

INTELLECTUAL PROPERTY LITIGATION

Expert Analysis

## Patent Venue: ‘Regular and Established Place of Business’ After ‘In re Google’

The patent venue statute restricts patent infringement actions to a judicial district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business. The Supreme Court’s 2017 *TC Heartland* decision led to renewed focus on the “regular and established place of business” aspect of the statute. Four months after *TC Heartland*, in *In re Cray*, the Federal Circuit enumerated the requirements for a place to qualify as a “regular and established place of business,” 871 F.3d 1355 (Fed. Cir. 2017). Last year, the Federal Circuit again examined the issue, holding that venue over Google was improper in the Eastern District of Texas where Google servers were used in non-Google-owned datacenters in the District but Google had no employees or agents there. See *In re Google*, 949



By  
**Eric Alan  
Stone**



And  
**Catherine  
Nyarady**

F.3d 1338 (Fed. Cir. 2020). District courts have since applied *Google* to determine whether venue was proper in cases involving infringement allegations against entities with corporate or contractual relationships in the relevant district. We report here on *Google* and certain of those cases.

### The Patent Venue And Service Statutes

The patent venue statute, 28 U.S.C. §1400(b), states that “[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.” A “domestic corporation ‘resides’ only in its State of incorporation for purposes of the patent

venue statute.” *TC Heartland v. Kraft Food Grp. Brands*, 137 S. Ct. 1514, 1517 (2017). A “regular and established place of business” must be: (1) “a physical place in the district”; (2) “regular and established”; and (3) “the place of the defendant.” *Cray*, 871 F.3d at 1360.

The service provision for patent cases that was originally enacted as

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part of the same statutory section as the venue provision provided that if a patent infringement suit was “brought in a district of which the defendant is not an inhabitant, but in which such defendant has a regular and established place of business, service ... upon the defendant may be made by service upon the agent or agents engaged

ERIC ALAN STONE and CATHERINE NYARADY are litigation partners at Paul, Weiss, Rifkind, Wharton & Garrison. MICHAEL F. MILEA, an associate at the firm, assisted in the preparation of this column.

in conducting such business in the district in which suit is brought.” 54 Cong. Ch. 395, 29 Stat. 695 (1897). The current service statute is codified at 28 U.S.C. §1694.

### ‘In re Google’

Super Interconnect Technologies (SIT) sued Google for patent infringement in the Eastern District of Texas, alleging that Google’s Pixel smartphones infringed SIT’s patents relating to the transmission of signals in computing devices. SIT alleged that venue was proper because Google provides video and advertising services to District residents through the Internet using Google Global Cache (GGC) servers located in the District. *Google*, 949 F.3d at 1340. Google contracted with local internet service providers (ISPs) to host the GGC servers within the ISP’s datacenters. *Id.* The contracts specified that the servers were to be installed by the ISPs and housed in the ISP’s server racks, and that the ISP’s on-site technicians would perform basic maintenance. *Id.* at 1341. No Google employee “performed installation of, performed maintenance on, or ever physically accessed any of the GGC servers.” *Id.*

The district court denied Google’s motion to dismiss for improper venue. Google petitioned for a writ of mandamus.

The Federal Circuit granted the writ, holding that under the second *Cray* factor, a “‘regular and established place of business’ requires the regular, physical presence of an employee or other

agent of the defendant conducting the defendant’s business at the alleged ‘place of business.’” *Id.* at 1345. According to the court, “[t]his is apparent from the service statute for patent cases” because that statute “plainly assumes that the defendant will have a ‘regular and established place of business’ within the meaning of the venue statute only if the defendant also has an ‘agent ... engaged in conducting such business.’” *Id.* at 1344.

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The court further explained that although the “record is clear that there is no Google employee conducting business in the” District, “there is nonetheless the question of whether the ISPs are acting as Google’s agent.” *Id.* at 1345. To answer this question, the court examined the ISP’s three contractually enumerated functions for the presence of the “essential elements of agency,” including “the principal’s ‘right to direct or control’ the agent’s actions.” *Id.*

First, the Federal Circuit held that “Google has no right of interim control over the ISP’s provision of network access beyond requiring that the ISP maintain network access to the GGC servers ... . In this respect, the ISPs are not agents of Google.” *Id.*

Second, the court explained that “[a]lthough [the installation] provisions may be suggestive of an agency relationship, we do not consider the ISPs performing these installation functions to be conducting Google’s business within the meaning of the statute. The installation activity does not constitute the conduct of a ‘regular and established’ business, since it is a one-time event for each server.” *Id.* at 1346.

Lastly, the court held that “SIT has not established that the ISPs performing the specified maintenance functions are conducting Google’s business within the meaning of the statute. The better reading of the statute is that the maintenance activities cannot, standing alone, be considered the conduct of Google’s business. Maintaining equipment is meaningfully different from—as only ancillary to—the actual producing, storing, and furnishing to customers of what the business offers.” *Id.*

### Post-‘Google’ Cases

‘**Andra v. Victoria’s Secret**’. L Brands (LBI) is the corporate parent of Victoria’s Secret. Andra alleged infringement of a patent claiming a method of displaying articles in a virtual showroom, suing LBI and subsidiaries Victoria’s Secret Stores (Stores), Victoria’s Secret Direct Brand Management (Direct), and Victoria’s Secret Stores Brand Management (Brand Management). See *Andra Grp., LP v. Victoria’s Secret Stores*, 2020 WL 2478546 (E.D. Tex. Feb. 24, 2020).

Stores, Direct, and Brand Management are each incorporated in

Delaware. Id. at \*1-2. Stores operates Victoria's Secret retail locations, including those in the Eastern District of Texas. Id. at \*1. Direct operates the Victoria's Secret website and mobile app. Id. Brand Management is responsible for creating Victoria's Secret Merchandise. Id. All defendants moved to dismiss for improper venue.

The court held that there was venue over Stores, because it had physical stores in the District, but dismissed the claims as to LBI, Direct, and Brand Management. The court found that neither Direct nor Brand Management has employees, stores, or any other physical presence in Texas. Id. at \*2. As to parent LBI, the court held that, under *Google*, exercising control over various aspects of Stores' business, including "supplying improvements, paying operating costs such as utilities, investing in technology, posting Stores' job listings on LBI's website, and requiring Victoria's Secret employees to sign the LBI code of conduct," does not demonstrate "exercise of control" over Stores' employees. Id. at \*5.

**'Modern Font Applications v. Peak Restaurant'**. Dine, a Delaware corporation, is the parent company of IHOP. Modern Font sued Dine in Utah alleging infringement of Modern Font's patent relating to improved delivery of fonts. *Modern Font Applications v. Peak Rest. Partners*, 2020 WL 1692744 (D. Utah April 7, 2020). Dine moved to dismiss, arguing that venue is improper because Dine and IHOP are "distinct, separate entities" and Dine does not

have any employees in Utah. Id. at \*1, \*3.

The court granted the motion, holding that Modern Font's argument that "Dine regularly sends employees and agents to Utah to physically inspect ongoing operations ... fails because Dine sending employees or agents to Utah to conduct inspections is not permanent agency but isolated incidents. Further, as Google was not in the business of maintaining servers, Dine is not in the business of maintaining kitchens. Indeed, any inspections Dine conducts are ancillary to its business of accelerating profitable growth of its brands." Id. at \*3.

**'Uni-Systems v. United States Tennis Association'**. Uni-Systems accused Rosetti, a Michigan corporation, and Morgan, an Ohio corporation, of patent infringement and trade secret appropriation in connection with Rosetti and Morgan's design, manufacture, and operation of the retractable roofs at the Arthur Ashe Stadium and the Louis Armstrong Stadium in at the National Tennis Center (NTC) in Queens, N.Y. *Uni-Systems v. U.S. Tennis Ass'n Nat'l Tennis Ctr.*, 2020 WL 1694490 (E.D.N.Y. April 7, 2020). In connection with this work, both Rosetti and Morgan would periodically send employees to the NTC. Rosetti and Morgan moved to dismiss for improper venue or to transfer.

The court granted the motions to transfer, holding that the "conclusion that Rosetti lacks an established, regular place of business is bolstered by" *Google*. "Here, the court cannot say that Rosetti has an employee

or agent in this district on a regular or established basis. Indeed, as Rosetti has only a periodic presence in this district ... it would be difficult to locate and identify a Rosetti employee at the NTC or within the Eastern District of New York to effect service." Id. at \*11.

As to Morgan, the court held that held that "[a]lthough this case presents somewhat different facts than *Google*, the relevant considerations still apply. Morgan was engaged to design and manufacture parts, which it delivered to the NTC for installation. This installation, which Morgan merely observed, was a one-time process for each roof, and thus would not qualify as 'regular.'" Id. at \*12. The court also explained that Morgan's contractually required maintenance visits which could "arguably be considered more than ancillary to its business" would not "be regular enough to satisfy the second *Cray* requirement." Id.