

From Servers to Car Dealerships: Venue and Transfer

Ever-evolving caselaw applying TC Heartland and In re Cray

December 13, 2019

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TC Heartland

For domestic corporation, two bases for venue in judicial district:

(1) Residence = State of Incorporation; or

(2) Where defendant has committed acts of infringement + has a regular and established place of business

The patent venue statute, 28 U.S.C. § 1400(b), provides that “[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.” As applied to domestic corporations, “reside[nce]” in Section 1400(b) refers only to the state of incorporation; the amendments to Section 1391 did not modify the meaning of Section 1400(b) as interpreted in *Fourco Glass Co. v. Transmirra Products*.

In re Cray Inc.

(1) Residence => State of Incorporation (commonly Delaware)

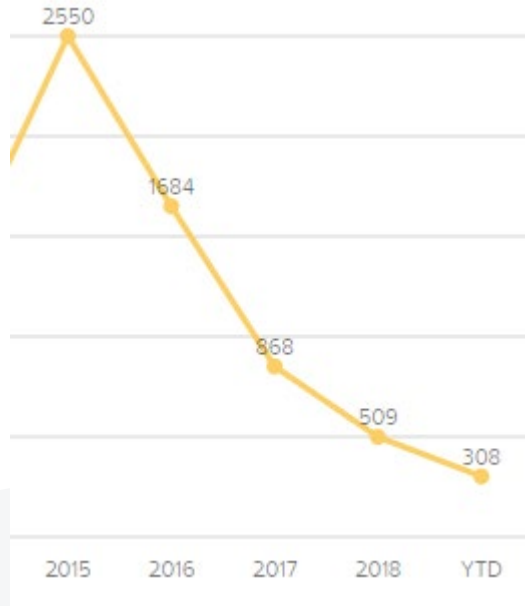
Spike of cases in D. Del. after TC Heartland

	<i>2.5 years before TC Heartland 11/2014 to 5/2017</i>	<i>2.5 years after TC Heartland 5/2017 to 11/2019</i>
Total Patent Cases	1,322	2,351 — 78% increase
ANDA	431	492 — 14% increase
Non-ANDA	891	2,351 — 164% increase

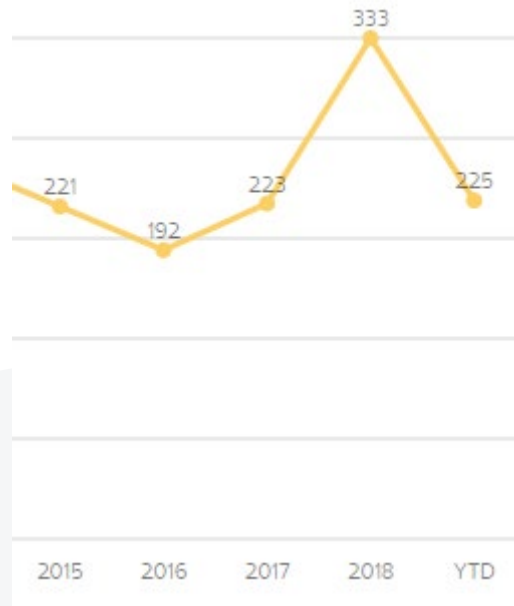
Note: may lead to use of MDL panels in ANDA cases—Not all defendants incorporated in Delaware

The Effects Have Been Profound

Eastern District
of Texas



Northern District
of California



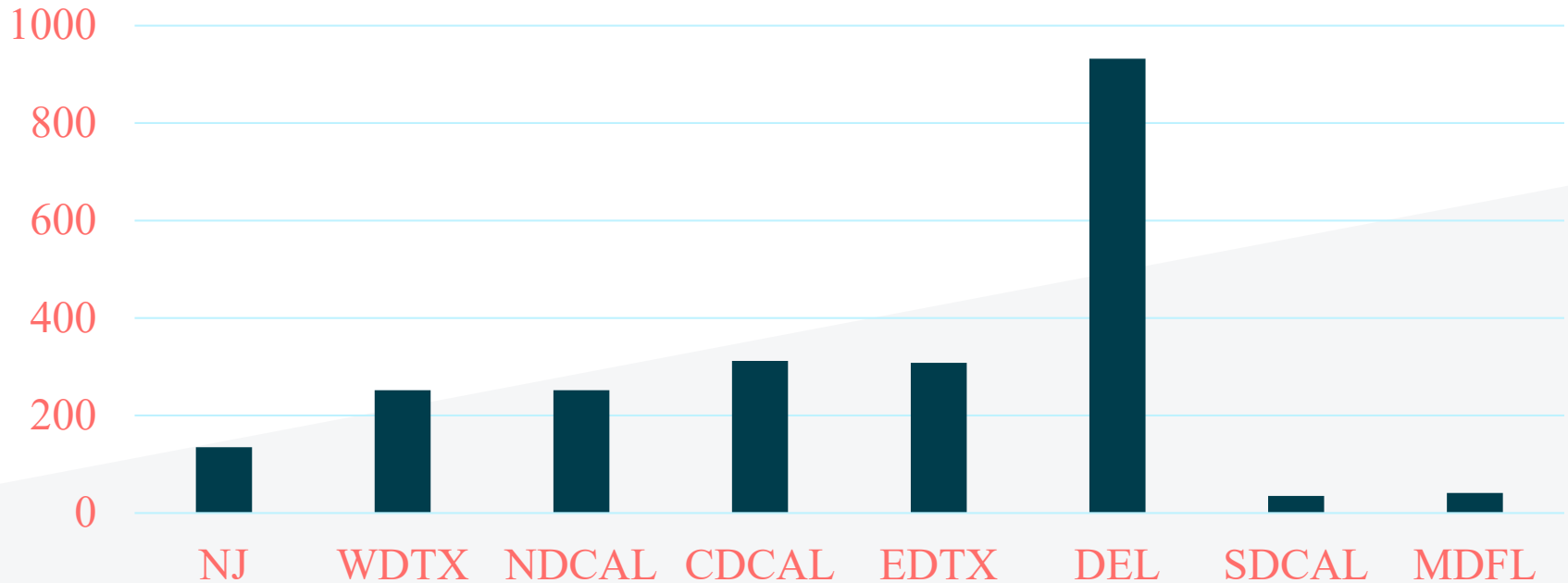
District
of Delaware



Source: Docket Navigator
APLI 2019

The Effects Have Been Profound

Popular Patent Districts – Complaints Filed in 2019 Through Dec. 5



Source: Docket Navigator
APLI 2019

In re Cray Inc.

(2) Requirements for “regular or established place of business”:

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*.

In re Cray Inc.

1. There must be a *physical place* in the district;

Error to say that a fixed physical location is not required.

Factors => Not enough:

- Virtual space.
- Electronic communications from one person to another.

Factors => Enough:

- A defendant used its employees' homes to store its "literature, documents and products"
- Distribution centers; storing inventory that the employees then directly took to its clients.
- Engaged a secretarial service physically located in the district to perform certain tasks.

In re Cray Inc.

2. It must be a *regular* and established place of business;

Factors => Not enough:

- Sporadic activity
- Single act

Factors => Enough:

- A business may be “regular,” for example, if it operates in a steady, uniform, orderly, and methodical manner.

In re Cray Inc.

2. It must be a regular and *established* place of business;

Factors => Not enough:

- Transient place
- Location established for a particular transaction
- Semi-annual display of products at a trade show
- Employee can move home out of district at own instigation, without approval of defendant

Factors => Enough:

- Settled certainly or fixed permanently
- Five-year continuous presence in the district

In re Cray Inc.

3. It must be the place *of the defendant*;

Factors => Not enough:

- Not solely a place of defendant's employee, but place of defendant
- Place is of a corporate affiliate, but not defendant corporation (absent piercing corporate veil)
- Defendant must establish or ratify the place of business; not enough that employee does so

Relevant considerations:

- Whether the defendant owns or leases the place
- Exercises other attributes of possession or control over the place
- Small business might operate from a home; if that is a place of business of the defendant that can be a place of business satisfying the requirement of the statute
- Whether the defendant conditioned employment on an employee's continued residence in the district

Place of Business?

Virtual vs Physical Presences: Servers/Telecomm Equipment



Interior Rack Spaces



Google GGC Servers

2. It must be a regular and established *place of business*;

Server (and/or shelf it sits on) may or may not be a “place of business”

Enough

- *Super Interconnect v Google* (EDTx 2019) (J Gilstrap)
- *Seven Networks v. Google* (EDTx 2018) (J Gilstrap)



Not Enough

- *Cupp v. Symantec* (NDTx 2019)
- *Peerless v. Blitz* (SDNY 2018) (telecom box + shelf)
- *Personal Audio v. Google* (EDTx 2017) (J Clark)

2. It must be a regular and established *place of business*;

Server (or shelf it sits on) may or may not be a “place of business.”

- The venue statute “cannot be read to refer merely to a virtual space or to electronic communications from one person to another.” *In re Cray*.
- Conflict between courts (and even judges within same district) regarding servers.
- Federal Circuit denied mandamus and a petition for rehearing en banc in the *Seven Networks* case. *In re Google* (Fed. Cir. Oct. 29, 2018); *In re Google* (Fed. Cir. 2019)
- Reyna joined by Newman and Lourie dissented from the denial of the petition for rehearing *en banc*: “we leave unanswered a critical issue that increasingly affects venue in legal actions involving e-commerce.”

2. It must be a regular and established *place of business*;

Servers? Cell towers? Oil pipeline?



“The Internet is a series of tubes,”
Sen. Ted Stevens

Keystone Pipeline crossed multiple states.

2. It must be a regular and established *place of business*;

Servers? Cell towers? Oil pipeline?

- Stores and delivers content
- Sits in a physical “place”
- Is “a piece of hardware or equipment”
- The defendant owns it and exerts “control”
- Control over maintenance workers, and
- Signage.

Place of business of defendant?



Keystone Pipeline crossed multiple states.

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Regular and Established Place of Business?

Employees' Home Offices

Regular and Established Place of Business?

- Sales rep's homes ***found to be*** regular and established place of business where the sales reps took sales orders, maintained inventory, and contacted prospective customers from home offices and defendant hired them because they lived in the sales territory. *RegenLab USA LLC v. Estar Technologies Ltd.*, 335 F. Supp. 3d 526 (S.D.N.Y. 2018)
- Homes of 149 remote employees living in Texas ***were not*** regular and established places of business of defendant. *Cupp Cybersecurity LLC v. Symantec Corp.*, 2019 U.S. Dist. LEXIS 37960 (N.D. Tex. Jan. 16, 2019)
- Homes of 47 employees in district ***were not*** regular and established places of business of defendant. *Univ. of S. Fla. Research Found. Inc. v. Agfa HealthCare Corp.*, No. 8:16-CV-3106-MSS-TGW, 2017 WL 10276022, at *4 (M.D. Fla. Dec. 29, 2017)

Places of the Defendant?

Dealerships, Related Corporate Entities, Storage Lockers



Places of the Defendant?

Auto Dealership

- Dealerships **are not** places of business of BMW. *West View v. BMW NA* (SDCA 2018).
- Dealerships **are** places of business of BMW. *Blitzsafe v. BMW* (EDTX 2018) (J Gilstrap)

Lockers

- Storage lockers with small quantities of product samples **are not** a place of the defendant. *Regents v. Gilead* (D. Minn. 2017)
- Amazon lockers **are not** a place of business of Defendant who used lockers to distribute products. *SportPet v. Cat1st* (EDWI 2018); *Reflection v. Spire* (SDCA 2018).
- Amazon lockers **are** a place of business of Amazon. *Rensselaer v. Amazon* (NDNY 2019)

Places of the Defendant?

Generally, the presence of a corporate relative in a district is not the place of related, but distinct, corporate entity

- Use of Medtronic on exterior of the building, as well as the press releases announcing the business to be conducted in the district by Medtronic subsidiary insufficient to establish venue for Medtronic parent company. *Bd. of Regents v. Medtronic* (WDTX 2018)
- If corporate formalities ignored and an alter ego relationship exists, the presence of a corporate relative in the district may establish venue. *See Post Consumer Brands v. Gen. Mills* (EDMo. 2017)

Other Venue Developments Since In re Cray

Foreign Companies, States with Multiple District, Burdens, Pleading Standard, Sovereign Immunity, Customer Suit Exception

Foreign Companies

New venue restrictions don't apply to foreign companies because of “alien-venue” rule

- There is a “long-established rule that suits against aliens are wholly outside the operation of all the federal venue laws, general and special.” *In re HTC* (Fed. Cir. 2018) quoting *Brunette . v. Kockum* (SCt 1972).
- May allow patentee to sue foreign parent and even leave off domestic subsidiary to avoid patent venue rules for domestic companies.
- Thus, foreign companies can be sued anywhere subject to personal jurisdiction (like the old patent venue rules)

Foreign Companies

Unresolved personal jurisdiction issue — The Federal Circuit has not yet determined whether the stream of commerce theory requires:

- “a mere act of placing a product in the stream of commerce with the *expectation that it would be purchased* in the forum state” or
- “an action of the defendant *purposefully directed* toward the forum state”

Supreme Court’s 1987 *Asahi* decision resulted in two 4-justice pluralities each adopting one of the above approaches for stream of commerce

Supreme Court revisited the issue in 2011 but no majority opinion emerged —
Circuits are split

Other Ramifications of New Venue Rule

Other Venue Developments Since In re Cray

For defendant incorporated in state with multiple judicial districts: venue is proper:

- in single district where defendant maintains principle place of business, or
- failing that, where defendant's registered office is located. *In re Big Commerce* (Fed. Cir. 2018).

Plaintiff bears burden of showing proper venue. *In re ZTE* (Fed. Cir. 2018).

Specific facts must be pled in complaint re regular and established place of business, not enough to simply parrot language of statute. *Westech Aerosol Corp. v. 3M* (Fed. Cir. 2019).

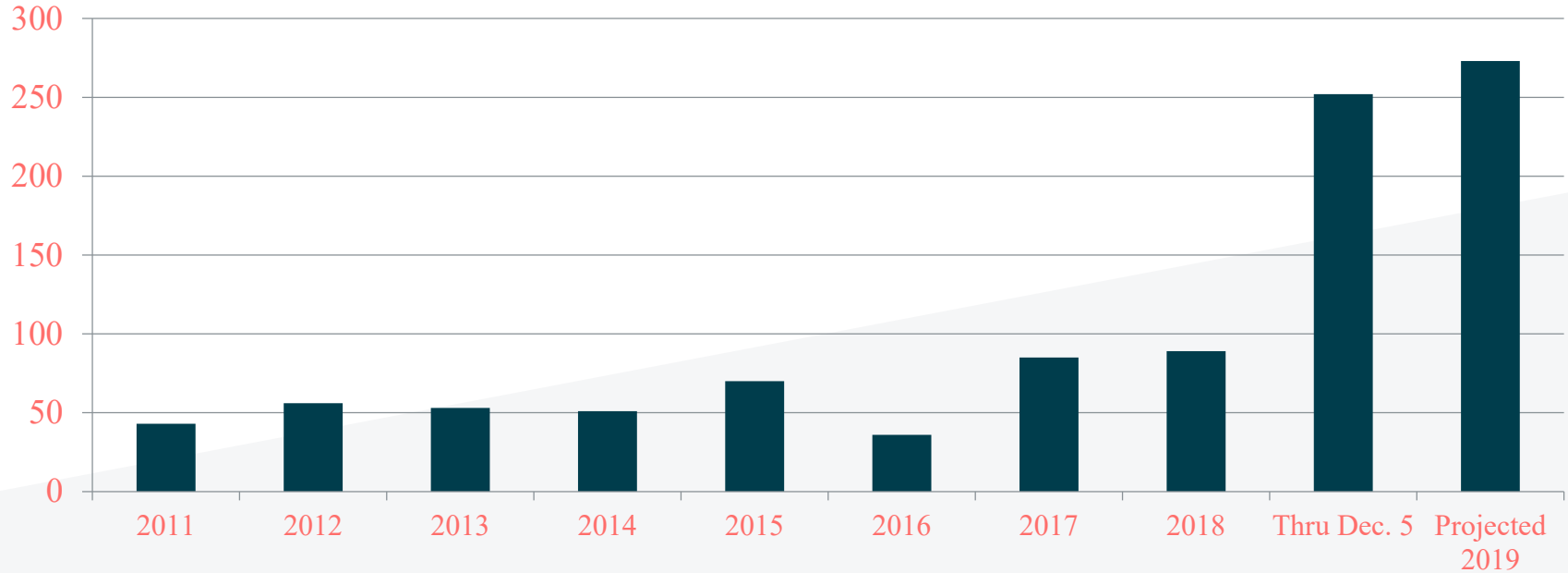
Other Venue Developments Since In re Cray

Sovereign immunity does not override patent venue rules where state university is *plaintiff only*, standard venue rules apply to state university. *Bd. of Regents of the Univ. of Tex. Sys. v. Boston Sci.* (Fed. Cir. 2019).

- Strategic point, if defendant sued by state university consider whether to assert counterclaims
- If counterclaims asserted, sovereign immunity may override patent venue rules and prevent change of venue

Patent Filing Spike in WD Texas

Patent Complaints Filed in W.D. Texas 2011-2019



Source: Docket Navigator
APLI 2019

Customer Suit Exception

One consequence of *TC Heartland* — patentee may look for other parties in the supply chain to sue in *preferred* venue.

For example, instead of naming manufacturer as defendant, sue Walmart or Best Buy

Under the “customer suit exception”

- a patent infringement action against a customer can be stayed pending resolution of a *later* suit by or against the manufacturer of the infringing product
- exception to the “first-to-file rule” that says first-filed case takes priority.

In a pre-*TC Heartland* case the Federal Circuit granted a writ severing claims against Nintendo from claims against retailers in E.D. Tex. and transferring the case against Nintendo to W.D. Wash. *In re Nintendo of America* (Fed. Cir. 2014)

But “customer suit exception” not a bright-line rule. *In re Google* (Fed. Cir. 2014)

Questions?

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