exists if the controversy arises out of, or is related to, defendant's contacts with the forum).

51. In addition to the constitutional due process requirements, a state long-arm statute is needed for personal jurisdiction in these cases. For example, in Utah, statutory authority is obtained in a patent infringement suit by the state's long-arm statute authorizing personal jurisdiction over a party that causes a tortious injury. See *In re Traveler's Club Luggage, Inc.*, 935 F.2d 279 (Fed. Cir. 1991) (unpublished opinion), available in LEXIS & Westlaw databases.

over personal jurisdiction, while collateral litigation over what constitutes proper venue will still continue for individuals. Second, venue choices for a corporate defendant are potentially greater than for a non-corporate defendant. The shift in collateral litigation creates a disparity between corporate and non-corporate defendants because a corporate defendant must litigate under well-established personal jurisdiction precedent, while a non-corporate defendant must litigate under the confusing "regular and established business" standard in § 1400(b).⁵² Because of this disparity and because of the increased forums now available to a corporate defendant, § 1400(b) should be repealed.

D. Examples

A few examples illustrate how venue law in patent infringement cases has changed and how certain inconsistencies have been produced.

1. *Shifting collateral litigation and disparities in potential forums*

a. *Hypothetical.* A manufacturing company incorporated in Illinois with its principal place of business in Chicago occasionally purchases replacement parts from a Houston company. Employees sometimes travel to Houston for training on how to install these replacement parts. The part is used in a device that allegedly infringes the plaintiff's patent. The plaintiff lives in Texas and would like to sue for infringement in Texas. Venue is proper in Texas under *International Shoe Co. v. Washington*⁵³ and its progeny if the plaintiff can show the necessary nexus between this replacement part, the defendant's contacts with Texas, and the infringement of the plaintiff's patent.

If, however, this part was not used in the production of the device that allegedly infringed the plaintiff's patent, then venue in Texas would be proper only if the plaintiff could obtain general jurisdiction. Thus, the plaintiff would be required to show that the defendant's business contacts with Texas were continuous and systematic general business contacts.

Under the old interpretation of § 1400(b), venue would not be proper in Texas because the company is not incorporated in

52. See *infra* part IV.D.3.

53. 326 U.S. 310 (1945).

Texas, and it did not infringe the plaintiff's patent in Texas. Thus, under the old interpretation of § 1400(b), the defendant corporation would probably choose to litigate the venue issue rather than the jurisdictional question because the defendant could easily win and would not have to litigate in Texas. However, with the new statute, the defendant corporation would now choose to fight the jurisdictional question to avoid being required to defend a suit in Texas.

This example illustrates that in the case of a corporation, collateral litigation will be centered on personal jurisdiction rather than on the venue requirements in § 1400(b), and that increased venue choices are now available to a corporation under the amendment.

b. *VE Holding Corp. v. Johnson Gas Appliance Co.* *VE Holding* also demonstrates how the focus of a corporate defendant's collateral litigation over the proper forum shifts from venue to personal jurisdiction with the new interpretation of "resides" in § 1400(b). In *VE Holding*, Johnson Gas, an Iowa corporation with no regular and established place of business in California, was sued in the Northern District of California. Even though the second prong of § 1400(b) requiring the defendant to commit acts of infringement and have a regular and established place of business was not met, venue was proper because Johnson Gas admitted personal jurisdiction in California.⁵⁴ However, if Johnson Gas had not conceded personal jurisdiction and if no personal jurisdiction were found, then the result under the new statute would be identical to the result under the old statute. The case would have been dismissed for improper venue.

If Johnson Gas had not admitted personal jurisdiction, then *VE Holding* would have been forced to prove that under the new statute personal jurisdiction existed in California over Johnson Gas. Thus, the result of the new statute is to shift the collateral litigation from determining proper venue to the existence of personal jurisdiction.

c. *Ross v. Tuerk*. *Ross v. Tuerk*⁵⁵ is an example of how the amendment of § 1391(c) may allow a corporate defendant a greater choice of forums than a non-corporate defendant. In

54. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990), cert. denied, 111 S. Ct 1315 (1991).

55. 923 F.2d 869 (Fed. Cir. 1990) (unpublished opinion), available in LEXIS & Westlaw databases.

Tuerk, Ross filed a patent infringement action in the District of Maryland against a corporation, Aero, and its president, Tuerk. Venue was not proper for Tuerk under the first test of § 1400(b) because Tuerk was an individual and not domiciled in Maryland.⁵⁶ Venue for the corporation would be proper only if it were subject to personal jurisdiction in Maryland.

Aero was not incorporated in Maryland, nor did it have a manufacturing or sales office there. Based on these facts, the Federal Circuit remanded the case to determine whether Aero was subject to personal jurisdiction.⁵⁷ *Tuerk* demonstrates that in some cases venue may not be proper for the president of a corporation under § 1400(b), but may be proper for the corporation under § 1391(c). Such an inconsistency should be eliminated by repealing § 1400(b).

2. Limited effects of the amendment

*Price v. Code-Alarm, Inc.*⁵⁸ illustrates the limited effects of the change in § 1391(c) because venue in *Code-Alarm* would have been proper under either the old or the new interpretation of § 1400(b). In *Code-Alarm*, Price brought an action in Illinois against Code-Alarm for contributory infringement of Price's patent for an automatic burglar alarm.⁵⁹ Code-Alarm, a Michigan corporation that made and sold security devices for vehicles, admitted it maintained a continuous and regular place of business in Illinois.⁶⁰ Code-Alarm had twenty distributor and retail customers selling Code-Alarm devices in Illinois.⁶¹

Even though *Code-Alarm* was argued after the decision in *VE Holding*, the defendant asserted that venue was improper based on the old interpretation of § 1400(b) because it was not incorporated in Illinois.⁶² The court refused to abandon *VE Holding*, finding that venue was proper because Code-Alarm had sufficient contacts in Illinois to deem it a "resident" of the state.⁶³ The court then held that venue was also proper under the old interpretation of § 1400(b), because Code-Alarm met the

56. *Id.* Since Tuerk was an individual, *Fourco* reasoning still applies. Tuerk would have to be domiciled in Maryland to "reside" there.

57. *Id.*

58. No. 91 C 699, 1991 U.S. Dist. LEXIS 9620 (N.D. Ill. 1991).

59. *Id.* at *1.

60. *Id.* at *2.

61. *Id.* at *1.

62. *Id.* at *2.

63. *Id.* at *7.

requirements of "the second, 'regular and established place of business' prong" of the test.⁶⁴ Because Code-Alarm admitted to having a continuous and regular presence in Illinois,⁶⁵ venue was proper under either interpretation.

Code-Alarm demonstrates that the effects of the amendment of § 1391(c) will be somewhat limited because a defendant who meets the requirements for personal jurisdiction will often meet the requirements of § 1400(b). Because of the overlap, the existence of § 1400(b) only serves to create confusion and it should be repealed.

3. *Simplification of collateral litigation*

*In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litigation*⁶⁶ demonstrates how the new interpretation of § 1400(b) can make a significant difference in determining proper venue. The defendant in *Mahurkar*, an Arizona company with its principal place of business in Arizona, was sued in Illinois.⁶⁷ Although the defendant had two sales representatives and two technicians in Illinois, it contended that this did not constitute a "regular and established place of business" in the state and thus venue was improper.⁶⁸ The district court declined to decide if the defendant had a "regular and established place of business" in Illinois under the second prong of § 1400(b) because, under *VE Holding*, venue was appropriate. The court held that the defendant's contacts with Illinois were enough to give rise to personal jurisdiction.⁶⁹

In *Mahurkar*, the difficult question of whether the defendant met the second prong of § 1400(b) was avoided because personal jurisdiction obviously existed and venue was clearly proper in Illinois. Even though venue may be proper under either statute, venue may be more easily proven under § 1391(c),⁷⁰ making the provisions of § 1400(b) unnecessary.

64. *Id.*

65. *Id.*

66. 750 F. Supp. 330 (N.D. Ill. 1990).

67. *Id.* at 333.

68. *Id.*

69. *Id.* at 334. The defendant agreed that enough contacts existed for personal jurisdiction.

70. See also *In re Traveler's Club Luggage, Inc.*, 935 F.2d 279 (Fed. Cir. 1991) (unpublished opinion), available in LEXIS & Westlaw databases (finding venue proper after determining that there was statutory authority for personal jurisdiction in the state long-arm statute, and that there were sufficient "minimum con-

Thus, to simplify collateral litigation for non-corporate defendants, § 1400(b) should be repealed.

E. Possible Effects of Changing the Venue Statute

As several examples have shown, the effects resulting from the amendment of § 1391(c) may not have been those desired by Congress. For example, the result of Congress's attempt to "bring the law of venue in patent cases more in line with venue law generally"⁷¹ may be that collateral litigation involving corporate defendants will merely shift from venue litigation to litigation over personal jurisdiction, focusing in some cases on whether a plaintiff can obtain specific or general personal jurisdiction.⁷² On the other hand, litigation for proper venue involving a non-corporate defendant will often be determined by whether a "regular and established place of business" exists in the forum.⁷³

Ironically, a major argument for eliminating the special venue statute for patent cases is that wasteful collateral litigation over proper venue would be eliminated.⁷⁴ A 1968 American Law Institute study on jurisdiction found:

Any venue statute that produces a large volume of litigation on where suit may be brought is inherently suspect Though a broadening of venue choices increases the opportunities for forum shopping, an activity not unknown in patent cases, this is not too high a price to pay for having a single venue rule for federal question cases, and for putting an end to wasteful litigation about proper venue.⁷⁵

This argument remains valid for non-corporate defendants for whom collateral litigation over proper venue will still continue under the confusing standard in § 1400(b).

tacts" as required by the Constitution); *Farberware Inc. v. Alternative Pioneering Sys., Inc.*, 19 U.S.P.Q.2d (BNA) 1079 (S.D.N.Y. 1991) (using new interpretation of § 1391(c) to find proper venue after the state's long-arm statute for personal jurisdiction was satisfied).

71. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1513 (1991).

72. See *supra* notes 44-46 and accompanying text.

73. See also Wydick, *supra* note 38, at 566-85 (discussing the amount of litigation produced in attempting to determine what constitutes a "regular and established place of business").

74. Keller & Nunnenkamp, *supra* note 40, at 1189.

75. A.L.I., STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS 221 (1969).

Some may argue that repealing the patent venue statute would merely shift wasteful collateral litigation from venue to personal jurisdiction. As noted in *VE Holding*, "At least until now, questions of personal jurisdiction rarely arose in simple patent infringement cases because the venue statute was, comparatively, severely more restrictive concerning districts in which suit could be brought."⁷⁶ Even so, the shift from litigation over proper venue to personal jurisdiction may be desirable because of the prevalent Supreme Court precedent for personal jurisdiction. This shift may simplify and reduce collateral litigation.

F. Repealing § 1400(b)—A Possible Solution

To bring the law of venue in patent cases more in line with venue law in general, Congress should repeal § 1400(b).⁷⁷ By repealing § 1400(b), confusion in the lower courts about how to apply the decision in *VE Holding* would be eliminated,⁷⁸ thus promoting judicial economy. The issue of whether a partnership

76. *VE Holding*, 917 F.2d at 1583 n.20 (citation omitted); see also *Ferber v. Eastern Newsstand Corp.*, No. 89 CV 1362 (TCP), 1990 U.S. Dist. LEXIS 16151 (E.D.N.Y. 1990). *Ferber* was filed before the decision in *VE Holding*. After the decision in *VE Holding*, the court dismissed the case for improper venue. The defendant had previously waived its objection to personal jurisdiction, evidently planning to challenge the venue issue under the old § 1391(c). After *VE Holding*, this strategy was fruitless.

77. See Wydick, *supra* note 38, at 584 ("With the enactment of liberalized general venue laws, the patent venue statute has long since outlived its original purpose. The continued existence of the patent venue statute serves only to prolong patent litigation and make it more expensive."); see also CHARLES WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3823, at 215 (1990), quoted in *VE Holding*, 917 F.2d at 1583 ("The statute [§ 1400(b)] ought to be repealed, and patent cases treated in the same fashion as federal question cases generally.').

The American Bar Association Section of Patent, Trademark, and Copyright Law in its annual meeting on August 4, 1990 initially stated it favored the repeal of 28 U.S.C. § 1400(b). This resolution, however, was withdrawn until the Section of Antitrust Law reviewed it to see whether there would be any anti-competitive effects if the statute were repealed. Brian E. Banner, *Committee Reports to be Presented at the Annual Meeting, Chicago, Illinois*, 1990 A.B.A. SEC. PAT., TRADE-MARK & COPYRIGHT L. REP. 19.

78. See *Toombs v. Goss*, 768 F. Supp. 62 (W.D.N.Y. 1991). In this case the court chose to examine whether venue was proper under the second prong of § 1400(b) instead of considering whether the defendant was subject to personal jurisdiction. The court found no "regular and established place of business," and concluded that venue was not proper. A simpler analysis would consider whether the defendants were subject to personal jurisdiction. Since the complaint was devoid of any allegations that the defendants were subject to personal jurisdiction, the court could have decided immediately that venue was not proper.

should be considered a corporation for purposes of determining venue would also be eliminated.⁷⁹ Further, non-corporate defendants would need to meet the same requirements as corporations in patent infringement cases, and in all other civil cases, for purposes of venue. Such a requirement for individual defendants is desirable in light of the Supreme Court's view that individuals who benefit from their interstate activities should be accountable in the areas where they derive their benefit.⁸⁰ Further, the inconsistency in venue law involving declaratory judgment actions and patent infringement cases would be eliminated for non-corporate defendants.⁸¹ Finally, repealing § 1400(b) would not be a drastic change because the amendment of § 1391(c) has not greatly expanded the number of potential forums.⁸²

Even though collateral litigation would still continue over proper venue, the litigation would be focused on personal jurisdiction and would be essentially the same as for all other civil cases. Well-established Supreme Court precedent already exists for personal jurisdiction, which would simplify litigation.

Repealing § 1400(b) would also allow Congress to clearly state its intent about the future of patent litigation instead of having the federal courts try to determine Congress's intent.⁸³ A clear statement of congressional intent will enhance the ability of courts to make correct decisions and will promote judicial economy.

At least one commentator has argued that the special patent venue should not be repealed, claiming that a repeal "is unlikely to strengthen the patent system, is likely to lead to abuses that may add fuel to the anti-patent forces about us, and will generate more forum shopping and more transfer requests."⁸⁴ This argument against repealing the special venue statute has now been undermined with the amendment of § 1391(c).⁸⁵ Also the opportunities for forum shopping generat-

79. See *Price v. Code-Alarm Inc.*, No. 91 C 699, 1991 U.S. Dist. Lexis 9620 (N.D. Ill. 1991).

80. See *supra* note 41 and accompanying text.

81. See *supra* notes 39-40 and accompanying text.

82. See *supra* parts IV.C, IV.D.2.

83. See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1582 (Fed. Cir. 1990), *cert. denied*, 111 S. Ct. 1315 (1991) (analyzing with difficulty past congressional intent concerning the restriction or liberalization of patent venue law).

84. Neal A. Waldrop, *The Patent Venue Statute, 28 U.S.C. 1400(b) Should Not Be Repealed*, 4 AM. PAT. L. ASS'N 32, 55 (1976).

85. Waldrop's main argument for not repealing § 1400(b) is that the alleged

ed by a repeal of § 1400(b) may not be too high a price to pay to end wasteful collateral litigation.⁸⁶ Similarly, venue transfer requests are more easily resolved than litigating over proper venue because courts may deny transfers if venue is improper in the transferee court or if the convenience of the parties does not warrant a transfer in the interest of justice.⁸⁷

V. CONCLUSION

By amending the general venue statute as it applies to corporations, venue law in patent infringement cases has conformed somewhat to venue law in general. The lack of complete uniformity arises because the statute only applies to corpora-

infringer has purposely been given a broader range of forums in which to bring a declaratory judgment action declaring the patent invalid and unenforceable than the patent holder in an infringement suit. This advantage was given to the alleged infringer because the patent holder could become oppressive in trying to sue alleged infringers if the patent holder in an infringement action could always obtain favorable forums in which to litigate. If § 1400(b) were repealed, the alleged infringer would lose this advantage. *Id.* at 50.

This argument is now undermined with the amendment of § 1391(c) and the decision in *VE Holding* because corporations are now treated the same in both patent infringement cases and declaratory judgment actions for purposes of venue. The amendment does not affect individuals, so Waldrop's reasoning still applies for an individual that is an alleged infringer involved in a declaratory judgment action.

Even though no inconsistency now exists between the venue requirements for corporate defendants involved in either a declaratory judgment action or a patent infringement action, § 1400(b) should still be repealed to bring non-corporate defendants on the same footing as corporate defendants. Presently, if an individual defendant is sued for patent infringement, he or she is subject to the venue requirements of § 1400(b). However, if an individual is sued in a declaratory judgment action, then the general venue requirements found in § 1391(c) are controlling. To eliminate this inconsistency, and to put individual defendants on equal footing with corporate defendants, § 1400(b) should be repealed.

86. See *supra* note 75 and accompanying text.

87. 28 U.S.C. § 1404(a) (1988); see also *Toombs v. Goss*, 768 F. Supp. 62, 65 (W.D.N.Y. 1991) (stating that a case may only be transferred where it could have originally been brought); *Price v. Code-Alarm, Inc.*, No. 91 C 699, 1991 U.S. Dist. LEXIS 9620 at *8 (N.D. Ill. 1991) (denying a motion to transfer because Code-Alarm failed to show that venue would be proper in the transferee court); *Farberware Inc. v. Alternative Pioneering Sys., Inc.*, 19 U.S.P.Q.2d (BNA) 1079 (S.D.N.Y. 1991) (denying defendant's contingent motion to transfer because defendant did not show by clear and convincing evidence that convenience of the parties warranted a transfer). *But see Waldrop, supra* note 84, at 55. Waldrop feels that saving judicial time is unlikely if § 1400(b) is repealed. *Id.* Waldrop also notes that patent holders usually receive preference in transfer motions which will ultimately hurt the system because patent holders would be able to sue in more forums favorable to them with the repeal of § 1400(b) and have preferential treatment in venue transfers. *Id.* at 52. Alleged infringers do not have the same advantage. *Id.* at 53.

tions and fails to address non-corporate defendants.

Although the amendment of § 1391(c) brought complete uniformity with respect to corporations involved in patent infringement suits, the change is less significant when compared to the scope of the former patent venue statute as applied to corporate defendants. New forums for proper venue may now be obtained wherever personal jurisdiction exists at the commencement of the action. However, because personal jurisdiction was already proper under the old statute in either the state of incorporation or where the company had a regular and established place of business, the new amendment does not drastically increase the number of new forums available.

However, the amendment eliminates wasteful collateral litigation over what constitutes a "regular and established place of business." Previously, plaintiffs in many cases were required to prove a "regular and established place of business" in order to obtain proper venue over a corporate defendant. Even though the litigation over venue is eliminated under the new statute, the collateral litigation will continue in many cases. Instead of litigation concerning proper venue, litigation will now shift to a battle over personal jurisdiction, an issue not often previously contested. It is arguable that such a shift may be an improvement because of well-established Supreme Court precedent for personal jurisdiction. Even so, problems may still remain because the amendment only deals with corporations and lower courts are confused about how to correctly apply the statute as required in *VE Holding*.

As this note suggests, repealing § 1400(b) would resolve these problems. All patent cases would be identical to other civil cases for venue purposes; judicial economy would be promoted because collateral litigation over the proper forum would be reduced; and lower courts would have clear directions to follow.

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