ARE Patent Law Alert:
Federal Circuit Denies Mandamus in Heartland Over Patent Venue

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On Friday, April 29, 2016, the U.S. Court of Appeals for the Federal Circuit ("the Federal Circuit") denied a petition for writ of mandamus by TC Heartland, LLC ("Heartland") to dismiss or transfer an action for lack of personal jurisdiction, holding that would not alter its precedent concerning venue and jurisdiction.

Background

Kraft Foods, Inc. sued Heartland, an Indiana corporation also headquartered in Indiana, for patent infringement in the U.S District Court for the District of Delaware. Heartland moved for dismissal or transfer, arguing that because Heartland had no presence in Delaware and its only connection to Delaware was that it shipped roughly 2% of its annual sales of accused products to that state, there was neither personal jurisdiction nor proper venue in Delaware.

When the district court denied Heartland's motion based on Federal Circuit precedent, Heartland petitioned the Federal Circuit for a writ of mandamus, asking the Federal Circuit to direct the Delaware court to grant the motion.

The Venue Analysis

As the Federal Circuit explained, Heartland's venue argument turned on a claim that Congress had, in 2011, changed the rules underlying the venue standard set out in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

In *VE Holding*, the Federal Circuit held that because 28 U.S.C. §1400 states that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides," and 28 U.S.C. § 1391(c)(2) defines a corporation, if sued as a defendant, to reside in "any judicial district in which such defendant is subject to the court's personal jurisdiction," patent suits against corporations are proper wherever there is personal jurisdiction.

Heartland argued that Congress's 2011 modifications to § 1391 overruled *VE Holding*, but the Federal Circuit disagreed, calling those modifications "a broadening of the applicability of the definition of corporate residence, not a narrowing." The Federal Circuit was also not persuaded by Heartland's arguments that the modifications (which included a statement that § 1391 applies "except as otherwise provided by law") demonstrated Congress's decision to codify the pre-*VE Holding* Supreme Court interpretation of patent venue, saying

"Heartland's briefs cite nothing to support" such an interpretation, and pointing out that Congress's own reports both before and after the modification have considered *VE Holding* to be established law.

As such, the Federal Circuit saw no cause to issue a writ of mandamus on venue grounds, or to change the precedent of *VE Holding*.

Personal Jurisdiction

The district court and the Federal Circuit both considered Heartland's personal jurisdiction argument "hard to follow," but the Federal Circuit interpreted it as follows:

"1) the Supreme Court's recent decision in *Walden v. Fiore*, 134 S. Ct. 1115, 1121 n.6 (2014), makes clear that specific personal jurisdiction can only arise from activities or occurrences taking place in the forum state, and

2) Federal Circuit case law makes clear that each act of patent infringement gives rise to a separate cause of action, such that

3) the logical combination of these two points of law means that the Delaware district court has specific personal jurisdiction over Heartland for allegedly infringing acts that occurred in Delaware only."

The Federal Circuit concluded Heartland's theory to state that "to resolve nationwide the same issues as in this Delaware infringement suit, Kraft would have to bring separate suits in all other states in which Heartland's allegedly infringing products are found. Alternatively...Kraft could opt to bring one suit against Heartland in Heartland's state of incorporation."

The Federal Circuit also held this question is settled by precedent, *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994). As the Federal Circuit explained, *Beverly Hills Fan* held that "the due process requirement that a defendant have sufficient minimum contacts with the forum was met where a nonresident defendant purposefully shipped accused products into the forum through an established distribution channel and the cause of action for patent infringement was alleged to arise out of those activities." As such, Heartland's shipping of allegedly-infringing goods through Delaware subjected it to personal jurisdiction there for infringement.

Further, the Federal Circuit stated that the *Beverly Hills Fan* rule comported with traditional notions of substantial justice and fair play, because "the forum state had significant interests in discouraging injuries that occur within the state, such as patent infringement, and in cooperating with other states to provide a forum for efficiently litigating a plaintiff's cause of action."

As to Heartland's reliance on the Supreme Court decision in *Walden*, the Federal Circuit said simply that "the Supreme Court's general statement in Footnote 6 of *Walden* cannot be read to overturn *sub silentio Beverly Hills Fan*."

As such, the Federal Circuit denied Heartland's petition for a writ of mandamus on personal jurisdiction grounds.

The Effect

This case has been closely watched by commentators for the potential to alter the geographical landscape of patent law. A change to the *VE Holding* and *Beverly Hills Fan* rules had the potential to make venues like the Eastern District of Texas or the Eastern District of Virginia unavailable to patent infringement lawsuits without a more substantive connection to defendant corporations. However, the Federal Circuit's denial will not change any aspect of existing patent practice.

We are continuing to analyze and follow developments associated with this decision, and will be posting more reports on our website.