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In response to Defendants TC Heartland, LLC d/b/a Heartland Food Products Group and Heartland Packaging Corporation's (collectively, "Heartland") Objection (D.I. 70) to Magistrate Judge Burke's August 13, 2015 Report and Recommendations (D.I. 59) ("Report"), Plaintiff Kraft Foods Group Brands LLC ("Kraft") submits its Response In Opposition:

I. INTRODUCTION

Magistrate Judge Burke's thorough and cogent Report correctly applied well-settled law to a familiar fact pattern, and should therefore be adopted in all respects. Consistent with long-standing precedent, Magistrate Judge Burke determined that (1) jurisdiction over Heartland is appropriate as to all of Kraft's patent infringement claims Heartland purposefully placed infringing products into the stream of commerce knowing full well that such products would be sold in Delaware; and (2) venue in this case is proper in the District of Delaware because it is a court in which jurisdiction exists as to Heartland with respect to this action.

In denying Heartland's Motion, Magistrate Judge Burke also declined Heartland's invitation to create sweeping new law which would have radically altered existing principles of jurisdiction and venue in patent infringement cases. Instead, the Report found the relevant Federal Circuit precedents to be undisturbed by the recent case law cited by Heartland. On this point, the Report is again correct. Heartland's arguments as to both jurisdiction and venue urge the Court to ignore controlling decisions in the patent infringement context (notably *Beverly Hills Fan* and *VE Holding Corp., infra*) in favor of inferences and conjecture found only in selectively-parsed and inapposite case law.

But, as Heartland itself asserts, neither Congress nor the federal courts "hide elephants in mouseholes." (Objection, D.I. 70, pg. 6). If in fact Congress or the Supreme Court intended to dramatically alter patent jurisdiction and venue jurisprudence as suggested by Heartland, those bodies would have expressly declared their intentions. They did not. Because the authorities

cited in the Objection do not stand for the bold propositions for which they are offered, this Court should be no more eager than Magistrate Judge Burke to engage in Heartland's speculative academic exercise. The Objection should be denied.

II. LAW AND ARGUMENT

A. This Court has personal jurisdiction over Heartland.

Magistrate Judge Burke astutely noted that Heartland's jurisdictional theory, "if adopted, would result in sweeping changes to the way patent litigation proceeds in the United States." (Report, pg. 10). Heartland's argument is especially novel given the well-settled state of federal law on the subject of patent jurisdiction. Since the Federal Circuit announced *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994) more than 20 years ago, case law has been clear that where "defendants purposefully shipped the accused [product] into [the forum state] through an established distribution channel," jurisdiction over an alleged infringer is proper. *Id.* at 1571. In this case, there is no dispute that Heartland has directly shipped the accused product into Delaware through an established distribution channel. (Objection, D.I. 70, pg. 1).

Although Heartland acknowledges *Beverly Hills Fan*, it argues that a District Court trademark opinion from four years earlier is more instructive. Specifically, Heartland seeks to elevate *Sears, Roebuck & Co. v. Sears plc*, 752 F. Supp. 1223 (D. Del. 1990) above *Beverly Hills Fan* in terms of precedential value. (Objection, D.I. 70, pp. 2-3). But as Magistrate Judge Burke explained, "the relevant precedent is that established by *Beverly Hills Fan*." (Report, pg. 14, fn 2). *Beverly Hills Fan* is controlling (*Sears* is not), more recent (*Sears* dates from 1990), and more factually on point in the patent setting (*Sears* relates to trademark and trade name infringement). There is simply no argument that *Sears* sets forth the applicable analysis for determining jurisdiction in a patent infringement case. Moreover, ample case law supports

Beverly Hills Fan's supremacy as the touchstone of patent infringement jurisdiction. *See, e.g., Graphics Props. Holdings Inc. v. Asus Computer Int'l, Inc.*, 964 F. Supp. 2d 320 (D. Del. 2013) (Stark, J.); *Nuance Commc'ns, Inc. v. Abbyy Software House*, 626 F.3d 1222, 1234 (Fed. Cir. 2010); *Viam Corp. v. Iowa Export-Import Trading Co.*, 84 F.3d 424 (Fed. Cir. 1996); *LG.Philips LCD Co. v. Chi Mei Optoelectronics, Corp.*, 551 F. Supp. 2d 333, 339 (D. Del. 2008).

Heartland apparently bases its reliance on *Sears* on its theory that “each act of infringement gives rise to a separate cause of action.” (Objection, D.I. 70, pg. 2). Under Heartland’s theory, a patentee must pursue an alleged infringer in every individual state in which infringing sales are made, resulting in up to 50 separate lawsuits. In the alternative, the patentee could sue the infringer in its home district once. This result demonstrates the absurdity of Heartland’s argument, as it would allow infringers to profit from infringing as broadly as possible. That is, by infringing more broadly than simply in Delaware, a multi-state infringer like Heartland could ensure that it could only be sued in its home forum.

As Magistrate Judge Burke found, no case law supports Heartland’s novel theory. At best, the case law offered by Heartland on this issue relates to when (not where) an intellectual property infringement claim accrues. (Objection, D.I. 70, pp. 2, 4). None of these cases declare that a patentee must divide his infringement claims on a state-by-state basis. *See E.I. du Pont de Nemours & Co. v. MacDermid Printing Solutions, L.L.C.*, 525 F.3d 1353, 1362 (Fed. Cir. 2008) (addressing whether patent infringement claims accrued after certificate of correction issued); *Hazelquist v. Guchie Mochie Tackle Co.*, 437 F.3d 1178, 1180-81 (Fed. Cir. 2006) (addressing whether patent infringement claims accrued after bankruptcy discharge); *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1969 (2014) (addressing when a copyright infringement claim accrues for statute of limitations purposes). These cases are simply not on point. Not surprisingly, then, the Report points out that “Defendants have not cited any patent case that

states that personal jurisdiction exists in a forum only as to the portion of the accused products that are made, used, offered for sale or sold within that forum.” (Report, pg. 12).

Nor is the point raised by Heartland a new one. *Beverly Hills Fan* directly addressed the issue of allowing a plaintiff to recover for nationwide infringement in a single forum, and found good reason for such a policy:

[the forum state] also has a substantial interest in cooperating with other states to provide a forum for efficiently litigating plaintiff's cause of action. [Plaintiff] will be able to seek redress in [the forum state] for sales of the accused fan to consumers in these other states. These other states will thus be spared the burden of providing a forum for [Plaintiff] to seek redress for these sales. And defendants will be protected from harassment resulting from multiple suits.

21 F.3d at 1568.¹ See also *Patent Rights Prot. Grp., LLC v. Video Gaming Techs., Inc.*, 603 F.3d 1364, 1370-71 (Fed. Cir. 2010) (quoting *Beverly Hills Fan* and *Keeton*'s policy against multiple separate actions and reversing decision that a Nevada court lacked personal jurisdiction).

Faced with a long line of case law rejecting its theory (including this Court's recent decision in *Graphics Props. Holdings*), Heartland is left to argue that recent Supreme Court precedent, *Walden v. Fiore*, 134 S. Ct. 1115 (2014), has impliedly changed the entire patent jurisdiction landscape. (Objection, D.I. 70, pg. 5). But *Walden* is nowhere near as sweeping as Heartland suggests.

First, *Walden* is not a patent infringement case. Rather, *Walden* analyzed an intentional tort claim for wrongful seizure of assets against a DEA agent by Nevada residents who were traveling in Georgia at the time of the seizure. 134 S. Ct. at 1125. In fact, *Walden* does not even address the stream of commerce theory that underlies the *Beverly Hills Fan* decision. Perhaps

¹ Heartland attempts to distinguish *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984), which was cited by *Beverly Hills Fan*, but this line of reasoning is misplaced. *Keeton*'s concerns about “provid[ing] a forum for efficiently litigating all issues and damages claims arising out of a libel in a unitary proceeding” apply with equal force to patent cases, just as the *Beverly Hills Fan* court found. *Id.* at 777. In this respect, *Keeton* has more relevance to the patent infringement context than the trade name infringement situation found in *Sears*.

most obviously, *Walden* does not even mention the *Beverly Hills Fan* decision. *Walden* simply has no application to the case at bar.

Apart from these factual distinctions, *Walden*'s core holding does not overrule any of *Beverly Hills Fan*'s analysis. *Walden* stands for the proposition that “the plaintiff cannot be the only link between the defendant and the forum.” *Id.* at 1122. In other words, “[t]he proper question is not where the plaintiff experienced a particular injury or effect but whether the defendant’s conduct connects him to the forum in a meaningful way.” *Id.* at 1125.

Both *Keeton* and *Beverly Hills Fan*, though, base jurisdiction on *the defendant’s conduct*, not the plaintiff’s place of residence or injury. For example, the *Keeton* Court noted that the defendant shipped up to 15,000 issues of the allegedly libelous publication into the forum state each month. *Keeton*, 465 U.S. at 772. Similarly, in *Beverly Hills Fan*, the Federal Circuit found jurisdiction appropriate because the alleged infringer shipped numerous infringing products into the forum state as part of an ongoing relationship with a retailer. *Beverly Hills Fan*, 21 F.3d at 1565. Thus, *Walden*'s statement that jurisdiction cannot be based solely on plaintiff-based conduct in no way calls into question the *Beverly Hills Fan* holding.

At a more basic level, if the Supreme Court intended to use *Walden* to effect the sweeping modification of patent jurisprudence suggested by *Heartland*, it would not have remained silent on that subject. That the Court did not even cite *Beverly Hills Fan* and its progeny demonstrates that the stream of commerce doctrine remains undisturbed in a patent infringement setting, and that *Heartland* is subject to jurisdiction in Delaware.²

² *Heartland* also argues in passing that the 2% of its products directly shipped into Delaware is insufficient to establish “purposeful availment” necessary to confer jurisdiction on this Court as to those products. But there are numerous recent decisions from this jurisdiction that hold otherwise. For example, in *Graphics Props. Holdings*, this Court held “[defendant’s] activities were ‘purposeful’ because [defendant] knowingly and intentionally shipped the accused products to two separate customers in Delaware.” 964 F. Supp. 2d at 326.

B. Venue is proper in this Court.

Heartland also argues that venue is improper in this Court because recent changes to 28 U.S.C. § 1391 have supposedly effected a sea change in how patent venue should be determined. But once again, the modest evolution reflected in the authorities cited by Heartland does not match the boldness of Heartland's theory.

Heartland's principal argument is that 28 U.S.C. § 1400(b), not 28 U.S.C. § 1391(c), should govern venue in a patent infringement case, especially in light of recent amendments to Section 1391. But this construction establishes a false dichotomy between two harmonious provisions. As the Federal Circuit explained in *VE Holding Corp. v. Johnson Gas Appliance Co.*, Section 1391(c) does not supersede Section 1400(b), it merely informs the definition of a term found in Section 1400(b). 917 F.2d 1574, 1578 (Fed. Cir. 1990).

28 U.S.C. § 1400(b) provides, *inter alia*, that venue for a patent infringement case may lie "in the judicial district where the defendant resides... ." While this section unquestionably forms part of the venue analysis, it still begs the question: what does "resides" mean? For that purpose, courts look to Section 1391(c), which states that a corporate defendant is "deemed to reside ... in any judicial district in which [it] is subject to the court's personal jurisdiction with respect to the civil action in question[.]" 28 U.S.C. § 1391(c).

Taken together, Sections 1400(b) and 1391(c) render the venue determination coterminous with the personal jurisdiction analysis. On this point, the Federal Circuit has been clear for 25 years. In *VE Holding*, the court held that Section 1391(c) governs the meaning of "resides" in Section 1400(b), and that venue is appropriate for a defendant in a patent infringement case wherever personal jurisdiction exists. 917 F.2d at 1579-84.

VE Holding, which remains the controlling authority on this subject,³ moved beyond the outdated analysis set forth in *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957). While Heartland continues to rely on *Fourco* in its Objection, the *VE Holding* court explained that *Fourco* became obsolete following amendments to Section 1391 in 1988. In particular, “Section 1391(c) as it was in *Fourco* is no longer.” *VE Holding*, 917 F.2d at 1579. This amendment had several notable effects. First, the version of Section 1391 that replaced the language in *Fourco* expressly applies to all venue purposes, including patent disputes:

We now have exact and classic language of incorporation: ‘For purposes of venue under this chapter. . . .’ Congress could readily have added ‘except for section 1400(b),’ if that exception, which we can presume was well known to the Congress, was intended to be maintained.

Id. Based on the plain language of the statute, the Federal Circuit held “Section 1391(c) applies to all of chapter 87 of title 28, and thus to § 1400(b) . . . [t]here can be no mistake about that.” *Id.* at 1583.

In addition, the *VE Holding* court noted that the amended § 1391(c) “only operates to define a term in § 1400(b) – it neither alone governs patent venue nor establishes a patent venue rule separate and apart from that provided under Section 1400(b).” *Id.* at 1580. Because the language of Section 1391(c) revealed “a clear intention” to supplement Section 1400(b), the *VE Holding* Court found that a patent infringement action may be brought in any forum that has personal jurisdiction over the defendant corporation. *Id.* at 1581.

None of the rationales upon which *VE Holding* was based have changed since 1990, and certainly not as a result of the 2011 Jurisdiction and Venue Clarification Act. First and foremost, the language of Section 1391(c) has actually become more expansive than that which was

³ See *In re Apple Inc.*, 456 F. App’x 907, 908 (Fed. Cir. 2012) (“28 U.S.C. § 1400(b) . . . authorizes venue jurisdiction over any patent infringement suit where an alleged act of infringement has been committed.”).

considered by the *VE Holding* court. In 2011, Section 1391(c) changed from “for purposes of venue under this chapter” to “for all venue purposes.” As Magistrate Judge Burke found, if (as Heartland suggests) the intent of this amendment was to roll back the effects of *VE Holding*, expanding the scope of Section 1391(c) “seems a strange way of accomplishing that.” (Report, pg. 18). After the 2011 amendment, *Fourco* is even more dead letter than it was in 1988.

Heartland also argues that a new introductory phrase in Section 1391(a) renders Section 1391(c) a nullity. According to Heartland, the new Section 1391(a)(1), which states “Except as otherwise provided by law...(1) this section shall govern the venue of all civil actions brought in district courts of the United States...” expressly reads itself out of provisions such as Section 1400(b). This contention misses the mark in two ways.

First, the text of the post-*VE Holding* amendments to Section 1391 (1993, 1996, 2003, and 2012) reveals that the 2011 amendment did not constitute any seismic shift. In each amendment, 28 U.S.C. § 1391(a) (which related to cases founded upon diversity jurisdiction) contained the phrase “except as otherwise provided by law.” Similarly, 28 U.S.C. § 1391(b), governing non-diversity cases, also contained the phrase “except as otherwise provided by law.” Thus, the language relied upon by Heartland in the post-2011 statute is not new, and does not represent any substantive change to 28 U.S.C. § 1391. On the contrary, that language was present at the time of the *VE Holding* case and has remained in Section 1391 since that time.

The only change implemented in 2011 was the elimination of the two subsections (diversity and non-diversity). In standardizing venue for all federal cases, Congress simply moved up the “except as otherwise provided by law” language into a new subsection (a). That modification represents a change of form, not substance, and does not effect any sweeping revision of patent venue jurisprudence.

Moreover, Section 1391(a)'s language stating its application "except as otherwise provided by law" does not even apply to the instant dispute. As the *VE Holding* court found, Sections 1391(c) and 1400(b) are harmonious; that is, Section 1400(b) does not "otherwise provide" a different outcome.⁴ Instead, while Section 1400(b) continues to apply, Section 1391(c) defines "resides" for purposes of patent venue.

The continuing applicability of *VE Holding*'s reading of Section 1391 is confirmed by the legislative history of the 2011 Act, which reveals no support for Heartland's position. The Judiciary Committee Report on the Act contains no mention whatsoever of patent litigation in its discussion of venue. Moreover, in explaining the new 1391(a) provision as to applicability, the Report states "New paragraph 1391(a)(1) would *follow current law* in providing the general requirements for venue choices, but would not displace the special venue rules that govern under particular Federal statutes." (D.I. 34 (emphasis added)). Thus, the Report characterizes the 1391(a) revision as a continuation of existing law, not the radical change suggested by Heartland.

Furthermore, in its discussion of 1391(c), the Report states that "proposed subsection 1391(c) *would apply to all venue statutes*, including venue provisions that appear elsewhere in the United States Code." (*Id.* (emphasis added)). There can be little doubt of the effect of this language. Just as *VE Holding* declared, 1391(c) defines residency for purposes of all venue statutes, including 28 U.S.C. § 1400.

To the extent there was any lingering doubt that the 2011 amendments did not effect a radical change of patent venue law, recent case law confirms that *VE Holding* remains the law of the land on questions of patent venue notwithstanding the 2011 amendments. *See TNR Indus.*

⁴ For this same reason, Heartland's citation to *Atlantic Marine Constr. Co. v. U.S. Dist. Ct. for the W. Dist. of Tex.*, 134 S. Ct. 568, 577 (2013) is unavailing. The parties agree that, consistent with *Atlantic Marine*, Section 1400(b) applies. But nothing in *Atlantic Marine* suggests that Section 1391(c) does not continue to define the term "resides."

Doors, Inc. v. PerforMax Grp., LLC, No. 13-13815, 2014 WL 2800750, at *3 n.3 (E.D. Mich. June 17, 2014) (“[T]he scope of § 1391(c) as amended is even broader than the previous version interpreted in *VE Holding Corp.*, and this Court’s conclusion that § 1391(c) supplements § 1400(b) is consistent with the holding in *VE Holding* ... as well as the plain language of § 1391(c.)”); *Devicor Med. Prods., Inc. v. Biopsy Sci., LLC*, No. 10-1060-GMS, 2013 WL 486638, at *3 n.7 (D. Del. Feb. 7, 2013) (concluding that the 2011 amendments to Section 1391 did not undermine the Federal Circuit’s conclusion in *VE Holding*).

Finally, Heartland focuses on new language in Section 1391(c) which allows venue where the court has jurisdiction over a defendant “with respect to the civil action in question.” (Objection, D.I. 70, pg. 10). Heartland argues that this language does not permit venue to lie in Delaware for the 98% of Heartland’s sales that occurred in other states. By Heartland’s own admission, though, this argument is linked to the above jurisdictional analysis. For the above-stated reasons, this argument is without merit, whether raised in the jurisdiction or venue context.

In sum, both the historical language of 28 U.S.C. § 1391 and the legislative history of the Act indicate that the 2011 revisions did not enact a sweeping change to federal patent venue law. Instead, the Act “followed current law” as articulated by *VE Holding* and, if anything, broadened the scope of 1391(c)’s definition of “resides” to apply to “all venue statutes.” Accordingly, venue in this case is proper in the District of Delaware.

III. CONCLUSION

As a proposed law review article, Heartland’s Objection presents an interesting intellectual thought experiment. As an effort to set aside Magistrate Judge Burke’s opinion, it presents no serious basis for reversal. Because Heartland cannot escape controlling and on-point authority, Heartland’s Objection should be denied in its entirety, and the Report should be adopted.

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