

One Year After *TC Heartland*: Venue In The District Of Delaware

by Joelle E. Polesky

One year has elapsed since the United States Supreme Court's May 2017 opinion in *TC Heartland LLC v. Kraft Food Group Brands LLC* (https://www.supremecourt.gov/opinions/16pdf/16-341_8n59.pdf) altered the landscape for venue determinations in patent disputes. During that time, disputes over proper venue for patent litigation have unfolded across the country, with particular focus in Delaware.

The choice of venue by a party filing a lawsuit has strategic import, depending on the court, the judiciary and even trends (perceived and/or documented) from either. If the filing party fails to meet the venue qualifications defined by statute and common law, it risks dismissal or transfer of the case to another venue. For the past two decades, Delaware has been a preferred venue for litigating patent disputes, because of both the efficiency and speed of case disposition, and its reputation for judicial excellence.

As predicted in the immediate wake of *TC Heartland*, patent filings in Delaware increased as a result of the Supreme Court limiting the place where a domestic defendant "resides" to its state of incorporation. In fact, in the second half of 2017, patent filings in Delaware outpaced filings in the first half of the year by more than 25 percent. However, the Supreme Court's opinion in *TC Heartland* addressed only the first prong of the patent litigation venue statute, which states that venue is proper in the judicial district where a defendant resides. The Supreme Court did not address the second prong, which states venue is proper "where the defendant has committed acts of infringement and has a regular and established place of business." See 28 U.S.C. § 1400(b). In this post-*TC Heartland* world, both the District Court for the District of Delaware ("District Court") and the United States Court of Appeals for the Federal Circuit have elaborated on what constitutes a "regular and established place of business." It is a fact-driven inquiry hinging, in large part, on a predictable physical presence.

In two September 2017 decisions, *Bristol-Myers Squibb Company v. Mylan Pharmaceuticals Inc.* (<http://www.ded.uscourts.gov/sites/default/files/opinions/lps/2017/september/17-379.pdf>), C.A. No. 17-379-LPS (D. Del. Sept. 11, 2017) ("*Mylan*") and *Boston Scientific Corp. v. Cook Group Inc.* (http://www.ded.uscourts.gov/sites/default/files/opinions/lps/2017/september/15-980_0.pdf), C.A. No. 15-980-LPS (D. Del. Sept. 11, 2017) ("*Cook*"), the District Court explained that an entity has "a regular and established place of business" for venue purposes if it has a "permanent and continuous presence" in Delaware. The District Court noted that "physical presence" is key. Not two weeks after this pronouncement, the Federal Circuit further clarified the elements necessary to demonstrate a "regular and established place of business," in a decision the District Court has since embraced and quoted at length. See *In re: Cray Inc.* (http://www.cafc.uscourts.gov/sites/default/files/Cray_2017-129_9.21.17_ORDER.pdf), C.A. No. 2017-129 (Fed. Cir. Sept. 21, 2017) ("*Cray*"); see also *Javelin Pharmaceuticals, Inc. v. Mylan Laboratories Limited* (<http://www.ded.uscourts.gov/sites/default/files/opinions/lps/2017/december/16-224.pdf>), C.A. No. 16-244-LPS (D. Del. Dec. 1, 2017) ("*Javelin*"); and *Mallinckrodt IP v. B. Braun Medical*

Stradley Ronon Stevens & Young, LLP
2005 Market Street
Suite 2600
Philadelphia, PA 19103-7018
215.564.8000 Telephone
215.564.8120 Facsimile
www.stradley.com

With other offices in:
Washington, D.C.
New York
New Jersey
Illinois
Delaware



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Inc. (<http://www.ded.uscourts.gov/sites/default/files/opinions/lps/2017/december/17-365.pdf>), C.A. Nos. 17-365-LPS & 17-660-LPS (D. Del. Dec. 14, 2017) (“*Mallinckrodt*”).

In order to meet the venue statute’s “regular and established place of business” requirement, there are three relevant criteria: (1) “there must be a *physical place* in the district; (2) it must be a *regular* and *established* place of business; and (3) it must be the place of the *defendant*.” *Cray* (emphasis added). Failure to meet any one of these three criteria defeats venue.¹

Determining whether there is ample physical presence to justify venue is a “factually driven” inquiry that is “dependent on the circumstances of the case.” *Mylan & Cook*. Thus, “no one fact is controlling,” and a court must consider all facts together to ascertain whether venue is proper. *Cray*.²

The first element in this analysis, that “there must be a physical place,” requires a showing of a “physical, geographical location in the district from which the business of the defendant is carried out.” *Cray*. This precludes basing venue on a virtual existence in, or email communications generated by an entity to or from, a particular district. This is consistent with the District Court’s pre-*Cray* determination that, at a minimum, a “corporate defendant is required to have some sort of meaningful physical manifestation in the district.” Thus,

[i]f all that is revealed by the record is that the defendant is registered to do business here, or only maintains a website that is accessible in Delaware, or simply ships goods to unaffiliated individuals or third-party entities here, then this District is an improper venue for the lawsuit.

Mylan & Cook; see also *Mallinckrodt* (rejecting assertion that appointment of an agent for service of process constitutes a physical presence in Delaware).³

The second element requires that the place of business is both “regular” and “established.” A “regular” business might operate “in a steady, uniform, orderly, and methodical manner.” *Javelin* (quoting *Cray*). An “established” business connotes a place that has “some degree of permanence.” *Javelin & Mallinckrodt*. Accordingly, a fleeting presence, such as visits to engage in litigation on behalf of an entity, is insufficient. Similarly unavailing is the fact an entity leases, installs or has employees maintaining equipment within a district. See *Mallinckrodt*.

Finally, the place of business must belong to the defendant. Relevant factors to consider include “whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place,” including “list[ing] the alleged place of business on a website, or in a telephone directory; or plac[ing] its name on a sign associated with or on the building itself.” *Cray*. Thus, the presence of an employee living in Texas and conducting business from home on behalf of an entity incorporated elsewhere was insufficient to render venue in Texas



Joelle E. Polesky

For more information, contact Joelle E. Polesky at 302.295.4856 or jpolesky@stradley.com.

proper, as the employee’s home and business activities did not establish ownership by the defendant entity. *Cray*.

The developing venue jurisprudence in Delaware and the Federal Circuit suggests that a party asserting a patent infringement claim in Delaware against an entity incorporated elsewhere should have a solid grasp on the facts reflecting the entity’s ties to Delaware, or have the ability to articulate sufficient grounds to pursue venue-related discovery. As litigants continue to grapple with venue in the wake of *TC Heartland*, the District Court, a preeminent forum for patent disputes, remains poised to serve as a leading guide in the post-*TC Heartland* world.

¹ The Federal Circuit recently ruled that the plaintiff asserting infringement bears the burden of proof when venue is challenged. See *In re ZTE (USA) Inc.* (http://www.cafc.uscourts.gov/sites/default/files/opinions-orders/18-113.Motion_Panel_Order-5-10-2018.1.PDF), C.A. No. 2018-113 (Fed. Cir. May 14, 2018).

² In both *Javelin* and *Mallinckrodt*, the District Court, recognizing the fact-intensive inquiry a venue determination necessitates, deferred deciding the propriety of venue. Instead it permitted the parties to engage in venue-related discovery “to allow the adversarial process to aid the Court in making a fact-specific decision on a well-developed factual record.”

³ While the District Court has not made a conclusive determination regarding the impact an entity’s subsidiary or affiliate might have on a venue analysis, it left open the possibility “that the ‘places’ of any [defendant] entity, including [defendant’s] affiliates, subsidiaries, parents, or alter egos, may be attributable to the named [defendant] for purposes of venue.” *Javelin & Mallinckrodt*; see also *id.* (“[a]mong the pertinent circumstances to be considered is whether the formalities of corporate separateness are preserved”).