

# Chicago-Kent Journal of Intellectual Property

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Volume 18 | Issue 3

Article 4

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6-4-2019

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### Recommended Citation

Xincheng Ma, *TC Heartland, A Legally Wrong Painkiller for The Forum Shopping Problem*, 18 Chi. -Kent J. Intell. Prop. 364 (2019).

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# **TC HEARTLAND, A LEGALLY WRONG PAINKILLER FOR THE FORUM SHOPPING PROBLEM**

XINCHENG MA\*

## INTRODUCTION

Many commentators applauded the *TC Heartland LLC v. Kraft Foods Group Brands LLC* and *In re Cray* cases for successfully driving patent owners away from the Eastern District of Texas.<sup>1</sup> However, this Article criticizes these two cases for being contrary to both the text and the legislative history of § 1391(c) and § 1400(b) and cautions that, for the sake of prudence, the Supreme Court should not change the venue requirement as drastically as *TC Heartland*.

This Article further argues that the differences in district courts' local patent rules, instead of the liberalized venue requirement as suggested by many scholars,<sup>2</sup> is the real culprit responsible for the forum shopping phenomenon at the Eastern District of Texas. A more restrictive venue requirement cannot fix the forum shopping problem so long as district courts can still adopt their own special procedures for patent cases. This Article

\* Georgetown University Law Center, J.D. expected 2019; Nanjing University, B.S. in Physics 2016. ©2019, Xincheng Ma. The Author wants to thank John Thomas, his patent law professor at Georgetown Law, for his unreserved guidance and advice throughout the writing process, and Guiying Ji, for her unconditioned support. Furthermore, the Author appreciates the editing suggestions from editors at the Chicago-Kent Journal of Intellectual Property, especially Mary E. LaFleur, Michael Brew, and Brittany Kaplan. Without them, this paper would not have been as good as it is now.

1. Alyssa Miller, *Attorneys React to Supreme Court Patent Venue Ruling*, LAW360 (May 22, 2017, 8:52 PM EDT), <https://www.law360.com/articles/926933/attorneys-react-to-supreme-court-patent-venue-ruling>.

2. Alex Chan, *Patentee Forum Shopping May Be About To Change*, LAW360 (Jan. 21, 2016, 9:38 PM EST), <https://www.law360.com/articles/746615/patentee-forum-shopping-may-be-about-to-change>; Ryan Davis, *Fed. Circ. Urged To Close 'Absurd' East Texas Patent Docket*, LAW360 (Oct. 30, 2015, 8:05 PM EDT), <https://www.law360.com/articles/721246/fed-circ-urged-to-close-absurd-east-texas-patent-docket>; Jimmy Hoover, *Fed. Circ. Judge Wary Of Reshaping Patent Suit Venue Rules*, LAW360 (Mar. 11, 2016, 7:53 PM EST), <https://www.law360.com/articles/747316/fed-circ-judge-wary-of-reshaping-patent-suit-venue-rules>.

proposes to enact Federal Rules of Patent Procedure to uproot the real cause of forum shopping.

The remainder of this Article proceeds as follows: Part I summarizes the development of the general venue statute 28 U.S.C. § 1391(c) and the patent venue statute 28 U.S.C. § 1400(b), the already failed venue reform bills, the Supreme Court’s opinion in *TC Heartland*, and the Federal Circuit’s opinion in *Cray*. Part II argues the Supreme Court and the Federal Circuit’s interpretations of § 1391(c) and § 1400(b) are contrary to both the text and the legislative history of the statute. Parts III and IV argue that the Court should be cautious in taking steps as drastic as *TC Heartland* when more lenient venue bills failed at Congress and when Congress has continuously liberalized general venue requirements in the past seventy years. Part V argues that a more restrictive venue requirement cannot fix the forum shopping problem and enacting Federal Rules of Patent Procedure is a more direct measure.

## I. THE HISTORY OF 28 U.S.C. §§ 1391(C) & 1400(B)

### A. *Enactment, Revisions, and Judicial Interpretations*

In 1789, Congress enacted the first general venue statute, the predecessor of § 1391(c), under which venue was proper in any judicial district where defendants inhabited or where defendants “shall be found.”<sup>3</sup> In 1887, Congress narrowed this general venue statute by deleting the “shall be found” option, leaving only the “inhabit” option for plaintiffs.<sup>4</sup> At that time, where corporate defendants “inhabit” meant “the states in which they were “incorporated.”<sup>5</sup>

In 1897, Congress passed the first patent venue statute, the predecessor of § 1400(b).<sup>6</sup> Under this statute, patent owners could bring claims in any judicial districts where (1) defendants inhabit or (2) where defendants committed infringement and had their “regular and established place of business.”<sup>7</sup> Because of the “regular and established place of business” prong, this patent statute provided more options to patent plaintiffs than the 1887 general statute provided to general plaintiffs. At the same time, because

3. Act of Sept. 24, 1789, ch. 20, § 11, 1 Stat. 73, 79 (1789) (current version at 28 U.S.C. § 1391(c) (2011)).

4. Act of Mar. 3, 1887, ch. 373, § 1, 24 Stat. 552, 552 (1887) (current version at 28 U.S.C. § 1391(c) (2011)).

5. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1518 (2017).

6. Act of Mar. 3, 1897, ch. 395, 29 Stat. 695, 695–96 (1897) (current version at 28 U.S.C. § 1400(b) (2019)).

7. *Id.* at 695.

defendants can “be found” in any district where they have a “regular and established place of business,” this patent statute was narrower than the 1789 general statute. At the time, a corporation was still understood to “inhabit” only the state in which it was incorporated.<sup>8</sup>

In 1948, Congress re-codified the general venue statute into 28 U.S.C. § 1391(c) and the § 1400(b)’s predecessor into 28 U.S.C. § 1400(b).<sup>9</sup> It replaced the term “inhabit” with the term “reside” in both of the two venue statutes.<sup>10</sup> At the same time, § 1391(c) defined the term “residence” as “any judicial district in which it is incorporated or licensed to do business or is doing business.”<sup>11</sup> For the first time, the question arose as to whether the definition of “residence” in § 1391(c) supplemented the meaning of “reside” in § 1400(b), which did not define the term by itself. In *Fourco Glass Co. v. Transmirra Products Corp.*, the Supreme Court held that it did not.<sup>12</sup> As a result, the term “reside” in § 1400(b) still means “where the corporation is incorporated,” as the term “inhabit” used to mean before the simultaneous recodification.<sup>13</sup> Since then, Congress has not revised the language of § 1400(b) again.

Unlike § 1400(b), § 1391(c) has been amended several times after 1948. One major relevant change happened in 1988.<sup>14</sup> After being amended, § 1391(c) provided that “[f]or 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.”<sup>15</sup> Because of the language “for purposes of venue under this chapter,” the Federal Circuit held in *VE Holding Corp. v. Johnson Gas Appliance Co.* that Congress finally intended the definition of “reside” in § 1391(c) to control the meaning of “reside” in § 1400(b).<sup>16</sup> After all, § 1391(c)

8. *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 449–50 (1892).

9. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)); Act of June 25, 1948, ch. 646, § 1400, 62 Stat. 869, 936 (1948) (current version at 28 U.S.C. § 1400(b) (2019)).

10. Compare Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)), and Act of June 25, 1948, ch. 646, § 1400, 62 Stat. 869, 936 (1948) (current version at 28 U.S.C. § 1400(b) (2019)), with Act of Mar. 3, 1887, ch. 373, § 1, 24 Stat. 552, 552 (1887) (current version at 28 U.S.C. § 1391(c) (2011)), and Act of Mar. 3, 1897, ch. 395, 29 Stat. 695 (1897) (current version at 28 U.S.C. § 1400(b) (2019)).

11. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)).

12. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957).

13. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1519 (2017).

14. *Id.*

15. Judicial Improvements and Access to Justice Act, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (current version at 28 U.S.C. § 1391(c) (2011)) (emphasis added).

16. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1575 (Fed. Cir. 1990), abrogated by *TC Heartland LLC*, 137 S. Ct. at 1520–21.

and § 1400(b) were under the same chapter.<sup>17</sup> In terms of effect, patent plaintiffs finally got the same extent of freedom in choosing where to file their claims as other civil plaintiffs did: wherever the courts have personal jurisdiction over defendants.<sup>18</sup> After *VE Holding*, the last legislative change made to § 1391(c) happened in 2011.<sup>19</sup> Congress added the language that “[e]xcept as otherwise provided by law,” (called “saving clause” by the Supreme Court) “this section shall govern the venue of all civil actions brought in district courts of the United States,” and deleted the phrase “under this chapter.”<sup>20</sup>

Currently, § 1391(c) reads as:

For all venue purposes . . . an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question . . .<sup>21</sup>

and § 1400(b) reads as: “Any civil action for patent infringement may be brought in the judicial district where the defendant resides (‘first prong’), or where the defendant has committed acts of infringement and has a regular and established place of business (‘second prong’).”<sup>22</sup>

#### B. Venue Reform Bills Failed at Congress

Many scholars blame *VE Holding* for liberalizing the venue requirement for patent owners, thereby enabling them to forum shop.<sup>23</sup> They argue that the freedom of choice for patent owners resulted in an uncommon concentration of filing in a single district court—the Eastern District of Texas.<sup>24</sup> From January to June 2016, 36.4 percent of patent infringement cases were filed at the Eastern District of Texas, almost three times more than the number of cases filed in the second most popular venue, the District of Delaware.<sup>25</sup>

17. *Id.* at 1578.

18. *See id.* at 1583.

19. *TC Heartland LLC*, 137 S. Ct. at 1520.

20. *Id.*

21. 28 U.S.C. § 1391(c) (2011).

22. 28 U.S.C. § 1400(b) (1999).

23. *See, e.g.*, Robert M. Parker, *The Eastern District Phenomenon*, 45 THE ADVOC. (TEXAS) 27, 28 (2008).

24. *Id.*

25. Owen Byrd, *2016 Fourth Quarter Litigation Update*, LEX MACHINA (Jan. 12, 2017), <https://lexmachina.com/q4-litigation-update/>.

At the same time, frequent defendants like Samsung, Apple, and other high-tech companies kept lobbying Congress for a more restrictive patent venue statute.<sup>26</sup> Numerous bills about venue reform were introduced to both the House and the Senate to restrict patent venue. Each failed. On June 8, 2005, Representative Lamar Smith of Texas introduced the Patent Reform Act of 2005 (“House Bill 2795”). This original Bill did not contain any venue provision,<sup>27</sup> but an amendment to the bill would have limited patent venue to (1) districts in which the defendant had its principal place of business, (2) districts in which acts of infringement occurred, and the defendant had an regular and established place of business, or (3) districts in which personal jurisdiction is proper if the patent owner is a not-for-profit educational institution.<sup>28</sup> On August 3, 2006, Senator Orrin Hatch and Patrick Leahy further introduced Senate Bill 3818, or Patent Reform Act of 2006, which corresponds to the House Bill, and it would have limited patent venue to (1) districts in which the plaintiff or defendant has principal place of business or is incorporated, or (2) districts in which acts of infringement occurred, and the defendant had an regular and established place of business.<sup>29</sup> “The intent of the venue language is to serve as a starting point for discussions as to what restrictions— . . . if any— . . . are appropriate on the venue in which patent cases may be brought,” stated Senator Hatch (for himself and Senator Leahy).<sup>30</sup> Ultimately, Congress did not pass these proposed reform bills, since some Senators believed the added amendment about venue was too restrictive.

In the meantime, on April 5, 2006, Representative Howard Berman introduced House Bill 5096, or the Patent Depend on Quality Act of 2006, which adds to the current patent venue statute a “transfer” provision.<sup>31</sup> Under the “transfer” provision of that bill, if an infringement case is not filed in (1) districts in which patentee resides or maintains its principal place of business or (2) districts in which accused infringer has principal place of business or

26. *Examining the Supreme Court’s TC Heartland Decision: Hearing Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary*, 115th Cong. 11–12 (2017) (statement of Adam Mossoff, Professor, Antonin Scalia Law School, George Mason University).

27. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (as introduced in the House, June 8, 2005).

28. Lamar Smith, *Amendment in the Nature of a Substitute to H.R. 2795 § 9*, at 56–57, <http://www.jonesday.com/files/upload/AmendedSmithBill.pdf> (last visited Apr. 25, 2019), *see also Amendment in the Nature of a Substitute to H.R. 2795, The “Patent Act of 2005”: Hearing on H.R. 2795 Before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 109th Cong. 1–3 (2005) (statement of Rep. Lamar Smith, Chairman, Subcomm. on Courts, the Internet, and Intellectual Prop.).

29. Patent Reform Act of 2006, S. 3818, 109th Cong. § 8 (as introduced in the Senate, Aug. 3, 2006).

30. 152 CONG. REC. 16,998 (2006) (statement of Sen. Hatch).

31. Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. § 7 (2006).

is incorporated, and if neither plaintiff nor defendant has substantial evidence and witness in the original judicial district, the defendant can transfer the case to another judicial district where substantial witness and evidence exist.<sup>32</sup> This bill also failed.

On April 18, 2007, Senator Patrick Leahy and Representative Howard Berman of California introduced Patent Reform Act of 2007, which included a patent venue provision nearly identical to the Senate Bill 3818.<sup>33</sup> Under this Bill, as introduced in the Senate and the House, patent venue would have been proper in (1) judicial district where the defendant has principal place of business or is incorporated, and (2) judicial district where the defendant has committed acts of infringement and has a regular and established place of business.<sup>34</sup>

On July 12, 2007, Senator Arlen Specter of Pennsylvania proposed an amendment to this bill which further requires that defendant has committed “substantial” infringement and “regular and established” physical facility which constitute “substantial” operation for defendant in the judicial district under the second prong.<sup>35</sup> This amendment resulted in severe rebound from legislators sided with patent owners. When the Bill finally got reported to the Senate and the House, the bill ended up with more provisions favoring patent owners. For example, under the final Senate Bill as reported in the Senate, patent venue was proper only at the judicial districts where (1) the defendant, or for foreign defendant, the primary U.S. subsidiary has its principal place of business or is incorporated; (2) the defendant has “committed substantial acts of infringement” and has a “regular and established” physical facility that constitutes a “substantial” portion of defendant’s operations; (3) *the plaintiff resides if the plaintiff is an institute of higher learning or a non-profit organization serving as patent licensing for such institute, or* (4) *the plaintiff resides if the plaintiff is an individual inventor who is a natural person.*<sup>36</sup> This amendment provided one of the most convenient venues for universities and individual inventors, usually on the plaintiff’s side. Nevertheless, this amendment also failed. Representative

32. *Id.*

33. Patent Reform Act of 2007, S. 1145, 110th Cong. § 10 (as introduced in the Senate, Apr. 18, 2007); Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 10 (as introduced in the House, Apr. 18, 2007).

34. Patent Reform Act of 2007, S. 1145, 110th Cong. § 10 (as introduced in the Senate, Apr. 18, 2007); Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 10 (as introduced in the House, Apr. 18, 2007).

35. See Michael C. Smith, “A Battle Over Where the War Is to Be Fought”: Venue in Patent Cases, *The Advocate* 10, 11 (2007).

36. See Patent Reform Act of 2007, S. 1145, 110th Cong. § 8 (as reported in the Senate, Jan. 24, 2008).

Zoe Lofgren of California, Representative Chris Cannon of Utah, and other legislators forcefully criticized the local procedural rules of the Eastern District of Texas and argued how this more restrictive venue reform bill could solve patent troll problem. However, opponents including Senator John Cornyn of Texas and Representative Louie Gohmert of Texas defeated this bill, pointing out that the Eastern District of Texas already gained valuable experience and expertise in patent litigation.<sup>37</sup>

On March 3, 2009, Senator Leahy introduced the Patent Reform Act of 2009 (“Senate Bill 515”) in the Senate.<sup>38</sup> This bill is similar to the Patent Reform Act of 2007 as reported in Senate and also contains a “transfer” provision similar to the one in Patent Depend on Quality Act of 2006.<sup>39</sup> Different from the provision in Patent Depend on Quality Act of 2006, however, this “transfer” provision allows transfer even when cases are originally filed in proper district court.<sup>40</sup> This bill also did not survive.

Before the enactment of the American Invents Act (“AIA”), Congress deleted the provision of the bill pertaining to venue. That provision, if adopted, would have required a court to transfer a case upon a showing that the transferee district is clearly more convenient.<sup>41</sup> Because Senators feared that this controversial provision would endanger the agreement they had reached, it did not appear in the final AIA.<sup>42</sup>

The last legislative effort prior to *TC Heartland* and *Cray* was the Venue Equity and Non-Uniformity Elimination Act of 2016 (“VENUE Act of 2016”). This amendment of § 1400(b) would have allowed a patent infringement case to be brought in only judicial districts where:

- (1) the defendant has its principal place of business or is incorporated; (2) the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement; (3) the defendant has agreed or consented to be sued; (4) an inventor named on the patent conducted research or development that led to the application for the patent in suit; or (5) a party has a regular and established physical facility and has managed significant research and development for the invention claimed in the patent, has manufactured a tangible product alleged to embody that invention, or has implemented a

37. See 153 CONG. REC. 23, 935–36 (2007) (statement of Rep. Gohmert); *Cornyn Pledges to Fight for Fairness for Eastern District of Texas Courts*, JOHN CORNYN U.S. SEN. FOR TEX. (July 13, 2007), <https://www.cornyn.senate.gov/content/cornyn-pledges-fight-fairness-eastern-district-texas-courts>.

38. Patent Reform Act of 2009, S. 515, 111th Cong. § 8 (as introduced in the Senate, Mar. 3, 2009).

39. *See id.*

40. *Id.*

41. See S. REP. NO. 111-18, at 19 (2009) (describing provisions of the Leahy-Specter-Feinstein amendment).

42. See 157 CONG. REC. 2,997 (2011).

manufacturing process for a tangible good in which the process is alleged to embody the invention.<sup>43</sup>

Some commentators believed this VENUE Act was more narrowly tailored to the Eastern District of Texas problem because it only limited patent owners' venue options slightly.<sup>44</sup> At the same time, law professors criticized this Act for only relocating patent cases from plaintiff-friendly forum to defendant-friendly forums.<sup>45</sup> Regardless, this bill failed too.

### C. TC Heartland and Cray

Finally, in *TC Heartland*, the Supreme Court gave the defendant lobbyists what they wanted.<sup>46</sup> On May 22, 2017, the Supreme Court issued its landmark opinion in *TC Heartland*. This opinion reaffirmed its previous interpretation of the meaning of "reside" in § 1400(b) and rejected the Federal Circuit's interpretation in *VE Holding*, which had been left intact for almost thirty years.<sup>47</sup> This reaffirmed interpretation limited proper venue under the first prong of § 1400(b) from wherever personal jurisdiction can be met back to judicial districts where the corporate defendants are incorporated.<sup>48</sup>

The Supreme Court held that those amendments made to § 1391(c) during the intervening 70 years meant nothing for § 1400(b).<sup>49</sup> In patent cases, venue is still only proper at the judicial district where the defendant is incorporated, how it was in 1948.<sup>50</sup> Justice Thomas justified this holding under the canon that "when Congress intends to effect a change of that kind [overturn a Supreme Court interpretation], it ordinarily provides a relatively

43. Venue Equity and Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. § 2 (2016).

44. Andrew Williams, *The VENUE Act—A Last-Ditch Attempt at Patent Reform?*, PATENT DOCS (Mar. 28, 2016), <https://www.patentdocs.org/2016/03/the-venue-act-a-last-ditch-attempt-at-patent-reform.html>.

45. See Letter to Congress from 28 Law Professors & Economists Urging Caution on the VENUE Act (Aug. 1, 2016), <https://ssrn.com/abstract=2816062> ("The reality is that the major proponents of changing the venue rules are primarily large high-tech companies and retailers with an online presence sued in the Eastern District of Texas that would rather litigate in a small number of more defendant-friendly jurisdictions.").

46. *Examining the Supreme Court's TC Heartland Decision: Hearing Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary*, 115th Cong. 811 (2017) (statement of Adam Mossoff, Professor, Antonin Scalia Law School, George Mason University) ("TC Heartland is merely one tactical engagement in wide-ranging lobbying.").

47. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

48. Compare *id.* with *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990).

49. *TC Heartland LLC*, 137 S. Ct. at 1520.

50. *Id.*

clear indication of its intent in the text of the amended provision.<sup>51</sup> He also rejected the Federal Circuit's conclusion in the lower proceeding that the current phrase "for all venue purposes" was intended to cover more than the old phrase "for venue purpose" in 1988.<sup>52</sup> Finally, he strengthened his argument by pointing to the "saving clause" added in the 2011 revision: "except as otherwise provided by law" and to Congress' deletion of the language "under this chapter."<sup>53</sup> According to Justice Thomas, this indicated that Congress did not want to overturn *Fourco*.<sup>54</sup>

Three months later, the Federal Circuit issued a mandamus order in *In re Cray*, which provided guidelines for lower courts to implement the "regular and established place of business" prong of § 1400(b) ("the second prong").<sup>55</sup> The second prong, as an alternative to the first prong addressed in *TC Heartland*, provides that, in patent infringement cases, venue is also proper in the judicial district where the defendant infringed and has "regular and established place of business."<sup>56</sup> The Federal Circuit disassembled the phrase "regular and established place of business" into three requirements: (1) a physical place is necessary, in terms of "a building or part of building" or "geographical location" in the district; (2) it must be a *regular and established* place of business; and (3) it must be the place of the defendant.<sup>57</sup> *Cray* fulfilled the then urgent need of guidance: during the intervening thirty years, there was no case discussing the second prong because the first prong could be met whenever personal jurisdiction was proper under the overturned *VE Holding*.<sup>58</sup>

In *Cray*, because both parties agreed that the defendant did not "reside" in the judicial district, the Federal Circuit confined its inquiry to whether two employees of the defendant and their homes located in a judicial district could constitute a "regular and established place of business" under the second prong.<sup>59</sup> The Federal Circuit first referred to the legislative history of the § 1400(b)'s predecessor and explained that the statute served the purpose of resolving a district court split about whether the 1887 venue statute applied to patent infringement cases or the 1789 statute applied.<sup>60</sup> After

51. *Id.*

52. *Id.* at 1520–21.

53. *Id.* at 1521.

54. *Id.*

55. *In re Cray Inc.*, 871 F.3d 1355, 1360 (Fed. Cir. 2017).

56. 28 U.S.C. § 1400(b) (1999).

57. *In re Cray Inc.*, 871 F.3d at 1360.

58. *Id.* at 1359.

59. *Id.* at 1360, 1364.

60. *Id.* at 1360–61.

citing a Supreme Court case *Stonite Products Co. v. Melvin Lloyd Co.*, the Federal Circuit concluded that the statute was intended to be a “restrictive measure, limiting a prior broader venue (i.e., the 1887 statute),” and “[t]he requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interests of some overriding policy, is to be given a liberal construction.”<sup>61</sup> “Be[ing] mindful of this history in applying the statute,” Judge Lourie rejected Judge Gilstrap’s four-factor balancing test and deconstructed the statute into three requirements: (1) a physical place is necessary, in terms of “a building or part of building” or “geographical location” in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.<sup>62</sup>

In reaching this statutory construction, Judge Lourie heavily relied on *The Century Dictionary*.<sup>63</sup> For example, although he “recognized that the world has changed since 1985 . . . In this new era, not all corporations operate under a brick-and-mortar model,” he still insisted that the term “place” independently requires “a *physical* place.”<sup>64</sup> “[W]e must focus on the full and unchanged language of the statute,” he said.<sup>65</sup> Similarly, the term “regular and established” requires a “settled and permanent” place of a “steady and methodical” business.<sup>66</sup> Finally, the meaning of “of defendant” is self-evident: the defendant needs to have control over the place.<sup>67</sup>

#### D. The Effect of TC Heartland and Cray

In terms of driving plaintiffs away from the Eastern District of Texas, *TC Heartland* and *Cray* have succeeded. Within the three-months before *TC Heartland*, thirty-three percent of new patent infringement cases were filed at the Eastern District of Texas, almost three times more than the number of cases filed in the second most popular venue, the District of Delaware.<sup>68</sup> In the three months following *TC Heartland*, the percentage dropped to thirteen.<sup>69</sup> At the same time, the percentage of cases filed in the District of Delaware went up to twenty-six percent from thirteen percent.<sup>70</sup>

61. *Id.* at 1361.

62. *Id.* at 1360–61.

63. *Id.* at 1362.

64. *Id.* at 1359, 1362.

65. *Id.* at 1359.

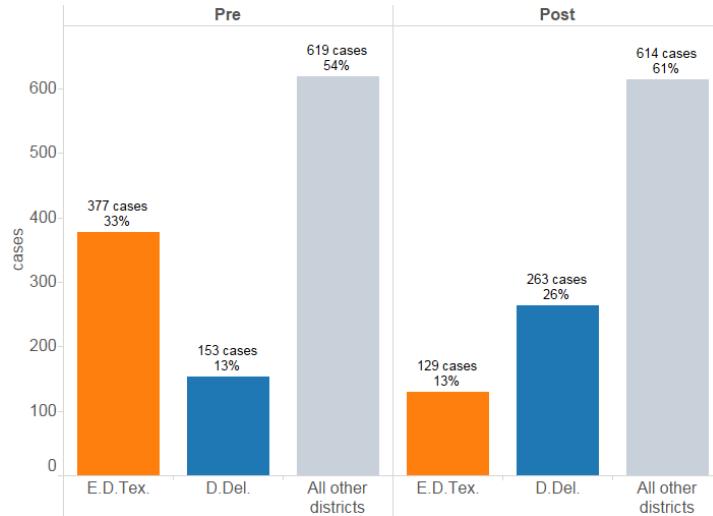
66. *Id.* at 1362–63.

67. *Id.* at 1363.

68. Owen Byrd, *Patent Litigation Trends in the Three Months after T.C. Heartland*, LEX MACHINA (Oct. 18, 2017), <https://lexmachina.com/patent-litigation-trends-in-the-three-months-after-t-c-heartland/>.

69. *Id.*

70. *Id.*



*Cray* further limited judges' discretion in finding proper venue under the "regular and established place of business" prong by injecting the "physical place" requirement into the inquiry. According to Docket Navigator, between May 22, 2017 (*TC Heartland*) and September 21, 2017 (*Cray*), Judge Gilstrap denied all of two motions to transfer out from the Eastern District of Texas or motions to dismiss for improper venue under the "regular and established place" prong.<sup>71</sup> In that period, the average denial rate for such motions nationwide (excluding the Eastern District of Texas) was two out of twenty-one (counting only court orders with final rulings on such motions and magistrate judges' recommendations on such motions).<sup>72</sup> Since September 21, 2017, and up to March 29, 2017, Judge Gilstrap denied three of six such motions.<sup>73</sup> In the same period, the average denial rate for

71. Raytheon Co. v. Cray, Inc., 258 F. Supp. 3d 781, 799 (E.D. Tex. 2017) (order denying defendant's motion to transfer for improper venue); Kranos IP Corp. v. Riddell, Inc., No. 2:17-cv-443-JRG, 2017 U.S. Dist. LEXIS 138108, \*7–17 (E.D. Tex. Aug. 28, 2017) (order denying defendant's motion to dismiss or transfer for improper venue).

72. On the Docket Navigator platform, I searched for court orders under the legal issue "Regular and Established Place of Business" entered by all U.S. District Courts, excluding the Eastern District of Texas, between May 22, 2017 and September 21, 2017. I received the result of nineteen orders granting defendant's motion to dismiss or transfer for improper venue or, *sua sponte* dismissal; two orders denying such motion with prejudice; three orders denying such motion without prejudice or deferring ruling on such motion for further briefing, further discovery, or possible amended complaint; four orders granting the plaintiff's motion for expedited discovery or requesting additional briefing before ruling on defendant's motion to dismiss or transfer for improper venue; and one order denying the plaintiff's motion for expedited discovery before ruling on defendant's motion to dismiss or transfer for improper venue. See [compass.docketnavigator.com](http://compass.docketnavigator.com).

73. Intellectual Ventures II LLC v. FedEx Corp., No. 2:16-cv-00980-JRG, 2017 U.S. Dist. LEXIS 193581, \*1 (E.D. Tex. Nov. 22, 2017) (order denying defendant's motion to dismiss for improper venue); SEVEN Networks, LLC v. Google LLC, No. 2:17-cv-00442-JRG, 2018 U.S. Dist. LEXIS 146375, \*1

such motions nationwide (excluding the Eastern District of Texas) was seven out of seventy-two (also counting only court orders with final rulings on such motions and magistrate judges' recommendations on such motions).<sup>74</sup> This data indicates that *TC Heartland* successfully drove cases from the Eastern District of Texas to the District of Delaware and suggests that *Cray*, to some extent, effectively limited district court judges' discretion in the venue determination under the second prong.

Before the completion of this Article, the Federal Circuit denied a petition for mandamus from the defendant in the Eastern District of Texas in *In re Google LLC*.<sup>75</sup> In *Google*, the district court judge held that an Internet server of the defendant could constitute a "physical presence" as required by the *Cray* test, as opposed to a few other district court rulings.<sup>76</sup> The Federal Circuit panel denied the mandamus order because "a post-judgment appeal generally is an adequate remedy" for venue concerns.<sup>77</sup> Predictably, the result of this case on appeal will significantly affect the lasting outcome of *Cray* and *TC Heartland*.

(E.D. Tex. July 19, 2018) (order denying defendant's motion to dismiss for improper venue); Blitzsafe Tex., LLC v. Bayerische Motoren Werke AG, No. 2:17-cv-00418-JRG, 2018 U.S. Dist. LEXIS 173065, \*1 (E.D. Tex. Sept. 5, 2018) (order denying defendant's motion to dismiss for improper venue); Uniloc USA, Inc. v. Nutanix, Inc., No. 2:17-cv-00174-JRG, slip. op. (E.D. Tex. Dec. 06, 2017) (order granting defendant's motion to dismiss for improper venue); AGIS Software Dev. LLC v. ZTE Corp. et al., No. 2:17-cv-00517, \*1 (E.D. Tex. Sept. 28, 2018) (order granting defendant's dismiss for improper venue); Fractus, SA v. ZTE Corp., No. 2:17-cv-00561-JRG, slip. op. (E.D. Tex. Sept. 28, 2018) (order granting defendant's motion to dismiss for improper venue).

74. On the Docket Navigator platform, I searched for court orders under the legal issue "Regular and Established Place of Business" entered by all U.S. District Courts, excluding the Eastern District of Texas, between September 21, 2017 and March 29, 2019. I received the result of sixty-five orders granting or recommending granting defendant's motion to dismiss or transfer for improper venue, or *sua sponte* dismissal; seven orders denying or recommending denying such motion with prejudice; seven orders denying such motion without prejudice or deferring ruling on such motion for further briefing, further discovery or possible amended complaint; one order granting the defendant's motion to transfer for convenience and finding the transferee venue is proper; two orders denying the defendant's motion to transfer for convenience and finding the transferee venue improper; six orders granting the plaintiff's motion for expedited discovery or *sua sponte* requesting additional briefing before ruling on defendant's motion to dismiss or transfer for improper venue; zero orders denying the plaintiff's motion for expedited discovery before ruling on defendant's motion to dismiss or transfer for improper venue; one order denying plaintiff's motion to retransfer for improper venue; one order granting plaintiff's motion to add new defendants because based on the amended complaint those newly-added defendants had a place of business in the judicial district; and one order granting the defendant's motion to amend its answer to include a venue challenge. See compass.docketnavigator.com.

75. *In re Google Inc.*, No. 2:17-cv-00442-JRG, 2018 WL 5536478, at \*4 (Fed. Cir. Oct. 29, 2018).

76. *Id.* at \*1.

77. *Id.* at \*2.

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## II. THE COURT MISUNDERSTOOD THE TEXT AND LEGISLATIVE PURPOSE OF THE STATUTES

*TC Heartland* and *Cray* temporarily relieve the forum shopping problem, but their reasoning is contrary to both the text and the legislative history of the two statutes. As explained below, the legislative history shows that the predecessor of § 1400(b) was broader than the contemporary general venue requirement, and hence provided patent owners more venue options than other federal civil plaintiffs.<sup>78</sup> In the past seventy years, Congress continuously liberalized the general venue requirement for non-patent plaintiffs and expressed its intent to synchronize the patent venue statute with the general venue statute by revising the statutory text of § 1391(c).<sup>79</sup> But the Court continually held that Congress never changed the meaning of § 1400(b) because, allegedly, (1) the statute was originally intended to be independent of § 1391(c), and (2) Congress never changed its mind.<sup>80</sup> Because of this freeze on § 1400(b) by the Court, now patent plaintiffs have fewer venue options than their peers who were not restrained by the venue requirement under the current general venue statute. This section will argue that, although the § 1400(b)'s predecessor was intended to be independent, Congress has expressed its changing mind in its revision of the statute.

### A. *The First Prong of § 1400(b), Fourco, and TC Heartland*

The Supreme Court addressed § 1400(b) and its predecessor three times in history. The first time, in *Stonite*, the Court concluded that § 1400(b)'s predecessor was independent of the predecessor of § 1391(c).<sup>81</sup> This Article does not dispute this part of *Stonite* but disagrees with the following *Fourco* and *TC Heartland* cases, which held that the definition of “residence” in § 1391(c), after being re-codified in 1948, still did not apply to § 1400(b).<sup>82</sup> As explained below, the plain text of § 1391(c) and § 1400(b) runs counter to *Fourco* and *TC Heartland*. What's more, the Supreme Court miscomprehended the legislative intent underlying the 1948 re-codification, the 1988 amendment, and the 2011 amendment.

A plain reading of § 1400(b) and § 1391(c) shows that the latter should control the former. It has been a consensus among courts that, to interpret a

78. See *infra* Part II, Section B.

79. See *infra* Part IV.

80. See *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228–29 (1957); *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

81. *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 567 (1942).

82. *Fourco Glass Co.*, 353 U.S. at 228–29; *TC Heartland LLC*, 137 S. Ct. at 1520–21.

statute, a court should look at its text first.<sup>83</sup> Current § 1400(b) reads: “[a]ny 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.”<sup>84</sup> Most of this sentence is clear except the terms (1) “resides” and (2) “regular and established place of business.” If we only look at the plain text of § 1391(c), it apparently supplements the definition of “residence”:

For all venue purposes . . . (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business.<sup>85</sup>

§ 1391(a) also delineates the applicability of this section: “[e]xcept as otherwise provided by law . . . this section shall govern the venue of all civil actions brought in district courts of the United States . . .”<sup>86</sup>

Despite this textual clarity, the *Fourco* and *TC Heartland* Courts reached contrary conclusions based on its own precedents, its interpretation of legislative history, and short phrases like “except as otherwise provided by law.”<sup>87</sup> The first time the Supreme Court addressed this question was in *Stonite* where the Court concluded that the predecessor of § 1400(b), as originally enacted, was independent of the predecessor of § 1391(c).<sup>88</sup> After Congress re-codified the predecessors of § 1391(c) and § 1400(b) to their current formats, Justice Whittaker, in *Fourco*, stated again for the court that the definition of “reside” in § 1391(c) did not apply to § 1400(b).<sup>89</sup> Although Congress had explicitly stated that the re-codified statutes themselves were determinative and referenced to prior volumes of the statute at large became

83. Justice Elena Kagan, Associate Justice, Supreme Court of the United States, Interview at Harvard Law School the Scalia Lecture | A Dialogue with Justice Elena Kagan on the Reading of Statutes (Nov. 18, 2015) (“we are all textualists now.”), *see also* Jonathan R. Siegel, *Legal scholarship highlight: Justice Scalia’s textualist legacy*, SCOTUSBLOG (Nov. 14, 2017), <https://www.scotusblog.com/2017/11/legal-scholarship-highlight-justice-scalias-textualist-legacy/> (“It is now generally agreed that when interpreting a statute, a court should start by reading the statutory text and should not lightly depart from the text.”).

84. 28 U.S.C. § 1400(b) (1999).

85. 28 U.S.C. § 1391(c) (2011).

86. 28 U.S.C. § 1391(a) (2011).

87. *TC Heartland LLC*, 137 S. Ct. at 1521.

88. *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 567 (1942).

89. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 227–28 (1957).

wholly unnecessary,<sup>90</sup> Justice Whittaker still cited to the prior *Stonite* case and claimed that the question was “whether there has been a substantive change in that statute since the *Stonite* case.”<sup>91</sup> The potential substantive change happened in 1948 when Congress substituted the term “of which the defendant is an inhabitant” in § 1400(b)’s predecessor with the term “where the defendant resides”.<sup>92</sup> At the same time, Congress similarly substituted the term “whereof he is an inhabitant” in § 1391(c)’s predecessor with the word “reside”.<sup>93</sup> The re-codified § 1391(c) further defined “residence” for a corporate defendant as “any judicial district in which it is incorporated or licensed to do business or is doing business.”<sup>94</sup>

Referring to a Reviser Note accompanying the § 1400(b) bill, the *Fourco* Court held that these two simultaneous changes of the term did not mean that Congress intended § 1391(c) to complement § 1400(b).<sup>95</sup> The § 1400(b) Note stated: “Words in subsection (b) ‘where the defendant resides’ were substituted for ‘of which the defendant is an inhabitant.’ Words ‘inhabitant’ and ‘resident,’ as respects venue, are *synonymous*.<sup>96</sup> In other words, under the interpretation of *Fourco*, the substitution within § 1400(b) did not change the meaning of the statute: for patent venue purpose, “residence” of a corporation was still the judicial district where the defendant was incorporated.<sup>97</sup>

However, whether the § 1400(b) Note indeed supported the Court’s conclusion was questionable in light of another Reviser Note regarding § 1391(c). The § 1391(c) Note similarly stated the “Word ‘reside’ was substituted for ‘whereof he is an inhabitant’ for clarity inasmuch as “‘inhabitant’ and “‘resident’” are synonymous.”<sup>98</sup> If the Court’s conclusion in *Fourco* was correct, the meaning of § 1391(c) should also be the same before and after the 1948 recodification. Nevertheless, the recodification indisputably redefined the meaning of “reside” in § 1391(c). Therefore, the § 1400(b) Note cannot preclude the possibility that the 1948 recodification changed the meaning of § 1400(b). The Note explained why Congress did

90. S. REP. NO. 80-1559, at 1 (1948).

91. *Fourco Glass Co.*, 353 U.S. at 225.

92. Act of June 25, 1948, ch. 646, § 1400, 62 Stat. 869, 936 (1948) (current version at 28 U.S.C. § 1400(b) (2019)); H.R. REP. NO. 80-308, at A130-31 (1947).

93. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)); H.R. REP. NO. 80-308, at A127 (1947).

94. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)); H.R. REP. NO. 80-308, at A147 (1947).

95. *Fourco Glass Co.*, 353 U.S. at 227–28.

96. H.R. REP. NO. 80-308, at A130-31.

97. *Fourco Glass Co.*, 353 U.S. at 226.

98. H.R. REP. NO. 80-308, at A127.

not directly redefine the term “inhabitant” but instead changed the term “inhabitant” to “resident” and then defined “resident.” The Court’s reliance on this Reviser Note was misplaced.

The *Fourco* court also mistakenly relied on a statement of a special consultant on this revision at the House hearing: “Venue provisions have not been altered by the revision.”<sup>99</sup> According to the Court, this statement also supported the conclusion that the simultaneous linguistic substitution within § 1400(b) and § 1391(c) did not change the meaning of § 1400(b).<sup>100</sup> However, this quotation pointed only to § 1391(c). This revision unquestionably changed the definition of “residency” for corporate defendants in § 1391(c). In the past, corporations “inhabited” only in the districts where they were incorporated.<sup>101</sup> After the revision, corporations resided in any judicial districts where they were incorporated, were licensed to do business, and were doing business.<sup>102</sup> This change of definition was actually “radical”, the special consultant concluding in his book published later.<sup>103</sup> However, practically, the legal effect of the § 1391(c)’s predecessor and § 1391(c) for general civil litigations were the same before and after the revision. In *Neirbo Co. v. Bethlehem Shipbuilding Corp.*, the Court held that corporations waived their venue objection when they designated an agent to accept service to obtain license to do business in a state.<sup>104</sup> § 1391(c) codified *Neirbo* into the statute by redefining the term “reside/inhabit” to include judicial districts where defendants were licensed to do business. Although having the same legal effect, § 1391(c) was still different from § 1391(c)’s predecessor in two aspects. First, the waiver doctrine was a judicially created doctrine, but the new definition was a positive law. Second, waiving an objection was different from not having such an objection in the first place. In these two aspects, the revision indeed changed § 1391(c). The change in the definition of the term “residence” changed the effect of § 1400(b), even though it had no practical effect on § 1391(c) because of the *Neirbo* case.

If *Fourco* itself was a mistake, it casts *TC Heartland*’s reliance on *Fourco* in great doubt. Even if *Fourco* was correct, *TC Heartland*’s analysis about changes made to § 1391(c) after *Fourco* was also wrong. Contrary to

99. Revising, Codifying, and Enacting into Law Title 28 of the United States Code, Entitled “Judicial Code and Judiciary”: Hearing on H.R. 1600 and H.R. 2055 Before the Subcomm. No. 1. of the H. Comm. on the Judiciary, 80th Cong., at 29 (1947) (statement of James William Moore, Professor of Law, Yale University); *Fourco Glass Co.*, 353 U.S. at 227.

100. *Fourco Glass Co.*, 353 U.S. at 227.

101. See *Shaw v. Quincy Mining Co.*, 145 U.S. 444, 452–53 (1892).

102. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)).

103. JAMES WILLIAM MOORE, COMMENTARY ON THE UNITED STATES JUDICIAL CODE 194 (1949).

104. 308 U.S. 165, 170–71 (1939).

the Court's opinion, Congress had clearly expressed its intent to overturn *Fourco* in the 1988 revision of § 1391(c), and the alleged "saving clause" does not save *Fourco*.

*TC Heartland* relied on an interpretation canon that Congress can only overturn the Court's interpretation by clear expression in the revised provision.<sup>105</sup> The canon itself is valid, but the Court's application was problematic. To correctly apply this canon, the Court should look at all changes made to § 1391(c) after *Fourco*. So long as Congress expressed its intent to overturn *Fourco once*, it does not need to repeat its intent every time. The Court refused to find such expression in the current 2011 version of § 1391(c) but forgot to examine the 1988 revision to § 1391(c).<sup>106</sup> Congress added the phrase "for purposes of venue under this chapter" in the 1988 revision of § 1391(c), and the phrase was a clear enough expression of intent to overturn *Fourco*.<sup>107</sup> There were only a few venue provisions under the same chapter as § 1391(c), and § 1400(b) was one of them. By adding such a phrase, Congress must have considered whether § 1391(c) should control § 1400(b) and determined it was. If such a phrase is not a clear enough expression, what is? Congress should not have to explicitly name a wrongfully decided case in a revised provision of law. The fact that Congress changed such a phrase to "for all venue purposes" later in 2011 is immaterial.

The saving clause "except as otherwise provided by law," which was added in the 2011 revision, does not save *Fourco*.<sup>108</sup> When Congress last amended § 1391(c) in 2011, observers all believed that *VE Holding* was the controlling law, which already held that § 1391(c) supplemented the definition of "residence" in § 1400(b).<sup>109</sup> Therefore, when Congress added the saving clause, it did not have *Fourco* in mind.

#### B. The Second Prong of § 1400(b), *Stonite*, and *Cray*

The Supreme Court and the Federal Circuit misunderstood the legislative purpose of § 1400(b) and its predecessor. Their purpose was originally to provide patent owners more venue options, even more than what other civil plaintiffs had. In *Cray*, the Federal Circuit followed the Supreme Court's instruction in *Stonite* that the predecessor of § 1400(b) was "a

105. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1520 (2017).

106. *Id.*

107. *See Judicial Improvements and Access to Justice Act*, Pub. L. No. 100-702, § 1013, 102 Stat. 4642, 4669 (1988) (current version at 28 U.S.C. § 1391(c) (2011)).

108. *See* 28 U.S.C. § 1391(c) (2011).

109. Robert G. Bone, *Forum Shopping and Patent Law—A Comment on TC Heartland*, 96 TEX. L. REV. 141, 152 (2017).

restrictive measure, limiting a prior, broader venue [the 1789 statute]” and interpreted the second prong of § 1400(b) “restrictively.”<sup>110</sup> As a result, according to Judge Lourie, the phrase “regular and established place of business” textually requires that the defendant must have a physical presence in a judicial district to establish venue for patent infringement cases.<sup>111</sup> However, *Stonite* itself mistakenly interpreted the legislative history of § 1400(b), and the *Cray* interpretation was not as textualist as what the Federal Circuit claimed it to be.

Contrary to the Court’s conclusion, the predecessor of § 1400(b) served the objective of enlarging another prior, narrower venue statute (the 1887 statute), which most courts chose to apply to patent infringement cases over the “prior, broader venue” (the 1789 statute).<sup>112</sup> As Representative Lacey explained at the Committee meeting, this statute provided an additional option for patent owners other than the existing law.<sup>113</sup> This aspect of history has been ignored for a long time.<sup>114</sup> The Supreme Court’s misunderstanding was rooted in the debate at the House. To persuade opponents of the bill, who did not want to give patent owners more venue options, Congressmen Mitchell raised the argument that the bill was more limiting than the 1789 statute, which allegedly half of the lower courts applied.<sup>115</sup> However, only a few lower courts applied the 1789 statute to patent infringement cases.<sup>116</sup> Most lower courts applied the 1887 statute to such cases, and the bill was less limiting than the 1887 statute.<sup>117</sup> Further, this argument did not convince the opponent legislators, and hence it did not indicate the legislative intent.<sup>118</sup>

The key dispute between the opponents, represented by Representative Sereno E. Payne of New York, and the proponents, represented by Representative John F. Lacey of Iowa and Representative John M. Mitchell of New York, was why Congress needed to enact a statute that was less limiting than the 1887 statute which governed general civil plaintiffs.<sup>119</sup> Representative Mitchell first argued that there was a lower court conflict about whether the 1789 statute or the 1887 statute should govern patent

110. *In re Cray Inc.*, 871 F.3d 1355, 1361 (Fed. Cir. 2017).

111. *Id.* at 1362.

112. Richard C. Wydick, *Venue in Actions for Patent Infringement*, 25 STAN. L. REV. 551, 556–58 (1973) (pointing out and explaining briefly why the § 1400(b)’s legislators might have assumed that the 1887 Act was controlling).

113. 29 CONG. REC. 1,900–02 (1897).

114. Wydick, *supra* note 112, at 556–58.

115. 29 CONG. REC. 1,900–01 (1897).

116. See *infra* note 129 and accompanying text.

117. See *id.*; *infra* note 127 and accompanying text.

118. See *infra* note 128 and accompanying text.

119. 29 CONG. REC. 1,900–02 (1897).

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infringement cases in the late eighteenth centuries.<sup>120</sup> This uncertainty allegedly justified a specific patent venue statute:

Conflicting decisions have even arisen in the different districts in the same States as to the construction of these acts of 1887 and 1888, and there is great uncertainty throughout the country as to whether or not the act of 1887 as amended by the act of 1888 applied to patent cases at all.<sup>121</sup>

However, certainty is only a partial justification for the bill as enacted. As Representative Payne aptly pointed out, Congress could solve this uncertainty by simply saying that the 1887 statute controlled in patent infringement cases.<sup>122</sup> “In order to get rid of these conflicting decisions it would not be necessary to go further [less limiting] than that,” said Representative Payne.<sup>123</sup>

In reaching its conclusion that the statute was intended to be a “restrictive measure,” the *Stonite* Court mistakenly relied on a second argument made by Representative Mitchell. However, the second argument did not persuade Congress either and hence did not embody the legislative purpose of Congress.<sup>124</sup> Representative Mitchell argued that, although less limiting than the 1887 statute, the bill was more limiting than the 1789 statute, which a lot of lower courts held controlling in patent infringement cases.<sup>125</sup> Compared with the 1789 statute, the proposed statute was narrower because simply being able to be found in a district, which is sufficient to establish venue under the 1789 statute, was insufficient to establish venue under the proposed bill.<sup>126</sup> Compared with the 1887 statute, on the other hand, the proposed patent-specific statute was broader for it additionally allowed patent owners to bring suit in the district where the defendant committed infringement and had a regular and established place of

120. See *In re Hohorst*, 150 U.S. 653, 662 (1893) (holding that the 1887 Act “is inapplicable to an alien or a foreign corporation sued here, and especially in a suit for the infringement of a patent right”); *In re Keasbey & Mattison Co.*, 160 U.S. 221, 229–30 (1895) (interpreting *Hohorst*’s rationale as (1) it involved foreign defendant, and (2) jurisdiction to hear patent case was exclusive to federal courts, and the general venue statute controlled only those federal case with concurrent state jurisdiction).

121. 29 CONG. REC. 1,900 (1897).

122. *Id.* at 1901.

123. *Id.*

124. *Id.*

125. *Id.*

126. Compare Act of Sept. 24, 1789, ch. 20, § 11, 1 Stat. 73, 79 (1789) (current version at 28 U.S.C. § 1391(c) (2011)) with Act of Mar. 3, 1897, ch. 395, 29 Stat. 695 (1897) (current version at 28 U.S.C. § 1400(b) (2019)).

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business.<sup>127</sup> However, Representative Payne was not convinced by the limiting argument either.<sup>128</sup>

In fact, Representative Mitchell exaggerated the severity of the split. In the list proffered by Representative Mitchell to show how severe the split was, if we carefully examine it, we see that twelve decisions held that the 1887 statute applied to patent infringement cases, and only four decisions held the 1789 statute controlling.<sup>129</sup> Therefore, the bill provided more venue freedom to patent owners in most lower courts. In *Stonite*, the Court ignored these twelve cases holding that the 1887 statute applied to patent infringement cases and heavily relied on the limiting argument made by Representative Mitchell.<sup>130</sup> The Court cited the only five cases holding the 1789 statute applicable and opined: “[t]hereafter the lower federal courts, for the most part, took the position that the Act of 1887 as amended did not apply to suits for patent infringement and that infringers could be sued wherever they could be found.”<sup>131</sup> As explained above, this misstated the fact.

As Professor Wydick correctly concluded, the real legislative intent of § 1400(b)’s predecessor was to provide patent owners with more forum options. Scholars believe that the argument which successfully persuades objectors indicates the actual “congressional intent.”<sup>132</sup> In the case of § 1400(b)’s predecessor, such argument took place when Representative Mitchell yielded to Representative Lacey who argued more straightforwardly why patent owners deserve more venue options:

We have now a law by which, if an insurance company shall have agency and transact business in some other State, jurisdiction may be had in regard to business growing out of the transaction of that agency; and so as to carriers performing service in any State and having permanent place of business there, they may be sued there. There is no reason why as broad a jurisdiction should not be had in cases of patents, if infringer opens up a permanent place of business—commence their business at that place. Why not give the court the jurisdiction to try that case where the individual resides, where the witnesses are? . . . Because of this necessity arose we have this bill. Very frequently an infringing agency is the principal place of business. When the party defendant who nominally infringes the patent

127. Compare Act of Mar. 3, 1887, ch. 373, § 1, 24 Stat. 552, 552 (1887) (current version at 28 U.S.C. § 1391(c) (2011)) with Act of Mar. 3, 1897, ch. 395, 29 Stat. 695 (1897) (current version at 28 U.S.C. § 1400(b) (2019)).

128. 29 CONG. REC. 1,901–02 (1897).

129. *Id.* at 1901.

130. *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 565–67 (1942).

131. *Id.* at 565 n.4.

132. “Last act” before major compromise, i.e. cloture, is a strong indication of Congressional intent. Victoria F. Nourse, *A Decision Theory of Statutory Interpretation: Legislative History by the Rules*, 122 YALE L.J. 70, 98–109, 118–28 (2012).

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in one place, but the real place where the business is carried is at another, at present, the place of the defendant's residence alone gives jurisdiction . . . [T]o deprive the court of [Northwest] of jurisdiction would work hardship by reason of the expense that would cause of having to take depositions or transport witnesses a thousand miles in the trial of a case. Why not have the trial where the transaction occurs? The jurisdiction under this bill only applies to the permanent place of business, or where the business is in existence.<sup>133</sup>

In fact, Representative Lacey introduced the bill because several patent owners in the Northwest complained that they had to travel to where the defendant was incorporated to obtain relief.<sup>134</sup> Finally, this eloquent argument convinced Representative Payne, and Congress passed the bill.<sup>135</sup>

Therefore, this Article concurs with Professor Wydick that the Supreme Court was wrong when it concluded in *Stonite* that the bill was to limit a prior, broader venue statute. As explained above, it was to provide patent owners with more venue options. As Senator Platt summarized at the Senate, “[a]ll there is about this bill is that it [additionally] authorizes suit to be brought against an infringer in the place where the business is carried on and service to be made upon an agent in the case of a corporation.”<sup>136</sup> Accordingly, the interpreting approach adopted in *Cray* was also misplaced. If we, as the Federal Circuit taught in *Cray*, “be mindful of this history in applying the statute,” we should not interpret § 1400(b) as a “restrictive measure.”

Although nowadays patent owners do not deserve more protection than non-patent plaintiffs, they do not deserve any less. In 1897, inventors in the Midwest area (then Northwestern area) gradually obtained a fair number of patents.<sup>137</sup> Corporations incorporated in the East Coast manufactured their products in the Midwest, and some of them infringed those patents owned by Midwest inventors.<sup>138</sup> Because of the 1887 venue statute, Midwest inventors could not sue the Eastern infringers in Midwest cities. Instead, they had to travel to the Eastern states to ask for a relief.<sup>139</sup> As a result, since transportation cost was high at that time, the cost of taking depositions and transporting witnesses was very burdensome for patent owners.<sup>140</sup> They

133. 29 CONG. REC. 1,902 (1897); Wydick, *supra* note 112, at 555 (understanding the debate as that Representative Lacey corrected Representative Mitchell's mistake).

134. 29 CONG. REC. 1,902 (1897).

135. *Id.*

136. 29 CONG. REC. 2,719 (1897).

137. 29 CONG. REC. 1,902 (1897).

138. *Id.*

139. *Id.*

140. *Id.*

wanted to change this inconvenient situation, so the § 1400(b)'s predecessor ensued. The statute had a solid rationale at the time of enactment. It provided patent owners more venue options than other non-patent plaintiffs because patent infringement could arise more remotely from defendants than other claims more commonly found in the nineteenth century, and it was unfair to let the plaintiff bear all the costs to travel. In the last century, more and more corporations expanded to a national scope. Interstate claims are not unique to patent infringement cases anymore. To alleviate plaintiffs' economic burdens, as summarized below, Congress continuously liberalized the venue requirement for general plaintiffs. Congress did not simultaneously loosen the venue requirement for patent owners, at least not directly. And the Court, on the other hand, kept rejecting the arguments that Congress indirectly liberalized patent venue requirement. As a result, nowadays, patent owners have less venue options than non-patent plaintiffs. Since patent infringement claims are not unique anymore, patent owners do not deserve more venue freedom than they used to. However, they do not deserve any less than non-patent plaintiffs. Therefore, even if we do not consider the original legislative intent underlying § 1400(b), interpreting it as a "restrictive measure" still does not make sense.

What's more, a textualist reading of the phrase "regular and established place of business" in the second prong of § 1400(b) does not dictate a "physical place" requirement. An area where a defendant conducts extensive business should be able to meet what the second prong textually required. In *Cray*, Judge Lourie held that the word "place" in the second prong of § 1400(b) requires that the defendant must have a "physical place" in a judicial district.<sup>141</sup> Though in *The Century Dictionary* the word "place" indeed has the meaning "[a] building or a part of a building set apart for any purpose" or "quarters of any kind," it also has other meanings like "an area or portion of land marked off or regarded as marked off, or separated from the rest, as by occupancy, use, or character."<sup>142</sup> Similarly, in the Webster's *A Complete Dictionary of the English Language*, the word "place" also has the meaning "any portion of space regarded as distinct from all other space, as related to any other portion, or as appropriate to some definitive object or use."<sup>143</sup> In *Cray*, Judge Lourie cited the language of Representative Lacey and opined that "[j]urisdiction would not be conferred by '[i]solated cases of

141. *In re Cray Inc.*, 871 F.3d 1355, 1362 (Fed. Cir. 2017).

142. *Id.* (citing *Place*, WILLIAM DWIGHT WHITNEY, THE CENTURY DICTIONARY, 732 (Benjamin E. Smith ed. 1911)).

143. *Place*, NOAH WEBSTER, 'A COMPLETE DICTIONARY OF THE ENGLISH LANGUAGE, 544 (Chauncey A. Goodrich & Noah Porter rev. ed. 1872).

infringement’ but ‘only where a permanent agency is established.’”<sup>144</sup> However, the whole sentence was, “The jurisdiction under this bill only applies to the permanent place of business, or *where the business is in existence.*”<sup>145</sup> Therefore, in this sense, a “place of business” does not necessarily require a physical house or building. An area where a “business is in existence” should be sufficient to meet the second prong of § 1400(b).

### III. THE COURT SHOULD BE CAUTIOUS ABOUT MAKING A MOVE AS DRASTIC AS *TC HEARTLAND* WHEN ALL VENUE REFORM BILLS FAILED AT CONGRESS

Though legally contrary to both the text and the legislative history of § 1400(b) and § 1391(c), *TC Heartland* and *Cray* aimed at a convincing policy objective: solving the forum shopping problem that happened at the Eastern District of Texas.<sup>146</sup> This policy objective is a theme mentioned in the Petitioner’s brief, and most amicus briefs supporting the Petitioner, in *TC Heartland*.<sup>147</sup> During the oral argument, Justice Stephen Breyer remarked that he was surprised with all of the policy arguments unconnected to the case before the Court.<sup>148</sup> Professor Anderson pointed out that the Court was acting as a “release valve” when Congress cannot reach an agreement, and the Federal Circuit does not solve a problem.<sup>149</sup>

However, at the same time, the Court should be cautious about making a move as drastic as *TC Heartland* and *Cray*, especially when all venue reform bills failed at Congress. The Court institutionally lacks not only the authority to do so but also the capacity to conduct a comprehensive policy consideration. Even if the forum shopping problem became extraordinary, the Court should have narrowly tailored its holding to alleviate the problem for the sake of prudence. As explained below, the Court overstepped in *TC Heartland* and *Cray*. As Professor Chien testified at a congressional hearing after *TC Heartland*, if the pre-*TC Heartland* rules were plaintiff-friendly, the

144. *In re Cray Inc.*, 871 F.3d at 1361 (internal citation omitted) (emphasis added).

145. 29 CONG. REC. 1,902 (1897) (emphasis added).

146. J. Jonas Anderson, *Reining in A “Renegade” Court: TC Heartland and the Eastern District of Texas*, 39 CARDOZO L. REV. 1569, 1613–14 (2018).

147. See, e.g., Brief for Petitioner at 14, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341); Brief for National Association of Realtors as Amicus Curiae Supporting Petitioner, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341).

148. Transcript of Oral Argument at 14, *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017) (No. 16-341).

149. Anderson, *supra* note 146, at 1608–09.

post-Heartland rules could be considered defendant-friendly, with equity perhaps lying somewhere in between.<sup>150</sup>

*TC Heartland* and *Cray* were so drastic that now the patent venue requirement is more restrictive than those bills that failed in Congress. For example, the first prong of the failed Patent Reform Act of 2006, 2007, and 2009 and the Patents Depend on Quality Act would have allowed patent venue in at least the judicial districts where the defendant has a principal place of business or is incorporated, which is more lenient than only where the defendant is incorporated, as required by *TC Heartland*.<sup>151</sup> The Patent Reform Act of 2005, 2007, and 2009 and the VENUE Act would have even provided patent owners with their home court when certain requirements are met.<sup>152</sup> Nevertheless, these bills were all rejected as “too limiting.” Obviously, Congress is not yet ready for embracing a venue reform as drastic as *TC Heartland* and *Cray*.

#### IV. TIGHTENING THE PATENT VENUE REQUIREMENT IS AGAINST THE TREND OF LIBERALIZING VENUE REQUIREMENT

*TC Heartland* and *Cray* re-impose an independent venue requirement on patent owners, which is contrary to a seventy-year-long legislative trend of liberalizing the venue requirement.

The doctrine of venue was a common law doctrine that originated from England.<sup>153</sup> Because jurors needed to judge cases based on their personal knowledge about the case, a venue near where the cause of action arose was necessary.<sup>154</sup> Gradually, the role of jurors transitioned to adjudicator of cases based on facts presented.<sup>155</sup> At the same time, the underlying policy goal of venue became providing a convenient forum to both the plaintiffs and

150. Examining the Supreme Court’s *TC Heartland* Decision: Hearing Before the Subcomm. on Courts, Intellectual Prop., and the Internet of the H. Comm. on the Judiciary, 115th Cong. 8–11 (2017) (statement of Colleen Chien, Professor, Santa Clara Univ. Sch. of Law).

151. Patent Reform Act of 2006, S. 3818, 109th Cong. § 8 (as introduced in the Senate, Aug. 3, 2006); Patent Reform Act of 2007, S. 1145, 110th Cong. § 8 (as reported in the Senate, Jan. 24, 2008); Patent Reform Act of 2009, S. 515, 111th Cong. § 8 (as introduced in the Senate, Mar. 3, 2009); Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. §7 (2006).

152. Lamar Smith, Amendment in the Nature of a Substitute to H.R. 2795 § 9, at 56-57, <http://www.jonesday.com/files/upload/AmendedSmithBill.pdf> (last visited Apr. 25, 2019); Patent Reform Act of 2007, S. 1145, 110th Cong. § 8 (as reported in the Senate, Jan. 24, 2008); Patent Reform Act of 2009, S. 515, 111th Cong. § 8 (as introduced in the Senate, Mar. 3, 2009); Venue Equity and Non-Uniformity Elimination Act of 2016, S. 2733, 114th Cong. § 2 (2016).

153. Peter L. Markowitz & Lindsay C. Nash, *Constitutional Venue*, 66 FLA. L. REV. 1153, 1163–64 (2014).

154. *Id.* at 1162–63.

155. *Id.* at 1163.

defendants.<sup>156</sup> In the modern era, Congress is the institution determining which venue is convenient to parties of a litigation.<sup>157</sup> It has revised the venue statutes several times in the past century since the statutes' enactment, partly because modern corporations operate more widely.<sup>158</sup>

In 1789, Congress enacted the first general venue statute under which venue was proper in any judicial district where the defendant inhabited or where the defendant "shall be found."<sup>159</sup> In 1887, Congress eliminated the federal question venue in districts where the defendant "shall be found."<sup>160</sup> As the result, under the 1887 Judicial Act, venue was proper only in the judicial district where the defendant was incorporated.<sup>161</sup>

Since then, Congress started a trend to liberalize the general venue requirement, and its direction never turned back. In 1948, Congress replaced the 1887 venue statute with § 1391(c), which substituted the word "whereof he is an inhabitant" with the word "where all defendants reside" and defined "residence" for a corporate defendant as "any judicial district in which it is incorporated or licensed to do business or is doing business."<sup>162</sup> The consensus was that the "'doing business'" standard significantly expanded corporate venue.<sup>163</sup> However, the courts applied different standards in determining what constituted "doing business."<sup>164</sup> Some of them equated the standard with the "minimum contacts test" under *International Shoe v. State of Washington*, partly because the 14th Amendment had already injected the "convenience" element into the jurisdictional analysis, which originally was concerned about the limit of the court's adjudication power.<sup>165</sup> Some other courts rejected such approach and held that venue required more than satisfying the jurisdictional requirement.<sup>166</sup>

Congress has also expressed its intent to synchronize the patent venue statute with the liberalized general venue statute. In 1988, Congress legislatively adopted the "jurisdictional test" approach and completely

156. *Id.*

157. E. Lawrence Vincent, *Defining 'Doing Business' to Determine Corporate Venue*, 65 TEX. L. REV. 153, 154 (1986).

158. Pure Oil Co. v. Suarez, 384 U.S. 202, 204 (1966).

159. Act of Sept. 24, 1789, ch. 20, § 11, 1 Stat. 73, 79 (1789) (current version at 28 U.S.C. § 1391(c) (2011)).

160. Act of Mar. 3, 1887, ch. 373, § 1, 24 Stat. 552, 552 (1887) (current version at 28 U.S.C. § 1391(c) (2011)).

161. *Id.*

162. Act of June 25, 1948, ch. 646, § 1391, 62 Stat. 869, 935 (1948) (current version at 28 U.S.C. § 1391(c) (2011)).

163. Vincent, *supra* note 157, at 160.

164. *Id.*

165. Markowitz & Nash, *supra* note 153, at 1205–07; Vincent, *supra* note 157, at 160–65.

166. Vincent, *supra* note 157, at 165–68.

collapsed the general venue statute into the personal jurisdiction requirement.<sup>167</sup> Under the 1988 Amendment, § 1391(c) defined corporate “residence” as “any judicial district in which the corporate defendant would be subject to personal jurisdiction, under the minimum contacts test, if that district were a separate state unto itself.”<sup>168</sup> According to the text of this statute, this definition held for venue purposes under the same chapter of the United States Code. The last amendment to § 1391(c) happened in 2011.<sup>169</sup> Then, Congress expanded the application of this definition of “residence” to “venue of all civil actions” “except as otherwise provided by law.”<sup>170</sup> This held for “all venue purposes,” instead of only venue under Chapter 28.<sup>171</sup> As explained above, patent owners do not deserve any less protection than other civil plaintiffs. Therefore, the Court should be cautious when it continuously limits patent owners’ venue options.

#### V. EQUALIZING COURTS, INSTEAD OF RESHUFFLING DOCKETS: VENUE IS NOT THE CURE

“The easiest way to reduce forum shopping would be to unwind the conditions that enable it: a multitude of potential forums from which litigants may choose and the ability of district courts to differentiate themselves from one another in terms of potential benefits they can offer,” as stated by Professor Chien and Associate Dean Risch.<sup>172</sup>

Although venue reform can eliminate the Eastern District of Texas problem quicker,<sup>173</sup> it is a painkiller with many side effects. If the venue reform is going to be narrowly tailored to the Eastern District of Texas, one of the other district courts left open will be the next destination for patent owners.<sup>174</sup> Courts competing with each other to attract patent dockets, by providing procedural benefits to patent owners, is a phenomenon which has repeated many times in our history.<sup>175</sup> Ultimately, plaintiffs will still forum

167. See *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

168. Thomas W. Adams, *The 1988 Revision of 28 U.S.C. § 1391(c): Corporate Venue Is Now Equivalent to In Personam Jurisdiction Effects on Civil Actions for Patent Infringement*, 39 CLEV. ST. L. REV. 357, 363 (1991).

169. 28 U.S.C. § 1391(c) (2011).

170. *Id.*

171. *Id.*

172. Paul R. Gugliuzza & Megan M. La Belle, *The Patently Unexceptional Venue Statute*, 66 AM. U. L. REV. 1027, 1058 (2017) (quoting Colleen V. Chien & Michael Risch, *Recalibrating Patent Venue*, 77 MD. L. REV. 46 (2017) (forthcoming 2018) (manuscript at 6)).

173. *Id.* at 1058–59.

174. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. PA. L. REV. 631, 659–67 (2015).

175. *Id.* at 636.

shop for the most plaintiff-friendly district court.<sup>176</sup> If the venue reform is going to be sweeping, it will also have many side effects. For example, after *TC Heartland*, the District of Delaware has become the district court with most patent infringement filings.<sup>177</sup> The District of Delaware is unlikely to become a pro-plaintiff venue because Delaware certainly does not want to deter companies away from being incorporated in the State, and the District of Delaware, though a federal court, will be influenced by the communities' attitude, just like the Eastern District of Texas.<sup>178</sup> For the same reason, it is very possible that the District of Delaware is going to be a very pro-defendant venue, which designs procedures unfair to patent owners. This will be contrary to the venue requirement's goal: achieving a balance between plaintiffs' and defendant's interests. It is never a one-sided consideration.

These side effects are because of one reason: the underlying consideration of the venue statutes is a convenience to plaintiff and defendant, not eliminating forum shopping.<sup>179</sup> As the Court once remarked: "the venue provisions are designed, not to keep suits out of the federal courts, but merely to allocate suits to the most appropriate . . . forum."<sup>180</sup> Therefore, although a statute can restrict venue freedom of plaintiffs and thereby alleviate the forum shopping problem, it cannot eliminate the problem completely. At the same time, a venue reform wanting to alleviate forum shopping by excluding certain federal courts will inevitably sacrifice the fairness of venue to either plaintiff or defendant, the core purpose of it.

The availability of multiple forums for plaintiffs does not cause forum shopping, differences in those forums do.<sup>181</sup> The real cause of forum shopping is the differences in patent trial procedure amongst district courts.<sup>182</sup> Patent local rules and judges standing orders make the forum shopping problem more severe in the patent world than in other fields of law. Professor Gollwitzer aptly summarized in his article the difference among

176. See Mary Garvey Algero, *In Defense of Forum Shopping: A Realistic Look at Selecting a Venue*, 78 NEB. L. REV. 79, 82 (1999).

177. Byrd, *supra* note 68.

178. Anderson, *supra* note 146, at 1611–12.

179. Vincent, *supra* note 157, at 154.

180. *Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.*, 406 U.S. 706, 710 (1972).

181. Christopher D. Cameron & Kevin R. Johnson, *Death of A Salesman? Forum Shopping and Outcome Determination Under International Shoe*, 28 U.C. DAVIS L. REV. 769, 775–76 (1995).

182. See, e.g., Adam S. Baldridge, *Venue Considerations for Patent Infringement Cases*, ASPATORE, 2013 WL 574397, at \*1 (Jan. 2013) ("[W]hether a district court has adopted patent local rules is a significant consideration for a patent holder in determining the best venue in which to file a patent infringement action.").

patent local rules and standing orders adopted by district court judges,<sup>183</sup> and Professor La Belle further explained in her article how the procedural difference endangers the uniformity of both procedural and substantive patent law.<sup>184</sup> In other areas of law, differences in substantive law and juror population are the two most common incentives for forum shopping. Compared to other areas of law, substantive patent law is more unified due to the single Court of Appeal—the Federal Circuit. Therefore, the fact that forum shopping problem is much more serious in the patent world is counter-intuitive. Only local patent rules adopted by district courts can account for such a phenomenon. As explained below, because different courts' local patent rules differ substantially, the benefit of forum shopping is much more significant in patent litigation. For example, most plaintiffs choose the Eastern District of Texas for its local procedure, which makes it easy for plaintiffs to get a settlement. Professor Love and Professor Yoon summarized existing explanations for why plaintiffs like filing their cases in this district, including the judges' relative quick pace at this venue, the pro-plaintiff judges and jurors, and local patent rules advantages for patent owners.<sup>185</sup> After examining litigation data, they concluded that "the patentees suing in East Texas benefit from the district's combination of early, broad discovery deadlines with late action on motions to transfer, motions for summary judgment, and claim construction."<sup>186</sup> Because attorney's fees accrue at an earlier stage in the Eastern District of Texas than in other district courts, defendants have more incentive to settle the case.<sup>187</sup> In other words, a liberal venue statute only contributes to the forum shopping problem for not prohibiting it. If patentees cannot enjoy procedural advantage from picking certain district courts, there is no need to impose on the venue statute the burdensome goal of keeping suits out from certain courts,<sup>188</sup> which will obstruct its original purpose.

Congress purposefully facilitated the adoption of these different local patent rules via the Civil Justice Reform Act ("CJRA"), which granted district courts' power to adopt their own local patent rules and standing orders.<sup>189</sup> The starting point of the proliferation of local patent rules was

183. Arthur Gollwitzer III, *Local Patent Rules—Certainty and Efficiency or a Crazy Quilt of Substantive Law?*, 13 ENGAGE: J. FEDERALIST SOC'Y PRAC. GRPS. 94 (2012).

184. Megan M. La Belle, *The Local Rules of Patent Procedure*, 47 ARIZ. ST. L.J. 63, 95–109 (2015).

185. Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 STAN. TECH. L. REV. 1, 13–23 (2017).

186. *Id.* at 34.

187. *Id.*

188. Van Dusen v. Barrack, 376 U.S. 612, 639 (1964); Cameron & Johnson, *supra* note 181, at 775–76.

189. La Belle, *supra* note 184, at 80.

around 1990 when Congress enacted CJRA which encouraged experimentation of local rules at the district court level.<sup>190</sup> Before CJRA, although there were also numerous local rules authorized by Federal Rules of Civil Procedure 11, 16, 26, 83, the public criticized them for harming uniformity which the FRCP tried to achieve and were disfavored by Congress.<sup>191</sup> The CJRA signified Congress' changed attitude towards local rules because reducing costs and eliminating delay in civil litigation became Congress' priority.<sup>192</sup>

Now, almost all district courts have adopted their own versions of local patent rules and standing orders. As a result of CJRA, the Northern District of California became the first district court with its own local patent rules in 2000.<sup>193</sup> The rules include claim construction procedure, infringement, and validity contention requirements, mandatory disclosure requirements, and discovery and other procedural matters.<sup>194</sup> Since then, thirty-two percent of all federal district court have adopted their own local patent rules.<sup>195</sup> Besides these officially adopted local patent rules, individual judges also adopted their own standing orders to streamline their procedures for patent cases.<sup>196</sup> For example, in the District of Delaware, which does not have officially adopted local patent rules, four judges have their own versions of standing orders.<sup>197</sup> In the Northern District of California, although it has officially adopted its local patent rules, six of the twenty-three judges have their own individualized standing orders.<sup>198</sup>

These local patent rules and standing orders are in great variance. Some of them mandate different pleading standards; some of them give longer or more extensive discovery; some of them require earlier deadlines for infringement and validity contentions; some of them restrict the number of terms subjected to claim construction; some of them require parties to stick to their infringement and defensive theories; some of them demand earlier disclosure of damage models; some of them schedule trial earlier than others; and some have unique jury instructions.<sup>199</sup>

190. *Id.*

191. *Id.* at 79.

192. *Id.* at 80.

193. *Id.* at 81–82.

194. *Id.* at 87.

195. Antonio DiNizo, *Krafting TC Heartland: A Legislative Response to Venue Shopping*, 100 J. PAT. & TRADEMARK OFF. SOC'Y 24, 43 (2018).

196. La Belle, *supra* note 184, at 89.

197. *Id.* at 89–90.

198. *Id.* at 91.

199. *Id.* at 88–92.

These variances have a strong influence on parties' litigation strategy. For example, in the Eastern District of Texas, its local rules require earlier disclosure of infringement and invalidity contentions.<sup>200</sup> Plaintiffs have an abundance of time to collect the necessary information, but defendants only have limited time to search for prior art references. Judge Davis of the Eastern District of Texas has described this potential effect of patent local rules on litigants' strategies:

While the Court will not comment on Plaintiff's strategy, when combined with the requirements of the Patent Rules and the Court's standard docket control order, Plaintiff's strategy presents Defendants with a Hobson's choice: spend more than the settlement range on discovery, or settle for what amounts to cost of defense, regardless of whether a Defendant believes it has a legitimate defense.<sup>201</sup>

Thus, plaintiffs looking for quick settlements may be enticed to file their patent suits in districts that allow significant discovery early in the case. Contrary to the Eastern District of Texas, the Northern District of California is a court with pro-defendant local patent rules. It requires patent owners to "compare an accused product to its patents on a claim by claim, element by element basis for at least one of each defendant's products."<sup>202</sup> "To make such a comparison, [a plaintiff must put forth information so specific that] 'either reverse engineering or its equivalent is required.'"<sup>203</sup> Non-compliance of these rules will result in limited infringement theories.<sup>204</sup> This explains why defendants always try to transfer their cases to the Northern District of California. Although *VE Holding* was criticized forcefully, only on rare occasions, have these patent local rules been challenged.<sup>205</sup> In those occasions, the Federal Circuit has consistently upheld them as a proper exercise of the trial court's case-management discretion under CJRA, partly because of some advantages provided by patent local rules.<sup>206</sup>

Local patent rules have many advantages over not having any patent procedure rules, but a uniform Federal Rule of Patent Procedure is better in all aspects and can avoid many unintended effects including forum shopping.

200. *Id.* at 100.

201. Parallel Networks LLC v. AEO, Inc., No. 6:10-cv-00111-LED, slip op. at 6–7 (E.D. Tex. Mar. 15, 2011).

202. See *Renesas Tech. Corp. v. Nanya Tech. Corp.*, No. C03-05709JFHRL, 2004 WL 2600466, at \*2 (N.D. Cal. Nov. 10, 2004).

203. *Id.*

204. O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc., 467 F.3d 1355, 1361–62 (Fed. Cir. 2006).

205. *La Belle, supra* note 184, at 78–79.

206. *Id.*

Professor Nguyen argued that local patent rules are top-down efforts to curb patent abuse and streamline patent cases, providing a more efficient procedure and predictable timetable for litigants.<sup>207</sup> Judge Radar also stated that a set of announced and dependable procedural rules that all parties understand in advance, is beneficial.<sup>208</sup> However, firstly, it is questionable whether local patent rules successfully curb patent abuse especially in the Eastern District of Texas. Secondly, a set of well-enacted uniform patent procedures can also achieve the alleged efficiency and predictability. Predictability can be achieved so long as there is a set of announced patent procedures, and efficiency can be better achieved by analyzing statistic data. We should keep in mind that CJRA granted district courts the authority to adopt their own local rules for a reason, which is to experiment different rules and collect data for enacting a better set of uniform rules. Since 2000, nineteen years have elapsed. Congress and the Judicial system have obtained enough data to enact a more efficient uniform patent trial procedure, which can bring patent litigation back to its ideal uniformity and get to the root of forum shopping.<sup>209</sup>

Enacting Federal Rules of Patent Procedure will be a large project, but not an unprecedented one. Congress and the Court have promulgated district court procedural rules with similar scope in other areas of law. For example, Bankruptcy courts have their own trial procedures different from the standard Federal Rules of Civil Procedure in pleading standards, motion procedures, and other requirements.<sup>210</sup> This Article leaves the question open about what the Federal Rules of Patent Procedure should look like, as this is a complicated question and there is a lack of academic literature concerning this subject. However, the baseline is, as Professor La Belle suggested, that legislatures should survey opinions from judges, practitioners, litigants, law professors, industry representatives, and economists when enacting such rules.<sup>211</sup> Also, the enactment should take into account unique aspects of patent law, like claim construction and complicated technologies.

207. Xuan-Thao Nguyen, *Dynamic Federalism and Patent Law Reform*, 85 IND. L.J. 449, 472–80 (2010).

208. C.J. Randall R. Rader, U.S. Ct. of Appeals for the Fed. Cir., *The State of Patent Litigation*, Speech at the E.D. Tex. Judicial Conference 7 (Sept. 27, 2011) (transcript available at <http://patentlyo.com/media/docs/2011/09/raderstateofpatentlit.pdf>) (“[O]ur courts need to understand that these complex and demanding patent cases profit from an announced and dependable set of procedural rules that all parties understand in advance.”).

209. See generally U.S. COURTS, CIVIL JUSTICE REFORM ACT REPORTS, <https://www.uscourts.gov/statistics-reports/analysis-reports/civil-justice-reform-act-report>.

210. See e.g., FED. R. BANKR. P. 7008, 9013.

211. La Belle, *supra* note 184, at 121–24.

### CONCLUSION

Although many commentators applauded the Supreme Court's decision in *TC Heartland* and the Federal Circuit's decision in *Cray* for addressing the forum shopping problem, these decisions are contrary to both the text and the legislative history of the general venue statute § 1391(c) and the patent venue statute § 1400(b). Further, the Court should be cautious about making such drastic moves, especially when more lenient venue reform bills failed in Congress and when Congress has continuously liberalized venue requirement for general civil plaintiffs.

Compared to venue reform, enacting a new Federal Rules of Patent Procedure is a more direct solution for the forum shopping problem. Venue statutes concern the convenience and fairness to plaintiffs and defendants and hence are never a good tool to fix the real problem: local rules unfair to plaintiffs. Now is the time to harvest the fruit from the “local rules experimentation” and promulgate Federal Rules of Patent Procedure.