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Steven Pepe

Samuel Brenner

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**IMPLICATIONS OF A REVITALIZED 28 U.S.C. § 1400(B):  
IDENTIFYING THE “REGULAR AND ESTABLISHED PLACE  
OF BUSINESS” FOR PATENT VENUE IN THE INTERNET AGE**

*By Steven Pepe and Samuel Brenner\**

**I. INTRODUCTION**

On May 22, 2017, the United States Supreme Court handed down its decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*,<sup>1</sup> a case that likely will alter significantly how and where patent infringement cases can be brought in U.S. district courts. The specific issue in *TC Heartland* was whether venue in patent actions is controlled solely by the special patent venue statute, 28 U.S.C. § 1400(b), or whether venue in patent actions is also informed by the general venue statute, 28 U.S.C. § 1391.<sup>2</sup> Since the Federal Circuit’s 1990 decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*,<sup>3</sup> patent holders have been permitted to rely on the general venue statute and, as a result, have been permitted to bring patent infringement actions in *any* district in which the court has personal jurisdiction over the defendants.<sup>4</sup> This has resulted in the development of a number of patent-friendly jurisdictions and, accordingly, what observers view as a form of blatant forum shopping by patent holders when bringing

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\*Steven Pepe is a partner in the Intellectual Property Litigation practice group at Ropes & Gray LLP. He received his J.D. from Touro College, Jacob D. Fuchsberg Law Center, and his L.L.M. in Intellectual Property from the George Washington University Law School. Samuel Brenner is a senior associate in the Intellectual Property Litigation practice group at Ropes & Gray LLP. He received his J.D. from The University of Michigan Law School and his Ph.D. in History from Brown University. The authors would like to thank Darlena Subashi and Vladimir Semendyai for research assistance.

<sup>1</sup> *TC Heartland LLC v. Kraft Foods Group Brands LLC*, No. 16-341, —S. Ct. — (2017).

<sup>2</sup> See Petition for Writ of Certiorari, *TC Heartland LLC*, 2016 WL 4983136, at \*1 (U.S. 2016) (No. 16-341).

<sup>3</sup> 917 F.2d 1574 (Fed. Cir. 1990).

<sup>4</sup> See *id.* at 1583.

patent cases.<sup>5</sup> In *TC Heartland*, the Supreme Court unanimously<sup>6</sup> rejected the Federal Circuit's holding in *VE Holding*,<sup>7</sup> thus making it clear that venue in patent cases is governed solely by the restrictive language of 28 U.S.C. § 1400(b), 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.*"<sup>8</sup> Now that *TC Heartland* has prevailed, the sort of blatant forum shopping criticized by observers will likely be minimized.

Even before oral argument, a great deal had already been written on the merits of *TC Heartland*'s argument, both by commentators and interested parties.<sup>9</sup> Indeed, in addition to the merits brief filed by *TC Heartland*, by February 6, 2017, nineteen separate groups of *amici* had already filed briefs.<sup>10</sup> To most of these

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<sup>5</sup> See, e.g., Brief for the State of Texas et al. as Amici Curiae in Support of Petitioner at 7-15, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341) [hereinafter Brief for the State of Texas et al.].

<sup>6</sup> Justice Gorsuch, who joined the Supreme Court after oral argument, took no part in the consideration or decision of the case. *TC Heartland*, Slip. Op. at 10.

<sup>7</sup> See, e.g., *TC Heartland*, Slip. Op. at 1 ("We therefore hold that a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute."); *id.* at 7-8.

<sup>8</sup> 28 U.S.C. § 1400(b) (1999) (emphasis added).

<sup>9</sup> See, e.g., Paul R. Gugliuzza & Megan M. La Belle, *The Patently Unexceptional Venue Statute*, 66 AM. U. L. REV. (forthcoming 2017), <https://ssrn.com/abstract=2914091>; Dennis Crouch, *TC Heartland: Statutory Interpretation, Fairness, and E.D. Texas*, PATENTLYO (Feb. 7, 2017), <https://patentlyo.com/patent/2017/02/heartland-statutory-interpretation-fairness.html>; Rebecca Kaufman & Abby Parsons, *TC Heartland v. Kraft: Awaiting a 2017 Supreme Court Decision with Potentially Significant Implications for Patent Litigation*, JDSUPRA (Feb. 6, 2017), <http://www.jdsupra.com/legalnews/tc-heartland-v-kraft-awaiting-a-2017-39309/>; Megan M. La Belle & Paul R. Gugliuzza, *In Defense of the Federal Circuit: TC Heartland and Patent Venue*, PATENTLYO (Feb. 16, 2017), <https://patentlyo.com/patent/2017/02/federal-circuit-heartland.html>; Michael Risch, *Guest Post: TC Heartland and Statutory Interpretation*, PATENTLYO (Dec. 28, 2016), <https://patentlyo.com/patent/2016/12/heartland-statutory-interpretation.html>.

<sup>10</sup> Among those are briefs filed by 61 law and economics professors (drafted by Mark Lemley at Stanford Law School); the Intellectual Property Law Association of Chicago; General Electric; the Electronic Frontier Foundation; the American Bar Association; and the states of Texas, Arizona, Colorado, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Michigan, Nebraska, North Carolina, Ohio, South Carolina, Vermont, Virginia, and Wisconsin. See generally Brief of the A.B.A. as Amicus Curiae Supporting Petitioner, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of the Electronic Frontier Found. & Pub. Knowledge as Amici Curiae in Support of Petitioner, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of Gen. Elec. Co. as Amicus Curiae Supporting Neither Party, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of the Intellectual Prop. Law Ass'n of Chicago as Amicus Curiae in Support of Neither Petitioner or Respondent, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of Amici Curiae 61 Professors of Law and

commentators, it seems likely that the Supreme Court would accept at least part of TC Heartland's argument and issue a decision that significantly constrained where patent holders can sue alleged patent infringers.<sup>11</sup> While there was some dispute after oral argument regarding which way the Court was leaning,<sup>12</sup> in the end the Court, as expected, decisively reversed the Federal Circuit.<sup>13</sup> This decision likely represents a sea change in the law—in one fell swoop, the Court overruled almost three decades of patent litigation precedent and practice, dating back to *VE Holding*. In the process, the Court necessarily made it much more difficult for patent holders to sue in the Eastern District of Texas, a district that is perceived by many as being patentee-friendly<sup>14</sup> and that was the location of 44% of all patent cases filed in 2015.<sup>15</sup> The fact that patent holders gravitate to the Eastern District of Texas comes as no surprise — as compared to other districts, the Eastern District of Texas generally has seen higher median damages awards, lower transfer rates of patent cases, lower stay rates pending Patent Trial and Appeal Board (PTAB) proceedings, lower rates of summary judgment of non-infringement and invalidity, and lower rates of dismissing cases based on non-patentable subject matter than have many other districts.<sup>16</sup>

Unless Congress steps in to maintain the status quo in a new patent venue statute, this decision by the Supreme Court overruling *VE Holding* obviously has significant implications for patent litigators. One of the effects of this decision is to raise once again what had been a key and thorny question implicated by the special patent

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Econ. in Support of Petitioner, *TC Heartland LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief for the State of Texas et al., *supra* note 5, at 7-15.

<sup>11</sup> Steven Pollinger & Yusuf Rangwala, *Much More Than East Texas Is At Stake In TC Heartland*, LAW360 (Feb. 9, 2017, 11:41 AM), <https://www.law360.com/articles/889785/much-more-than-east-texas-is-at-stake-in-tc-heartland->; Gene Quinn, *Supreme Court Agrees to Hear Patent Venue Case Filled with Patent Reform Implications*, IPWATCHDOG (Dec. 14, 2016), <http://www.ipwatchdog.com/2016/12/14/supreme-court-patent-venue-case-patent-reform-implications/id=75751/>.

<sup>12</sup> See, e.g., Dennis Crouch, "TC Heartland LLC v. Kraft Foods Oral Arguments," Apr. 2, 2017, [www.patentlyo.com/patent/2017/04/heartland-kraft-arguments.html](http://www.patentlyo.com/patent/2017/04/heartland-kraft-arguments.html); Daniel Fisher, "Supreme Court Seems Unenthusiastic About Eliminating Patent-Troll Venue," *Forbes*, Mar. 28, 2017.

<sup>13</sup> See, e.g., *TC Heartland*, Slip. Op. at 7-8.

<sup>14</sup> See, e.g., Brief for the State of Texas et al., *supra* note 5, at 7-15.

<sup>15</sup> Lisa Schuchman, *Eastern Texas Had an 'Astounding' Number of Patent Cases in 2015*, CORP. COUNS. (Jan. 7, 2016), <http://www.corpcounsel.com/id=1202746460787/Eastern-Texas-Had-an-Astounding-Number-of-Patent-Cases-in-2015>.

<sup>16</sup> Brian J. Love & James Yoon, *Predictably Expensive: A Critical Look at Patent Litigation in the Eastern District of Texas*, 20 STAN. TECH. L. REV. 1, 5, 16-18 (2017).

venue statute: what, exactly, is meant by a “regular and established place of business” as that term is used in 28 U.S.C. § 1400(b)?<sup>17</sup> As one district court noted in 1986 (just four years before *VE Holding*), “[t]he case law development of this issue encompasses a wide variety of opinions as to the type and extent of contacts that signify a regular and established place of business. Indeed, the courts have reached opposite conclusions in substantially similar cases.”<sup>18</sup> And as another court observed, “[i]t is true that no reliable test has been devised by which a court can determine whether or not a foreign corporation maintains a regular and established place of business within any certain District.”<sup>19</sup> Instead, the courts are required to analyze the factual pattern of each individual case.<sup>20</sup> In fact, before the Federal Circuit in *VE Holding* made this question irrelevant, there was extensive case law, both at the district court level and at the various circuits, addressing this exact question and exhaustively considering individual fact patterns.<sup>21</sup> One leading treatise suggested that many of the close cases generally fall into four regularly recurring patterns: the “Traveling Salesman Cases,” the “Sales Office Cases,” the “Independent Sales Representative Cases,” and the “Parent and Subsidiary Corporations—Separate Divisions” Cases.”<sup>22</sup> Courts deciding what constituted a regular and established place of business routinely applied the law to these recurring fact patterns, analogized to similar cases to reach decisions, or considered factors that had proven relevant in cases arising in this context.<sup>23</sup> Now that the Court in its *TC Heartland* decision has overruled *VE Holding*, these cases are presumably once again both relevant and possibly binding, after a thirty-year hiatus.

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<sup>17</sup> Pollinger & Rangwala, *supra* note 11.

<sup>18</sup> *OMI Int’l Corp. v. MacDermid, Inc.*, 648 F. Supp. 1012, 1015 (M.D.N.C. 1986); *see also* Jean F. Rydstrom, Annotation, *What Constitutes “Regular and Established Place of Business” Within Meaning of 28 U.S.C.A. § 1400(b) Fixing Venue in Actions for Patent Infringement*, 12 A.L.R. Fed. 502, § 9[a] (1972) (“The decision in any case depends upon the factual pattern of that particular case, and whether a defendant’s activities within a district are sufficient to justify its subjection to suit in that district is a question of fact.”).

<sup>19</sup> *Up-Right, Inc. v. Aluminum Safety Prod., Inc.*, 165 F. Supp. 742, 744 (D. Minn. 1958).

<sup>20</sup> *See generally id.*

<sup>21</sup> *See, e.g.*, Rydstrom, *supra* note 18, at § 1[a] (“This annotation collects the cases which have construed and applied to particular factual situations the words ‘a regular and established place of business’ as appearing in 28 U.S.C.A. § 1400(b) . . .”).

<sup>22</sup> *See* 8 DONALD S. CHISUM, *CHISUM ON PATENTS* § 21.02[2] (Matthew Bender ed., 2011).

<sup>23</sup> *See, e.g.*, *Dual Mfg. & Eng’g, Inc. v. Burriss Indus., Inc.*, 531 F.2d 1382, 1387 (7th Cir. 1976) (“The facts relevant to venue in the present case are very close to the facts in *Shelton*.”).

But in today's high-tech world, there could be problems with dusting off and relying upon long-dormant law regarding what constitutes a "regular and established place of business." Because the world has changed in significant ways since the 1980s, not to mention the 1920s, doing so might lead to improper results. As the Supreme Court recently observed in the Fourth Amendment context in ruling that a search incident to arrest cannot include warrantless searches of the data on smartphones, such modern devices "are based on technology nearly inconceivable just a few decades ago . . . ."<sup>24</sup> It seems likely that, outside of the realm of science fiction, the business people of the 1920s-1980s could not have imagined the technology-driven world of Amazon, eBay, and Uber, and the power of a personal computer and smartphone to reach nearly any business in the United States with a web presence with just a few keystrokes.<sup>25</sup> Given these differences, and that business in the Internet age is simply conducted today in a different way than it was in the pre-*VE Holding* period, it is not clear how much of the pre-*VE Holding* law on what constitutes a regular and established place of business should *remain* good law with respect to fact patterns that were not contemplated by these cases. Put another way: by trying to apply law that is at least three decades old to very different real-world circumstances, courts will likely be reading far more into 28 U.S.C. § 1400(b) than Congress ever conceived of or intended. And doing so without some better signal from Congress would inappropriately broaden the explicitly limited language of § 1400(b).<sup>26</sup>

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<sup>24</sup> *Riley v. California*, 134 S. Ct. 2473, 2484 (2014).

<sup>25</sup> *Cf. Kerr v. Port Huron Sulphite & Paper Co.*, 157 F. Supp. 685, 686 (D.N.J. 1957) (noting, in 1957, that the law of personal jurisdiction was required to change in light of "the growth in the last quarter of a century in both the size and complexity of modern American business and its methods . . .").

<sup>26</sup> The challenges posed by applying older law to vastly changed technological circumstances have been recognized by both commentators and courts in non-patent contexts. *See, e.g.,* The Honorable M. Margaret McKeown, *The Internet and the Constitution: A Selective Retrospective*, 9 WASH. J.L. TECH. & ARTS 135, 138 (2014) (noting that lawyers and scholars report "the story of a system overwhelmed: by the rapid pace of technological changes; by whole areas of doctrine, like the First Amendment, that are an uncomfortable fit with the Internet; by legal regimes, like jurisdiction, that haven't yet adapted to technologies that don't play by old rules or respect physical boundaries."). Many courts have attempted to address these challenges by developing balancing tests, or otherwise seeking to integrate circumstances such as internet usage into more traditional legal concepts. For example, in the context of personal jurisdiction, many courts have adopted the *Zippo* sliding-scale test, under which "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet." *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Penn.

In this Article, we focus on the state of the law regarding what constituted a regular and established place of business before *VE Holding* made it irrelevant, and on how that law might apply in the Internet Age. We argue that, while many pre-*VE Holding* cases regarding what constitutes regular and established place of business can apply in the Internet Age (especially where courts are looking at traditional ways of doing business that have not changed in response to technology), courts should be leery of attempting to analogize in *all* cases between the standard ways of doing business in the 1940s-1980s and the hyper-connected, Internet-driven ways of doing business of today. In part by using four recurring fact patterns of cases identified by an established patent law treatise, *Chisum on Patents*, and in part by examining what factors courts considered in “regular and established place of business” cases, we examine which aspects of pre-*VE Holding* business could best lend themselves to reasoning-by-analogy, and what sorts of cases that might arise today more readily fall outside any of those fact patterns, or even outside the general governing principles that can be distilled from the earlier cases.

We conclude that, while it can be tempting for courts to look to what has been said in the law previously, in deciding what constitutes a regular and established place of business in the age of Google, Facebook, Uber, eBay, and Amazon, courts may in some circumstances be better served by refusing to analogize new technologies to the fact patterns in past decisions, and even refusing to expand existing general § 1400(b) principles to novel technological circumstances, and instead reading § 1400(b) narrowly until and unless Congress indicates how and whether patent venue should be expanded to accommodate what is truly a different world than Congress could have imagined. And, finally, we conclude that, regardless of what happened in *TC Heartland* itself, and regardless of whether the specific test for what constitutes a regular and established place of business once again becomes a critical question for courts, this case study demonstrates a broader principle: that, even in a legal system generally governed by precedent, relying on cases that are many

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1997). Nonetheless, other courts, including the Ninth Circuit, have urged caution in using this sort of test, suggesting that it improperly extends prior case law. *See* *Boschetto v. Hansing*, 539 F.3d 1011, 1019 (9th Cir. 2008) (holding that there was no personal jurisdiction in California where a California plaintiff purchased a car from a Wisconsin seller over eBay and noting that “[t]he Supreme Court has, in the past, sounded a note of caution that traditional jurisdictional analyses are not upended simply because a case involves technological developments that make it easier for parties to reach across state lines.”).

decades old in a rapidly changing world presents challenges and concerns that courts should at least consider before doing so.

## II. THE VENUE STATUTES: 28 U.S.C. §§ 1391(C) AND 1400(B)

The question presented in *TC Heartland* requires an understanding of what the special venue patent statute of 28 U.S.C. § 1400(b) and the general venue statute of 28 U.S.C. § 1391 (and, more specifically, § 1391(c)) say, and how they interact. As discussed below, between the 1950s and today the general venue statute has been amended multiple times;<sup>27</sup> the import of those amendments, as seen by the Federal Circuit's *VE Holding* decision,<sup>28</sup> is unclear, and is what made the *TC Heartland* case complicated. Regardless, the overarching statutory framework for patent venue and the applicable case law are fairly straightforward.

### a. The Special Patent Venue Statute, 28 U.S.C. § 1400(b)

The special patent venue statute is laid out in 28 U.S.C. § 1400(b), 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.”<sup>29</sup>

In 1957, the Supreme Court in *Fourco Glass Co. v. Transmirra Products Corporation*<sup>30</sup> held that this special patent venue statute “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. § 1391(c).”<sup>31</sup> The *Fourco Glass* Court also concluded that, as applied to corporate entities, the phrase “where the defendant resides” in 28 U.S.C. § 1400(b), “mean[s] the state of incorporation only.”<sup>32</sup> Thus, under § 1400(b), a patent plaintiff could only bring a patent litigation where either: (1) the defendant is incorporated; or (2) the defendant has committed acts of infringement and has a regular and established place of business.<sup>33</sup>

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<sup>27</sup> 28 U.S.C. § 1400(b).

<sup>28</sup> *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1584 (Fed. Cir. 1990).

<sup>29</sup> 28 U.S.C. § 1400(b).

<sup>30</sup> 353 U.S. 222, 229 (1957).

<sup>31</sup> *Id.* at 229.

<sup>32</sup> *Id.* at 226.

<sup>33</sup> *Id.* at 225; *see also In re Cordis Corp.*, 769 F.2d 733, 735 (Fed. Cir. 1985).



### b. The General Venue Statute, 28 U.S.C. § 1391

In contrast to the special patent venue statute, 28 U.S.C. § 1400(b), the general venue statute, 28 U.S.C. § 1391(c), (arguably) covers venue in all cases not governed by special venue provisions.<sup>34</sup> Where, under the *Fourco Glass* reading, the concept of “resides” under § 1400(b) turned on where a defendant was *incorporated*, under the general venue statute (in all of its amendments), a defendant “resides” *anywhere the court has personal jurisdiction*.<sup>35</sup>

At the time of *Fourco Glass*, § 1391(c) read, “A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.”<sup>36</sup>

Importantly for the development of the law of patent venue, at least in the eyes of the Federal Circuit in *VE Holding*, in 1988, Congress amended § 1391(c) to read: “For purposes of venue under this chapter [ §§ 1391 - 1408], a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.”<sup>37</sup>

This amendment is important in two respects. First, it expanded the definition of corporate residence from any district in which a corporation was incorporated, licensed to do business, or actually doing business to *any* district in which a corporation was subject to personal jurisdiction.<sup>38</sup> And second, it changed the somewhat vague language *for venue purpose* to *for purposes of venue under this chapter*. This somewhat insignificant change in language played a significant role in the Federal Circuit’s *VE Holding* case.

In 2011, Congress again amended § 1391, so that it now reads in part:

For all venue purposes . . . an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal

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<sup>34</sup> 28 U.S.C. § 1391(c) (2011); *id.* at § 1400(b).

<sup>35</sup> *Fourco Glass*, 353 U.S. at 226; *see, e.g.*, 28 U.S.C. § 1391(c).

<sup>36</sup> 28 U.S.C. § 1391(c) (1958) (emphasis added).

<sup>37</sup> *Id.* (emphasis added).

<sup>38</sup> *See id.* at § 1391(c) (2011).

jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business.<sup>39</sup>

**c. Broadening Patent Venue: VE Holding Corp. v. Johnson Gas Appliance Co.**

The critical shift from the *Fourco Glass* reading of 28 U.S.C. § 1400(b) as being the “sole and exclusive provision controlling venue in patent infringement actions” that was “not to be supplemented by the provisions of 28 U.S.C. § 1391(c),”<sup>40</sup> came in the Federal Circuit’s decision 1990 decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*<sup>41</sup> In that case, the court, hearing consolidated appeals in which the Northern District of California had twice dismissed patent actions for improper venue, concluded that the 1988 amendments to § 1391 discussed above had so changed the law of venue that the Supreme Court’s *Fourco Glass* decision no longer constituted precedent in applying §§ 1400(b) and 1391(c).<sup>42</sup> Thus, the court concluded, the issue was not what the Supreme Court had previously decided, but rather “what, as a matter of first impression, should we conclude the Congress *now* intends by this new language in the venue act.”<sup>43</sup>

In reaching its decision on this question, the Federal Circuit first decided that Congress’s 1988 amendment (*i.e.*, *for venue purpose to for purposes of venue under this chapter*) so changed the meaning of §1391(c) as to require §§ 1400(b) and 1391(c) to be read together—exactly the argument the Supreme Court in *Fourco Glass* had *rejected* under what the Federal Circuit viewed as the old, *nonspecific* language of the pre-1988 § 1391(c).<sup>44</sup> “Congress,” the court concluded, “by its 1988 amendment of 28 U.S.C. § 1391(c) meant what it said; the meaning of the term ‘resides’ in § 1400(b) has changed.”<sup>45</sup> Under this new meaning of “resides,” then, “the first test for venue under § 1400(b) with respect to a defendant that is a corporation . . . is whether

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<sup>39</sup> *See id.* at § 1391(c)(2) (emphasis added).

<sup>40</sup> *See id.* at § 1391(c); 28 U.S.C. § 1400(b); *Fourco Glass*, 353 U.S. at 229.

<sup>41</sup> 917 F.2d at 1575-76 (Fed. Cir. 1990).

<sup>42</sup> *Id.* at 1579.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 1575-76.

the defendant was subject to personal jurisdiction in the district of suit at the time the action was commenced.”<sup>46</sup>

Of course, with such a broad first test—that venue in patent cases was appropriate in *any* district where the court merely had personal jurisdiction over the defendant—there was no longer any need for the second test at all. After 1990 it was thus no longer necessary for courts to ask and consider exactly what constituted a *regular and established place of business*, within the meaning of § 1400(b). And so, as a result of *VE Holding*, the voluminous case law on that question fell into disuse, and, critically, no longer developed in light of ongoing technological changes in, and the digital and computing revolution of, the 1990s and 2000s.

### III. CHALLENGING THE RULE OF VE HOLDING: TC HEARTLAND V. KRAFT

For decades following the Federal Circuit’s decision in *VE Holding*, parties litigating before the district courts generally accepted the Federal Circuit’s broadening of venue for patent infringement actions.<sup>47</sup> In recent years, however, defendants have increasingly focused on the argument that *VE Holding* was wrongly decided, or at least that patent venue should be more narrowly construed in accordance with 28 U.S.C. § 1400(b).<sup>48</sup> *TC Heartland* itself arose from such a circumstance. Kraft sued TC Heartland, an Indiana company, in Delaware, alleging that TC Heartland’s liquid water enhancer products, which were shipped into Delaware, infringe Kraft patents.<sup>49</sup> TC Heartland, which argued that it had no local presence in Delaware, moved to dismiss under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction, or alternatively to transfer venue to the Southern District of Illinois.<sup>50</sup> In particular, TC Heartland argued that Congress’s 2011 amendments to 28 U.S.C. § 1391 nullified the Federal Circuit’s decision in *VE Holding*, just as the Federal Circuit in *VE Holding* had said that the 2008 amendments to § 1391 had

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<sup>46</sup> *VE Holding Corp.*, 917 F.2d at 1584.

<sup>47</sup> *Mosaid Techs. v. Sony Ericsson Mobile Commc’n (USA), Inc.*, 885 F. Supp. 2d 720 (D. Del. 2012); *Big Baby Co. v. Schechter*, 812 F. Supp. 442 (S.D.N.Y. 1993); *Kinetic Instruments, Inc. v. Lares*, 802 F. Supp. 976 (S.D.N.Y. 1992).

<sup>48</sup> *DUSA Pharm., Inc. v. River’s Edge Pharm., LLC*, 2006 WL 1320049 (D.N.J. 2006).

<sup>49</sup> *See In re TC Heartland LLC*, 821 F.3d 1338, 1340 (Fed. Cir. 2016), *cert. granted sub nom. TC Heartland LLC v. Kraft Food Brands Grp. LLC*, 137 S. Ct. 614 (2016).

<sup>50</sup> *Id.* at 1340.

nullified the Supreme Court's decision in *Fourco Glass*.<sup>51</sup> The district court rejected TC Heartland's arguments, and TC Heartland petitioned the Federal Circuit for a writ of mandamus.<sup>52</sup> The Federal Circuit denied the petition, concluding that the 2011 amendments to § 1391 had *broadened* rather than narrowed the "applica[tion] of the definition of corporate residence" and therefore had not nullified *VE Holding*.<sup>53</sup>

On September 12, 2016, TC Heartland petitioned for a writ of certiorari from the Supreme Court.<sup>54</sup> In its petition, TC Heartland largely abandoned the argument it had made before the Federal Circuit regarding the 2011 amendments to 28 U.S.C. § 1391 and instead argued that the Federal Circuit had erred in deciding *VE Holding* because it was the Supreme Court's "prerogative alone to overrule one of its precedents."<sup>55</sup> Critically, the question presented by TC Heartland echoed the issue before the Supreme Court in *Fourco Glass* and focused directly on Congress's venue statute: "Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c)."<sup>56</sup> Numerous amici, including former Federal Circuit Judge Paul R. Michel, The Electronic Frontier Foundation, Dell, Inc., and fifty-six Professors of Law and Economics (in a brief authored by Mark Lemley of Stanford University) filed briefs urging the Court to grant certiorari, which it did on December 14, 2016.<sup>57</sup>

Although there were some outliers,<sup>58</sup> before oral argument most commentators appeared to believe that TC Heartland would succeed, at least in part, before the Supreme Court.<sup>59</sup> Numerous

<sup>51</sup> *Id.* at 1340-41.

<sup>52</sup> *Id.* at 1340.

<sup>53</sup> *Id.* at 1341.

<sup>54</sup> See Petition for a Writ of Certiorari, *supra* note 2.

<sup>55</sup> Petition for a Writ of Certiorari, *supra* note 2, at 8 (quoting *State Oil Co. v. Khan*, 522 U.S. 3, 20 (1997)).

<sup>56</sup> Petition for a Writ of Certiorari, *supra* note 2, at i.

<sup>57</sup> See generally Brief of the Elec. Frontier Found. & Pub. Knowledge as Amici Curiae in Support of Petitioner, *supra* note 10; Brief of Dell Inc. and the Software & Info. Indus. Ass'n as Amici Curiae in Support of Petitioner, *TC Heartland, LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of Amici Curiae 56 Professors of Law and Econ. in Support of Petition for Writ of Certiorari, *TC Heartland, LLC*, 137 S. Ct. 614 (2016) (No. 16-341); Brief of Amicus Curiae Paul R. Michel in Support of Petitioner, *TC Heartland, LLC*, 137 S. Ct. 614 (2016) (No. 16-341); see also *Supreme Court Docket*, SUP. CT. U.S., <https://www.supremecourt.gov/search.aspx?filename=/docketfiles/16-341.htm> (last visited Apr. 28, 2017).

<sup>58</sup> See, e.g., Risch, *supra* note 9.

<sup>59</sup> See, e.g., Gene Quinn, *Hatch Says Patent Venue Reform Likely Regardless of SCOTUS Decision in TC Heartland*, IPWATCHDOG (Feb. 16, 2017),

influential *amici* filed briefs seeking to support TC Heartland’s position.<sup>60</sup> For example, seventeen attorney generals—including the attorney general of Texas, the home of the Eastern District of Texas—signed on to an amicus brief supporting TC Heartland and suggesting that their citizens might face “abusive claims of patent infringement, which businesses and residents confirm are a drag on economic growth.”<sup>61</sup>

On May 22, 2017, the Supreme Court proved the majority of commentators correct when it unanimously overruled the Federal Circuit in *TC Heartland* and in doing so soundly rejected the Federal Circuit’s reasoning in *VE Holding*.<sup>62</sup> In the decision, Justice Thomas writing for the Court reaffirmed that the Court had “definitively and unambiguously” held in *Fourco* that “the word ‘reside[ence]’ in § 1400(b) has a particular meaning as applied to domestic corporations: It refers only to the State of incorporation.”<sup>63</sup> Noting that Congress had not subsequently amended § 1400(b) and that “neither party asks us to reconsider our holding in [*Fourco*],” Justice Thomas concluded that the only question before the Court was whether “Congress changed the meaning of § 1400(b) when it amended § 1391.”<sup>64</sup> After observing that the current version of § 1391 does not contain any indication that Congress intended to amend § 1400(b), Justice Thomas added that the Court did not see “any material difference” between the various “for venue purposes” and “for all venue purposes” language of different versions of § 1391.<sup>65</sup> Finally, Justice Thomas added that there was no indication that Congress in 2011 *ratified* the Federal Circuit in *VE Holding*—and, “[i]f anything, the 2011 amendments undermine that decisions’ rationale.”<sup>66</sup> Summarizing the decision, Justice Thomas explained that “[w]e therefore hold that a domestic corporation ‘resides’ only in its State of incorporation for purposes of the patent venue statute.”<sup>67</sup>

The victory by TC Heartland will likely have drastic real-world effects on patent litigation in the United States. A consequence of the

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<http://www.ipwatchdog.com/2017/02/16/hatch-venue-reform-likely-scotus-tc-heartland/id=78495/>.

<sup>60</sup> See *Supreme Court Docket*, *supra* note 57.

<sup>61</sup> Brief for the State of Texas et al., *supra* note 5, at 1.

<sup>62</sup> See, e.g., *TC Heartland*, Slip. Op. at 7-8.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.* at 8.

<sup>65</sup> *Id.* at 8-9.

<sup>66</sup> *Id.* at 9.

<sup>67</sup> *Id.* at 1.

Supreme Court so drastically restricted the *first* (state of incorporation) test of 28 U.S.C. § 1400(b) will be to revive for courts the thorny, fact-intensive jurisdictional question under the *second* test of § 1400(b) of what exactly constitutes a *regular and established place of business* within the meaning of the statute.

#### IV. PRE-*VE* HOLDING LAW ON “REGULAR AND ESTABLISHED PLACE OF BUSINESS”

Before the Federal Circuit changed the law on patent venue in *VE Holding*, allowing defendants to be sued in any district in which the district court had personal jurisdiction,<sup>68</sup> patent defendants could only be sued where they were incorporated or where they had committed acts of infringement *and* had *regular and established places of business*.<sup>69</sup> If a patent holder sued a company in a district that was not within the company’s state of incorporation, courts were routinely required to address the question of whether that *particular* defendant had a *regular and established place of business* in that *particular* district.<sup>70</sup> Courts generally approached this determination in one of three ways: (1) by attempting to articulate a broad test and returning to general, higher level governing principles regarding what constitutes a *regular and established place of business*; (2) by attempting to fit the facts before them into regularly recurring fact patterns; or (3) by simply assessing various non-exhaustive factors that courts had previously considered in other cases.<sup>71</sup> Unsurprisingly, all of these approaches occasionally resulted in courts reaching “opposite conclusions in substantially similar cases,”<sup>72</sup> but courts did not or could not create any more rigorous bright-line tests.<sup>73</sup>

##### A. Governing Principles and Broad Tests

Even with the significant number of cases being decided in contradictory ways,<sup>74</sup> it is still possible to identify some high-level

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<sup>68</sup> *VE Holding Corp.*, 917 F.2d at 1576, 1578, 1584.

<sup>69</sup> See 28 U.S.C. § 1400(b) (2012); *Fourco Glass Co.*, 353 U.S. at 223, 226, 229.

<sup>70</sup> See, e.g., Rydstrom, *supra* note 18, at § 2(e).

<sup>71</sup> Rydstrom, *supra* note 18, at § 8.

<sup>72</sup> *OMI Int’l Corp.*, 648 F. Supp. at 1015.

<sup>73</sup> See, e.g., *Shelton v. Schwartz*, 131 F.2d 805, 808 (7th Cir. 1942) (“Nor should the term ‘a regular and established place of business’ be narrowed or limited in its construction. Why should it be? The words do not necessitate nor warrant it.”).

<sup>74</sup> *OMI Int’l Corp.*, 648 F. Supp at 1015.

governing principles useful in determining what constituted a *regular and established place of business*. Indeed, as one treatise noted, “[a]lthough no rule has been formulated to determine” whether a *regular and established place of business* exists, “the courts in some cases have attempted to state rather broad tests against which the statutory requirement of ‘a regular and established place of business’ is to be measured.”<sup>75</sup> These tests generally focused on the same factors, and were stated variously as, for example, whether the defendant: (1) “had a regular establishment, maintained, controlled, and paid for by it, within the district;”<sup>76</sup> (2) “was regularly engaged in carrying on a substantial part of its ordinary business on a permanent basis within the district, in a physical location over which it exercised some measure of control;”<sup>77</sup> (3) “carried on a systematic, regular, and continuous course of business activity, from a permanent location;”<sup>78</sup> (4) “was engaged in carrying on in a continuous manner a substantial part of its ordinary business within the district;”<sup>79</sup> or (5) “had an established place at which he conducted business, and that the business was conducted with such a degree of regularity and permanence as to compel the conclusion that the place was a regular and established place of business.”<sup>80</sup> These governing principles or broad tests could be particularly important as parties seek to understand what a ruling in *TC Heartland* might mean in the Internet Age, and courts seek to once again apply § 1400(b) in the modern context.

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<sup>75</sup> Rydstrom, *supra* note 18, at § 8.

<sup>76</sup> Rydstrom, *supra* note 18, at § 8 (citing *Mastantuono v. Jacobsen Mfg. Co.*, 184 F. Supp. 178, 180 (S.D.N.Y. 1960) (“Something more is required. It must appear that a defendant is regularly engaged in carrying on a substantial part of its ordinary business on a permanent basis in a physical location within the district over which it exercised some measure of control.”); *Fed. Elec. Prods. Co. v. Frank Adam Elec. Co.*, 100 F. Supp. 8 (S.D.N.Y. 1951); *Patent Royalties Corp. v. Land O’Lakes Creameries, Inc.*, 11 F. Supp. 103 (E.D.N.Y. 1935)); *see also Shelton*, 131 F.2d at 808.

<sup>77</sup> Rydstrom, *supra* note 18, at § 8 (citing *Faberge, Inc. v. Schick Elec., Inc.*, 312 F. Supp. 559 (D. Del. 1970); *Rains v. Cascade Indus., Inc.*, 258 F. Supp. 974 (S.D.N.Y. 1966); *Coleco Indus., Inc. v. Kransco Mfg., Inc.*, 247 F. Supp. 571 (S.D.N.Y. 1965); *Clearasite Headwear, Inc. v. Paramount Cap Mfg. Co.*, 204 F. Supp. 4 (S.D.N.Y. 1962); *Brevel Prods. Corp. v. H & B Am. Corp.*, 202 F. Supp. 824 (S.D.N.Y. 1962); *Mastantuono*, 184 F. Supp. 178).

<sup>78</sup> Rydstrom, *supra* note 18, at § 8 (citing *Watsco, Inc. v. Henry Valve Co.*, 232 F. Supp. 38, 47 (S.D.N.Y. 1964) (“There has been a sufficient showing of a systematic, regular and continuous course of business activity carried on from a permanent location in New York City to constitute a ‘regular and established place of business’ of the defendant.”).

<sup>79</sup> Rydstrom, *supra* note 18, at § 8 (citing *Phillips v. Baker*, 121 F.2d 752 (9th Cir. 1941), *cert. denied*, 314 U.S. 688 (1941)).

<sup>80</sup> Rydstrom, *supra* note 18, at § 8 (citing *Railex Corp. v. White Mach. Co.*, 243 F. Supp. 381 (E.D.N.Y. 1965)).

Though it is over thirty years old, simply because it is the most recent Federal Circuit case on the meaning of *regular and established place of business*, the Federal Circuit's 1985 decision in *In re Cordis Corp.*<sup>81</sup> is informative and provides a framework for the questions courts should be asking in assessing venue determinations in the Internet Age and how these general principles might be applied going forward.<sup>82</sup> In *Cordis Corp.*, Medtronic, a Minnesota company, sued Cordis Corporation in the District of Minnesota for patent infringement for selling cardiac pacemakers in Minnesota.<sup>83</sup> Cordis moved to dismiss, challenging venue on the ground that it did "not have a regular and established place of business in the district of Minnesota."<sup>84</sup> The district court denied the motion, and Cordis petitioned the Federal Circuit for a writ of mandamus.<sup>85</sup> The Federal Circuit denied the petition, ruling that venue was appropriate in the District of Minnesota.<sup>86</sup> In its analysis, the Federal Circuit acknowledged the facts found by the district court demonstrating that Cordis did not have a strong connection with Minnesota, including that Cordis, a Florida corporation, was not registered to do business in Minnesota, did not have a bank account in Minnesota, and did not own or lease any property within the state.<sup>87</sup> But to market its pacemakers in Minnesota, Cordis employed two full-time sales representatives, who worked from offices they maintained in their homes, where they stored Cordis literature, documents, and products.<sup>88</sup> These sales representatives provided doctors with pacemakers for individual surgeries, and acted as technical consultants, actually joining the surgeons in the operating rooms during implantations of the pacemakers.<sup>89</sup> Cordis also "engaged a secretarial service in Minnesota, named 'I Got It Secretarial,' to receive messages, provide typing services, mail Cordis literature and receive shipments of Cordis sales literature."<sup>90</sup> Cordis's sales representatives carried business cards listing the telephone number answered by that secretarial service;

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<sup>81</sup> *In re Cordis Corp.*, 769 F.2d 733.

<sup>82</sup> *See, e.g., id.*

<sup>83</sup> *Id.* at 734.

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *In re Cordis Corp.*, 769 F.2d at 734.

<sup>87</sup> *Id.* at 735.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*



phone calls to the number on these business cards were answered “Cordis Corporation.”<sup>91</sup> Cordis’s name and telephone number was listed in the Minneapolis telephone directory at the address of “I Got It Secretarial.”<sup>92</sup>

In denying the petition and finding venue in Minnesota appropriate, the Federal Circuit explicitly addressed a Ninth Circuit case, *Phillips v. Baker*,<sup>93</sup> and a Seventh Circuit case, *University of Illinois Foundation v. Channel Master*,<sup>94</sup> relied on by Cordis.<sup>95</sup> In *Phillips*, the court observed, at issue was whether venue was proper in California for a Florida corporation,

which provided a seasonal pre-cooling operation for grain shippers which was conducted by means of a fully transportable apparatus which was assembled at each location, kept in place until the procedure was performed and then dismantled for conveyance to the next location either within or without the jurisdiction.<sup>96</sup>

Thus, in *Phillips*, the company’s presence within the district “was merely temporary, and there was no way to contact its representatives except by communication with the home office in Florida.”<sup>97</sup>

In *Channel Master*, at issue was whether venue was appropriate in Illinois in a suit against a New York manufacturer of television antennas where Channel Master’s “sole employee worked from his home in Illinois promoting sales of his employer’s products,” but did not keep stock there, and all orders from customers “were accepted in the New York home office, all shipments were made from the home office to customers and all payments by customers were made to that office.”<sup>98</sup> Ultimately, the Federal Circuit observed, these cases stand for the proposition that,

in determining whether a corporate defendant has a regular and established place of business in a district, the appropriate inquiry is whether the corporate

<sup>91</sup> *In re Cordis Corp.*, 769 F.2d at 735.

<sup>92</sup> *Id.*

<sup>93</sup> 121 F.2d 752 (9th Cir. 1941), *cert. denied*, 314 U.S. 688 (1941).

<sup>94</sup> 382 F.2d 514 (7th Cir. 1967).

<sup>95</sup> *In re Cordis Corp.*, 769 F.2d at 736-37 (discussing *Phillips*, 121 F.2d 752; *Univ. of Ill. Found. v. Channel Master*, 382 F.2d 514 (7th Cir. 1967)).

<sup>96</sup> *Id.* at 736 (quoting *Phillips*, 121 F.2d 752).

<sup>97</sup> *Id.*

<sup>98</sup> *Id.* at 737 (citing *Channel Master*, 382 F.2d 514).

defendant does its business in that district through a permanent and continuous presence there and not . . . whether it has a fixed physical presence in the sense of a formal office or store.<sup>99</sup>

The court then concluded that the record in the *Cordis Corp.* case “indicates that a rational and substantial legal argument may be made in support of the court’s order denying Cordis’ motion to dismiss.”<sup>100</sup>

To summarize, in general terms, as suggested by the *Cordis* court, the pre-*VE Holding* case law relied upon by courts suggest that a corporate defendant’s regular and established place of business is the place where it does business “through a permanent and continuous presence” in the district, although “a fixed physical presence in the sense of a formal office or store” is not required.<sup>101</sup>

As the Supreme Court concluded earlier in *Fourco Glass*, and as other courts thereafter recognized, “merely doing business” in the district is not sufficient.<sup>102</sup> That said, several courts have suggested that, even if a *fixed* physical presence is not required, there must nonetheless be *some* physical presence in the district.<sup>103</sup> Indeed, even

<sup>99</sup> *Id.*

<sup>100</sup> *In re Cordis Corp.*, 769 F.2d at 737.

<sup>101</sup> *Id.*; see also *Minnesota Mining & Mfg. Co. v. Johnson & Johnson Prod., Inc.*, No. CIV. 4-86-359, 1987 WL 10997, at \*3-5 (D. Minn. Jan. 2, 1987); *Instrumentation Specialties Co. v. Waters Assocs., Inc.*, No. 76 C 4340, 1977 WL 22810, at \*6 (N.D. Ill. Oct. 12, 1977). Courts have also concluded that presence at periodic trade shows is not sufficient. See, e.g., *Knapp-Monarch Co. v. Casco Prod. Corp.*, 342 F.2d 622, 625 (7th Cir. 1965) (“[T]he [trade] show itself may have been a semiannual event and thus ‘regular’ in that sense, [Defendant’s] participation in it constituted a temporary presence in Chicago rather than a regular and established place where one could transact business with the defendant from day to day and from month to month.”); *Phillips*, 121 F.2d at 756 (explaining defendant operated infringing apparatus at sites of various customers on a job basis: “the necessary element of permanency is lacking”); *Id.* (noting further where appellees “merely conduct precooling operations in a box car temporarily standing at a railroad siding, which car is there one day and gone the next . . . . The Standard Fruit Company’s establishment was just a location for a ‘particular transaction’; the necessary element of permanency is lacking.”).

<sup>102</sup> *Fourco Glass Co.*, 353 U.S. at 226; see, e.g., *Holub Indus., Inc. v. Wyche*, 290 F.2d 852, 854 (4th Cir. 1961) (“The jurisdictional provisions of the federal statutes as thus interpreted must of course take precedence over the provisions of the process statutes of South Carolina however the latter may be regarded in the courts of that state.”).

<sup>103</sup> See, e.g., *Michod v. Walker Magnetics Grp., Inc.*, 115 F.R.D. 345, 347 (N.D. Ill. 1987) (“Courts have consistently held that an alleged patent infringer has a ‘regular and established place of business’ in a judicial district only if it actually has a *place* of business there; activities such as the maintenance of independent sales agents, visits by company representatives, and the solicitation of orders are not enough.” (citing *Dual Mfg. & Eng’g, Inc. v. Burris Indus., Inc.*, 531 F.2d 1382, 1386-88 (7th Cir. 1976); *Grantham v. Challenge-Cook Bros., Inc.*, 420 F.2d 1182, 1184-85 (7th Cir. 1969))).

registering as a foreign corporation for service of process within a state, while that would constitute *doing business* for the purposes of personal jurisdiction, is not sufficient to establish a *regular and established place of business*.<sup>104</sup> It is these general principles, then, which would likely continue to form the basis of a general test should the Supreme Court rule in TC Heartland's favor.

## B. Recurring Fact Patterns

As discussed previously, as one of the leading patent law treatises notes, many of the pre-*VE Holding* cases focusing on what constitutes a *regular and established place of business* in the context of 28 U.S.C. § 1400(b) fall into regular categories of recurring fact patterns.<sup>105</sup> Unsurprisingly, these fact patterns relate closely to what factors courts found relevant or irrelevant to the *regular and established place of business* determination.<sup>106</sup> *Chisum* identifies these four recurring fact patterns as: (1) the “Traveling Salesman Cases;” (2) the “Sales Office Cases;” (3) the “Independent Sales Representative Cases;” and (4) the “Parent and Subsidiary Corporations—Separate Divisions Cases.”<sup>107</sup> These recurring patterns in fact capture many of the *regular and established place of business* cases, and are useful in understanding the sorts of cases that raised this test as an issue in deciding patent venue questions before *VE Holding*.<sup>108</sup> Those fact patterns generally followed the following sorts of structures:

### 1. The Traveling Salesman Cases

In the *Traveling Salesman* fact pattern, the defendant's only connection with the foreign district is through a traveling salesman, who does not operate from a fixed physical location, who solicits orders that are forwarded *outside* the district to be acknowledged and fulfilled elsewhere.<sup>109</sup> Courts generally concluded that such limited contacts with the foreign districts were *not* sufficient to meet the

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<sup>104</sup> See, e.g., *Johnston v. IVAC Corp.*, 681 F. Supp. 959, 964 (D. Mass. 1987) (“The fact that [the Defendant] is registered as a foreign corporation in Massachusetts is of no import, for mere ‘doing business’ in Massachusetts is not enough to satisfy the pertinent venue statute.”).

<sup>105</sup> 8 CHISUM, *supra* note 22, § 21.02.

<sup>106</sup> See, e.g., *infra* notes 145-58 and accompanying text.

<sup>107</sup> 8 CHISUM, *supra* note 22, § 21.02.

<sup>108</sup> 8 CHISUM, *supra* note 22, § 21.02.

<sup>109</sup> 8 CHISUM, *supra* note 22, § 21.02.

requirement that defendants have a *regular and established place of business* in those districts.<sup>110</sup> So, for example, in *American Cyanamid Co. v. NOPCO Chem. Co.*,<sup>111</sup> the Fourth Circuit found no regular and established place of business for a defendant in the Western District of Virginia where the defendant NOPCO employed in West Virginia a Regional Sales Manager, who supervised four salesmen operating over a ten-state area and who maintained, without NOPCO's knowledge, a home office in which he stored brochures.<sup>112</sup> Similarly, in *University of Illinois Foundation v. Channel Master Corp.*,<sup>113</sup> discussed *supra*, the Seventh Circuit found that Channel Master did not have a regular and established place of business in Illinois where Channel Master's single employee "use[d] his home in that district as a base for his sales activities," but did not keep stock there, and "[a]ll orders from customers in the district are accepted in New York. All shipments to customers are made from New York. All payments for goods are made to New York."<sup>114</sup> And similarly too, in *Johnson & Johnson v. Picard*,<sup>115</sup> the Sixth Circuit found that a Philadelphia defendant had no regular and established place of business in North Carolina simply because the defendant had only a salesman in North Carolina who solicited orders in North Carolina, South Carolina, and part of Virginia and forwarded all orders to Philadelphia for acceptance.<sup>116</sup>

Of course, even though this was the general rule, the Federal Circuit's decision in *In re Cordis Corp.* (a case that dealt more specifically with a sales office rather than a traveling sales force) at least opened the door for district courts, in certain circumstances, to find even the presence of traveling salesmen sufficient to meet the requirements of 28 U.S.C. § 1400(b).<sup>117</sup>

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<sup>110</sup> 8 CHISUM, *supra* note 22, § 21.02.

<sup>111</sup> 388 F.2d 818 (4th Cir. 1968), *cert. denied*, 392 U.S. 906 (1968).

<sup>112</sup> *Id.* at 819-20.

<sup>113</sup> 382 F.2d 514 (7th Cir. 1967).

<sup>114</sup> *Id.* at 515-16.

<sup>115</sup> 282 F.2d 386 (6th Cir. 1960).

<sup>116</sup> *Id.* at 388.

<sup>117</sup> *See, e.g., In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985); *see also Minnesota Mining & Mfg. Co.*, 1987 WL 10997, at \*3 ("[U]ndue focus on the existence of an office with defendant's name on the door ignores economic realities and invites manipulation of venue."); *Shelter-Lite, Inc. v. Reeves Bros.*, 356 F. Supp. 189, 195 (N.D. Ohio 1973) ("In this Court's opinion, an unyielding rule that a regular and established place of business cannot arise by virtue of a salesman operating out of his residence is at odds with the practicalities and necessities of the business community.").

## 2. *The Sales Office Cases*

In the *Sales Office* fact pattern, the defendant's contact with the foreign district is through maintenance of a sales office solely for the purpose of soliciting and forwarding orders.<sup>118</sup> Just as with the *Traveling Salesmen* cases, courts in *Sales Office* cases generally concluded that such limited contacts with the foreign districts were *not* sufficient to meet the requirement that defendants have a *regular and established place of business* in those districts.<sup>119</sup> In part, this was as a result of the Supreme Court's 1915 decision in *W.S. Tyler Co. v. Ludlow-Saylor Wire Co.*<sup>120</sup> In that case, the Court concluded in an extremely short opinion that a Missouri corporation which manufactured screens in St. Louis did not have a *regular and established place of business* in New York.<sup>121</sup> The plaintiff had argued to the contrary, pointing out that the defendant had employed (on salary and commission) an "Eastern representative" in New York as a salesman, and that this representative maintained a room in New York he used as the headquarters of both defendant and another company he was representing and solicited orders for wire screens and forwarded those orders to St. Louis for execution.<sup>122</sup> Given the shortness of the Supreme Court's opinion, it was not clear whether the Court's decision turned on the salesman's lack of authority to accept orders, sharing of the *headquarters* between two companies, or simultaneous representation of more than one corporation.<sup>123</sup> That said, courts regularly found that there was *no* regular and established place of business when an office or representative was shared by more than one company,<sup>124</sup> when the salesman paid for his office or showroom himself,<sup>125</sup> or when the salesman's only responsibility with orders was to forward them out of the district to the defendant company.<sup>126</sup>

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<sup>118</sup> See 14D CHARLES A. WRIGHT, ET AL., FEDERAL PRACTICE AND PROCEDURE JURISDICTION § 3823 (4th ed. 2011).

<sup>119</sup> *Id.*

<sup>120</sup> 236 U.S. 723 (1915).

<sup>121</sup> *Id.* at 725.

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> See, e.g., *Frink Co. v. Erikson*, 20 F.2d 707 (1st Cir. 1927).

<sup>125</sup> See, e.g., *Erikson v. Emerson*, 40 F. Supp. 844 (S.D.N.Y. 1941); *Clearasite Headware, Inc.*, 204 F. Supp. 4 (S.D.N.Y. 1962).

<sup>126</sup> See, e.g., *Gen. Radio Co. v. Superior Elec. Co.*, 293 F.2d 949, 950 (1st Cir. 1961) (finding no regular and established place of business in Massachusetts for a Connecticut company where the company maintains a salesman in Massachusetts who "has no authority to acknowledge or accept" orders, and instead forwards them to Connecticut, "which is the only

### 3. *The Independent Sales Representative Cases*

In the *Independent Sales Representative* fact pattern, the defendant's contact with the foreign district is through distribution in the district of products through an independent representative or agent.<sup>127</sup> With this fact pattern, once again, courts generally concluded that such limited contacts with the foreign districts were *not* sufficient to meet the requirement that defendants have a *regular and established place of business* in those districts.<sup>128</sup> Representative of such cases is *Grantham v. Challenge-Cook Bros., Inc.*,<sup>129</sup> in which the Seventh Circuit concluded that there was no regular and established place of business in Illinois for a California maker of industrial laundry dryers whose products were distributed in Illinois by a third party, upon whom the complaint was served.<sup>130</sup> As the court explained in analyzing the claim:

Washburn Machinery's distributorship of Challenge-Cook dryers in the district is non-exclusive as to both area and product line. Washburn maintains its own service department and will service Challenge-Cook dryers. It carries 'at least a few parts' for the Challenge-Cook dryers and can get others 'quite fast' from a Challenge-Cook plant in Ohio. Challenge-Cook maintains some control over its distributors in that it reserves the right to terminate the distributorship. Washburn arranges a sale of a Challenge-Cook dryer with a purchaser in the Northern District of Illinois and sends a purchase order to Challenge-Cook in California. Challenge-Cook then ships the dryer either to the purchaser or to Washburn as Washburn directs. It invoices Washburn for the sale price less a percentage discount. The purchaser pays

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place where the order can be acknowledged and accepted"); *Hoegger v. F.H. Lawson & Co.*, 35 F.2d 219, 220 (S.D.N.Y. 1929) (finding no regular and established place of business in New York for an Ohio company that employs a salesman who "is not authorized to and does not consummate sales").

<sup>127</sup> See *Cordis Corp. v. Cardiac Pacemakers*, 599 F.2d. 1085, 1086-87 (1st Cir. 1979).

<sup>128</sup> *Id.* at 1087.

<sup>129</sup> 420 F.2d 1182 (7th Cir. 1969).

<sup>130</sup> *Id.* at 1186.

Washburn. Washburn has available catalogues and literature which display the Challenge-Cook name.<sup>131</sup>

While this was the general rule, courts made exceptions and instead found that defendants *did* have regular and established places of business—when the defendants had greater control of the “independent” sales representatives than was the case in *Grantham*.<sup>132</sup>

#### 4. *The Parent and Subsidiary Corporations Cases*

In the *Parent and Subsidiary Corporation* fact pattern, the defendant’s contact with the foreign district is through control of (or control by) a parent or subsidiary corporation.<sup>133</sup> In these cases, in keeping with the Supreme Court’s general guidance regarding the importance of corporate formalities in keeping parents and subsidiaries separate,<sup>134</sup> courts generally found that foreign defendants which merely had subsidiaries in districts did not themselves have regular and established places of business in the target districts.<sup>135</sup> So, for example, in *L.D. Schreiber Cheese Co. v. Clearfield Co.*,<sup>136</sup> the court found that the parent defendant H.P. Hood Co. did *not* have a regular and established place of business in the Western District of Pennsylvania, even though its wholly owned subsidiary, Clearfield Cheese Company, was located there.<sup>137</sup> In concluding that patent venue was not proper for H.P. Hood, the court conceded that “there is some overlap of officers and directors . . . “that Hood provides Clearfield with marketing assistance and sets quality control standards for Clearfield,” that the two companies were represented by the same counsel, and that “one employee of Clearfield does not consider Hood to be an outside company.”<sup>138</sup> “On the other hand,” the court added, the two companies maintained separate bank accounts and paid

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<sup>131</sup> *Id.* at 1184.

<sup>132</sup> *See, e.g.,* *Davis v. Motive Parts Corp.*, 16 F.2d 148 (S.D.N.Y. 1922) (finding regular and established place of business in New York for Wisconsin company where the distributor dealt exclusively in products of defendant, even though the distributor was not able to bind the defendant company).

<sup>133</sup> *See generally* *Pfizer Inc. v. Mylan Inc.*, 201 F. Supp. 3d 483 (D. Del. 2016).

<sup>134</sup> *See, e.g.,* *Cannon Mfg. Co. v. Cudahy Co.*, 267 U.S. 333 (1925) (holding that service on a foreign corporation cannot be obtained through service on a wholly owned subsidiary provided that there is real corporate separation between the parent and the subsidiary).

<sup>135</sup> *Brunswick Corp. v. Suzuki Motor Co., Ltd.* 575 F. Supp. 1412, 1424 (E.D. Wis. 1983).

<sup>136</sup> 495 F. Supp. 313 (W.D. Pa. 1980).

<sup>137</sup> *Id.* at 317.

<sup>138</sup> *Id.* at 318-19.

separate taxes, have separate officers and directors, and “are treated as separate entities for accounting purposes.”<sup>139</sup> “[V]enue,” the court ultimately concluded, “is proper with respect to a parent corporation only when that parent has disregarded all but the formalities of separation in its dealings with its subsidiaries.”<sup>140</sup>

In contrast, where the facts demonstrated a different relationship between the parent and subsidiary, courts generally found that, where the controlling defendant corporation *ignored* corporate formalities, and treated the subsidiary as part of the parent, the subsidiaries *did* count as regular and established places of business for the defendant corporations.<sup>141</sup> So, for example, the court in *State Indus., Inc. v. Mor-Flo Indus., Inc.*<sup>142</sup> concluded that an in-district subsidiary, American Appliance Manufacturing Corporation, was, in effect, “part and parcel” of defendant Mor-Flo Industries, where:

Research and development, manufacturing, marketing and management of Mor-Flo and American appear to be inextricably intertwined. American is completely dominated in its operations by its parent, Mor-Flo acting through its officers and directors. Mor-Flo not only completely owns American, but it completely controls American such that American has no ‘separate mind, will or existence of its own.’<sup>143</sup>

And, following the same logic, the courts *also* generally concluded that a defendant corporation had a regular and established place of business in a district where the defendant unquestionably had a corporate *division* in the district, even if the alleged infringing activity was

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<sup>139</sup> *Id.* at 319.

<sup>140</sup> *Id.* at 318; *see also* Technograph Printed Circuits, Ltd. v. Epsco, Inc., 224 F. Supp. 260, 264 (E.D. Pa. 1963) (“There is not present in the instant case the immediate and direct intervention in the subsidiary’s affairs and transactions . . . to be sufficient to fuse parent and subsidiary.”); Shapiro v. Ford Motor Co., 359 F. Supp. 350, 356 (D. Md. 1973) (explaining that a subsidiary corporation was not alter ego of parent, and so it did not give rise to venue for the parent in the district under 28 U.S.C. § 1400(b)).

<sup>141</sup> *See generally* State Indus., Inc. v. Mor-Flo Indus., Inc., No. CIV-2-84-276, 1986 WL 87793 (E.D. Tenn. May 29, 1986).

<sup>142</sup> *Id.*

<sup>143</sup> *Id.* at \*1; *see also, e.g.*, Am. Can Co. v. Crown Cork & Seal Co., Inc., 433 F. Supp. 333, 336 (E.D. Wis. 1977) (explaining a subsidiary constitutes regular and established place of business for parent where there was an “intermingling of corporate identities in the day-to-day operations” of the parent); Stanley Works v. Globemaster, Inc., 400 F. Supp. 1325, 1332 (D. Mass. 1975) (finding venue in district of subsidiary for parent where “[c]loser examination of its activities reveals, however, a carefully-sewn web of interrelationships and interdependence between parent and subsidiary making its individual identity more apparent than real.”).



committed by an entirely separate division that was *not* located in the district.<sup>144</sup>

### C. Relevant and Irrelevant Factors

Even if it is true, as the District of Minnesota noted in 1958, that “no reliable test has been devised by which a court can determine whether or not a foreign corporation maintains a regular and established place of business within any certain District,”<sup>145</sup> it is also true that the general principles and broad tests and the recurring fact patterns, all discussed above,<sup>146</sup> together identify numerous non-exhaustive and intertwined factors that are or were all relevant to courts in the pre-Internet age considering what in each case constituted a regular and established place of business.<sup>147</sup> Among these non-exhaustive and non-determinative factors are: (1) whether the defendant owned or rented facilities in the district;<sup>148</sup> (2) whether the defendant consummated sales or maintained a stock of goods in the

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<sup>144</sup> See, e.g., *Joslyn Mfg. Co. v. Amerace Corp.*, 729 F. Supp. 1219, 1223 (N.D. Ill. 1990) (“[A]ny corporate division, not necessarily the division accused of infringing the patent, meets the statutory requirement.” (citing *Gaddis v. Calgon Corp.*, 449 F.2d 1318, 1320 (5th Cir.1971))).

<sup>145</sup> *Up-Right, Inc.*, 165 F. Supp. at 744.

<sup>146</sup> See *supra* notes 68-145 and accompanying text.

<sup>147</sup> *But see* *Brevel Prod. Corp.*, 202 F. Supp. at 829 (warning that “[i]t is not simply a matter of numerical accumulation of factors. Courts have often recognized many or most of the above factors as being present, and yet declined to accept jurisdiction”).

<sup>148</sup> See, e.g., *IPCO Hosp. Supply Corp. (Whaledent Int’l Div.) v. Les Fils D’Auguste Maillefer S.A.*, 446 F. Supp. 206, 208 (S.D.N.Y. 1978) (finding no regular and established place of business where defendant “does not own, lease or control any place of business or ‘physical location’ within the Southern District of New York”); *Watsco, Inc. v. Henry Valve Co.*, 232 F. Supp. 38, 47 (S.D.N.Y. 1964) (finding a regular and established place of business for Illinois company in New York where the company leased a New York office which had the defendant company’s name on the door, which was staffed by a full-time stenographer and was under the supervision of a sales manager who also occupied the office on a full-time basis); *Shelton*, 131 F.2d at 806 (7th Cir. 1942) (finding a regular and established place of business where a company rented an office, with its name on the door, in Chicago, and the lease called for payment of rent by the defendant for “an office for said company’s business”); *Hazeltine Corp. v. Yellow Taxi Corp.*, 6 F. Supp. 813, 813 (E.D.N.Y. 1934) (finding a regular and established place of business in E.D.N.Y. where the S.D.N.Y. defendant corporation leased two garages in E.D.N.Y. at which it housed much of its taxi fleet and kept staff and employees); *Scott & Williams v. Hemphill Co.*, 14 F. Supp. 621, 622 (S.D.N.Y. 1931) (finding a regular and established place of business in New York where a Rhode Island corporation rented a New York showroom in the charge of a sales representative and secretary and the corporation identified the showroom as a “branch office”).

district;<sup>149</sup> (3) whether the defendant paid employees' salaries or paid for office expenses in the foreign district;<sup>150</sup> (4) whether the defendant had company names listed in telephone or other directories;<sup>151</sup> and (5) whether the defendant controlled sales agencies or subsidiary corporations in the foreign district.<sup>152</sup>

<sup>149</sup> See, e.g., *Werner Mach. Co. v. Nat'l Cooperatives, Inc.*, 289 F. Supp. 962, 964 (E.D. Wis. 1968) (finding a regular and established place of business for defendant in Wisconsin where the defendant's employee in Wisconsin "does more than solicit business; he has the authority to and does complete sales"); *Fed. Elec. Prod. Co. v. Frank Adam Elec. Co.*, 100 F. Supp. 8, 11 (S.D.N.Y. 1951) (finding "a regular and established place of business" where defendant owned a building in New York "which it uses to stockpile its products"); *Philad Co. v. Nat'l Mineral Co.*, 14 F. Supp. 625, 625 (S.D.N.Y. 1936) (finding a regular and established place of business in New York where "it is evident that the New York office is more than an outlying post for soliciting orders. A line of the defendant's products is kept there and is demonstrated. A substantial stock of merchandise is kept there, and sales of spare parts and accessories are made there, customers taking delivery and making cash payment in the office."); *Am. Sales Book Co. v. Atl. Register Co.*, 14 F. Supp. 623, 624 (S.D.N.Y. 1934) (suggesting that the determinative reason a Massachusetts defendant had a regular and established place of business in New York was because the New York office was used for "more than mere soliciting of sales. The defendant kept a stock of goods in it for demonstration purposes. Occasional sales from this stock were made at the office. At least one delivery of a writing device was made from the office.").

<sup>150</sup> See, e.g., *Urquhart v. Am.-La France Foamite Corp.*, 144 F.2d 542, 543 (D.C. Cir. 1944) (finding a regular and established place of business where defendant "maintains an office in the District. Its name is displayed on the door and listed in the telephone directory. The office force consists of a manager, a stenographer and two salesmen. The salesmen not only take orders for the defendant's products in the District but also in neighboring states."); *Briggs v. Fram Corp.*, 272 F. Supp. 185, 186 (N.D. Ill. 1967) (finding a regular and established place of business where defendant "pays all the expenses of the zone sales office, including secretary's wages, telephone, telegraph and other office expenses and insurance [and where] [s]ix district sales managers and two engineers, all full time employees of [defendant], work out of the zone office"); *Ronson Art Metal Works v. Brown & Bigelow*, 104 F. Supp. 716, 724 (S.D.N.Y. 1952) (finding a regular and established place of business in New York where the defendant's vice-president in charge of its eastern sales division "has his headquarters within this district and performs here such executive functions as supervision of district sales managers, territory alignment, sales planning, manpower management and recommendations on hiring and firing salesmen . . . . Other salaried personnel of defendant handling special sales, recruiting of personnel and field sales training operate from within this district").

<sup>151</sup> See, e.g., *In re Cordis Corp.*, 769 F.2d at 735 (finding a regular and established place of business where the "Minneapolis telephone directory includes Cordis' name and telephone number and lists the address of the secretarial service as Cordis' address"); *Urquhart*, 144 F.2d at 543 (finding a regular and established place of business where defendant's "name is displayed on the door and listed in the telephone directory"); *Shelton*, 131 F.2d at 806 (finding a regular and established place of business where a company rented an office, with its name on the door, in Chicago); *Watsco, Inc.*, 232 F. Supp. at 47 (finding a regular and established place of business for Illinois company in New York where the New York office had the defendant company's name on the door).

<sup>152</sup> See, e.g., *Thomson-Houston Elec. Co. v. Bullock Elec. Co.*, 101 F. 587, 589 (C.C.S.D.N.Y. 1900) (finding a regular and established place of business in New York for Ohio company where the Ohio defendant controlled sales by a New York affiliate), *aff'd in part, rev'd in part*

Moreover, just as there are (or were, pre-*VE Holding*) relevant factors for considering whether there is a *regular and established place of business*, there are other factors that the courts have deemed *irrelevant* to this question. The most important or universal, which was derived from a 1915 Supreme Court decision, is that merely soliciting orders—by itself—within a judicial district is *not* sufficient to show that the defendant has a regular and established place of business.<sup>153</sup> Courts have also concluded that there is no regular and established place of business where: (1) a defendant maintains an office in the foreign district but staffs the office with salesmen who work on commission or forward all orders for goods to defendant, outside the district, to be fulfilled;<sup>154</sup> (2) the defendant retains employees in a foreign district who work solely out of their home offices;<sup>155</sup> (3) defendants employ traveling salesmen who travel

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*sub nom.* Thomson-Houston Elec. Co. v. Nassau Elec. R. Co., 107 F. 277 (2d Cir. 1901); Leach Co. v. Gen. Sani-Can Mfg. Corp., 393 F.2d 183, 186 (7th Cir. 1968) (finding a regular and established place of business for New York company in Illinois based on the operations of subsidiary in Illinois where “the corporate form of [Defendant’s] Midwest operation was the sheerest of shells to cloak his real agency . . .”).

<sup>153</sup> W.S. Tyler Co. v. Ludlow-Saylor Wire Co., 236 U.S. 723, 725 (1915); *see also* Werner Mach. Co. v. Nat’l Cooperatives, Inc., 289 F. Supp. 962, 964 (E.D. Wis. 1968); *Brevel Prod. Corp.*, 202 F. Supp. at 829 (finding no regular and established place of business in New York where the orders for defendant’s products were solicited by an independent sales representative in New York).

<sup>154</sup> *See, e.g.,* W.S. Tyler Co., 236 U.S. at 725; *Gen. Radio Co.*, 293 F.2d at 950 (finding no regular and established place of business in Massachusetts for a Connecticut company where the company maintains a salesman in Massachusetts who “has no authority to acknowledge or accept” orders, and instead forwards them to Connecticut, “which is the only place where the order can be acknowledged and accepted”); *Morse v. Master Specialties Co.*, 239 F. Supp. 641, 642 (D.N.J. 1964) (finding no regular and established place of business for California company in New Jersey where the California company maintained a New Jersey office, which was closed before the litigation, but the office was staffed with two engineers who “were employed in the New Jersey office to solicit business no orders were accepted or rejected in New Jersey but were all transmitted directly to the California offices for approval and shipment”); *Hoegger v. F.H. Lawson & Co.*, 35 F.2d 219, 220 (S.D.N.Y. 1929) (finding no regular and established place of business in New York for an Ohio company that employs a salesman who “is not authorized to and does not consummate sales”).

<sup>155</sup> *See, e.g.,* *Grantham v. Challenge-Cook Bros.*, 420 F.2d 1182, 1185 (7th Cir. 1969) (finding no regular and established place of business in Illinois where the regional sales manager lived in Illinois and occasionally worked out of his home, but “he was free to live where he chose so far as [Defendant] was concerned,” and “Plaintiffs’ proofs failed to show what, if any, use Schmidt made of his home in connection with his employment”); *Railex Corp. v. White Mach. Co.*, 243 F. Supp. 381, 385 (E.D.N.Y. 1965) (finding no regular and established place of business in E.D.N.Y. where the New Jersey defendant’s salesman occasionally worked from his home on Long Island); *Up-Right, Inc.*, 165 F. Supp. at 744.

through and work in a foreign district;<sup>156</sup> (4) defendants have franchises in foreign districts;<sup>157</sup> or (5) defendants participate in trade shows in foreign districts.<sup>158</sup>

## V.      **APPLYING OLD CASE LAW TO CHANGED CIRCUMSTANCES IN THE INTERNET AGE**

Now that the Supreme Court has accepted TC Heartland's argument, and in doing so has strengthened the import of 28 U.S.C. § 1400(b) to venue determinations in patent cases, it will likely once again become necessary for courts to determine what constitutes a "regular and established place of business." But, as noted previously, the changed circumstances of the Internet Age from the business world of the 1940s-1980s suggest that there could be some significant problems with attempting to fit modern fact patterns into historical examples, or even with applying more general principles or broad tests formulated in that earlier period to facts as they exist today. Put another way, the world of the 1920s-1980s is not a perfect fit with the world of the 2010s, and trying to shoehorn modern technologies into decades-old case law might in some cases inappropriately expand patent venue beyond what the statute says or what Congress intended. Without attempting to be exhaustive, below we briefly discuss three specific fact patterns of new ways of doing business in the Internet Age that highlight these concerns: (1) the Uber model; (2) the telecommuting model; and (3) the web services/server farm model.

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<sup>156</sup> See, e.g., *Johnson & Johnson v. Picard*, 282 F.2d 386, 388 (6th Cir. 1960) (finding no regular and established place of business in North Carolina for Philadelphia defendant whose salesman in North Carolina solicits orders in North Carolina, South Carolina, and part of Virginia and forwards all orders to Philadelphia for acceptance).

<sup>157</sup> See, e.g., *Rains v. Cascade Indus., Inc.*, 258 F. Supp. 974, 975 (S.D.N.Y. 1966) (finding no regular and established place of business in New York for New Jersey company that manufactured swimming pools where the New York corporation selling the pools was operating under a franchise).

<sup>158</sup> See, e.g., *Mastantuono*, 184 F. Supp. at 180 (S.D.N.Y. 1960) ("Something more is required."); *L. E. Waterman Co v. Parker Pen Co.*, 100 F. 544, 544 (C.C.E.D. Pa. 1900) (finding no regular and established place of business in Pennsylvania for Wisconsin defendant that merely "occupied a space in the recent National Export Exposition in the city of Philadelphia as an exhibitor of merchandise"); *Knapp-Monarch Co.*, 342 F.2d at 625 (finding no regular and established place of business for defendant in Chicago where defendant was merely participating in a semiannual trade show).

### A. Unchanged and Current Business Structures and Practices

As an initial matter, even though the world of the 2010s is vastly different from the world of the 1980s, much less the 1920s, it is certainly true that many business practices have nonetheless remained constant.<sup>159</sup> So, for example, there would likely be no problem with courts addressing what constitutes a regular and established place of business applying pre-*VE Holding* case law where a defendant has a permanent brick-and-mortar store, a corporate headquarters, or a manufacturing plant in a particular district. These cases do not even present close questions: nothing about the changing technological landscape of the past thirty years has altered what it means to have such facilities in a district. Prior to *VE Holding*, all such defendants would have been judged to have a regular and established place of business in the district, and it makes sense that courts today would apply the pre-*VE Holding* case law to reach the same results. Such cases could alternatively be decided either by considering the various factors pre-*VE Holding* courts considered, by analogizing to a recurring fact-pattern, or even by applying the broader sort of test identified by the Federal Circuit in *In re Cordis Corp.*<sup>160</sup> And, indeed, every company with this sort of business in the relevant district would certainly meet the *Cordis Corp.* test of doing business in the district “through a permanent and continuous presence.”<sup>161</sup>

### B. Abandoned and Obsolete Business Structures and Practices

On the other hand, because of the vastly different technological worlds of the 1920s – 1980s and today, other business practices and structures, including those that helped form the basis for what *Chisum on Patents* considered to be regularly recurring fact patterns or what were regularly factors considered by courts, are now largely or entirely obsolete or abandoned. As one example, it used to be the case that, to market their goods, companies needed to depend upon traveling salesmen.<sup>162</sup> In the modern, Internet-driven age, however, traveling salesmen are, if not entirely obsolete, much less

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<sup>159</sup> See generally *supra* notes 133-44 and accompanying text.

<sup>160</sup> See, e.g., *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985).

<sup>161</sup> *Id.* at 737.

<sup>162</sup> See, e.g., *supra* notes 109-17 and accompanying text.

prevalent.<sup>163</sup> Accordingly, the pre-*VE Holding* traveling salesmen cases are far less relevant to how business is conducted today than they would have been decades ago. As another example, courts engaged in the *regular and established place of business* analysis regularly considered whether defendant corporations were listed in telephone directories.<sup>164</sup> But again, in the Internet Age where all it takes is a quick Google search to find a company's contact information, telephone directories are antiquated and nearly or entirely obsolete, and so this factor should no longer be relevant one way or the other.

It could be argued that such cases and considerations *could* be used to analogize to more modern issues. For example, the traveling salesmen of the 1920s – 1980s could conceivably be like Internet-based sales today, and the telephone directories of the 1950s – 1980s could conceivably be like listings on mapping programs or search engines today. But such analogies, while intellectually interesting, seem strained, and are likely not the best ways to reach determination on what 28 U.S.C. § 1400(b) means when it lays out the requirements for venue in patent infringement actions.

### 1. *The Uber Model*

The *Uber Model* refers to an app-driven business model, in which a company is located in one physical location, but employs or contracts with individuals elsewhere provide services in the company's name.<sup>165</sup> So, Uber, which is headquartered in California, contracts with individual drivers spread throughout the United States and the world.<sup>166</sup> Those drivers use Uber's app, running on their smartphones, to connect with consumers seeking rides from Uber.<sup>167</sup> But imagine that a patent-holder wants to sue Uber in a district where Uber (1) provides rides to tens of thousands of passengers each day, (2) does significant advertising, and (3) receives a significant and consistent revenue stream, but where Uber does not have an office, does not have any employees, and retains drivers as independent contractors. A court

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<sup>163</sup> Laura Linard, *Birth of the American Salesman*, HARV. BUS. SCH. (Apr. 19, 2004), <http://hbswk.hbs.edu/item/birth-of-the-american-salesman>.

<sup>164</sup> See, e.g., *supra* note 151.

<sup>165</sup> See generally Farhad Manjoo, *Uber's Business Model Could Change Your Work*, N.Y. TIMES (Jan. 28, 2015), [https://www.nytimes.com/2015/01/29/technology/personaltech/uber-arising-business-model.html?\\_r=0](https://www.nytimes.com/2015/01/29/technology/personaltech/uber-arising-business-model.html?_r=0).

<sup>166</sup> *Id.*

<sup>167</sup> *Id.*

attempting to determine whether Uber has a regular and established place of business in that district would clearly have to face questions not addressed in the pre-*VE Holding* case law and likely not imagined by Congress when it passed 28 U.S.C. § 1400. While, as with the cases of the traveling salesmen and the telephone directories discussed above, lawyers and judges could once again attempt to analogize from pre-*VE Holding* fact patterns and factors to the Uber situation, doing so would seem to be a stretch and would not clearly yield the *right* results under the venue statute. Indeed, in the Uber-model fact pattern set forth above, it is unclear whether venue would be appropriate. For example, the lack of a physical presence in the District may suggest that merely soliciting business in the District through independent contractors (i.e., Uber drivers) may not be enough.

## 2. *The Telecommuting Model*

The *Telecommuting Model* refers to a model in which a company's employees, aided by changes in technology, work from their homes rather than from a company's brick and mortar facility.<sup>168</sup> While in the pre-*VE Holding* period people could and did work from home offices, changes in technology have now made it possible for people to do so seamlessly, without their co-workers, employers, or customers necessarily knowing. But imagine that a New Hampshire corporation employs an employee who lives in Massachusetts, and who (with the company's permission) regularly works from his or her home in Massachusetts instead of from the permanent office in New Hampshire. Or imagine instead that the employee *only* works from a Massachusetts home office, and in fact *never* works from New Hampshire. Under the pre-*VE Holding* case law, courts *did* consider whether working from a home office constituted a regular and established place of business.<sup>169</sup> But those cases were decided in a vastly different context, where working from a home office had significantly different implications for how a business operates. And, once again, attempting to analogize between those very different 1920s–1980s cases and modern telecommuting

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<sup>168</sup> See generally Jin-Ru Yen & Hani S. Mahmassani, *Telecommuting Adoption: Conceptual Framework and Model Estimation*, RESEARCHGATE, (Jan. 1997), [https://www.researchgate.net/publication/245557612\\_Telecommuting\\_Adoption\\_Conceptual\\_Framework\\_and\\_Model\\_Estimation](https://www.researchgate.net/publication/245557612_Telecommuting_Adoption_Conceptual_Framework_and_Model_Estimation).

<sup>169</sup> See, e.g., *supra* note 155.

seems strained, and not necessarily the approach that would yield a correct application of 28 U.S.C. § 1400. Moreover, complicating this analysis is the fact that determining venue under the Telecommuting Model is a heavily fact-dependent inquiry that should address, among other factors, the number of individuals that are telecommunicating from the District, the nature of the business that each person is doing, and whether each individual telecommunicated full time or part time.

### 3. *The Web Services/Server Farm Model*

The *Web Services/Server Farm* model refers to a business model in which a corporation located in one district contracts with another company (such as Amazon Web Services) to provide all of the defendant corporation's computing functionality.<sup>170</sup> Thus, a media corporation located in New York might contract with Amazon Web Services, which has offices and servers in Washington state,<sup>171</sup> to handle all digital storage, financial transactions, and back-end computing. Imagine, in such a case, that a plaintiff wants to sue the defendant corporation for patent infringement. Clearly, under 28 U.S.C. § 1400(b) the plaintiff could sue in New York; a much more difficult question is whether the plaintiff could *also* sue in Washington, where the defendant (through its contracts) utilizes physical servers, and conducts much of its regular business. Again, it might be possible to analogize between pre-*VE Holding* case law on sales offices and providers of web services or server farms, but once again such analogies feel strained and potentially anachronistic. Nevertheless, depending on the facts of each case, the presence of servers in a particular jurisdiction to simply host data and provide some computing functionality without more may be too tenuous of a connection to make venue appropriate.

### C. Higher-Level Principles and Broad Tests

The discussion above lays out just a few ways to think about analogizing how business is conducted in the Internet Age to how business was conducted in the twentieth century for the purposes of

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<sup>170</sup> See *Server Farm*, WEBOPEDIA, [http://www.webopedia.com/TERM/S/server\\_farm.html](http://www.webopedia.com/TERM/S/server_farm.html) (last visited April 29, 2017).

<sup>171</sup> See generally Ingrid Burrington, *Why Amazon's Data Centers are Hidden in Spy Country*, ATLANTIC (Jan. 8, 2016), <https://www.theatlantic.com/technology/archive/2016/01/amazon-web-services-data-center/423147/>.



determining whether a defendant has a “regular and established place of business” within the meaning of 28 U.S.C. § 1400(b). Again, while it can be an interesting intellectual exercise to do so, it is not clear that analogizing in this fashion will generate decisions that appropriately correspond to what the *statute* means when it refers to regular and established places of business. The truth is that Congress in enacting 28 U.S.C. § 1400(b) could not possibly have had in mind even old technology, such as ATMs,<sup>172</sup> much less technology such as smartphones, server farms, or concepts such as social media. That these technologies would have been (in the Supreme Court’s words) “nearly inconceivable”<sup>173</sup> to courts deciding pre-*VE Holding* cases suggests that attempting to analogize to cases with allegedly similar facts is not the most appropriate way to address questions of what constitutes a “regular and established place of business.”

Further, while it is possible to distill some higher-level governing principles from the collection of pre-*VE Holding* cases, it is not clear that applying such principles in this context would yield any better results. As noted previously, in general terms, in order to have a *regular and established place of business*, a corporation must have a continuous (although not necessarily fixed) presence in the district, must conduct regular, continuous business, and must exercise some control over that business.<sup>174</sup> As demonstrated in the few fact patterns or models above, attempting to apply even this very broad test to the Uber model, the Telecommuting model, or the Web Services model would raise difficult questions that were likely never intended to be addressed by 28 U.S.C. § 1400.

### *1. A Restrained Approach*

As the above discussion demonstrates, the Internet Age is different enough from the world of the 1920s – 1980s that it is difficult to analogize directly between circumstances in the pre-*VE Holding*

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<sup>172</sup> Indeed, the first time Congress appears to have considered the import of ATMs was in the 2011 America Invents Act, when Congress included a provision creating an “ATM exemption for venue purposes,” dictating that “In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) . . . .” Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284 (Sept. 16, 2011).

<sup>173</sup> Riley, 134 S. Ct. at 2484.

<sup>174</sup> See, e.g., *In re Cordis Corp.*, 769 F.2d at 737; *Dual Mfg. & Eng’g, Inc.*, 531 F.2d at 1387-88.

business environment and the business environment today. Put another way, while some methods of doing business have remained constant, and are easily subject to pre-*VE Holding* law, other ways of doing business are so novel and so new that it is hard to draw direct analogies or to say how cases should come out in light of that law.

That said, this conclusion does not mean courts attempting to determine what constitutes a regular and established place of business should not look to pre-*VE Holding* law. Now that TC Heartland has prevailed at the Supreme Court, courts will have to do exactly that, as this case law appears, once again, to be binding precedent. And in many cases, applying pre-*VE Holding* law and analogizing to pre-*VE Holding* fact patterns is likely to achieve good results, and correctly determine what constitutes a regular and established place of business under 28 U.S.C. § 1400. But what this Article has demonstrated is that, at least in *some* cases, applying pre-*VE Holding* law to the Internet Age and analogizing to pre-*VE Holding* fact patterns may *not* achieve good or correct results. In those cases, where the methods of doing business are too new, too web-driven, or too incomparable to the methods of doing business of the 1920s–1980s, courts should take a restrained approach instead of blithely applying all pre-*VE Holding* law. Put another way: when faced with these novel situations, courts should consider simply finding that 28 U.S.C. § 1400(b) was not intended to reach these unusual circumstances, and so there is no regular and established place of business in the district where Uber’s independent contractors pick up passengers, where employees telecommute seamlessly from home offices, or where a company leases time on Amazon’s servers. 28 U.S.C. § 1400(b) is a special venue statute drafted by Congress; when faced with these sorts of fact patterns, courts should consider whether to hold off on analogizing to pre-*VE Holding* case law, and let Congress determine whether it wishes to amend § 1400(b) to address the Internet Age.

## V. CONCLUSION

As discussed above, TC Heartland’s victory will likely have significant effects on how and where patent plaintiffs can bring infringement actions, and will almost certainly reduce substantially the importance of the Eastern District of Texas as a venue for patent litigation. In this Article, we have examined how TC Heartland’s win will revitalize an old question—what constitutes a “regular and

established place of business” under 28 U.S.C. § 1400. And we have specifically argued that *TC Heartland*’s win will raise concerns about courts potentially applying case law addressing obsolete or dated business structures and circumstances to the vastly different business structures of the Internet Age.

This said, when we began this Article, the Court had not yet issued an opinion in *TC Heartland*. While, now that it has issued its opinion, it is clear that the specific issue of what constitutes a regular and established place of business under 28 U.S.C. § 1400 is, once again, relevant. Had *TC Heartland* lost, then much of the discussion above would have obviously been less relevant to courts considering where venue lies for patent infringement actions. But the argument we are making in this Article is not solely limited to the context of this case, or this dispute. Indeed, even if *TC Heartland* had *lost*, our broader point would have remained the same: in an explosively changing world, courts today should at the very least be cautious when relying on, applying, or analogizing to cases decided in a vastly different time and context, and under factual scenarios that were not (or could not be) contemplated. Lawyers and judges are certainly intellectually capable of analogizing across different historical periods, but doing so raises the question of whether such analogies are useful or meaningful except as intellectual exercises. And the question that *courts* should consider in such cases is exactly when and whether engaging in this sort of analysis is truly the best way to reach correct judgments.