No. 16-341

In the
Supreme Court of the United States

TC HEARTLAND, LLC D/B/A HEARTLAND FOOD PRODUCTS GROUP,
Petitioner,
v.
KRAFT FOODS GROUP BRANDS LLC,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING PETITIONER

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QUESTION PRESENTED

Whether the patent venue statute, 28 U.S.C. § 1400(b), which provides that patent infringement actions "may be brought in the judicial district where the defendant resides[,]" is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by the statute governing "[v]enue generally," 28 U.S.C. § 1391, which has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

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INTEREST OF AMICUS CURIAE[1]

The American Bar Association ("ABA") respectfully submits this brief as amicus curiae in support of the petitioner TC Heartland, LLC ("TC Heartland").

The ABA is the leading national organization of the legal profession, with more than 400,000 members from all 50 states, the District of Columbia and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations. ABA members include judges, legislators, law professors, law students and non-lawyer "associates" in related fields, and represent the full spectrum of public and private litigants.[2]

The ABA Section of Intellectual Property Law ("IPL Section"), which was established in 1894, is the world's oldest and largest organization of intellectual property professionals. The IPL Section has approximately 20,000 members, including attorneys who represent patent owners, accused infringers, and small

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[1] Pursuant to Rule 37.6, amicus curiae certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than amicus, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief. Sup. Ct. R. 37.6. Petitioner's and Respondent's written consent has been filed with the Clerk with this brief.

[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

corporations and universities and research institutions across a wide range of industries. The IPL Section promotes the development and improvement of intellectual property law and takes an active role in addressing proposed legislation, administrative rule changes and international initiatives regarding intellectual property. It also develops and presents resolutions to the ABA House of Delegates for adoption as ABA policy to foster necessary changes to the law. These policies provide a basis for the preparation of ABA amicus curiae briefs, which are filed primarily in this Court and the United States Court of Appeals for the Federal Circuit.[3] The IPL Section includes and represents attorneys on all sides of issues of intellectual property law, and its reliance on the expertise of its members to develop consensus positions within the ABA ensures its positions reflect those of the broader intellectual property community.

In August 2016, the ABA's House of Delegates adopted as the formal policy of the ABA the position that the American Bar Association supports an interpretation of the meaning of "resides" in the special patent venue statute, 28 U.S.C. § 1400(b), that does not adopt the definition of "resides" in the separate, general venue statute, 28 U.S.C. § 1391(c).[4] As explained below, the adoption of this policy reflected the ABA's

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[3] *See* ABA, Amicus Curiae Briefs, http://www.americanbar.org/amicus/1998-present.html (accessed Feb. 2, 2017).

[4] *See* ABA H.D. Res. 108C (2016), *available at* http://www.americanbar.org/content/dam/aba/images/abanews/2016%20Annual%20Resolutions/108c.pdf; *see also* ABA Sec. Intell. Prop. L., *Report 108C* (2016), *available at* http://www.americanbar.org/content/dam/aba/directories/policy/2016_hod_annual_108C.docx.

experience with the deleterious effects of the Federal Circuit's 1990 decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), which had concluded that patent suits could be brought in any district where venue was proper under Section 1391. That decision, ironically, had the effect of concentrating patent litigation in a very small number of judicial districts and exposed the patent system to charges (and perhaps the reality) of forum-shopping. Although the ABA had previously favored, as a matter of policy, an approach to patent venue that would have been similar to the holding of the Federal Circuit in *VE Holding*, more than two decades of experience with the Federal Circuit's rule caused the organization to revisit its position and adopt its current policy.

SUMMARY OF ARGUMENT

The special patent venue statute, 28 U.S.C. § 1400(b), is the sole and exclusive provision controlling venue in patent infringement actions, as this Court held in *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957). The Federal Circuit, relying on its decision in *VE Holding*, disregarded *Fourco*, and instead held that courts should determine the meaning of "resides" for patent infringement actions from the general civil venue statute, 28 U.S.C. § 1391.

The *VE Holding* court was wrong to incorporate the general venue statute into the special patent venue statute, and the Federal Circuit erred in repeating that mistake again here. The special patent venue statute has not changed since *Fourco*. The Federal Circuit's decisions ignore established canons of

interpretation that dictate that specific provisions govern over more general statutes. Section 1400(b) is clear and unambiguous; there is no justification for looking outside it to determine its meaning. And, if there is any doubt, the 2011 amendment to the general venue statute make clear that the general statute does not displace special venue rules under particular Federal statutes.

VE Holding has caused severe forum concentration in patent litigation. Nearly half of all patent cases are now filed in just two judicial districts. This has had numerous adverse effects on patent law and practice. It has deprived patent law of the diversity of viewpoints necessary for a healthy and robust common law. It has given disproportionate impact to the practices and decisions of a handful of district courts and district court judges. Most troublingly, the increase in forum shopping has undermined public confidence in the fundamental fairness of the patent system and the courts, and risks diminishing the credibility of the bar.

The ABA has always viewed the special patent venue statute as the exclusive provision governing patent venue. Decades ago the ABA advocated for broadening the patent venue statute to increase the flexibility for patentees bringing suit, assuming that venue transfer provisions would avoid unfairness to defendants and venue concentration. After *VE Holding*, that assumption proved to be incorrect. In spite of Federal Circuit orders requiring transfer as mandamus relief almost a decade ago, the availability of discretionary transfer has also done little to curb the venue concentration. The ABA has thus concluded

that the problems created by expanded patent venue are not self-correcting, and therefore urges this Court to restore the balance struck by Congress in enacting a special patent venue statute and reaffirm *Fourco*'s holding that § 1400(b) is the sole and exclusive provision governing venue in patent infringement cases.

ARGUMENT

I. THE SPECIAL PATENT VENUE STATUTE IS THE EXCLUSIVE PROVISION CONTROLLING VENUE IN PATENT INFRINGEMENT ACTIONS.

The special patent venue statute, 28 U.S.C. § 1400(b), provides:

> (b) 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.

The specific language presently at issue is the term "resides." Its meaning has not changed since this Court examined it in 1957, holding that "s[ection] 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. s.1391(c)." *Fourco*, 353 U.S. at 229. There, the Court observed that "resident" and "inhabitant" are "synonymous words [that] mean domicile, and, in respect of corporations, mean the state of incorporation only." *Fourco*, 353 U.S. at 226. Although § 1391(c) has

changed twice since *Fourco*, § 1400(b) has not changed at all in that time. Since *Fourco*, therefore, there has been no basis in Supreme Court precedent to look to § 1391(c) or any other external source to understand the meaning of "resides" in the special patent venue statute.

This is especially true given that § 1400(b) is a narrow, specialized statute and § 1391, in its current form, is a later-enacted statute covering the same subject matter more generally. "It is a basic principle of statutory construction that a statute dealing with a narrow, precise, and specific subject is not submerged by a later enacted statute covering a more generalized spectrum." *Radzanower v. Touche Ross & Co.*, 426 U.S. 148, 153 (1976). The Federal Circuit departed from these principles of statutory construction in *VE Holding*, and in the decision below. In both cases, the Federal Circuit looked to the language of the general civil venue statute to determine the meaning of "resides" in the special patent venue statute.

If indeed the rationale for the 1990 *VE Holding* decision was found in § 1391, as the Federal Circuit's opinion suggested, that rationale was eliminated by the 2011 amendments. Among other things, the 2011 amendments to § 1391 explicitly state that § 1391 applies only "[e]xcept as otherwise provided by law." *See* 28 U.S.C. § 1391(a), as amended by the Federal Courts Jurisdiction and Clarification Act of 2011, Pub. L. No. 112-63, § 202, 125 Stat. 758, 763 (2011). This amendment to Section 1391 makes clear that the general venue statute does not apply when a more specific provision applies. *See id.; accord* H.R. Rep.

No. 112-10, at 18 (2011) ("New paragraph 1391(a)(1) would follow current law in providing the general requirements for venue choices, but would not displace the special venue rules that govern under particular Federal statutes."). It therefore precludes imposing § 1391 onto the special patent venue statute.

II. THE ABA JOINS AS AMICUS BECAUSE THE FEDERAL CIRCUIT'S INCORRECT INTERPRETATION OF THE PATENT VENUE STATUTE IS ADVERSELY AFFECTING PATENT LAW AND PRACTICE.

A. Patent Litigation Has Become Concentrated in a Small Number of Federal District Courts.

Ironically, the Federal Circuit's broadened interpretation of the patent venue statute in *VE Holding* has led to a substantially narrower geographic distribution of patent cases throughout the country. In 2016, nearly half of all patent cases were filed in just two districts: the Eastern District of Texas and the District of Delaware.[5] The Eastern District of Texas received approximately 37% of new patent complaints, whereas the next four highest-volume districts combined received only 26% of patent cases.[6]

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[5] Ryan Davis, *New Patent Complaints Drop to Lowest Level Since 2011*, Law 360 (Jan. 12, 2017), *available at* https://www.law360.com/articles/880322/new-patent-complaints-drop-to-lowest-level-since-2011.

[6] Data from Lex Machina Legal Analytics, https://lexmachina.com/legal-analytics (accessed Jan. 27, 2017). The District of

The 2016 filings are not an aberration. Between 2013 and early 2017, there were 7170 patent cases in the Eastern District of Texas, as compared to 3300 in the District of Delaware, 1351 in the Central District of California, and 894 in the District of New Jersey.[7]

This concentration of cases bears no relation to the defendants' places of incorporation or principal places of business. According to a recent study, only 14% of patent cases were filed in the defendant's principal place of business,[8] only 15% were filed in the defendant's district of incorporation,[9] and if venue were restricted to "where a defendant resides or has an established place of business," as contemplated by the patent venue statute, then "about 58% of the 2015

Delaware received 10%, the Central District of California 6%, the Northern District of Illinois 5%, and the Northern District of California 4%; *see also* Unified Patents, 2016 Annual Patent Dispute Report (Jan. 1, 2017), *available at https://www.unifiedpatents.com/news/2016/12/28/2016-annual-patent-dispute-report.*

[7] Lex Machina, *supra* note 6, (accessed Jan. 15, 2017). The number of cases concentrated in the Eastern District of Texas has grown over the past decade, in part because of changes to the joinder rules in the 2011 America Invents Act from 369 in 2007, 291 in 2008, 235 in 2009, 285 in 2010, 417 in 2011, 1251 in 2012, 1496 in 2013, 1427 in 2014, 2541 in 2015, 1661 in 2016.

[8] Colleen V. Chien and Michael Risch, *Recalibrating Patent Venue,* Santa Clara Univ. Legal Studies Research Paper No. 10-1, Villanova Law/Public Policy Research Paper No. 2016-1029, at 31 (Oct. 6, 2016), *available at* https://ssrn.com/abstract=2834130.

[9] *Id.*

cases… would have had to [have] been filed in a different venue."[10]

B. The Concentration of Patent Litigation Is Deleteriously Affecting Law and Practice.

The concentration of cases in particular districts reduces the diversity of viewpoints contributing to patent jurisprudence at the trial level. As commentators have recognized, "the patent code, much like the Sherman Act, is a common law enabling statute, leaving ample room for courts to fill in the interstices…. Indeed, the common law has been the dominant legal force in the development of U.S. patent law for over two hundred years."[11] District courts play a substantial role in that development. One observer has noted that "district courts are the only judicial actor involved in nearly all patent cases."[12] Even for the few cases that are appealed, the district courts serve as the Federal Circuit's "eyes and ears… placing a case's facts in the context of a larger legal and economic picture in the first instance" and act as "patent laboratories."[13] Much as this Court depends on the courts of appeals for the percolation of issues of federal law, the Federal Circuit depends on the district court to artic-

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[10] *Id.* at 6.

[11] Craig Allen Nard, *Legal Forms and the Common Law of Patents*, 90 B.U. L. Rev. 51, 53 (2010).

[12] Jeanne C. Fromer, *District Courts as Patent Laboratories*, 1 U.C. Irvine L. Rev. 307, 312-313 (2011).

[13] *Id.*

ulate principles of patent law before the Federal circuit undertakes its task of adopting nationally uniform constructions.

Yet, most patent cases are now heard by a small subset of the 589 sitting federal district court judges.[14] In 2016, 25% of all patent cases were assigned to just one district judge in the Eastern District of Texas.[15] Almost half of all patent cases were assigned to just seven judges (three from the Eastern District of Texas, and four from the District of Delaware); that is, 48% of all patent cases were assigned to less than 2% of sitting district court judges.[16] The concentration of patent cases in this small group of trial judges is thus even greater than the concentration of patent cases at the appellate level, where the 12 judges of the Court of Appeals for the Federal Circuit represent approximately 6% of all active U.S. Circuit Court judges. In fact, the trial judges in the Eastern District of Texas and the District of Delaware actually hear nearly four times more patent cases than the entire Federal Circuit.[17] This is particularly

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[14] Lex Machina, *supra* note 6, (accessed Jan. 19, 2017). In the period between 2013 and early 2017, two judges in the Eastern District of Texas received 4806 and 1648 patent cases, respectively; in Delaware, three judges received 950, 922, and 911 cases, respectively.

[15] *Id.*

[16] *Id.*

[17] Compare the 527 district court patent infringement appeals filed in the Federal Circuit in 2016, *see* United States Court of Appeals for the Federal Circuit, *Filings of Patent Infringement Appeals from the U.S. District Courts*, *available at* http://www.cafc.uscourts.gov/sites/default/files/the-court/statistics/FY16_Caseload_Patent_Infringement_2.pdf, with the 2116

anomalous given that Congress deliberately chose to assign jurisdiction of all patent appeals to the Federal Circuit but Congress did not make that decision with respect to the concentration of cases at the trial court level that now exists.

Scholars attribute the concentration of patent cases to forum shopping, and acknowledge that this concentration is detrimental to the practice of patent law and to the bar as a whole.[18] In a landmark study on venue, Professor Kimberly Moore (now Federal Circuit Judge Moore) noted that "[f]orum shopping conjures negative images of a manipulable legal system in which justice is not imparted fairly or predictably." *See* Kimberley A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?* 83 J. Pat & Trademark Off. Soc'y 558 (Aug. 2001); Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?* 79 N.C.L. Rev. 889 (2001). The perception that venue concentration stems from forum shopping erodes trust in the legal system, affects the credibility of the patent bar, and undermines public confidence in the patent system.

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patent cases before judges in the Eastern District of Texas and District of Delaware in 2016, *see* Lex Machina, *supra* note 6, (accessed Jan. 28, 2017).

[18] *See*, *e.g.*, J. Jonas Anderson, *Court Competition for Patent Cases*, 163 U. Pa. L. Rev. 631 (2015); Daniel Klerman & Greg Reilly, *Forum Selling*, 89 S.Cal. L Rev. 241 (2016); Yan Leychskis: *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 Yale J.L. Tech. 193 (2007).

In the ABA's experience, there is reason to believe that the Federal Circuit's rule has encouraged forum shopping and, as a result, has led to certain local procedural rules and case management practices in particular districts having a distorting influence on the patent system as a whole.

Certain jurisdictions have created local rules governing the timetable for discovery or the procedure for seeking summary judgment in patent cases. In these districts, parties must produce discovery immediately under the local rules rather than only upon the request of the other party.[19] Furthermore, parties must request permission to seek summary judgment, for dispositive issues such as invalidity and non-infringement, which could advance judicial economy, whereas such motions can be filed routinely as a matter of right in other districts.[20] Such local procedural rules have a substantive impact on the ultimate disposition of cases that would not be seen in other judicial districts. For instance, parties who would be required to produce a far greater number of documents than their adversary, without the possibility of an early dispositive motion, may be forced to settle rather than incur the enormous expenses that discovery can entail.[21]

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[19] *See* Klerman & Reilly, *supra* note 18, at 268 (discussing how, under this rule, parties must complete costly document collection and production within a few months of the case filing).

[20] *Id.* at 252.

[21] *See* Anderson, *supra* note 18, at 667 (noting that "a judge's decision on the length of time for or scope of the discovery process can be as important as a decision on a legal issue.").

Other case management differences between districts also have influenced the practice of patent law. Scholars have demonstrated that availability of summary judgment or venue transfer may vary by district. One study found that judges in one popular district granted summary judgment motions at a rate of less than a quarter of the rate of judges in other districts.[22] Other scholars have noted that transfer may be less available in certain districts than others.[23] The Federal Rules of Civil Procedure, however, are intended to govern in all judicial districts, and while there will inevitably be variations in the way district judges apply them, a system in which almost half of all patent cases are resolved under the atypical practices of two judicial districts has little to recommend it.

C. The ABA has Concluded it is Necessary to Adopt a Policy that Reduces Forum Concentration in Patent Litigation.

The ABA's position on patent venue policy has evolved in response to the continued concentration of patent cases. In the 1970s, the ABA supported amendments to the patent statute that would have defined corporate residence to be any judicial district in which the corporation was "doing business" because of concerns that the statute could unduly shield corporate infringers.[24] At the time, the ABA believed

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[22] Klerman & Reilly, *supra* note 18, at 250.

[23] *Id.* at 259-263; *see also* Anderson, *supra* note 18, at 674-675.

[24] Albin H. Gess, *Desirability of Initiating Patent Litigation Wherever a Defendant Is Found*, 1974 ABA Sec. Pat. Trademark

that the availability of discretionary transfer under 28 U.S.C. § 1404 could prevent any unfairness to the defendant from unrestricted venue.[25] The ABA held this view until after *VE Holding* interpreted § 1400 to include § 1391(c), when the ABA began to experience the practical effects of such a broad application of the statute on patent litigation. The ABA changed its view on patent venue in 1998, and archived its previous policy position advocating expanding the patent venue statute.

For several years, the ABA's Intellectual Property Law Section continued to monitor whether discretionary transfer under 28 U.S.C. § 1404 would correct the issue of forum concentration in patent cases. Indeed, there were signs of self-correction. In 2008, the Federal Circuit granted a petition for a writ of mandamus, and directed the Eastern District of Texas to transfer a patent infringement case to the Southern District of Ohio.[26] In light of this decision, the Intellectual Property Law Section continued to monitor pa-

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and Copyright L. 114, 115. The author described the statute as a "historical accident" because the predecessor statute for the special venue statute was enacted before the transfer statute was available.

[25] *Id.* at 116 (explaining that "extending the patent venue statute… would place back within the discretion of the court, by reason of 28 USC §1404 (a), the decision as to which forum is the most fair to both litigation parties in the circumstances of the particular litigation.").

[26] *See In re TS Tech United States Corp.*, 551 F.3d 1315 (Fed. Cir. 2008).

tent concentrations, to allow the anticipated self-correction to occur.[27] However, as the concentration of cases continued and deepened,[28] the ABA ultimately concluded that a formal change in policy position was necessary.

While the ABA has consistently read the patent venue statute to be the exclusive provision governing patent venue, the ABA's position on patent venue policy has evolved as a result of 26 years of seeing the effects of expanded interpretation of the patent venue statute – including the resulting concentration of patent cases at the district court level – and the failure of efforts to curtail the concentration. In 2016, the ABA passed a formal policy codifying its longstanding interpretation of the patent venue statute as not including the definition of "resides" in the general venue statute.[29] The ABA urges the Court to affirm that the interpretation given to § 1400 in *Fourco* continues to apply to patent cases despite minor changes to the

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[27] ABA Sec. Intell. Prop. L., *A Section White Paper: Agenda for 21st Century Patent Reform,* 39 (Sept. 2010), *available at* http://www.americanbar.org/content/dam/aba/administrative/intellectual_property_law/advocacy/white_paper_sept_2010_revision.authcheckdam.pdf. The ABA's white paper discussed the *TS Tech* decision and stated that proposals to change the patent laws were "unnecessary because the alleged problem to which they are directed will likely be self-correcting and of limited duration. Indeed, the Eastern District of Texas reportedly has begun to transfer cases to other districts, and the concentration of patent cases in that district is not likely to continue."

[28] *See* Klerman & Reilly, *supra* note 18, at 261 (The transfer rate in the Eastern District of Texas "decreased after TS Tech, from 9% in 2000-2008 to 5% in 2009-the first half of 2015.").

[29] *See* ABA H.D. Res. 108C, *supra* note 4, at 1.

general venue statute. This conclusion would reduce the perceived unfettered forum shopping for which the patent system has been criticized.

CONCLUSION

For the foregoing reasons, the ABA respectfully requests that the Court reverse the Federal Circuit's holding below.

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