Since ven-did-ue care?

The Kraft v TC Heartland litigation had the potential to do away with forum shopping in the US, but the Federal Circuit recently saw no reason to squash the practice

Food conglomerate Kraft originally accused TC Heartland of infringing three of its patents for liquid enhancer products in a complaint filed in the Eastern District of Delaware.

After the Delaware district court ruled against it, TC Heartland filed an appeal with the Federal Circuit, seeking to move the case to Indiana. It alleged lack of jurisdiction and posed the question of what constitutes a proper venue in a patent infringement dispute.

TC Heartland's petition included a writ of mandamus, an extraordinary remedy appropriate only in exceptional circumstances such as those amounting to a judicial usurpation of power.

Benjamin Horton, partner at Marshall Gerstein & Borun, explains: "The vast majority of all writs for a petition of mandamus are denied, but there are some that are granted."

TC Heartland's writ of mandamus, which only tend to be granted when the petitioner shows that the writ will be in aid of the court's appellate jurisdiction, that exceptional circumstances warrant the exercise of the court's discretionary powers, and that adequate relief cannot be obtained in any other form or from any other court, was worth filing given its aim—do away with forum shopping.

Forum shopping, which sees patent owners enforce their rights in district courts where they think juries will view them more favourably, is alive and well in the US as a practice.

PwC's 2015 Patent Litigation Study found that the district courts in Virginia Eastern, Delaware, Texas Eastern and Wisconsin Western continue to be more favourable venues for patent holders, with shorter time-to-trial, higher success rates and greater median damages awards.

The courts have been the most popular districts to litigate in for the past two years.

Bringing this back to the TC Heartland litigation, Horton says: "Like the Eastern District of Texas, Delaware is a statistically favourable venue for patent owners. Defendants may be interested in transferring for that reason."

Lucas Silva, patent attorney at Foley & Lardner, points out that "around 60 percent of Fortune 500 companies are domiciled in Delaware", which provides attractive incorporation laws but may not, at least as far an accused infringer is concerned, be the correct state in which to litigate a patent case.

Unfortunately for TC Heartland, its attempt to scrap venue shopping as a practice in the US fell on deaf ears.

Dismissing TC Heartland's arguments, the Federal Circuit ruled in May: "We conclude that a writ of mandamus is not warranted."

"The arguments raised regarding venue have been firmly resolved by VE Holding, a settled precedent for over 25 years. The arguments raised regarding personal jurisdiction have been definitively resolved by Beverly Hills Fan, a settled precedent for over 20 years. As a panel, we are bound by the prior decisions of this court," the Federal Circuit said.

"TC Heartland was effectively asking the court to amend the statute to explicitly confine where venue is appropriate in patent cases," explains Silva. "I don't think the court was receptive to that argument, and it was quite clear that the judges were interpreting the case law, as they were supposed to do."

There is also the matter of VE Holding Corp v Johnson Gas Appliance, which expanded the scope of where a corporate defendant 'resides' and "greatly increased the number of states and courts in which many corporations can be sued for infringement", Samantha Kuhn, associate at Baker Botts, wrote in an article earlier this year.

Silva adds: "The law is quite settled in this area thanks to the VE Holdings case, which already addressed the issue and found that the general venue statutory provision applies to the specific provision."

Horton agrees: "A writ of mandamus is asking the appellate court to order the lower court to do or not do something. TC Heartland did not really argue that the district court misinterpreted the law, warranting the transfer of the case. TC Heartland in effect, asked the court to change the law."

While the appeals court rejected TC Heartland's petition, forum shopping has been a popular practice with savvy patent owners, and it has not gone unnoticed. The practice was raised in Congress in March, in a bid to amend the current federal judicial code.

Senators Jeff Flake and Cory Gardner proposed the draft Venue Equity and Non-Uniformity Elimination Act of 2016, which would modify the federal judicial code to allow patent actions to be brought in judicial districts where the defendant has a "regular and established physical facility that gives rise to the act of infringement … the defendant has agreed or consented to be sued".

The Venue Equity and Non-Uniformity Elimination Act would replace the current statute, which states: "Any civil action for patent infringement may be brought in the judicial district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business."

Forum shopping has been criticised by the Electronic Frontier Foundation (EFF), which has said a "canny plaintiff will exploit differences between courts in her favour—differences in how they enforce certain rules, for example".

The Venue Equity and Non-Uniformity Elimination Act would require the plaintiff in a patent suit to file in a district where it "makes sense", as opposed to where the plaintiff feels it might have more chance of winning, according to the EFF.

Whether the Venue Equity and Non-Uniformity Elimination Act passes remains to be seen.

The US has been vocal about addressing patent issues, but has so far lacked the political will to so since the America Invents Act of 2011.

If the bill does pass, the likes of Kraft v TC Heartland could a more common occurrence. Silva says: "We'll see if the new bill does pass. If it does, then this discussion could be a moot point and we will have a new law for patent cases." **IPPro**