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The Road to Marshall: Of Venue, Trolls, and the Eastern District of Texas

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THE ROAD TO MARSHALL: OF VENUE, TROLLS, AND THE
EASTERN DISTRICT OF TEXAS

JESUS EFREN CANO

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I. ALL ABOARD!: THE CRAZED TRIP AHEAD

Just two hours east of Dallas, Texas along Interstate 20 lies the small town of Marshall, Texas.¹ Marshall is home to the East Texas Baptist University Tigers, boxer George Foreman, and 24,500 people.² Despite its small size, Marshall played a tremendous role in allowing the Eastern District of Texas to make a name for itself. That name, of course, is the “Rocket Docket.”³ As the district hears more than half of the nation’s patent infringement cases, there is a reason for the Eastern District’s fame.⁴

On September 15, 2016, a jury in Tyler, Texas, just a half hour west of Marshall, awarded \$22 million to Cellular Communications Equipment, LLC in a patent infringement suit against Apple Incorporated.⁵ This instance is not the first time a jury in the Eastern District of Texas has awarded this amount in damages.⁶ In fact, this occurs quite frequently.⁷ Jury verdicts like these have brought companies just like Cellular Communications all the way to Marshall and Tyler.⁸ The Eastern District is not the only venue that is popular among these types of businesses, but it hears the most patent litigation from companies like Cellular Communications.⁹

Acacia Research, Cellular Communications’ parent company, is quite successful. Since refocusing its business plan in 2000, it has generated \$1.3

1. See Driving Directions from Dallas, TX to Marshall, TX, GOOGLE MAPS, <https://www.google.com/maps/dir/Dallas,+TX/Marshall,+TX/@32.5832455,-96.7093053,8z> (search starting point field for “Dallas, TX” and search destination field for “Marshall, TX”).

2. See *About*, EAST TEXAS BAPTIST UNIVERSITY, <https://www.etbu.edu/about> (last visited Jan. 19, 2017).

3. Loren Steffy, *Patently Unfair*, TEX. MONTHLY (Oct. 2014), <http://www.texasmonthly.com/politics/patently-unfair>.

4. See generally 2015 PATENT LITIGATION YEAR IN REVIEW REPORT, LEX MACHINA (Mar. 16, 2016), <https://lexmachina.com/media/press/2015-patent-litigation-year-in-review-report>.

5. See Marc Schneider, *Apple Hit With \$22 Million Verdict in Latest ‘Patent Troll’ Case*, BILLBOARD (Sept. 21, 2016) <http://www.billboard.com/articles/business/7518025/apple-hit-with-22-million-verdict-in-latest-patent-troll-case>.

6. CHRIS BARRY ET AL., PRICEWATERHOUSE COOPERS, 2016 PATENT LITIGATION STUDY: ARE WE AT AN INFLECTION POINT? 15 (2016), available at <https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf>.

7. See generally *id.*

8. See generally *id.*

9. See 2015 PATENT DISPUTE REPORT, UNIFIED PATENTS (Dec. 31, 2015), <https://www.unifiedpatents.com/news/2016/5/30/2015-patent-dispute-report>; see also 2015 PATENT LITIGATION YEAR IN REVIEW REPORT, *supra* note 4.

billion in revenue.¹⁰ They do not provide any services.¹¹ Acacia Research, instead, litigates and licenses patents.¹² This business plan has proven to be truly polarizing, as some companies have adopted it, while others have condemned it.¹³ This business model is so controversial that it has started a persistent wave of patent reform legislation in Congress just to stop it.¹⁴

One of the major ways that those who oppose this type of business model are attempting to use to slow down companies like Acacia Research is to prevent them from bringing cases in the Eastern District of Texas.¹⁵ The latest attempts to keep cases out of the Eastern District of Texas involve changing the procedural rules, particularly the special venue rule for patent infringement, to disallow most of the cases that the district hears.¹⁶

This Comment explores the litigation and legislation revolving around nonpracticing entities such as Acacia Research and their favorite forum for a patent duel, the Eastern District of Texas. Part II gives a brief orientation to the world of non-practicing entities, describing the different types and their differing intentions. This section will also give a brief introduction into exactly why the Eastern District of Texas is so popular for patent infringement litigation, proposed patent venue legislation, and the conflict between two current venue statutes. These two statutes will be the main focus of this Comment due to their potential impact on litigation in the Eastern District as well as on nonpracticing entities. Part III will evaluate the special venue statute for patent infringement and explore the situations that give rise to other special venue statutes for comparison. Part IV will discuss a two-part solution to the issues relating to the special venue statute and aggressive nonpracticing entities. This two-part solution involves repealing the current special venue statute for patent infringement to rely solely on the general venue statute and incentivizing inventors to assign their patents to operating companies.

10. See generally *Overview*, ACACIA RESEARCH CORP., <http://acaciaresearch.com/about-us/#overview> (last visited Jan. 19, 2017); see also *History*, ACACIA RESEARCH CORP., <http://acaciaresearch.com/history/> (last visited Jan. 19, 2017).

11. See generally *id.*

12. See generally *id.*

13. See generally *Patent Trolls*, ELEC. FRONTIER FOUND., <https://www EFF.ORG/issues/resources-patent-troll-victims> (last visited Jan. 19, 2017); see also Ira Blumberg, *Why Patent Trolls Won't Give Up*, TECH CRUNCH, (June 5, 2016), <https://techcrunch.com/2016/06/05/why-patent-trolls-wont-give-up/>.

14. See, e.g., Innovation Act, H.R. 9, 114th Cong. (2015); Trade Protection Not Troll Protection Act, H.R. 4829, 114th Cong. (2016); Targeting Rogue and Opaque Letters Act, H.R. 2045, 114th Cong. (2015).

15. See, e.g., H.R. 9; Venue Equality and Non-Uniformity Elimination Act, S. 2733, 114th Cong. (2016) (as introduced in the Senate, Mar. 17, 2016).

16. *Id.*

II. THE PASSENGERS AND THE GOLDEN TICKET: BACKGROUND ON PATENT INFRINGEMENT VENUE AND THE ENTITIES WHO CHOOSE IT

A. *Crossing the Bridge: The Patent Troll Issue*

Nonpracticing entities (NPEs), often known as patent trolls, are business entities that do not make or create products that use, or “practice,” the patents that they hold.¹⁷ These can include research entities that are involved in commercial or educational research and development and take out patents to protect their research.¹⁸ These research entities then license the patented technology to help fund other research and to facilitate technology transfer.¹⁹ However, there are NPEs whose sole business model revolves around patent licensing and litigation instead of producing and selling products.²⁰ The end-goal of this model is to have other companies license the patent, often with the threat of expensive and potentially lengthy litigation.²¹ This model can be very lucrative.²² For example, Company A is in the business of producing tires for cars and has discovered a great new design for such tires. An NPE who owns a patent for a similar, if not the exact, design can bring an infringement suit against Company A. Faced with the average cost of litigation ranging from \$1 million to \$6 million, Company A would be forced to negotiate a license from the NPE or abandon the design altogether.²³

These types of NPEs usually structure themselves as shell companies where the NPE distributes money to other entities.²⁴ So if Company A were to get a judgment against the NPE, it is likely that the NPE would not have

17. See *Nonpracticing Entity*, BLACK’S LAW DICTIONARY (10th ed. 2014) (defining a nonpracticing entity as a “person or company that acquires patents with no intent to use, further develop, produce, or market the patented invention”).

18. See Colleen V. Chien, *From Arms Race to Marketplace: The Complex Patent Ecosystem and Its Implications for the Patent System*, 62 HASTINGS L.J. 297, 327 (2010) (“A research and development entity is a non-practicing patentee that develops its own technology.”).

19. See *id.*

20. Robin Feldman, *The Pace of Change: Non-practicing Entities and the Shifting Legal Landscape*, 18 CHAP. L. REV. 635, 636 (2015) [hereinafter *The Pace of Change*]. Businesses that actually make and sell products are known as operating companies. See *2015 Patent Dispute Report*, UNIFIED PATENTS (Dec. 31, 2015), <https://www.unifiedpatents.com/news/2016/5/30/2015-patent-dispute-report> (defining an operating company as a “[c]ompany which derives most of its total revenue from Product Sales or Services.”).

21. See *The Pace of Change*, *supra* note 20, at 636–37.

22. *Id.* at 636.

23. Report of the Economic Survey 2007, AM. INTELL. PROP. L. ASS’N, LAW PRAC. MGMT. COMM., at I-91 (2007).

24. *The Pace of Change*, *supra* note 20, at 636.

assets available to pay it. This situation results in pressure for operating companies to either purchase a license from the NPE or settle if the NPE is asserting its patent rights against the company.²⁵

NPEs have seen increasing litigation in the past few years. In 2007, NPEs filed roughly 25% of all patent lawsuits.²⁶ This number rose to nearly 60% in 2012.²⁷ As such, there have been attempts to reduce the number of suits brought by NPEs through different procedural rules. One attempt was in the America Invents Act (AIA) which, among other things, changed the joinder rules in patent cases.²⁸ The AIA limits joinder of defendants if the plaintiff is seeking joint or several relief, or if the claims against each defendant arise out of the same transaction.²⁹ In certain jurisdictions before the AIA, plaintiffs could join multiple defendants if deciding the patent's scope would provide sufficient basis for the joinder, even if the individual infringements were not related.³⁰ This new joinder rule, however, was not effective as NPEs still brought a majority of patent infringement cases in the United States. The method to limit NPEs shifted to a different procedural matter—venue. This shift was caused by the overwhelming number of suits brought in one particular forum.

B. The Texan Patent Express: The Eastern District of Texas

Despite there being ninety-four federal districts that have jurisdiction to hear these patent cases, about half of the patent cases filed in 2015—2,541 of 5,819 cases—occurred in the Eastern District of Texas.³¹ This massive number of filings made the Eastern District the top venue for patent disputes in 2015.³² NPEs were responsible for filing about 95% of these cases while operating companies—ones that produce products—made up only 5%.³³ So, why are NPEs flocking to the Eastern District?

The Eastern District of Texas has developed a reputation for being plaintiff-friendly in patent litigation cases. The Eastern District is also known

25. *Id.*

26. Robin Feldman et al., *The AIA 500 Expanded: The Effects of Patent Monetization Entities*, 2013 UCLA J.L. & TECH. 1 (2014) [hereinafter *The AIA 500*].

27. *Id.*

28. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, § 299(a).

29. *Id.*

30. *The AIA 500*, *supra* note 26, at 43.

31. 2015 PATENT LITIGATION YEAR IN REVIEW REPORT, *supra* note 4.

32. 2015 PATENT DISPUTE REPORT, *supra* note 9.

33. *Id.*

for having generous juries and procedural rules that favor patent holders.³⁴ This reputation came about because of one federal district judge in Marshall, Texas.³⁵

In the mid-1980's, Texas Instruments (TI) was nearing bankruptcy and decided to generate more revenue by suing other technology giants for patent infringement of different patents in its patent portfolio.³⁶ TI successfully litigated these suits and began generating about \$400 million a year from this practice.³⁷ However, in the early 1990s, TI's hometown district court, the Northern District of Texas in Dallas, had a docket clogged with criminal drug cases that slowed the progress of TI's patent infringement cases.³⁸ Luckily, venue law regarding patent infringement in the early 1990s allowed TI to select a different venue as long as TI met certain conditions.³⁹ In taking advantage of this venue standard, TI searched and found a suitable forum in the Eastern District of Texas court in Marshall, Texas.⁴⁰ At the time, criminal cases on the docket in Marshall comprised only about 10% of the total docket.⁴¹ Subsequently, TI filed its first patent infringement case in the Eastern District of Texas in 1992.⁴² Happy with the results of the case, TI continued to file cases in Marshall.⁴³ One such case was against Hyundai, who appointed then-lawyer T. John Ward to defend them.⁴⁴ Mr. Ward's loss in this case, in conjunction with experience in patent cases as a federal judge, shaped his view of how these cases should be adjudicated.⁴⁵

Judge T. John Ward set rules to expedite patent cases, such as limiting the number of pages lawyers could file in their motions, setting strict timetables for hearings, and establishing strict time restrictions during presentations in the courtroom.⁴⁶ Judge Ward's reasoning behind these rules was simple: once three or four major claims have been decided, the rest will follow the same pattern.⁴⁷ Other judges in the district followed suit.⁴⁸ These

34. Mark Liang, *The Aftermath of TS Tech: The End of Forum Shopping in Patent Litigation and Implications for Non-Practicing Entities*, 19 TEX. INTEL. PROP. L.J. 29, 43 (2010).

35. Steffy, *supra* note 3.

36. *Id.*

37. *Id.*

38. *Id.*

39. See discussion *infra* Part II.C.

40. Steffy, *supra* note 3.

41. *Id.*

42. *Id.*

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.*

47. *Id.*

48. *Id.*

rules led to expedited cases and, with plaintiff-friendly juries, subsequently led to the Eastern District's reputation as one of the most desirable courts in the nation to bring patent lawsuits.⁴⁹

This plaintiff-friendly reputation has led to many NPEs filing their patent infringement cases in the Eastern District.⁵⁰ This decision usually pays off for NPEs, as the Eastern District's juries on average deliver a patent infringement judgment around \$9.4 million.⁵¹ If broken down even further, to individual judges in the Eastern District Court, Judge Rodney Gilstrap—who hears the most patent cases—has an average award of \$15 million per case, with the second highest plaintiff success rate in the nation.⁵² Judge Ron Clark has an average award of \$6.9 million, with a 73% plaintiff success rate.⁵³ These conditions are so desirable that, when facing a potential venue restriction in 2016, NPEs rushed to file in the Eastern District midway through 2015.⁵⁴ It is because NPEs strive for these conditions so aggressively that lawmakers want to restrict the current venue laws controlling patent infringement cases.

C. *The Fork in the Yellow Brick Road: § 1391 or § 1400(b)?*

The general venue statutes controlling civil cases in federal courts can be found in Title 28, Chapter 87 of the U.S. Code.⁵⁵ In 1897, Congress passed an act that specifically addressed venue in patent infringement cases.⁵⁶ This act can now be found under § 1400(b) of Title 28 of the U.S. Code.⁵⁷ Thus, there are two statutes that may control venue in patent infringement cases under Title 28: § 1400(b) and § 1391.⁵⁸ Specifically, § 1400(b) 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

49. *Id.* The Eastern District of Texas has the highest success rate for plaintiffs in the nation at 54% and has a median damages award value of \$9.4 million. See CHRIS BARRY ET AL., *2016 Patent Litigation Study: Are We at an Inflection Point?*, PWC (May 2016), <https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf>.

50. BARRY ET AL., *supra* note 49.

51. *Id.* at 15.

52. *Id.* at 17.

53. *Id.*

54. RPX RATIONAL PATENT, 2015 NPE ACTIVITY HIGHLIGHTS 9 (Mar. 21, 2016), available at <https://www.rpxcorp.com/wp-content/uploads/sites/2/2016/01/RPX-2015-NPE-Activity-Highlights-FinalZ.pdf>.

55. See generally 28 U.S.C. §§ 1390–1413 (2011).

56. Act of March 3, 1897, ch. 395, 29 Stat. 695 (1897) (An Act defining the jurisdiction of the US District Courts for cases involving infringement of patents).

57. 28 U.S.C. § 1400(b).

58. See generally *id.* §§ 1391(b), 1400(b).

infringement and has a regular and established place of business.”⁵⁹ Section 1391(b) allows for a proper venue for a civil action in any forum in which the defendant resides.⁶⁰ Section 1391(c)(2) defines residency for businesses as:

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 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.⁶¹

Section § 1400(b) is deemed to be specific to patent infringement cases, while § 1391(b) is a more general venue provision.⁶² The conflict between the two provisions first appeared before the Supreme Court in 1957.⁶³

In *Fourco v. Transmirra*, Transmirra Products Corporation sued Fourco Glass Company, a West Virginia corporation, in the Southern District of New York for patent infringement.⁶⁴ Although Fourco had a regularly established place of business within the Southern District, it moved to dismiss due to lack of proper venue on the basis that none of the alleged infringement occurred there.⁶⁵ The District Court interpreted § 1400(b) to be solely controlling over patent infringement cases and, based on no showing that Fourco infringed in New York, granted the motion for dismissal.⁶⁶ The Court of Appeals reversed, holding that § 1391(c) controls the definition of the term “corporate residence” found in § 1400(b).⁶⁷ When read together, the Court of Appeals held that the statutes allowed Fourco to be sued in New York where the company conducts business.⁶⁸ The United States Supreme Court began its analysis by revisiting *Stonite Products Co. v. Melvin Lloyd Co.*, a case involving the issue of whether a venue statute applying

59. *Id.* § 1400(b).

60. *Id.* § 1391(b).

61. *Id.* § 1391(c)(2).

62. Andrew Williams, *In re TC Heartland* (Fed. Cir. 2016), PATENT DOCS (May 5, 2016), <http://www.patentdocs.org/2016/05/in-re-tc-heartland-fed-cir-2016.html>.

63. *See generally* *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957).

64. *Id.* at 223.

65. *Id.*

66. *Id.*

67. *Id.*

68. *Id.*

specifically to patent infringement was the sole governing provision for venue in those cases.⁶⁹ The Court held in *Stonite* that Congress' intention in passing the specific venue statute for patent infringement cases was to provide venue jurisdiction not for all civil litigation, but for patent infringement cases specifically.⁷⁰ Barring any substantive change by Congress in the statute, the Court held that the specific venue statute, § 1400(b), is controlling over the general statute, § 1391(c).⁷¹

Congress quickly responded to the Court's ruling in *Fourco* shortly after the decision.⁷² In 1988, Congress amended § 1391(c) to read "[f]or purposes of venue in this chapter" at the beginning of the paragraph.⁷³ The legislative history revealed Congress' concern with a party's residence for venue consideration, particularly a corporation's residence.⁷⁴ The main worry was the breadth of "residence" that a multidistrict corporation would have for venue consideration under the then § 1391(c), where a corporation could be said to reside anywhere that it was "incorporated, licensed to do business, or doing business."⁷⁵ The committee in charge of the Act concluded that a corporation's residence should be limited to forums where the corporation availed itself of the forum's personal jurisdiction.⁷⁶ For multidistrict corporations not incorporated or licensed to do business in a specific forum, this means restricting venue to districts in which the corporation confines its activities.⁷⁷

Shortly after the amendment, the Court of Appeals for the Federal Circuit heard *VE Holding Corp. v. Johnson Gas Appliance Co.*⁷⁸ VE Holding sued Johnson Gas Appliance in two separate suits in California for direct and contributory infringement and inducement to infringe the VE patents.⁷⁹ Johnson, an Iowa company, moved for dismissal in each suit due to improper venue.⁸⁰ The Northern District of California granted the motions, holding that Johnson did not "'reside'" in the district according to the definition

69. *Id.* at 224.

70. *Id.* at 225.

71. *Id.*

72. Judicial Improvements & Access to Justice Act of 1988, Pub. L. No. 100-702, 102 Stat. 4669 (codified as amended 28 U.S.C. § 1391(c) (1988)).

73. *Id.* § 1013.

74. *See id.*; *see also* H.R. REP. NO. 100-889 (1998), *reprinted in* 1988 U.S.C.C.A.N. 5982, 6031.

75. *See* H.R. REP. NO. 100-889, at 70.

76. *See generally* 28 U.S.C. § 1391(c); *see also* H.R. REP. NO. 100-889, at 70.

77. *See* H.R. REP. NO. 100-889, at 70.

78. *See generally* *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *abrogated by* *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017).

79. *Id.* at 1576.

80. *Id.*

under § 1400(b), rejecting VE Holding's argument that the 1988 amendment to § 1391(c) redefined the term "reside" in § 1400(b).⁸¹ VE Holding appealed each dismissal, and the Federal Circuit subsequently consolidated the appeals.⁸²

In its analysis, the Federal Circuit noted the Supreme Court's reliance on the non-specific language of § 1391(c) and Congress' subsequent amendment to the provision.⁸³ Congress' addition of the beginning phrase clarified the previous ambiguity in § 1391(c) and clearly stated the provision was to be used for *all* venue purposes under chapter 87, including § 1400(b).⁸⁴ The Federal Circuit found that the words of the newly amended statute were clear and unambiguous, so as not to require inquiry into congressional intent.⁸⁵ Despite this finding, the court addressed the lack of legislative history concerning how the amendment to § 1391(c) would affect § 1400(b).⁸⁶ The court further stated that the silence in the legislative history does not detract from the clear meaning of the amended § 1391(c).⁸⁷ The circuit court held that § 1391(c) expressly reads itself into and only defines a term in § 1400(b).⁸⁸ As such, the Federal Circuit concluded that § 1391(c) governed what "resides" means in § 1400(b).⁸⁹ This holding lowered the standard for venue in patent infringement cases to any forum that has personal jurisdiction over the defendants.⁹⁰

In response to this ruling, Congress passed the Federal Courts Jurisdiction and Venue Clarification Act in December of 2011.⁹¹ It made two changes regarding venue: the Act, (1) added "[f]or all venue purposes," to § 1391(c), and, (2) § 1391(a) was amended to say "[a]pplicability of section — except as otherwise provided by law."⁹² The congressional intent of this amendment to § 1391(a) was to follow law—current at the time of the amendment—regarding requirements for general venue choices.⁹³ The purpose was clear, though, to not displace special venue rules under

81. *Id.*

82. *Id.* at 1575–76.

83. *Id.* at 1578.

84. *Id.* at 1578–79.

85. *Id.* at 1579–80.

86. *Id.* at 1581.

87. *Id.*

88. *Id.* at 1579.

89. *Id.* at 1581.

90. Williams, *supra* note 62.

91. See generally Federal Courts Jurisdiction and Venue Clarification Act of 2011, H.R. 394, 112th Cong. (2011).

92. *Id.*

93. H.R. REP. NO. 112-10 (2011).

particular federal statutes.⁹⁴ Congress also made it clear that § 1391(c) was to apply to all federal venue statutes.⁹⁵

The courts' struggle with patent venue continued in *In re TC Heartland*.⁹⁶ Kraft Foods Group (Kraft), a Delaware-incorporated and Illinois-based company, sued TC Heartland, an Indiana-based company, in U.S. District Court for the District of Delaware.⁹⁷ Kraft alleged that TC Heartland infringed on three Kraft patents with its water enhancer products.⁹⁸ TC Heartland moved for either dismissal for improper venue, or transfer to the Southern District of Indiana.⁹⁹

At the district court, TC Heartland argued that it was not licensed to do business in Delaware, that it had no presence in Delaware, and that it had not entered into supply contracts in Delaware, or otherwise availed itself of Delaware's jurisdiction.¹⁰⁰ TC Heartland did admit to shipping some of the accused products into Delaware based on national accounts rather than local ones.¹⁰¹ The magistrate judge determined that the court had specific personal jurisdiction over TC Heartland in claims arising from the accused products in Delaware.¹⁰² The judge further rejected TC Heartland's argument that Congress' 2011 amendment to § 1391 nullified the Federal Circuit's holding in *VE Holding Corp.*¹⁰³ The district court adopted the magistrate's position in all aspects, and denied TC Heartland's motions.¹⁰⁴

On appeal to the Federal Circuit for a writ of mandamus, TC Heartland had two arguments: that it did not "reside" in Delaware for § 1400(b), and that the Delaware district court lacked specific personal jurisdiction over it.¹⁰⁵ Regarding venue, TC Heartland argued that the Federal Circuit's holding in *VE Holding* no longer applied in light of Congress' 2011 amendment to §§ 1391(a) and (c).¹⁰⁶ The Federal Circuit

94. *Id.*

95. *Id.*

96. *See generally In re TC Heartland*, 821 F.3d 1338 (Fed. Cir. 2016).

97. *Id.* at 1340.

98. *Id.*

99. *Id.*

100. *Id.*

101. *Id.* In 2013, these shipments only accounted for 2% of TC Heartland's total sales of the accused products. *Id.* This small percentage, however, came from 44,707 cases of the accused products amounting to \$331,000 in sales. *Id.*

102. *In re TC Heartland*, 821 F.3d at 1340. The magistrate judge relied on precedent from the Federal Circuit in *Beverly Hills Fan Co. v. Royal Sovereign Corp. Id.*; *see generally Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994).

103. *In re TC Heartland*, 821 F.3d at 1340.

104. *Id.* at 1340–41.

105. *Id.* at 1341.

106. *Id.*

rejected this argument.¹⁰⁷ The changes Congress made in the amendment as “relevant to this appeal were minor.”¹⁰⁸ If anything, the court stated the change in § 1391(c) in 2011 was a broadening in its applicability to the rest of the chapter rather than a narrowing, as TC Heartland had suggested.¹⁰⁹

TC Heartland further argued that the change in § 1391(a), particularly the “[e]xcept as otherwise provided by law” language, renders § 1391 inapplicable to patent infringement cases as § 1400(b) would be controlling.¹¹⁰ The court rejected that argument as well, finding that § 1400(b) does not itself define corporate residency, and thus, there is no “law” that directly conflicts with § 1391(c) and renders it inapplicable to patent cases.¹¹¹ The court also rejected TC Heartland’s argument that Congress intended to include federal common law in what could otherwise define corporate residence and preclude § 1391(c)’s applicability to patent law.¹¹² Despite making this argument, TC Heartland presented no common law that would define corporate residency.¹¹³ The court refused to incorporate the Supreme Court’s decision in *Fourco* as a law that would preclude plaintiff’s use of § 1391 for patent infringement venue, reasoning that § 1391’s congressional history—particularly its 1988 amendment—coupled with the court’s decision in *VE Holding* render *Fourco* inapplicable to patent cases.¹¹⁴

Regarding specific personal jurisdiction, TC Heartland argued that the Delaware district court only had specific personal jurisdiction over claims that arose from the accused products in Delaware—about 2% of TC Heartland’s total sales.¹¹⁵ TC Heartland argued for the combination of the Supreme Court’s ruling: that specific personal jurisdiction can only arise from occurrences or activities taking place in the forum state, and that each patent infringement gives rise to a separate cause of action, which is clarified by Federal Circuit case law.¹¹⁶ TC Heartland argued that this logical combination leads to the conclusion that the Delaware district court only has jurisdiction over the accused products that TC Heartline directly sent to

107. *Id.*

108. *Id.*

109. *Id.*

110. *Id.* TC Heartland argued that the “law” already defines corporate residency and that its direct conflict with § 1391(c) renders § 1391(c) inapplicable to patent infringement cases. *Id.*

111. *Id.* at 1342.

112. *Id.*

113. *Id.*

114. *Id.* at 1342–43.

115. *Id.* at 1343.

116. *Id.*; see also *Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014) (explaining that specific jurisdiction is dependent on an affiliation between the forum and the underlying case) (citation omitted).

Delaware.¹¹⁷ The court also rejected this argument, stating that the argument regarding the connection between proper venue, and that due process was foreclosed by the court's decision in *Beverly Hills Fan Co.*¹¹⁸ Due process requires a defendant to have minimum contacts with the forum state.¹¹⁹ As such, due process is satisfied where a non-resident defendant ships accused products directly to the forum state through an established channel, and where the claims against the defendant arise from these products.¹²⁰ The court denied TC Heartland's petition for writ of mandamus.¹²¹

In re TC Heartland left patent infringement venue jurisdiction as follows: the general statute § 1391(c) defines corporate residency for purposes of the specific patent venue statute § 1400(b). Thus, for patent infringement cases, any corporation can be sued in any forum that has personal jurisdiction over the corporation. Specific personal jurisdiction over a corporation can attach if the corporation directly ships infringing products into the forum district. This standard is generally a low bar to overcome.

A. *Stopping the Bullet Train: The VENUE Act*

Although the Supreme Court ruled that § 1391(c) defines residency in § 1400(b), there is still dispute over whether a broad interpretation of venue in patent cases is fair.¹²² Prior to the Court's decision in *In re TC Heartland*, the House of Representatives introduced a bill titled the Innovation Act, which would amend the Leahy-Smith America Invents Act.¹²³ In the proposed Act, the bill-writers included *inter alia* an amendment to § 1400(b) that more expressly defined venue for patent cases.¹²⁴ The venue amendment of the Act sought to limit districts where a plaintiff may bring a patent suit.¹²⁵

117. *In re TC Heartland*, 821 F.3d at 1343.

118. *Id.* TC Heartland did not challenge jurisdiction under Delaware's long-arm statute, and thus, the court assumed that TC Heartland was challenging jurisdiction under the Fourteenth Amendment's Due Process Clause. *Id.* at n.3; *see also* *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994) (explaining that purposeful minimum contacts with the forum state ensures that out-of-state defendant's 14th Amendment due process rights are not violated).

119. *In re TC Heartland*, 821 at 1344.

120. *Id.*

121. *Id.* at 1345.

122. *See, e.g.*, 162 CONG. REC. S1591-01 (introducing a bill to ensure that venue in patent cases is "fair and proper").

123. *See* Innovation Act, H.R. 9, 114th Cong. (2015).

124. *See id.* This is one of two comprehensive patent reform acts recently introduced in Congress and includes amendments to a large portion of title 35 of the United States Code. *Id.* The other is the Protecting American Talent and Entrepreneurship (PATENT) Act, which suffered a similar fate. *See* Protecting American Talent and Entrepreneurship Act, S. 1137, 114th Cong. (2015) (detailing the PATENT Act, a bipartisan comprehensive patent reform effort).

125. *See* H.R. 9 § 3.

Despite early favor for this Act and its many provisions, opposition within Congress, echoed by interested parties, stalled the Innovation Act at the end of the 2015 term.¹²⁶

Even with the Innovation Act and other comprehensive patent reform acts stalled, legislators are attempting to make progress in controlling NPEs through smaller, narrower bills that limit different aspects of NPE behavior.¹²⁷ For example, the Targeting Rogue and Opaque Letters (TROL) Act aims to provide protection from “abusive” demand letters sent from NPEs.¹²⁸ Another is the Trade Protection Not Troll Protection (TPTP) Act whose goal is to reduce the amount of complaints filed by NPEs in the International Trade Commission.¹²⁹

Similarly, Senators Jeff Flake, Cory Gardner, and Mike Lee introduced a bill that focused solely on the patent venue issue—the Venue Equity and Non-Uniformity Elimination (VENUE) Act—in March of 2016 as an attempt to narrow proper venue for patent infringement.¹³⁰ Although this bill is still in the early stages of the legislative process, it proposes several measures to limit venue in patent cases to what the senators deemed “fair and proper.”¹³¹ The bill suggests the removal and replacement of § 1400(b) with specific language that sets forth requirements for venue in patent infringement cases.¹³² Among these requirements, subsection (b)(5) seems to be aimed at reducing litigation initiated by NPEs in plaintiff-friendly jurisdictions such as the Eastern District of Texas.¹³³ It sets out three

126. See H.R. REP. NO. 114-235 (2015). The Committee on Small Business and Entrepreneurship held hearings regarding the Innovation Act in February of 2016, but no further action has since been taken. See *All Actions H.R. 9-114th Congress (2015-2016)*, CONGRESS; <https://www.congress.gov/bill/114th-congress/house-bill/9/all-actions?q=%7B%22search%22%3A%5B%22hr%22%5D%7D&r=1&overview=closed#tabs> (last visited Nov. 10, 2016).

127. See, e.g., Trade Protection Not Troll Protection Act, H.R. 4829, 114th Cong. (2016); Targeting Rogue and Opaque Letters Act, H.R. 2045, 114th Cong. (2015).

128. See H.R. 2045 (allowing courts to impose sanctions or reduced damages if parties have improperly sent demand letters and subjecting non-compliant parties to penalties under the Federal Trade Commission).

129. See H.R. 4829 § 3(a)(1) (requiring that, to show an affected industry, the complainant may not rely on the activities of its licensees unless the license “leads to the adoption and development of articles” that integrate of the patent claimed).

130. See 162 CONG. REC. S1591-01; see also Venue Equality and Non-Uniformity Elimination Act, S. 2733 (as introduced in the Senate, Mar. 17, 2016).

131. See 162 CONG. REC. S1591-01; see also S. 2733

132. See S. 2733.

133. See *id.* The full amendment proposed states:

(b) Notwithstanding subsections (b) and (c) of section 1391, any civil action for patent infringement or any action for a declaratory judgment that a patent is invalid or not infringed may be brought only in a judicial district-

(1) where the defendant has its principal place of business or is incorporated;

instances where a venue is proper in the jurisdiction which “a party” has established a physical facility.¹³⁴ This section of the proposed amendment requires that the party actually uses the physical facility in a significant way related to the patent involved in the suit.¹³⁵ This requirement seems to be aimed at preventing NPEs from using scarcely-utilized facilities to establish venue in desirable forums.¹³⁶

Adjusting § 1400(b) to limit unwanted NPE litigation behavior in this fashion does not come without risks of unfairly prejudicing plaintiffs and further complicating venue laws for patent infringement. Evaluating the current and proposed venue statutes is essential to reaching an answer that will minimize these risks, while still achieving fairness for all parties involved in this type of litigation.

III. EVALUATING THE HIGHWAY: ANALYSIS OF THE CURRENT AND PROPOSED VENUE LAWS

A. *But First, the Other Roads: Other Special Venue Statutes and Their Functionality*

The issue remains between those that want to legislatively narrow venue for patent cases and those that believe that the Supreme Court’s holding in *In re TC Heartland* was correct.¹³⁷ To analyze whether venue should be so

(2) where the defendant has committed an act of infringement of a patent in suit and has a regular and established physical facility that gives rise to the act of infringement;

(3) where the defendant has agreed or consented to be sued in the instant action;

(4) where an inventor named on the patent in suit conducted research or development that led to the application for the patent in suit;

(5) where a party has a regular and established physical facility that such party controls and operates, not primarily for the purpose of creating venue, and has-

(A) engaged in management of significant research and development of an invention claimed in a patent in suit prior to the effective filing date of the patent;

(B) manufactured a tangible product that is alleged to embody an invention claimed in a patent in suit; or

(C) implemented a manufacturing process for a tangible good in which the process is alleged to embody an invention claimed in a patent in suit; or

(6) in the case of a foreign defendant that does not meet the requirements of paragraph (1) or (2), in accordance with section 1391(c)(3).

Id.

134. *See* S. 2733.

135. *See id.*

136. *See generally id.*

137. *Compare* BILL FOSTER, BIPARTISAN BICAMERAL GROUP HIGHLIGHTS BROAD OPPOSITION TO SWEEPING ANTI-PATENT LEGISLATION MOVING THROUGH CONGRESS (July 14, 2015), <https://foster.house.gov/media-center/press-releases/bipartisan-bicameral-group-highlights-broad->

broad as to allow what some call “forum shopping,” it is helpful to study other special venue statutes and the situations that they arise in.¹³⁸ Five different special venue statutes—four of which are from the same title as § 1400(b) and § 1391(c)—are compared here: 28 U.S.C. § 1394; 28 U.S.C. § 1396; 28 U.S.C. § 1398; 28 U.S.C. § 1401; and 15 U.S.C. § 15.

In suits by national banks to enjoin the Comptroller of Currency from certain actions, 28 U.S.C. § 1394 states that such civil actions may be brought in the judicial district where the banking association is located.¹³⁹ The Office of the Comptroller of Currency is a bureau within the United States Department of the Treasury that regulates and supervises national banks, and may take supervisory actions against national banks that do not comply with federal regulations.¹⁴⁰ Thus, national banks and thrifts can bring suits to enjoin the Comptroller from imposing these sanctions if the actions might be oppressive in the district where they are located.¹⁴¹

In civil actions for the collections of internal revenue taxes, 28 U.S.C. § 1396 governs venue.¹⁴² Under this statute, venue is proper in one of three districts: (1) where the tax liability accrues, (2) where the taxpayer resides, or (3) where the income tax return was filed.¹⁴³ These suits are generally brought by the government to recover taxes from a taxpayer or an amount erroneously refunded out of income taxes.¹⁴⁴ Section 1396 is a *permissive* grant of venue where the United States is attempting to collect taxes, but does not override the venue given in a particular statute when that statute gives an independent basis for venue.¹⁴⁵ Such a section is intended to broaden the

opposition-to-sweeping-anti. (stating that “[The Innovation Act] would be destructive to our innovation economy”), with Shearman & Sterling LLP, *The VENUE Act: Removing the Eastern District of Texas’ Stronghold*, LEXOLOGY (May 13, 2016), <http://www.lexology.com/library/detail.aspx?g=0b4ee7d7-0c4b-4c6e-801a-3ec6679ab393> (finding reasoning that “[the Innovation Act] would serve to balance patent cases more evenly across the courts of the United States.”).

138. See generally Elizabeth P. Offen-Brown, *Forum Shopping and Venue Transfer in Patent Cases: Marshall’s Response to TS Tech and Genentech*, 25 BERKELEY TECH. L.J. 61, 67 (2010).

139. 28 U.S.C. § 1394 (1948).

140. *Mission*, OFFICE OF THE COMPTROLLER OF CURRENCY, U.S. DEP’T OF THE TREASURY, <https://www.occ.treas.gov/about/what-we-do/mission/index-about.html> (last visited Nov. 7, 2016).

141. *First Nat’l Bank v. Williams*, 252 U.S. 504, 508 (1920) (stating that national banks can bring suit to enjoin the Comptroller “from doing certain things under color of his office declared to be threatened, unlawful, arbitrary and oppressive”).

142. See 28 U.S.C. § 1396 (1948).

143. *Id.*

144. See *id.*; see also *United States v. Frost Lumber Indus., Inc.* 48 F.2d 285, 285 (W.D. La. 1931).

145. See *United States v. Stone*, 59 F.R.D. 260, 264 (D. Del. 1973) (holding that § 1396 is not mandatory and does not restrict venue in suit under 26 U.S.C. § 7403).

selection of proper venues available that the United States can bring a suit to collect taxes.¹⁴⁶

In civil actions to enforce, suspend, or set aside the Interstate Commerce Commission's orders, proper venue is outlined in 28 U.S.C. § 1398.¹⁴⁷ This statute limits venue to judicial districts in which either party in the action resides or, for businesses, where they have their principal office.¹⁴⁸ The purpose of this venue statute is to prevent separate suits in each state where any defendants might have resided.¹⁴⁹ This statute does not apply to venue for suits under 49 U.S.C. § 16 to recover damages; it is only applicable to suits regarding Interstate Commerce Commission orders.¹⁵⁰

In shareholders' derivative actions, 28 U.S.C. § 1401 dictates that proper venue is in the judicial district where "the corporation might have sued the same defendants."¹⁵¹ These actions are typically brought by stockholders or shareholders against the officers or directors of the corporation for violating the officers' or directors' fiduciary duty to the corporation.¹⁵² These cases are unique situations in corporate law, as the officers or directors are responsible for bringing and defending the corporation against lawsuits instead of the shareholders.¹⁵³ The corporation itself is a party to these suits as the right to sue rests with the corporation rather than the shareholders.¹⁵⁴ As such, special procedural rules, including a special venue statute, allow for the corporation's interests to be protected from harm from its officers.¹⁵⁵

In anti-trust matters, 15 U.S.C. § 15 states that venue is proper in districts where the defendant resides, is found, or has an agent and can bring a suit without respect to the amount in controversy.¹⁵⁶ Courts have found that the specific statute supplements the general venue statute found in 28 U.S.C.

146. *See id.* at 264 (explaining that if § 1396 restricted venue, it would "substantially emasculate the efficacy" of other statutes such as 26 U.S.C. § 7403).

147. 28 U.S.C. § 1398 (1992).

148. *See id.*

149. *United States v. United States Freight Co.*, 80 F. Supp. 336, 338 (D.C.N.Y. 1947).

150. *Vicksburg, S. & P. Ry. Co. v. Anderson-Tully Co.*, 256 U.S. 408, 413 (1921).

151. *See* 28 U.S.C. § 1401 (1948).

152. *See Derivative Action*, BLACK'S LAW DICTIONARY (10th ed. 2014).

153. *See, e.g.*, Tex. Bus. Orgs. Code 21.401 (West through 2015 Reg. Sess.); Del. Code Ann. tit. 8, § 141 (West through 80 L. 2016).

154. *See generally* *Ross v. Bernhard*, 396 U.S. 531, 540 (1970) (explaining that the shareholder has a right to sue on behalf of the corporation to recover damages for the corporation's cause of action against the third party).

155. *See, e.g.*, 28 U.S.C. § 1401 (allowing shareholders to bring derivative actions on behalf of the corporation in a venue "where the corporation might have sued the same defendants").

156. 15 U.S.C. § 15 (1982).

§ 1391.¹⁵⁷ Courts reasoned that the congressional intent behind this statute was to broaden the plaintiff's choices for venue and allow recovery for harms done by the defendants.¹⁵⁸

Each of these unique situations requires a special venue statute, rather than simply relying on § 1391, to protect the interests of the parties or handle the potential conflict that can arise from the situation.¹⁵⁹ These instances typically involve either a government entity or a potentially unconstitutional conflict, and thus merit a venue statute that can circumvent possible injustice.¹⁶⁰ Cases that can properly function and protect the parties' rights with the general venue statute, however, do not necessitate a special venue statute. To determine whether § 1400(b) is necessary and effective, we must evaluate its language and the peculiarity of the situations in which patent infringement cases arise.

B. Road Construction: The Difference Between § 1400(b) and the Other Special Venue Statutes

The language in § 1400(b) is similar to some of the aforementioned statutes and dissimilar to others.¹⁶¹ The similarities and differences in the language and situations in which these special venue statutes arise are the basis for reaching a solution in defining the scope of venue in patent cases. To begin, the term "resides" in § 1400(b), defined by § 1391(c) according to *In re TC Heartland*, is a key focus point in venue debates.¹⁶² Among the other special venue statutes, 15 U.S.C. § 15 and 28 U.S.C. § 1396 use a variation of this word.¹⁶³ To reiterate, § 15 was held to be supplemental to the general venue statute § 1391, and is intended to broaden the available venues in

157. See *Go-Video Inc., v. Akai Elec. Co.*, 885 F.2d 1406, 1412 (9th Cir. 1989) (quoting *Grappone, Inc. v. Subaru of America, Inc.*, 403 F. Supp. 123, 133 (D.N.H. 1975)) (stating that the "special anti-trust venue statute is supplemented by general venue statute").

158. See *Pure Oil Co. v. Suarez*, 384 U.S. 202, 206 (1966) (stating that there is no legislative intent behind the specific venue statute that prevents the "natural reading" of the general and specific venue statutes together).

159. See, e.g., 28 U.S.C. §§ 1396, 1401.

160. See, e.g., *id.* §§ 1396, 1401.

161. Compare *id.* § 1400(b) (1999) (stating that venue is proper where a defendant resides or where the infringement occurred and the defendant has "a regular and established place of business"), with *id.* § 1394 (1948) (stating that venue is proper "where such association is located"), and *id.* § 1396 (stating that venue is proper in "the district of the taxpayer's residence"), and *id.* § 1398 (stating that venue is proper "only in a judicial district in which any of the parties bringing the action resides"), and 15 U.S.C. § 15 (stating that venue is proper in a district where the "defendant resides or is found or has an agent").

162. See 28 U.S.C. § 1400(b); see also *In re TC Heartland*, 821 F.3d 1338, 1345 (Fed. Cir. 2016).

163. See 15 U.S.C. § 15; 28 U.S.C. § 1396.

which a plaintiff can bring suit.¹⁶⁴ Similarly, § 1396 is meant to be a permissive grant of additional proper venues for the United States to bring suit.¹⁶⁵ In a similar manner, § 1400(b) does broaden venue in patent cases to include districts where the defendant committed infringing acts and has an established place of business.¹⁶⁶ This interpretation broadens venue in much the same way as § 1396. In light of these similarities and no clear legislative intent to the contrary, there appears to be no reason for § 1400(b) not to be held as supplemental to and broaden the general venue statute § 1391(c).

Statutory interpretation, however, is not the only means of evaluating the purpose and utility of § 1400(b). There is a difference between the aforementioned venue statutes and § 1400(b) in the way that the relevant causes of action arise. Collecting taxes and rebutting enforcement of Interstate Commerce Commission orders involve specific government workings that differ from typical civil suits. Shareholder's derivative actions involve persons bringing suits that normally do not do so. These suits are distinctly different than the typical plaintiff-defendant suit. Patent infringement suits are brought by entities that have normally have legal right to bring suit and involve the awarding of damages or injunctive relief.¹⁶⁷ Anti-trust suits are the most closely related to patent infringement, yet courts have held that the specific venue statute governing those suits are supplemental to the general venue statute.¹⁶⁸ The purpose behind the supplementation, as courts have said, was to broaden the plaintiff's choices when attempting to attain relief.¹⁶⁹ Patent infringement, on the other hand, is much closer to a tortious property action.¹⁷⁰ In many ways, patent infringement is akin specifically to either conversion or trespass.¹⁷¹ The infringer "takes" property that does not belong to the infringer and uses it. Although the patent owner retains "possession" of the patent, the patent

164. See *Go-Video Inc., v. Akai Elec. Co.*, 885 F.2d 1406, 1412 (9th Cir. 1989); see generally *Pure Oil Co. v. Suarez*, 384 U.S. 202 (1966).

165. See *United States v. Stone*, 59 F.R.D. 260, 264 (D. Del. 1973).

166. See 28 U.S.C. § 1400(b).

167. See generally *id.* §§ 271, 283, 284; see also 35 U.S.C. § 271 (2010); *id.* § 283 (1952); *id.* § 284 (2012).

168. See *Go-Video Inc.*, 885 F.2d at 1412; see also *Grappone, Inc. v. Subaru of America, Inc.*, 403 F. Supp. 123, 133 (D.N.H. 1975).

169. See generally *Pure Oil Co.*, 384 U.S. at 202.

170. Compare 35 U.S.C. § 271(a) ("whoever without authority makes, uses, offers to sell, or sells any patented invention" infringes on the patent), with O'CONNOR'S, TEXAS CAUSES OF ACTION Ch. 6 § 1.1 (stating that for conversion, the plaintiff must show that "the defendant wrongfully exercised dominion or control over the property").

171. See 15 TEX. JUR. 3d Conversion § 1 (stating that conversion is the unlawful exercise of dominion over another's property inconsistent with the other's rights); see also 70 TEX. JUR. 3d Trespass to Realty § 1 (stating that an invasion on a property right is a trespass).

owner loses benefits from the “converted” property rights. Common relief for these torts includes monetary damages for the property lost and injunctions to prevent future trespass.¹⁷² These are also the types of relief available to patent owners for patent infringement.¹⁷³

With patent infringement’s similarity to tort law, the distinction that justifies special venue statutes in shareholders derivative suits, suits to collect taxes, or to cease an order from the Interstate Commerce Commissioner is not present in patent infringement suits. Patent infringement suits arise from tortious action between two parties seeking normal forms of relief in court. Despite this, there is still concern that the general venue statute is unfair.¹⁷⁴ This unease resonates in the VENUE Act.¹⁷⁵

C. Pushing the Limits: How the VENUE Act is Pushing the Boundaries

1. “I Think You Are In My Seat”: Imposing On the Plaintiffs

The VENUE Act attempts to balance “fairness” for all parties involved in a suit. In doing so, however, the act is imposing restrictions on *all* plaintiffs, not just the NPEs targeted by the act. This conclusion is readily evidenced by the language of the act itself.¹⁷⁶ By simply using the phrase “party” in subsection (b)(5), the act does not limit the restrictions proposed in this subsection to NPEs.¹⁷⁷ This is a restriction that has not and need not be placed on already-injured parties.

To address the VENUE Act’s apprehension regarding fairness in patent infringement suits, fairness for defendants is established by making venue proper only in jurisdictions where the forum has personal jurisdiction over the parties.¹⁷⁸ If a defendant corporation avails itself of a judicial district’s jurisdiction, either by operating physical facilities or merely shipping

172. See 15 TEX. JUR. 3d Conversion § 55 (stating that remedies for conversion include the value of the property or the property’s return and damages for loss of the property’s use); see also 70 TEX. JUR. 3d Trespass to Realty § 22 (stating that the owner of a property may recover damages for trespass); 70 TEX. JUR. 3d Trespass to Realty § 28 (stating that a property owner may recover injunctive relief for trespass).

173. See 35 U.S.C. § 283 (granting courts the power to award injunctive relief against an infringing party); see also *id.* § 284 (allowing the court to award compensatory and treble punitive damages for patent infringement).

174. See generally *In re TC Heartland*, 821 F.3d 1338, 1344 (Fed. Cir. 2016).

175. See 162 CONG. REC. S1591-01; see also Venue Equality and Non-Uniformity Elimination Act, S. 2733, 114th Cong. (2016) (as introduced in the Senate, Mar. 17, 2016).

176. See S. 2733.

177. *Id.*

178. See, e.g., *In re TC Heartland*, 821 F.3d at 1344.

products into the district, it should be reasonable for the corporation to expect that it can be sued in that district.

Likewise, limiting proper venue for a plaintiff only to districts where the plaintiff has a physical facility—as proposed in the Innovation and VENUE Acts—pushes a boundary of fairness that need not be pushed. When a plaintiff brings a suit in a district, the plaintiff consents to the jurisdiction of the district and impliedly concedes that the venue is proper.¹⁷⁹ The proposed subsection (b)(5) of either proposed act places a requirement for venue on the plaintiff that is not traditionally seen.¹⁸⁰ This section states that the venue must be proper for the plaintiff in the same way that it would be proper for the defendant. It further states that the plaintiff's consent alone is not enough to establish venue.¹⁸¹ For four of the six subsections of the proposed amendment found in the VENUE Act, the bill explicitly refers to the defendants in some fashion, whereas, in subsection (b)(5), the amendment refers to a “party” when setting the enumerated limitations.¹⁸² The change in wording for subsection (b)(5) seems to suggest that this provision is specifically aimed at the plaintiff rather than the defendant.¹⁸³ More specifically, this provision is likely aimed at NPEs.¹⁸⁴ Subsection (b)(5) of the proposed amendments sets out requirements that involve substantial use of the physical facility in the development or manufacturing of the disputed patent.¹⁸⁵ As most NPEs are shell companies, they do not normally have physical facilities that operate in a way that could satisfy the new provision, effectively limiting the jurisdictions available for them to bring suit.¹⁸⁶ Although this could be effective in restraining certain NPEs, it also shifts the lines of fairness away from injured plaintiffs and imposes yet another burden that they must bear. As such, any solution that Congress adopts to inhibit NPEs also needs to protect other plaintiffs.

179. See *Atl. Marine Constr. Co. v. United States Dist. Court*, 134 S. Ct. 568, 581–82 (2013) (explaining that “plaintiffs are ordinarily allowed to select whatever forum they consider most advantageous (consistent with jurisdictional and venue limitations)”).

180. See Venue Equality and Non-Uniformity Elimination Act, S. 2733 (setting requirements for proper venue for the plaintiff); see also Shearman & Sterling LLP, *The VENUE Act: Removing the Eastern District of Texas’ Stronghold*, LEXOLOGY, <http://www.lexology.com/library/detail.aspx?g=0b4ee7d7-0c4b-4c6e-801a-3ec6679ab393> (last visited Nov. 7, 2016) (explaining how two provisions of the VENUE Act would affect the plaintiff in patent infringement cases).

181. See S. 2733; see also Shearman & Sterling LLP, *supra* note 180.

182. See S. 2733.

183. See *id.* Additionally, venue is proper according to this amendment in a district that the defendant agrees to be sued in. See *id.* This effectively eliminates the defendant from the possible parties subject to subsection (b)(5). See generally *id.*

184. See S. 2733.

185. See *id.*

186. See *Shell Corporation*, BLACK’S LAW DICTIONARY (10th ed. 2014).

2. Wasn't That the Conductor's Job?: The VENUE Act and the Patent Trial and Appeal Board's Role

A second boundary that the VENUE Act attempts to redefine is to include declaratory judgments in its proposed § 1400(b).¹⁸⁷ Venue for suits seeking declaratory judgments stating that a defendant was infringing on a patent or declaratory judgments stating a patent's invalidity or noninfringement is governed by § 1391(c) rather than § 1400(b).¹⁸⁸ Understandably, the inclusion of these types of claims attempts to unify all patent cases under one venue statute. However, including suits for a declaratory judgment that a patent is invalid would further complicate lawsuits in district courts.

On the contrary, venue for suits relating to the validity of a patent is most proper at the United States Patent and Trademark Office's Patent Trial and Appeal Board (PTAB) and subsequently at the Court of Appeals for the Federal Circuit.¹⁸⁹ The PTAB is responsible for conducting post-grant proceedings and inter partes review.¹⁹⁰ The purpose of these proceedings is to allow a third party the opportunity to challenge the validity of one, several, or all claims in a patent after the patent was issued.¹⁹¹ In particular, inter partes review does not have a statute of limitations that would prevent a challenger seeking a declaratory judgment regarding a patent's validity at the PTAB.¹⁹² The PTAB is comprised of administrative patent judges who are technically trained and have knowledge of patent law.¹⁹³ It would be unfair

187. See S. 2733.

188. See *Gen. Tire & Rubber Co. v. Watkins*, 373 F.2d 326, 326 (4th Cir. 1964) (explaining that venue in actions seeking declaratory judgment involving invalidity or noninfringement were governed by § 1391(c)); see also *Am. Chem. Paint Co. v. Dow Chem. Co.*, 161 F.2d 956, 959 (6th Cir. 1947) (explaining that § 1391 governed actions for declaratory judgment involving patent construction).

189. See 35 U.S.C. § 6(b)(4) (2011).

190. See *id.* § 6(b)(4). Inter partes review is a trial proceeding to determine the patentability of one or more claims in a patent under §§ 35 U.S.C. 102 or 103 conducted by the Patent Trial and Appeal Board in the United States Patent and Trademark Office. *Inter Partes Review*, UNITED STATES PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> (last visited Jan. 17, 2017). Post grant proceedings are trial proceedings to determine the patentability of claims in a patent under *id.* §§ 282(b)(2) or 282(b)(3). *Post Grant Review*, UNITED STATES PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/post-grant-review> (last visited Jan. 17, 2017).

191. See 35 U.S.C. § 311 (2013) (detailing the purpose and procedure for an inter partes review proceeding); see also *id.* § 321 (2011) (detailing the purpose and procedure that a post-grant review proceeding must follow).

192. See 35 U.S.C. § 311(c) (stating that a petition for inter partes review can be filed nine months after the patent was filed or at the termination of a post-grant review proceeding but with no explicit end date).

193. See *id.* § 6(a) (stating that the PTAB is to be comprised of the Director, Deputy Director, Commissioner of Patents, Commissioner of Trademarks, and administrative patent judges); see also Jennifer R. Bush, *Administrative Patent Judges: Not Your Typical Federal Judge*, FENWICK & WEST LLP (July 10, 2014), <https://www.fenwick.com/publications/pages/administrative-patent-judges-not-your->

to the plaintiff—even possibly the defendant—to allow venue for these issues in a court that does not require as high a level of technical expertise as the PTAB to decide the technical validity of a patent.

The unjust conditions that could be imposed on plaintiffs—the *already-injured* parties who are seeking relief—outweighs the possibility of deterring NPEs from the favorable litigation conditions in the Eastern District of Texas. Preserving a plaintiff’s right to choose a venue is invaluable; however, so is restraining undesirable NPE behavior. A solution that does both is ideal.

IV. THE GPS SYSTEM: A GUIDE TO THE ROAD AHEAD

A two-part solution that maintains venue fairness for plaintiffs and reduces aggressive NPE behavior exists. The first part of the solution to the patent infringement venue conflict is simply for Congress to repeal § 1400(b). Although seemingly drastic, removing subsection (b) makes sense for two reasons: (1) patent infringement is, in essence, a tort against property, and (2) the circumstances that likely gave rise to § 1400(b)’s enactment no longer apply. The second part of the solution is to incentivize operating companies to attain patent portfolios before NPEs or encourage inventors to sell their patents to operating companies.

A. “Redirecting . . . :” *Adjusting the Route, Justly*

1. Is This the Wrong Map?: Maybe Patent Infringement Is Not That Special

Patents are a claim of ownership over an individual’s idea for a useful, novel creation. Patent infringement, then, is essentially a conversion or trespass to chattel for a protected form of intangible property. Simply put, patent infringement is someone taking someone else’s property and using it without permission. This type of malicious act does not warrant the creation and enforcement of special venue or procedural rules to protect the patent owner any more than a conversion of tangible personal property does. Special procedural statutes need only arise in situations where the general statutes fail to protect the fairness of litigation and maintain the integrity of the parties’ rights.¹⁹⁴ This is why § 1396 is effective, as it is unfair for every

typical-federal-judge.aspx (indicating that the hiring criteria for an administrative patent judge includes both technical and law degrees).

194. See generally 28 U.S.C. §§ 1394 (1948), 1396 (1948), 1398 (1992), 1401 (1948).

taxpayer to defend a suit against the IRS at the IRS' home forum.¹⁹⁵ This statute allows for taxpayers to defend themselves in a forum that is of reasonable cost to them, both financially and temporally. Defending a lawsuit against a government entity like the IRS is an atypical situation. Defending a tort is not.

2. Who Needs A Map When You Have A GPS?

Any attempt to find the solution for the tension between § 1391 and § 1400(b) must consider the reason Congress passed § 1400(b) in 1897. The reason behind § 1400(b) can be inferred, however, from the circumstances at the time of enactment. The 1897 Act was passed towards the end of the Gilded Age.¹⁹⁶ It is likely that Congress was attempting to protect businesses from patent infringement litigation in venues that would be fundamentally unfair. This unfairness is due, not from the characteristics of the venue itself, but from the burden on a business caused by litigating in such a distant forum from its intended market. This was likely caused by the presence of a stray product in the stream of commerce. Transporting attorneys, witnesses, documents, inventors, and experts at the time could have proven to be a significant expense. The wording in § 1400(b) that states “regular and established place of business” prevents that.¹⁹⁷ However, subsequent amendments to § 1400 only affected § 1400(a), the copyrights portion of the statute, rather than § 1400(b).¹⁹⁸ As such, the wording remains the same as when it was first enacted: “[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”¹⁹⁹

A business incorporated in the United States defending a patent infringement suit in any venue within the U.S. no longer faces the challenges that companies faced over a century ago. The technological strides humanity has made since the turn of the 20th century have enabled companies to promote and sell their products on a global market with a great amount of ease. Gone are the days where salespeople travel door-to-door selling

195. *See generally id.* § 1396.

196. The Gilded Age refers to a point in American history ranging from the 1870s to about 1900. This era represented a dramatic growth in industry in the United States economy that spurred demand for better transportation.

197. *See* 28 U.S.C. § 1400(b) (1999).

198. *See* 102 Stat. 4671 (1988) (amending § 1400(a) to include “or exclusive rights in mask works”); *see also* 112 Stat. 2917 (1998) (amending § 1400(a) to include “or designs”); 113 Stat. 223 (1999) (amending the title of § 1400 to read “§ 1400. Patents and copyrights, mask works, and designs”).

199. *See* 28 U.S.C. § 1400(b).

products, and where trains are the fastest mode of transportation. In this modern age, defending a suit in a distant forum is no longer a greater burden on a company's finances or time than defending one in their home judicial district. The protections that Congress may have given defendants via § 1400(b) are no longer necessary.

This is not to say, however, that any company can and should reasonably expect to defend a patent infringement suit in any venue. Fairness must still be a priority. The due process clause of the 14th Amendment ensures this. As stated in *Beverly Hills Fan*, a defendant's minimum contacts with the forum state adequately protect a defendant's interests involving venue in a lawsuit.²⁰⁰ As such, the only relevant inquiry to decide whether venue is proper is to ask whether the defendant had sufficient minimum contacts with a forum such as the Eastern District of Texas. If the defendant does not have sufficient contacts in the Eastern District of Texas, the court does not have personal jurisdiction and venue is improper.

B. Dealing With the Unruly Passengers

The reason behind the new wave of patent reform, at least the reforms focused on in this writing, is not an emerging issue with established procedures but rather an issue with the types of parties involved in the suit. The problem that these reforms are attempting to correct is potentially unjust behaviors by NPEs. As previously stated, there are different types of NPEs that use patents.²⁰¹ There are research and development NPEs, such as universities, that license their patents to fund further research. The behavior that influenced these proposed reforms come from NPEs that are shell companies. These NPEs do not conduct research and patent their own work, but rather purchase a patent portfolio that has several patents. Once this type of NPE has this portfolio, they search for operating companies that are possibly infringing on one of the patents and threaten a lawsuit. This "wait and see" behavior, along with aggressive enforcement tactics, is the concern of most current patent reform legislation.

The second part of the proposed two-part solution addresses this behavior. Once § 1400(b) is repealed, an incentive needs to be created for inventors to assign their patents to operating companies rather than NPEs. Additionally, operating companies should have priority in purchasing patent portfolios. The concept behind this part of the solution is simple. If non-research NPEs cannot attain patents, then they are unable to employ such

200. See *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994).

201. See discussion *supra* Part II.A .

aggressive enforcement tactics that can hamper the productive use of the patents.

Creating incentives for inventors to assign their patents to operating companies is key to solving the current dilemma involving NPEs and venue. These incentives need only be marginal. The proposed course of action is allowing for a below-the-line deduction for the sale of the patent to a qualified entity. The reasoning behind this proposal is analogous to the reason behind charitable contributions deduction; to incentivize behavior that benefits society as a whole. Similar to the charitable contributions section of the tax code, this patent sale deduction can be limited to a percentage of the taxpayer's adjusted gross income where the excess is treated as a sale in the following taxable years.²⁰² Tax deductions for charitable donations were instituted when the War Revenue Act of 1917 passed.²⁰³ The purpose behind this deduction was to allow charities to survive the on-going war.²⁰⁴ The authors of the act feared that, with the recent increase in income tax, wealthy donors would stop making charitable contributions.²⁰⁵ To curb this potential behavior, the charitable donation deduction was created.²⁰⁶ This type of tax incentive has proven effective, as \$373 billion was donated to qualifying charities in 2015 alone.²⁰⁷ A tax deduction like this could be sufficient to influence inventors to sell their patents to operating companies rather than NPEs. An above-the-line deduction for a percentage of the patents' sale price to a qualified entity could also be entertained. To become a qualified entity, a company would only need to apply for the status with the IRS.

To give operating companies priority, a patent sale system could be implemented online. A government-run website could allow patent owners to offer their patents for sale at a listed price. Operating companies would register with whichever government entity runs the website, likely the United States Patent and Trademark Office or the IRS. Once registered, the companies will have priority to view and purchase patents and patent portfolios over entities that have not registered. Giving operating companies

202. See I.R.C. §§ 170(a), (e) (2016).

203. *The Interesting History of the U.S. Charitable Contribution Deduction*, STRATEGIC WEALTH PLANNING, <http://awealthplan.com/the-interesting-history-of-the-us-charitable-contribution-deduction/> (last visited Apr. 24, 2017).

204. *Id.*

205. *Id.*

206. *Id.*

207. *Giving Statistics*, CHARITY NAVIGATOR, <https://www.charitynavigator.org/index.cfm/bay/content.view/cpid/42#> (last visited Apr. 24, 2017).

priority alone could also solve the issue but to a lesser extent. This would work best when used in conjunction with the incentive to the inventors.

This two-part solution resolves the debate over whether patent infringement venue laws are too broad. It addresses the core concern behind much of the patent reform in Congress today, the non-research type NPEs, while eliminating the tension between conflicting statutes.

V. THE END OF THE ROAD: CONCLUDING THE JOURNEY

Patent infringement venue laws and NPEs have been the center of a passionate debate for several years. A significant portion of legislation involving patent law has been aimed at limiting certain types of NPEs by imposing unnecessary restrictions on other types of plaintiffs.²⁰⁸ Courts have attempted to resolve this conflict, but there still existed strong opposition to these decisions, regardless of which side the judgments favored. The issues that revolve around NPEs, including the conflicting venue statutes, can only be resolved by Congress. Although there are many proposed bills attempting to pass, they impose restrictions that need not be imposed. This attempt at comprehensive patent reform to contain NPEs that senators deem unfavorable may not work. The America Invents Act's joinder rules did not hinder the NPE business model nor calm the popularity of the Eastern District of Texas.²⁰⁹

The reason behind this resilience is simply because the unfavorable NPE business structure remains intact. Legislation that addresses the core of this business structure—acquiring vast patent portfolios—rather than attempting to affect it at other stages is much more likely to succeed. There is a balance that must be achieved, however, when trying to limit business practices between achieving a goal to benefit society and not invading people's freedom to choosing how to run their businesses. This balance is why the two-part solution is so effective. If Congress gives inventors a reason to sell their patents to operating companies rather than NPEs, the unfavorable NPE business structure will weaken and eventually cease while preserving a person's right to choose how to conduct his or her business. Importantly, this solution also maintains a plaintiff's right to choose a forum and venue convenient for them, the injured party seeking justice. Congress should introduce and pass a bill proposing this two-part solution to preserve personal liberty and finally resolve the ongoing, costly debate over NPEs.

208. See discussion *supra* Part II. D.

209. See discussion *supra* Part II. A.