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Legal Perspective: TC Heartland: Patent trolls lose Texas court venue advantage

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As a patent owner, deciding where to sue an alleged infringer is a matter of major strategic importance.

Federal law mandates that all patent infringement cases be filed in federal court. There are 94 different federal judicial districts throughout the United States, including three in Oklahoma. The court location, or venue, is subject to specific federal rule requirements and must be selected carefully.

The venue statute for a patent case provides that the defendant may be sued in the district where it "resides," or where it has committed acts of infringement and has a regular and established place of business. Courts interpreted the "resides" language in the patent venue statute to mean any location where the defendant was subject to personal jurisdiction.

The threshold for personal jurisdiction is relatively low, such that the defendant only has to have "minimum contacts" with the forum. Depending on the scope and extent of the contacts, the contacts may not even need to be related to the alleged infringement. This means that an Oklahoma corporation with its headquarters in Tulsa could potentially have been sued for patent infringement in a distant state where it has limited contacts.

This also allows for forum shopping so that the patent owner may select among the forums where personal jurisdiction exists and file suit in the one which is perceived to be the most favorable to it.

Patent owners who do not actually make or sell any products but who are primarily in the business of suing and enforcing patents against others are commonly referred to as patent trolls, or non-practicing entities (NPEs). Some patent trolls control thousands of patents.

In shopping for a forum, a federal court venue that had become popular with patent trolls is the Eastern District of Texas. The courts there have several courthouses, one of them in Marshall, Texas. As the story goes, Marshall's prominence as a patent forum grew after Texas Instruments concluded that it could obtain speedier trials by filing its patent cases a short distance away from its Dallas headquarters.

Over time, the Eastern District adopted special rules for patent cases and became known as a "rocket docket." Until the U.S. Supreme Court's recent decision in TC Heartland LLC v. Kraft Foods Group Brands LLC, more patent cases were being filed in the Eastern District than any other federal forum.

The recent TC Heartland decision changed everything. In that case, an Indiana company with its headquarters in Indiana was sued in Delaware on the grounds it allegedly shipped infringing products to Delaware.

The Supreme Court interpreted the patent venue rule in a different way than the lower courts had, ruling that "residing" now means that the defendant company must actually be incorporated in the state where it is being sued or have substantial operations there, not just minimum contacts. This almost immediately impacted the number of new patent cases being filed in the Eastern District of Texas and also impacts the large litigation support enterprise that had sprung up around it.

In view of its popularity as a state to incorporate, Delaware is taking the patent litigation title away from the Eastern District and quickly becoming the most prevalent forum for filing patent infringement lawsuits. A patent defendant now has less risk of being sued in the Eastern District or another forum far from home.

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