

## International reports

### Multi-district states and burden of persuasion: Federal Circuit resolves issues of venue

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In 2017 the Supreme Court issued a unanimous decision in *TC Heartland v Kraft Foods Group Grands LLC*, holding that a domestic corporation resides only in its state of incorporation for the purposes of the patent venue statute, reversing several decades of a more expansive interpretation. Many issues were left unresolved, including whether a corporation could be sued in all districts in its state of incorporation and which party bears the burden of the question of venue.

In two cases in May 2018, the Federal Circuit Court of Appeals resolved both issues, holding that a domestic corporation resides only in the single judicial district within the state of incorporation where it maintains a principal place of business (or, failing that, a registered office) and that the plaintiff bears the burden of persuasion in establishing proper venue.



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#### Venue in a multi-district state

The Federal Circuit addressed the multi-district state issue in *In re Bigcommerce*. Section 1400(b) of the Patent Act allows venue to be “in the judicial district where the defendant resides” and, as decided in *TC Heartland*, a domestic corporation resides only in its state of incorporation. However, many states have multiple judicial districts and several district courts had interpreted the statute to mean that a domestic corporation resides in every district in its state of incorporation. The Federal Circuit disagreed, holding that the plain language of the statute used the definite article ‘the’; therefore, venue can only be one particular judicial district within the state of incorporation. ‘District’ is defined as being “where it maintains a principal place of business, or failing that, the judicial district in which its registered office is located”.

The defendant, Bigcommerce, was incorporated in Texas and had its headquarters and registered office in Austin, which is in the Western District. It had no place of business in the Eastern District of Texas, where the patent infringement lawsuit was filed. Accordingly, the case had to be dismissed or transferred to the Western District.

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#### Burden of establishing proper venue

The second case, *In re ZTE (USA) Inc*, resolved the issue of which party bears the burden of persuasion on the venue. Like *Bigcommerce*, the lawsuit against ZTE USA was brought in the Eastern District of Texas. The plaintiff asserted that venue was proper because ZTE USA maintained a call centre in Plano, Texas (Eastern District) and the magistrate judge relied on Fifth Circuit law to hold that ZTE USA had failed to meet its burden to show it does not have a regular and established place of business in the district.

First, the Federal Circuit held that Federal Circuit law rather than regional circuit law applied, as the inquiry of which party bears the burden was closely related to the substantive issue of proper venue. Applying Federal Circuit law also supported the court’s mandate of achieving national uniformity in the field of patent law.

Applying Federal Circuit law, the court then held that the burden of persuasion rests on the plaintiff, following a challenge by a defendant. There are three general requirements:

- Venue must refer to a physical place in the district;
- The place must be a regular and established place of business; and
- The place must belong to the defendant.

The district court must give “reasoned consideration to all relevant factors or attributes of the relationship” when determining whether a business is the “regular and established place of business” of the alleged infringer. Relevant factors include:

- whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place; and
- whether the defendant lists the place on a website, in a telephone or other directory, or places its name on a sign associated with or on the building itself.

Because the lower court did not apply the proper analysis, the Federal Circuit vacated the order denying the motion to dismiss. It remanded for consideration the question of whether the plaintiff had met its burden of establishing venue based on the call centre.



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### Comment

In light of these decisions, patent infringement plaintiffs should take more care to build a solid record for establishing proper venue, and should expect venue to be challenged in most cases where the issue is arguable.

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