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Best Ways to Use Patent Venue Discovery After TC Heartland

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Nearly three years after the U.S. Supreme Court's decision in *TC Heartland LLC v. Kraft Food Brands LLC*,[1] both parties and courts continue to grapple with what it means for a defendant to have a regular and established place of business in a judicial district that is not where a named domestic defendant in a patent infringement case is either incorporated or resides.

In light of this, venue discovery is an invaluable tool that plaintiffs should seek when defending their choice of venue and that defendants may use to successfully bolster their venue challenge. Under either circumstance, a litigant may use venue discovery to establish the necessary factual case on whether (or not) venue is proper in a district.

Patent Venue Background

The Supreme Court issued *TC Heartland*[2] in May 2017, holding that venue in a patent infringement lawsuit against a domestic corporation is only proper in a district where the corporation resides (i.e., its state of incorporation) or in a district "where the defendant has committed acts of infringement and has a regular and established place of business."[3]

In doing so, the Supreme Court rejected the argument that the patent venue statute, Title 28 of U.S. Code Section 1400(b), incorporates the broader definition of corporate residence contained in the general venue statute, Title 28 of U.S. Code Section 1391(c),[4] and effectively overturned the U.S. Court of Appeals for the Federal Circuit's decision in *VE Holding Corp. v. Johnson Gas Appliance Co*.[5] that had found that the general venue statute applied in a patent infringement case, such that venue was proper in "any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced."[6]

The Supreme Court also confirmed that its prior holding in *Fourco Glass Co. v. Transmirra Products Corp*.[7] — that Title 28 of U.S. Code Section 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)" — still controls today.[8]

Following *TC Heartland*, the Federal Circuit issued *In re: Cray Inc*.,[9] which provided district courts with a framework for assessing venue after *TC Heartland* and clarified that a defendant's regular and established place of business, as described in Title 28 of U.S. Code Section 1400(b), must be (1) a physical place in the district; (2) a regular and established place of business; and (3) the "place of the defendant."[10]

Facts supporting (or contradicting) these issues have formed the substance of requests for venue discovery.

When Have Courts Found Venue Discovery Appropriate?

Although *TC Heartland* did not alter the procedure for challenging venue (i.e., in a motion to dismiss or transfer), it did alter the relevant facts a court may consider in evaluating venue challenges.[11] One way parties have attempted to avoid transfer or dismissal for improper venue is by seeking limited discovery on the issue of venue as an alternative to a ruling on the pending motion.

This allows the parties to develop a factual record early on in the case when fact discovery has not necessarily progressed, so the court can more accurately resolve venue challenges. While venue discovery has long been a reasonable request in response to venue challenges,[12] *TC Heartland* changed the specific kinds of questions asked and information sought through venue discovery.

Courts generally have broad discretion over whether to order venue discovery,[13] and a court may consider the following facts or issues in granting requests for venue-related discovery post-*TC Heartland*.

To Address Open Legal Questions

Courts have been willing to allow venue-related discovery shortly after new, precedential developments in patent venue law arise, even in cases where parties have already completed briefing but did not have a chance to consider the new developments.

Several examples occurred in the immediate aftermath of *TC Heartland* and *Cray*. In *Celgene Corp. v. Hetero Labs Ltd*.,[14] for example, the court found venue-related discovery "especially appropriate … because [defendant] moved [to dismiss based on improper venue] before the Federal Circuit issued *[In re] Cray*."[15]

Other orders that issued shortly after *TC Heartland* similarly allowed venue discovery in light of the Supreme Court's then-recent decision.[16]

Nearly three years after *TC Heartland*, these issues continue to evolve. For example, in a recent decision, *In re: Google Inc.*, the Federal Circuit confirmed that the physical presence of Google's servers were insufficient for purposes of satisfying the place of business requirement under *Cray*, holding that a place of business "generally requires an employee or agent of the defendant to be conducting business at that place."[17]

In attempting to clarify the place of business requirement, however, the Federal Circuit left open the question of whether a "regular and established place of business will always require the regular presence of a human agent" and whether "a machine could be an 'agent.'"[18]

Because courts continue to resolve unsettled questions and raise additional potential questions, it may be worthwhile to ask for venue-related discovery related to facts that are newly confirmed to establish (or not establish) the required "place of business," even after briefing on a challenge is technically complete.

To Resolve Specific Factual Disputes

More generally, venue discovery is often appropriate where the party seeking discovery can identify with some specificity the information relevant to venue that discovery may unearth.[19] In *St. Croix Surgical Systems LLC v. Cardinal Health Inc*.[20] for example, the U.S. District Court for the Eastern District of Texas ordered venue-related discovery where the defendant's claims contrasted with publicly available information.[21]

Specifically, the defendant argued that it was "just a holding company outside of Texas's jurisdiction" and had no regular and established business in the district, but, in response, the plaintiff presented evidence that the defendant had "both employees and locations throughout Texas."[22]

In light of this contradictory information, and because the defendant had not explained why these employees and locations did not give rise to proper venue, the court ordered venue discovery to assist in resolving the dispute.[23]

As another example, in *C.R. Bard Inc. v. Angiodynamics Inc*., the U.S. District Court for the District of Utah permitted venue discovery to determine whether home offices of the defendant's sales representatives were sufficient to establish venue.[24]

The court permitted venue discovery specifically because it had reason to doubt the reliability of a declaration the defendant submitted in support of its motion to dismiss or transfer because it contained information the declarant later admitted was incorrect and left several questions unanswered, including whether sales representatives stored product samples or literature in their homes or conducted product demonstrations in the district.[25]

The court therefore held that "developing the factual record [was] necessary to resolve [defendant's] motion."[26] If the briefing for venue challenges raises more questions than it resolves, then asking for venue discovery will allow the parties an additional opportunity to bolster and clarify their positions to provide the court an accurate record to resolve the dispute.

To Investigate Related Corporate Entities

Courts also permit venue-related discovery regarding the relationship between corporate entities to determine whether the regular and established place of business of a defendant's affiliate, agent, subsidiary or alter ego may be considered the place of the defendant under *Cray*.

In *Cray*, the Federal Circuit explained that relevant considerations in determining whether the regular and established place of business is, in fact, the place of the defendant include "whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place."[27] Courts have therefore permitted venue discovery where the party seeking it can properly support its request for further inquiry into that relationship.

The U.S. District Court for the District of Delaware, for instance, permitted venue discovery after finding that (1) the

record did not clearly establish whether any entity related to the defendant (e.g., affiliate, agent, subsidiary or alter ego) had a regular and established place of business in the district, and (2) the plaintiff's request for venue discovery was not frivolous because it provided some evidence that defendant's subsidiaries were incorporated or had a regular and established place of business in the district.[28]

The court held that it "should permit venue-related discovery, to allow the adversarial process to aid the court in making a fact-specific decision on a well-developed factual record."[29]

In *Blitzsafe Texas LLC v. Mitsubishi Electric Corp*,[30] the Texas district court also permitted venue discovery "because the parties' dispute over venue turns in part on the degree of control that BMW exercises over BMW-brand dealerships."[31] The *Blitzsafe* court held that "[v]enue discovery with respect to those disputed factual premises" would "facilitate resolution of the venue dispute fully and fairly."[32]

Unsupported allegations regarding corporate separateness or the relationship between corporate entities and one entity's control over another, however, are unlikely to warrant venue-related discovery.[33] Because a defendant's related corporate entities may be relevant to determine whether or not venue is appropriate in a district, parties should investigate and seek venue discovery regarding not only the party's physical presence in a district, but also the affiliates, subsidiaries or agents over which it may exert control.

Under What Circumstances Do Courts Deny Venue Discovery?

As discussed above, in seeking venue-related discovery, a party is more likely to be successful where it can point to specific facts regarding, for example, related corporate entities or the activities of remote employees that are not publicly available or otherwise missing from the record that would be relevant to evaluating proper venue.

In fact, courts frequently deny motions seeking venue discovery where a party fails to allege specific facts supporting its request or otherwise suggesting that venue-related discovery would be fruitful.[34]

In *Novartis Pharmaceuticals Corp. v. Accord Healthcare Inc*.,[35] for instance, the Delaware district court rejected plaintiff's contentions regarding a single employee alleged to live and work in the district, because the plaintiff "point[ed] to no facts supporting a reasonable expectation that discovery would lead to evidence sufficient to satisfy any of *Cray*'s requirements."[36]

The plaintiff did not allege, for example, that the defendant stored any of its materials at the Delaware employee's home, that her home was "owned, controlled, or otherwise established" by the defendant or that the employee's employment was conditioned on her continued residence in the district.[37]

And "[i]n the absence of any evidence that the employee cannot of her own free will move her home outside of the District," the court found that the employee's choice to make her home in Delaware did not transform her chosen abode into a regular and permanent establishment or place of business of the defendant and did not warrant discovery of her tax returns, reimbursement forms or pay stubs.[38]

Similarly, in *NetSoc LLC v. Chegg Inc*.,[39] the U.S. District Court for the Southern District of New York identified several deficiencies in finding the plaintiff failed to make any showing that additional discovery would "uncover

additional facts" related to an employee that lived in and worked from home in the district:

NetSoc does not allege any basis to infer that Quora may have stored inventory at the employee's home; that Quora conditioned his residence in New York; that it prevented him from leaving New York on his own volition; or that it required him to work from his home in New York. NetSoc also does not point to any marketing or advertising suggesting that Quora held out the employee's home as part of its business, or that the employee actually engaged in business from his home.[40]

Given these findings, the court declined plaintiff's requested venue discovery, finding it was "based on pure speculation."[41]

Courts also routinely refuse venue discovery where the relevant venue-related facts are undisputed[42] or the party's request for venue discovery is nonspecific[43] or overbroad.[44]

Courts also have rejected requests for venue discovery where it would serve no purpose[45] — i.e., where the record is already clear,[46] the parties have already engaged in discovery sufficient to explore venue,[47] and/or additional discovery cannot cure the legal flaws in the requesting party's venue claims.[48]

What Limits Do Courts Place on Venue Discovery?

When courts do permit venue related discovery, it may be subject to some topical or temporal limits set by the parties or the court. In *Celgene Corp. v. Hetero Labs. Ltd*., for example, the U.S. District Court for the District of New Jersey ordered production of specific categories of venue-related documents concerning leases, corporate structure, assets and liabilities, hotel records, rental agreements, tax returns and specific, area-based marketing campaigns.[49]

The court may also set limits on the number of requests for documents, sets and numbers of interrogatories, or depositions that may occur pursuant to Federal Rule of Civil Procedure 30(b)(6)[50] or explicitly provide the topics and issues appropriate for venue-related discovery.[51]

If parties do not issue sufficiently narrow discovery requests themselves, the court may issue a protective order to remedy overbroad or excessive requests.[52] As such, in the event a court allows venue discovery, practitioners should attempt to limit and narrowly tailor their discovery requests to the specific venue issues at hand.

Conclusion

The patent venue landscape is far from settled, and the facts relevant to venue are often unclear or disputed at the outset of a case. Litigants asserting or facing a venue-related challenge should consider how and whether venue discovery can bolster their position, as well as what specifically to request and why it might be helpful.

Endnotes

[1] *TC Heartland LLC v. Kraft Food Brands LLC*, 137 S. Ct. 1514 (2017).

[2] *Id*.

[3] *Id*.; 28 U.S.C. § 1400(b).

[4] *Id*. at 1516-17.

[5] *VE Holding Corp. v. Johnson Gas Appliance Co*., 917 F.2d 1574 (Fed. Cir. 1990).

[6] *Id*. at 1583.

[7] 353 U.S. 222 (1957).

[8] *Id*. at 229; *TC Heartland*, 137 S. Ct. at 1517.

[9] 871 F.3d 1355 (Fed. Cir. 2017).

[10] *Id*. at 1360.

[11] *See* Fed. R. Civ. P. 12(b)(3); 28 U.S.C. § 1406(a).

[12] *See, e.g., United Fixtures Co., Inc. v. Base M*fg., No. 6:08-cv-506, Dkt. No. 52 (Aug. 4, 2008) (granting venue discovery regarding defendant's contacts with forum state).

[13] *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978).

[14] No. 17-cv-3387, 2018 U.S. Dist. LEXIS 34025, at *9 (D.N.J. Mar. 2, 2018).

[15] *Id*. at *9.

[16] *Regenlab USA LLC v. Estar Techs. Ltd*., No. 16-cv-08771, 2017 U.S. Dist. LEXIS 131627, at *6-9 (S.D.N.Y. Aug. 17, 2017) ("in the absence of any binding precedent directly on point, the Court finds that some additional factual development would be useful"); *InVue Sec. Prods. Inc. v. Mobile Tech., Inc*., No. 3:17-cv-00270, 2017 U.S. Dist. LEXIS 125693, at *1-4 (W.D.N.C. Aug. 9, 2017).

[17] *In re Google*, No. 2019-126, Dkt. No. 36 at 10, 17 (Fed. Cir. Feb. 13, 2020).

[18] *Id*. at 17.

[19] *See, e.g., Genentech Inc. v. Eli Lilly Co*., No. 18-cv-1518, Dkt. No. 39 at 1-2 (S.D. Cal. Nov. 30, 2018) (granting ex parte motion for leave to conduct discovery regarding venue before filing opposition to defendant's motion to dismiss, finding "discovery may be useful in this matter, and therefore permit[ting] discovery on th[e] issue"); *Celgene Corp. v. Hetero Labs Ltd.*, No. 17-cv-3387, 2018 U.S. Dist. LEXIS 34025, at *10 (D.N.J. Mar. 2, 2018) (the Court's decision to permit venue-related discovery is also "based on the strength of the parties' arguments").

[20] No. 2:17-cv-00500, Dkt. No. 64 at 4-5 (E.D. Tex. Feb. 28, 2018).

[21] *Id*. at 5; *see also MV3 Partners LLC v. Roku, Inc*., No. 18-cv-00308, Dkt. No. 58 (W.D. Tex. Mar. 26, 2019) (granting venue discovery in light of a "substantive dispute over the relevance that certain Roku, Inc. employees would have as witnesses or deponents"); *Uniloc USA, Inc. v. Apple Inc*., No. 2:17-cv-00258, 2017 U.S. Dist. LEXIS 126523 (E.D. Tex. July 21, 2017) (finding good cause for defendant's motion for expedited venue discovery following motion to transfer based on plaintiff assertions regarding where relevant prosecuting attorneys and executives live and work that are inconsistent with public evidence).

[22] No. 2:17-cv-00500, Dkt. No. 64 at 2-4.

[23] *Id*. at 3-5.

[24] *C.R. Bard, Inc. v. Angiodynamics, Inc*., No. 2-12-cv-00035, Dkt. No. 158 (D. Utah Mar. 3, 2020).

[25] *Id*. at 4.

[26] *Id*. at 4.

[27] *In re Cray*, 871 F.3d at 1363; *see also Minnesota Mining & Mfg. Co. v. Eco Chemicals Inc*., 757 F.2d 1256, 1265 (Fed. Cir. 1985) ("venue in a patent infringement case [may be] proper with regard to one corporation by virtue of the acts of another, intimately connected, corporation").

[28] *See Javelin Pharms., Inc. v. Mylan Labs. Ltd*., No. 16-cv-224, 2017 U.S. Dist. LEXIS 201175, at *8-10 (D. Del. Dec. 1, 2017) ("the Court finds that Plaintiffs' theory – that the 'places' of any Mylan entity, including Mylan affiliates, subsidiaries, parents, or alter egos, may be attributable to the named Mylan Defendants for purposes of venue – is not frivolous and justifies some limited venue-related discovery").

[29] *See Javelin Pharms., Inc. v. Mylan Labs. Ltd*., No. 16-cv-224, 2017 U.S. Dist. LEXIS 201175, at *8 (D. Del. Dec. 1, 2017).

[30] No. 2:17-cv-00430, 2019 U.S. Dist. LEXIS 86350, at *14 (E.D. Tex. May. 22, 2019).

[31] *Id*.

[32] *Id*. (citations omitted); *see also IBM Corp. v. Expedia, Inc*, No. 17-cv-1875, 2019 U.S. Dist. LEXIS 123739, at *25-28 (D. Del. July 24, 2019) (granting jurisdictional discovery regarding whether a franchise location could be said to be a place of business of defendant where "there are many unanswered questions in the record about the relationship between the Bear, Delaware location and the business of [defendant].").

[33] *See, e.g., Symbology Innovations, LLC v. Lego Systems*, 158 F. Supp. 3d 916 (E.D. Va. 2017) (Plaintiff did not "proffer[] any facts suggesting that the corporate separateness between [the plaintiff] and [plaintiff's subsidiary] is a mere fiction"); *Galderma Labs, L.P. v. Medinter U.S., LLC et al*., No. 18-cv-1892, Dkt. No. 98 at 11-14 (D. Del. Oct. 25, 2019) (denying jurisdictional discovery related to alter ego allegations where "Plaintiffs have failed to point

to any record evidence relating to most of the factors that the Third Circuit has used to address corporate separateness"; "what little evidence Plaintiffs have put forward does not speak impactfully to the prospect that Anteco's corporate separateness from Attwill is a 'legal fiction'"; "Plaintiffs' allegations are also wanting as to the second element of the alter ego test: the requirement that any closeness or intermingling of the corporate forms promotes fraud, unfairness, or injustice.").

[34] *See, e.g., Green Source Holdings, LLC v. Ingevity Corp*., No. 1:18-cv-1067, 2019 U.S. Dist. LEXIS 76003, at *14-15 (W.D. Ark. May 6, 2019) ("Plaintiff does not indicate any specific facts it believes it would uncover through venue discovery…in light of Defendants' specific declaration and the lack of any concrete proffer from Plaintiff, the Court finds that Plaintiff has failed to establish that venue discovery is warranted."); *Groove Digital, Inc. v. United Bank et al*., No. 1:18-cv-00966, Dkt. No. 77 at 2 (E.D. Va. Mar. 1, 2019) ("Here, as in *Symbology Innovations*, Plaintiff has not presented evidence that suggests FIS maintains a continuous presence in this district and has not identified any potential sources of evidence that suggest a period of jurisdictional discovery would be more than a fishing expedition. For these reasons the Court denies Plaintiff's request for a period of jurisdictional discovery.").

[35] No. 18-cv-1043, 2019 U.S. Dist. LEXIS 101106, at *16-20 (D. Del. June 17, 2019).

[36] *Id*.

[37] *Id*. at *15.

[38] *Id*. at *18.

[39] No. 18-cv-10262, 2019 U.S. Dist. LEXIS 171167, at *13-15 (S.D.N.Y. Oct. 2, 2019).

[40] *Id*.

[41] *Id*. at *14-15.

[42] *Olivia Garden, Inc. v. Stance Beauty Labs, LLC*, No. 17-cv-05778, 2018 U.S. Dist. LEXIS 116573, at *8 (N.D. Cal. July 12, 2018) (denying venue discovery where "[p]laintiff does not explain what new facts additional discovery would unearth" because plaintiff did not substantively dispute defendant's declaration supporting its motion to dismiss for improper venue); *BMC Software, Inc. v. Cherwell Software, LLC*, No. 1:17-cv-01074, Dkt. No. 55 at 3 (E.D. Va. Dec. 21, 2017) (denying venue-related discovery where "the Court finds no inconsistencies among the facts proffered by the parties"); *Patent Holder LLC v. Lone Wolf Distributors, Inc*., No. 17-cv-23060, 2017 U.S. Dist. LEXIS 180699, at *19 (S.D. Fla. Oct. 31, 2017)(rejecting request for venue-related discovery where plaintiff failed to "set out what discovery it seeks" and did not provide an affidavit in support of its own position or dispute the claims defendant made in its supporting affidavit).

[43] *See, e.g., Green Fitness Equip. Co. LLC v. Precor Inc*., No. 18-cv-00820, 2018 U.S. Dist. LEXIS 109479, at *13-14 (N.D. Cal. June 29, 2018) (denying venue related discovery where plaintiff "identifies no specific fact it hopes to obtain from discovery that might reveal that venue is proper").

[44] *See, e.g., Timely Inventions, LLC v. Netgear, Inc*., No. 17-cv-08864, Dkt. No. 40 at 3-4 (C.D. Cal. June 12,

2018) (denying venue related discovery, noting "the discovery that was generally proposed—multiple depositions, requests for production, and requests for admission—appears to be more extensive than what other courts have allowed").

[45] *Cupp Cybersecurity LLC v. Symantec Corp*., No. 3:18-cv-01554, Dkt. No. 44 at 10 (N.D. Tex. Dec. 21, 2018).

[46] *See, e.g., Bos. Sci. Corp. v. Cook Grp. Inc*., No. 15-cv-980, Dkt. No. 315 at 33 (D. Del. Sept. 11, 2017) ("The record is already sufficient to demonstrate that Delaware is an improper venue.").

[47] *See, e.g., Fox Factory, Inc. v. SRAM, LLC*, No. 3:16-cv-00506, 2018 U.S. Dist. LEXIS 3281, at *12 (N.D. Cal. Jan. 8, 2018) ("[T]he parties have been actively engaged in discovery. [Plaintiff] has provided no basis for a good faith argument that [defendant] has a regular and established place of business in this district."); *Valspar Corp. v. PPG Indus*., No. 16-cv-1429, 2017 U.S. Dist. LEXIS 123501, at *14 (D. Minn. Aug. 4, 2017) ("the parties have already exhaustively explored the question of PPG's connections to this forum").

[48] *Palomar Tech., Inc. v. MRSI Sys., LLC*, No. 15-cv-1484, Dkt. No. 39 at 14-15 (S.D. Cal. Feb. 5, 2018) (denying venue related discovery where "Plaintiff puts forward no reason why its discovery request will cure the legal flaws in its argument"); *see also Niazi v. St. Jude Med. S.C., Inc*., No. 17-cv-183, 2017 U.S. Dist. LEXIS 183849, at *13 (Nov. 7, 2017) (finding evidence plaintiff seeks through venue discovery de minimus and not sufficient to establish regular and established business).

[49] No. 17-3387, Dkt. No. 292 (D.N.J. Jan. 30, 2019).

[50] *See, e.g., Endonovo Therapeutics, Inc. v. BioElectronics Corp*., No. 19-4465, Dkt. No. 31 at 2 (C.D. Cal. Sept. 12, 2019) (allowing "six narrowly tailored interrogatory request and two narrowly tailored requests for production" regarding "any leases held by Defendant for physical space/property in California"); *Xodus Med. Inc. et al. v. Allen Med. Sys., Inc*., No. 2:17-cv-00581, Dkt. No. 34 (W.D. Penn. Nov. 8, 2017) (granting venue-related discovery limited to one set of 15 interrogatories, 10 requests for production, and two depositions); *XR Communications LLC dba Vivato Techs. v. Ruckus Wireless, Inc*., No.17-cv-02961, Dkt. No. 70 at 1-2 (C.D. Cal. Oct. 24, 2017) (limiting requested venue discovery to three requests for admission, two interrogatories, and one two-hour deposition, and cautioning plaintiffs to consider *Cray* in conducting additional venue discovery and use narrowly tailored requests).

[51] *See, e.g., InVue Sec. Prods. Inc. v. Mobile Tech., Inc*., No. 3:17-cv-00270, 2017 U.S. Dist. LEXIS 125693, at *3-4 (W.D.N.C. Aug. 9, 2017) (ordering limited discovery on specific topics for a specified time period).

[52] *See, e.g., Modern Font Application LLC v. Peak Restaurant Partners, LLC*, No. 2:19-cv-221, Dkt. No. 51 at 1 (D. Utah Sept. 25, 2019) (permitting one, four-hour 30(b)(6) deposition "to obtain further information as to whether Defendant has a regular and established place of business within the District of Utah"), *Modern Font Application LLC v. Peak Restaurant Partners, LLC*, No. 2:19-cv-221, Dkt. No. 57 (D. Utah Nov. 14, 2019) (granting protective order finding several 30(b)(6) topics overbroad and outside the scope of the Judge's initial Order).

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