IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

REEBOK INTERNATIONAL LTD., et al., Plaintiffs, v. **TRB ACQUISITIONS LLC**, et al., Defendants.	Case No. 3:16-cv-1618-SI **OPINION AND ORDER**

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Michael H. Simon, District Judge.

Before the Court is Defendants' motion to dismiss Plaintiff's Second Amended Complaint for improper venue. Defendants argue that in light of the Supreme Court's recent decision in TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S. Ct. 1514 (2017), venue is not appropriate in this District. For the reasons that follow, Defendants' motion is denied.

STANDARDS

On a motion to dismiss for improper venue brought pursuant to Fed. R. Civ. P. 12(b)(3), a "defendant over whom personal jurisdiction exists but for whom venue is improper may move for dismissal or transfer under 28 U.S.C. § 1406(a)." Action Embroidery Corp. v. Atl. Embroidery, Inc., 368 F.3d 1174, 1181 (9th Cir. 2004). "The district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought." 28 U.S.C. § 1406(a). The plaintiff bears the burden of showing that venue is proper. See Piedmont Label Co. v. Sun Garden Packing Co., 598 F.2d 491, 496 (9th Cir. 1979) ("Plaintiff had the burden of showing that venue was properly laid in the Northern District of California.").

A defense of improper venue is waivable. See Leroy v. Great W. United Corp., 443 U.S. 173, 180 (1979); Hoffman v. Blaski, 363 U.S. 335, 343 (1960); Albino v. Baca, 747 F.3d 1162, 1170 (9th Cir. 2014); see also 28 U.S.C. § 1406(b) ("Nothing in this chapter shall impair the jurisdiction of a district court of any matter involving a party who does not interpose timely and sufficient objection to the venue."). "A defendant must object to venue by motion or in his answer to the complaint or else his objection is waived." Costlow v. Weeks, 790 F.2d 1486, 1488 (9th Cir. 1986) (citing Fed. R. Civ. P. 12(h)); see also City of S. Pasadena v. Mineta, 284 F.3d 1154, 1156 (9th Cir. 2002) ("[M]ost jurisdictional objections—such as defects in personal jurisdiction, venue or service of process—are waived unless asserted early in the litigation.").

DISCUSSION

The general venue statute for federal cases is 28 U.S.C. § 1391. Venue in patent cases, however, specifically is governed by 28 U.S.C. § 1400(b). Under this patent venue statute, "[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." Id. In Fourco Glass Co. v. Transmirra Products Corp., the Supreme Court explained that for purposes of § 1400(b), a domestic corporation "resides" only in its state of incorporation. 353 U.S. 222, 226 (1957). Fourco also rejected the conclusion that the definition of residency in § 1391(c) applied to residency for purposes of § 1400(b). Instead, the Supeme Court in Fourco held that § 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and . . . is not to be supplemented by . . . § 1391(c)." Id. at 229. Similarly, the Supreme Court in TC Heartland explained:

> Following the 1948 legislation, courts reached differing conclusions regarding whether § 1400(b)'s use of the word "resides" incorporated § 1391(c)'s definition of "residence." In Fourco, this Court reviewed a decision of the Second Circuit holding that § 1391(c) defined residence for purposes of § 1400(b), "just as that definition is properly . . . incorporated into other sections of the venue chapter." This Court squarely rejected that interpretation, reaffirming Stonite's holding that § 1400(b) "is the sole and exclusive provision controlling venue in patent infringement actions, and . . . is not to be supplemented by . . . § 1391(c)." The Court observed that Congress enacted § 1400(b) as a standalone venue statute and that nothing in the 1948 recodification evidenced an intent to alter that status. The fact that § 1391(c) by "its terms" embraced "all actions" was not enough to overcome the fundamental point that Congress designed § 400(b) to be "complete, independent and alone controlling in its sphere."

137 S. Ct. at 1519 (citations omitted) (ellipses in original).

In 1988, Congress amended § 1391(c), defining corporate residency for purposes of that chapter as any judicial district in which a corporation is subject to personal jurisdiction at the time that an action is commenced. Shortly thereafter, the Federal Circuit held that for purposes of venue in patent cases, the same definition of residency applies for corporations, holding that § 1391(c) "reads itself into" and "operates to define a term in," or "supplements," § 1400(b). VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1580 (Fed. Cir. 1990). The Federal

Circuit in VE Holdings held that Fourco did not require a different result because it considered the definition of "resides" for purposes of § 1400(b) before § 1391(c) was amended in 1988.

In TC Heartland, the Supreme Court rejected the conclusion in VE Holdings and reiterated its opinion in Fourco that under § 1400(b) a corporation resides only in its state of incorporation. 137 S. Ct. at 1519-20. The Supreme Court noted that in amending § 1391(c) in 1988 and 2011, Congress did not indicate an intention to "alter the meaning of § 1400(b) as interpreted in Fourco." Id. at 1520. The Supreme Court also stated that although the current version of § 1391(c) provides that it applies to all civil actions, so did the version at issue in Fourco. Id. The Supreme Court's decision in TC Heartland was issued on May 22, 2017.

Defendants assert that they do not "reside" in Oregon because they are not incorporated in the state and that because they do not have a "regular and established place of business" in Oregon, they are not subject to venue under § 1400(b) in the District of Oregon. Thus, Defendants move to dismiss this case for improper venue.

Plaintiffs respond that Defendants have waived their defense of improper venue because on March 3, 2017, they filed an Answer to Plaintiff's First Amended Complaint and both (1) conceded that "venue is proper in this District," ECF 31 at 3, ¶ 11, and (2) failed to raise improper venue as an affirmative defense. Plaintiffs add that defenses under Rule 12(b)(2)-(5) of the Federal Rules of Civil Procedure, which include the defense of improper venue, are waived if not brought in "the first defensive move." Pratt v. Rowland, 769 F. Supp. 1128, 1132 (N.D. Cal. 1991). As the court in that case stated:

> Under Rule 12(h)(1), defendants wishing to raise improper venue as a defense must do so in their first defensive move. . . . Although an amended complaint supersedes the original pleading, it does not automatically revive all of the defenses and objections that a defendant has previously waived. Thus, defenses such as improper venue, if waived by the defendants' failure to raise those

> objections in response to the original complaint, may not be resurrected merely because a plaintiff has amended his complaint.

Pratt, 769 F. Supp. at 1132 (emphasis in original) (citing Glater v. Eli Lilly & Co., 712 F.2d 735, 738 (1st Cir. 1983), and Gilmore v. Shearson/Am. Express, Inc., 811 F.2d 108, 112 (2d Cir. 1987))); *see also Am. Ass'*n of Naturopathic Physicians v. Hayhurst, 227 F.3d 1104, 1106-7 (9th Cir. 2000) (noting that defenses set forth in Rule 12(b)(2)-(5) are waived if not raised in the party's first defensive move, whether that be a Rule 12 motion or a responsive pleading). An improper venue defense also is waived or estopped "[i]f the defendant tells the plaintiff that he is content with the venue of the suit." Am. Patriot Ins. Agency, Inc. v. Mut. Risk Mgmt., Ltd., 364 F.3d 884, 887 (7th Cir. 2004); see also Tri-State Employment Servs., Inc. v. Mountbatten Sur. Co., 295 F.3d 256, 260 n.2 (2d Cir. 2002) (finding waiver of improper venue defense supported by the fact that the defendant had represented that venue was proper in the district court in the defendant's answer).

Defendants reply that they did not waive the defense of improper venue because that defense was not "available" to them before the Supreme Court's decision in TC Heartland on May 22, 2017. The Court rejects this argument for several reasons. First, the Supreme Court granted certiorari in TC Heartland on December 14, 2016, and the venue issue being litigated in TC Heartland was known or should have been known by Defendants before they filed their answer on March 3, 2017 to the First Amended Complaint.[1] Thus, Defendants knew or should have known before filing their answer that the precise issue on which they now base their motion—the definition of "corporate residency" for purposes of venue in a patent case—soon

[1] In fact, there had already been a fair amount of briefing at the Supreme Court in TC Heartland before Defendants filed their answer to the First Amended Complaint. The petitioner filed its opening brief on January 30, 2017; on February 3, 2017, the Supreme Court scheduled the case for oral argument to be held on March 27, 2017; on February 6, 2017, numerous amici curiae filed briefs; and on March 1, 2017, the respondent filed its brief.

would again be addressed by the Supreme Court. The Court observes that other defendants in similar circumstances preserved their defense of improper venue while TC Heartland was pending before the Supreme Court. See ECF 50 at 10 (citing cases).

Second, in early filings with the Court before filing their answer, including Defendants' Unopposed Motion for Stay and to Extend Time to Respond (ECF 9), Defendants were careful to preserve their right to challenge venue, demonstrating that they were cognizant of the venue defense issue. See ECF 9 at 3 (reserving their rights to and expressly not waiving their defense on the basis of venue); ECF 16 at 2 (noting that they "do not accept or acknowledge that jurisdiction or venue is proper for any defendant"). Yet, Defendants did not similarly assert or preserve this defense when they filed their answer.

Third, the defense of improper venue was not "unavailable" to Defendants before the Supreme Court issued its decision in TC Heartland. A defense is unavailable "'if its legal basis did not exist at the time of the answer or pre-answer motion,' so that it was 'for all practical purposes impossible for the defendants to interpose their . . . defense.'" Gilmore v. Palestinian Interim Self-Gov't Auth., 8 F. Supp. 3d 9, 13 (D.D.C. 2014), *aff'*d, 843 F.3d 958 (D.C. Cir. 2016) (emphasis added). Approximately 60 years ago, the Supreme Court approved in Fourco precisely the venue argument that Defendants argue now. In a later decision, the Federal Circuit rejected this argument, but the Federal Circuit cannot overturn Supreme Court precedent. See Elbit Sys. Land & C4I Ltd. v. Hughes Network Sys., LLC, 2017 WL 2651618, at *20 (E.D. Tex. June 20, 2017) ("The Court need not reach Defendants' argument that a change in law constitutes an exception to waiver under Rule 12(h)(1)(A) because the Supreme Court's decision in TC Heartland does not qualify. Fourco was decided in 1957. While the Federal Circuit's decision in VE Holding was inconsistent with Fourco, the Federal Circuit cannot overturn Supreme Court

precedent."); see also Cobalt Boats, LLC v. Sea Ray Boats, Inc., 2017 WL 2556679, at *3 (E.D. Va. June 7, 2017) (noting that "Fourco has continued to be binding law since it was decided in 1957, and thus, it has been available to every defendant since 1957"). The defendant in TC Heartland believed the defense of improper venue was still available notwithstanding intervening decisions from the Federal Circuit, asserted that defense, and successfully prevailed on that position before the Supreme Court. Accordingly, the defense of improper venue was not impossible or otherwise unavailable to Defendants.

Defendants also argue that even if they waived their defense of improper venue, TC Heartland was an intervening change in the law that qualifies as an exception to that waiver. Defendants rely on Westech Aerosol Corp. v. 3M Co., 2017 WL 2671297 (W.D. Wash. June 21, 2017), to support this argument. Defendants argue that Westech is more persuasive than the district court cases cited by Plaintiffs because it is from a district court within the Ninth Circuit. As an initial matter, the facts in Westech are distinguishable. In Westech, the court found that the defendants had not waived their defense of improper venue by failing to raise it in their earlier motion to dismiss, which was filed before the opinion in TC Heartland was issued. Id. at *1. The defendants in Westech, however, had not earlier filed documents with the court reserving the right to raise the improper venue defense and then later filed an answer expressly representing to the court that venue was proper.

Moreover, no district court case—in or out of the Ninth Circuit—is binding on another district court. Each decision of a district court is evaluated only for its persuasive merit and the related desirability of having decisions that are consistent and predictable. Defendants note that Westech concluded that TC Heartland affected a "sea change" that the defendants could not reasonably have anticipated. Id. at *2. As discussed above, however, other district courts

disagree with that conclusion, finding that TC Heartland merely confirmed that Fourco has remained binding law since 1957. Additionally, there is another district court in the Ninth Circuit that has reached the opposite conclusion of Westech, relying on several other out-of-circuit district court opinions, and finding TC Heartland does not qualify as an intervening change in the law that negates waiver of the defense of improper venue. Infogation Corp. v. HTC Corp., 2017 WL 2869717, at *4 (S.D. Cal. July 5, 2017). The court in Infogation explained:

> Nevertheless, several district courts have held that the Supreme Court's decision in "TC Heartland does not qualify for the intervening law exception to waiver because it merely affirms the viability of Fourco." Cobalt Boats, LLC v. Sea Ray Boats, Inc., 2017 WL 2556679, at *3 (E.D. Va. June 7, 2017); accord iLife Techs., Inc. v. Nintendo of Am., Inc., 2017 WL 2778006, at *5-7 (N.D. Tex. June 27, 2017) ("[T]he Court concludes that TC Heartland does not qualify as an intervening change in law."); Elbit Sys. Land & C4I Ltd. v. Hughes Network Sys., LLC, 2017 WL 2651618, at *20 (E.D. Tex. June 20, 2017); Amax[, Inc. v. ACCO Brands Corp.], 2017 WL 2818986, at *3 [(D. Mass. June 29, 2017)]. The Court agrees with the reasoning and analysis contained in these district court decisions and, thus, the Court also holds that the Supreme Court's decision in TC Heartland does not excuse Defendants' waiver as to venue in this District.

Id.

Other than Westech, Defendants cite to no other cases, nor could the Court find any, holding that TC Heartland qualifies as an intervening change in the law sufficient to negate a waiver of the defense of improper venue. The Court does not find persuasive the decision in Westech under the facts of the present case and agrees with the reasoning and analyses of the several district court cases finding that TC Heartland does not serve as an intervening change in the law negating Defendants' waiver of the defense of improper venue. Accordingly, under the specific factual circumstances of this case, the Court finds that Defendants have waived the defense that venue is not proper in this District.

CONCLUSION

The Court does not believe that oral argument is necessary or helpful to the resolution of the pending motion and, therefore, strikes the hearing set for July 31, 2017, at 4:00 p.m. Defendants' Motion to Dismiss for Improper Venue (ECF 44) is DENIED.

IT IS SO ORDERED.

DATED this 14th day of July, 2017.

/s/ Michael H. Simon
Michael H. Simon
United States District Judge