FEDERAL CIRCUIT DECLINES TO ALTER ALIEN VENUE RULE IN PATENT CASES POST-*TC HEARTLAND*

Date: 17 May 2018

U.S. IP Procurement and Portfolio Management and IP Litigation Alert

On Wednesday, May 9, 2018, the Federal Circuit settled another question raised by last year's *TC Heartland*[1] decision and reaffirmed the long-standing rule that foreign defendant corporations may be sued for patent infringement in any judicial district. The court examined Congress' changes to 28 U.S.C. § 1391(c) in the Federal Courts Jurisdiction and Venue Clarification Act of 2011 and concluded that those modifications, even considered in light of the Supreme Court's pronouncements in *Fourco*[2] that were affirmed by *TC Heartland*[3], were insufficient to upend the centuries-old rule articulated by the Supreme Court in *In re Hohorst*[4] and *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.*[5]

The Federal Circuit was considering a petition for a writ of mandamus filed by a Taiwanese corporation sued in Delaware alongside its American subsidiary.[6] The district court, on a motion to dismiss and/or transfer, concluded that venue in Delaware was improper as to the American subsidiary, but proper as to the foreign parent.[7] The foreign parent petitioned the Federal Circuit for a writ ordering the district court to dismiss the case, arguing that the law had changed.[8]

As the first step in its analysis of the petition, the Federal Circuit considered whether other adequate means existed for the petitioner to attain the relief it desired.[9] Unlike defendants challenging the denial of motions to transfer under 28 U.S.C. § 1404(a), which explicitly deals with the convenience of the parties, courts have consistently held that defendants faced with unsuccessful improper-venue motions have an adequate remedy on a post-judgment appeal.[10] Generally speaking, the cost of litigating in what may turn out to be an improper venue is a not sufficient burden or inconvenience to support the extraordinary relief of mandamus.[11]

Even so, the Federal Circuit turned to the merits of the request, examining whether the petitioner's right to the writ was clear and indisputable.[12] The petitioner had posited three errors committed by the district court: (1) applying § 1391(c) in a patent case; (2) relying on *Brunette* to deny the motion to dismiss; and (3) not applying § 1400(b).[13] The Federal Circuit considered, and rejected, each argument in turn.

The court began by tracing the long history of the alien venue rule, starting with the original venue restriction in the Judiciary Act of 1789, which only applied to U.S. residents; to *Hohorst*'s interpretation of its successor in 1893, reaffirming the original limitation despite a change to the language of the statute; to *Brunette*'s firm articulation of the principle in 1972: aliens are wholly outside the purview of the general venue laws.[14] *Brunette* in particular was instructive because it post-dated *Fourco* and considered the exact same question as was before the Federal Circuit: whether the patent venue statute applied to foreign corporations.[15]

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Despite this long history, the petitioner contended that Congress' 2011 amendments to the general venue provisions had abrogated the rule stated in *Brunette*.[16] The Federal Circuit rejected this assertion on three grounds: (1) *Brunette* had made clear that the patent venue statute does not apply to alien defendants, and *TC Heartland* merely continued a line of cases that began well before *Brunette* was decided and which it had explicitly considered;[17] (2) the 2011 amendments to § 1391(c) did not change this understanding of § 1400(b) because there was no indication that "Congress [had] intended to modify the alien-venue rule specifically for patent cases";[18] and (3) Congress, by the 2011 amendments, had orchestrated only a minor change to extend venue protection to permanent resident aliens, thereby aligning the general venue laws with the treatment of resident aliens by other jurisdictional statutes.[19]

Importantly, petitioner's interpretation of the venue laws would create a "venue gap," where foreign corporations with no U.S. presence would be entirely immune from a patent infringement suit in the United States.[20] Given that the Supreme Court, in *Brunette*, had admonished that such a gap should be avoided, the Federal Circuit refused to upend centuries of well-established practice to embrace this undesirable outcome based only on inferences.[21]

Accordingly, the Federal Circuit denied the petition for writ of mandamus and definitively answered, in the negative, the question of whether *TC Heartland* impacted foreign corporations.

Notes

[1] TC Heartland v. Kraft Foods Group Brands, LLC, 137 S. Ct. 1514 (2017).
[2] *See* Fourco Glass Co. v. Transmirra Prods. Co., 353 U.S. 222, 229 (1952) ("28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and [] is not to be supplemented by the provisions of 28 U.S.C. § 1391(c)").
[3] *See* 137 S. Ct. at 1521 ("*Fourco*'s holding rests on even firmer footing now that § 1391's saving clause expressly contemplates that certain venue statutes may retain definitions of 'resides' that conflict with its default definition.").
[4] 150 U.S. 653 (1893).
[5] 406 U.S. 706 (1972).
[6] In re: HTC Corporation, Case No. 2018-130, slip op. at 2 (Fed. Cir. May 9, 2018).
[7] *Id.*
[8] *Id.*
[9] *Id.* at 3.
[10] *Id.* at 3–5.
[11] *Id.* at 5–7.
[12] *Id.* at 7.
[13] *Id.*
[14] *Id.* at 7–9.
[15] *Id.* at 9–10.
[16] *Id.* at 10.
[17] *Id.* at 11, 12–13.

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[18] *Id.* at 13–14.
[19] *Id.* at 15–18.
[20] *Id.* at 19.
[21] *Id.* (citing *Brunette*, 406 U.S. at 710 n.8).

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