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Fed. Circ. In October: Patent Venue's Remote Work Questions

By **Paul Stewart** (October 31, 2022, 3:21 PM EDT)

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The U.S. Court of Appeals for the Federal Circuit recently issued a decision addressing the circumstances under which it will grant mandamus to review venue decisions.

In the Sept. 30 In re: Monolithic Power Systems Inc. decision, the Federal Circuit faced a fact pattern that, on its surface, seemed similar to the facts of prior cases in which it had reversed venue decisions on mandamus and on direct review.

Nevertheless, the court **declined to review** this case on mandamus, though it left open the possibility of reversal on direct review after final judgment.

The Monolithic Power Systems decision focused on the patent venue statute, Title 28 of the U.S. Code, Section 1400(b), which establishes venue over a nonresident defendant who has not infringed within the judicial district only if the defendant has a "regular and established place of business" within the district, according to the decision.

It was undisputed in this case that Monolithic Power Systems had no traditional storefront or office in the district and did not own or lease any property in the district. Its only connection to the district was the fact that four of its employees worked remotely from their homes in the district.

The case thus seemed quite similar to the 2017 In re: Cray Inc. decision, in which the Federal Circuit held on mandamus that venue is improper where an employee of a nonresident defendant worked remotely from home within the district.

The Cray court held that venue does not exist where the facts "merely show that there exists within the district a physical location where an employee of the defendant carries on certain work for his employer." The case also seemed quite similar to the November 2021 Celgene Corp. v. Mylan Pharmaceuticals Inc. decision, in which the Federal Circuit reached the same result on direct appeal after final judgment.

The Monolithic Power Systems court, however, pointed to what it considered to be important factual distinctions between the present case and the prior decisions in Cray and Celgene.

The defendant in Monolithic Power Systems provided its employees within the district "with lab equipment or products to be used in or distributed from their homes as part of their responsibilities," the court said in its opinion, noting that one of the in-district employees used the equipment provided by the defendant "to conduct validation tests for at least one of Monolithic's in-district customers."

In addition, the defendant solicited employees specifically to work within the district to service customers in that district.

Moreover, the Cray and Celgene courts both suggested that these types of facts could sway the pendulum in favor of establishing venue.

For example, the Cray court distinguished the early Federal Circuit's 1986 In re: Cordis Corp.

decision, which said the defendant stored inventory in its employees' homes "and used its employees' homes like distribution centers."

In contrast, the defendant in Cray stored nothing in its employee's home.

Similarly, in Celgene, the Federal Circuit explained that one factor that could favor venue is "the storing of materials at a place in the district so that they can be distributed or sold from that place." However, that fact was not present in Celgene, so venue was improper.

The Monolithic Power Systems court did not issue a ruling on the merits that the factual differences between this case and the Cray and Celgene decisions were sufficient to establish venue in this case.

It did, however, hold that they rendered review by mandamus inappropriate for two reasons. First, the Federal Circuit described the facts of Monolithic Power Systems as idiosyncratic, and thus not presenting "the type of broad, fundamental, and recurring legal question or usurpation of judicial power that might warrant immediate mandamus review."

Second, the claimed right to relief was not "clear and indisputable," as is required for mandamus. Thus, barring settlement, the case will proceed to final judgment, at which time Monolithic Power Systems may appeal the venue ruling on the merits.

U.S. Circuit Judge Alan David Lourie dissented. He essentially argued in favor of a bright-line rule that employee residences that are not maintained in the district as a requirement for employment should be insufficient to establish venue.

Judge Lourie concluded that this rule was clearly established by Cray and Celgene, and that mandamus was therefore appropriate to correct what he considered to be a clear error.

Judge Lourie also noted the need for uniformity in this area of law, particularly in view of the recent trend in favor of work-from-home employment arrangements. The importance of this issue, Judge Lourie argued, also favored mandamus review.

The Federal Circuit's refusal to resolve this case on the merits could have a significant impact on future venue decisions in the district courts. As Judge Lourie correctly noted, remote work arrangements are more common today than in the past.

When a defendant is a large corporation, it may become fairly routine for the plaintiff to find a single employee of the defendant located in a district preferred by the plaintiff.

Practitioners and district courts facing this situation now have little guidance regarding what must occur at the employee's residence to establish venue. They will be faced with two polar extremes, but no information on anything in between. At one extreme, practitioners and district courts will know from Cray and Celgene that venue is not created if an in-district employee does nothing at home but work from his or her computer.

At the other extreme, practitioners and district courts will know from Cordis that venue is created if an employee uses his or her home as a distribution center. Everything between these two poles remains unknown.

This situation will likely cause plaintiffs to aggressively file their patent cases in favorable forums and hope for the best. Plaintiffs will know that review by mandamus is unlikely, and will likely regard review after final judgment as something to worry about at a later date.

In addition, it will allow individual district court judges to have significant discretion in deciding whether to welcome or discourage venue motions in this type of case. Thus, until this issue is resolved on an appeal from a final judgment, perhaps in the Monolithic Power Systems case itself, the role of remote employees in patent venue analysis will remain uncertain.

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