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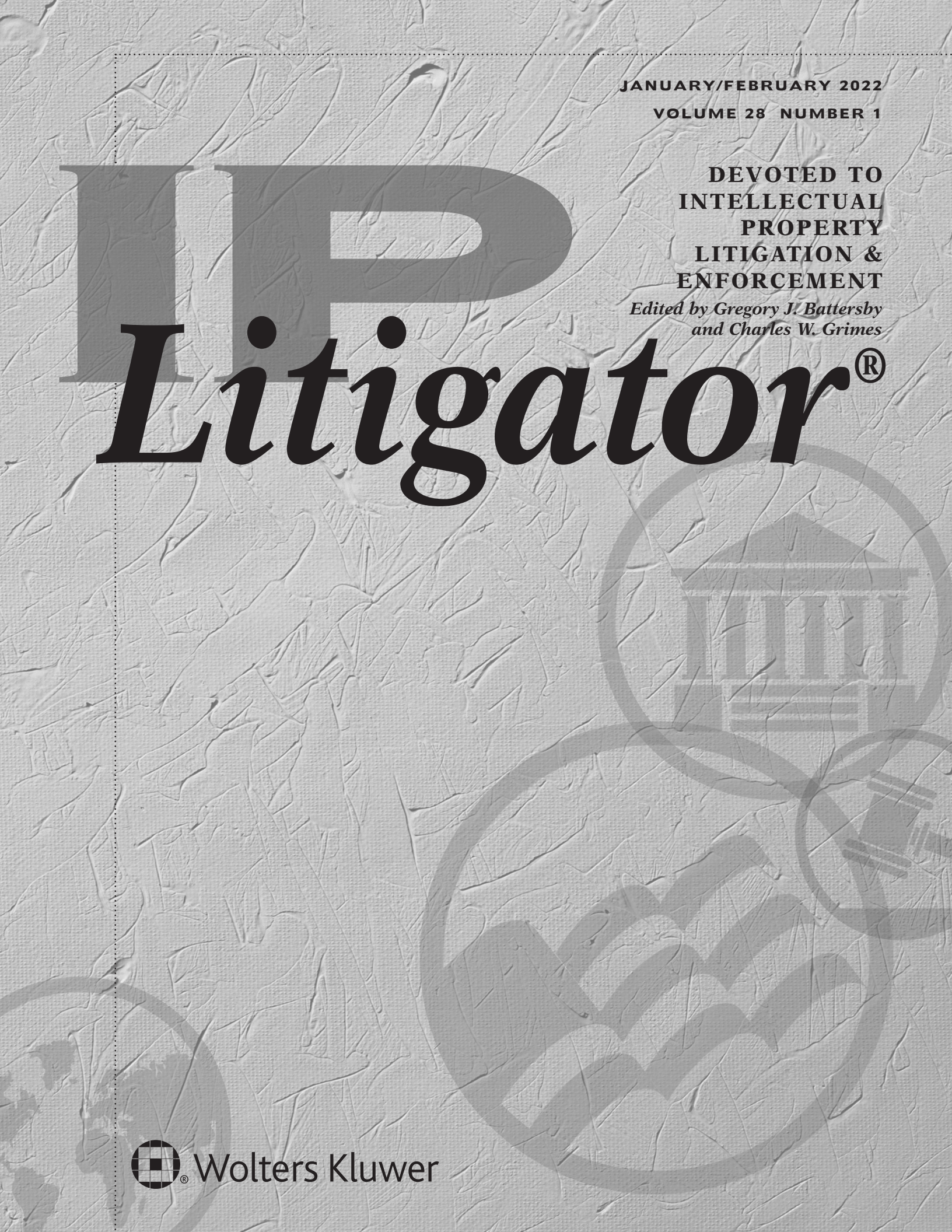

Wolters Kluwer

How the Shift to a Permanent Remote Workforce Can Impact Venue for Patent Infringement Lawsuits

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The COVID-19 pandemic changed the way employers and employees viewed remote work. What was once a rare perk enjoyed by few became an everyday necessity almost overnight. In 2020, most people engaged in some type of work from home arrangement that was not an option available to them before the pandemic. Although many people have returned to in-person offices or plan to return to in-person offices at some point in 2022, many others are not going back to traditional in-person offices. Positions that are entirely remote and hybrid options are here to stay. In fact, tech companies are paving the way to permanently shift employees to work from home after the COVID-19 pandemic ends. Twitter, Square, and Facebook, amongst others, have announced employees can work from home indefinitely during the pandemic.[1] Facebook is allowing nearly all employees to work remotely post-pandemic,[2] and Spotify has done the same.[3] Other companies, like Amazon, have announced they are open to a remote workforce post-pandemic.[4]

Employers considering the shift to permanent remote positions for their employees should be aware that this decision can affect jurisdiction and venue for potential lawsuits, particularly the places where they may be sued for patent infringement.

TC Heartland and Establishment of Venue

Venue is the geographical location of a particular court. In patents cases, venue is viewed as playing a role in the outcome, and there are often challenges to the venue chosen by a plaintiff, particularly when the venue chosen is the Eastern or Western Districts of Texas. District court patent rules, jury pools, time to trial, and general familiarity with patent cases can vary widely leading some patent owners to seek more patent owner-friendly venues and accused infringers to seek more defendant-friendly venues. Venue for patent litigation is governed by Title 28 of the U.S. Code, Section 1400(b).[5] Under this statute, plaintiffs can establish venue in two ways: (1) where the defendant resides or (2) where the defendant has committed acts of infringement *and has a regular and established place of business*.[6] For purposes of venue, the Supreme Court in *TC Heartland* held that a defendant corporation only resides in the forum where it is incorporated.[7] Typically, venue disputes center on the second way in which venue can be established: whether a defendant committed acts of infringement and has a regular and established place of business within a particular venue. Under what circumstances have courts been willing to find remote offices of employees "a regular and established place of business"?

Federal Circuit: Requirements to Establish Venue

After *TC Heartland*, the Federal Circuit provided further guidance on what qualifies as a company's regular and established place of business in *In re Cray Inc*.[8] The issue in this case was whether two employees who worked from home in the Eastern District of Texas was enough to establish a place of business. In patent cases, Federal Circuit law, as opposed to the regional circuit law, governs Section 1400(b) venue analysis.[9] The three requirements to establish venue are: (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.[10] If any of the aforementioned statutory requirements are not satisfied, venue is improper under Section 1400(b).

For the first requirement, a physical place in the district, the Federal Circuit defined place as "i.e., '[a] building or a part of a building set apart for any purpose' or 'quarters of any kind' from which business is conducted" and clarified that it need not be a "fixed physical presence in the sense of a formal office or store," but there still must be "a physical, geographical location in the district from which the business of the defendant is carried out."[11] Section 1400(b) cannot be read to merely refer to a virtual space or to electronic communications sent from one person to another.[12]

For the second requirement, a regular and established place of business, the Federal Circuit defines "regular" as operating in a steady, uniform, orderly, and methodical venue; sporadic activity or temporary activity for special work or a particular transaction are not enough to meet this requirement.[13] The Federal Circuit defines "established" as a place of business that is not transient with sufficient permanence.[14] As an example, the court stated that "if an employee can move his or her home out of the district at his or her own instigation, without the approval of the defendant, that would cut against the employee's home being considered a place of business of the defendant."[15]

Finally, for the third requirement, the place of the defendant, the Federal Circuit, provided five factors to consider:

1. Whether the defendant owns, leases or exercises other attributes of possession or control over the place;

2. Whether the defendant conditions employment on continued residence in the venue;

3. Whether the defendant markets or advertises the employee's as one of its places of business;

4. Whether the defendant makes other representations that it has a place of business in a district, such as telephone directory, website or a sign on the building itself; and

5. Whether the nature and activity of the place of business is similar in comparison with the defendant's other places of business in other venues.[16]

Applying the factors enumerated above, the Federal Circuit held that the facts did not support a finding that Cray maintained a regular and established place of business in the Eastern District of Texas and thus, venue did not exist under Section 1400(b).[17] The court's analysis focused primarily on the third requirement and involved the fact that the employee's home was not listed in any business directories or websites, the employee did not have product literature or products at home, Cray did not condition employment based on location, and there was no evidence Cray believed the employees' location in the Eastern District of Texas to be important to the business or that Cray had any plans to maintain some place of business in that district.[18]

Recent Case Law Affecting Venue Determinations

However, the district court for the Southern District of New York in *RegenLab USA LLC v. Estar Techs. Ltd.* came to a different conclusion.[19] Defendant Eclipse's employees all worked from their homes. Eclipse had one employee live and work out of a home office in New York covering a sales territory including New York and New Jersey. The Eclipse employee had a registered New York phone number. After the litigation commenced, another New York employee was employed and later left. The Eclipse employees possessed a sales kit of Eclipse products and performed demonstrations in their assigned territories. The court determined that the home offices constituted a physical place of business,[20] and that the business was regular and established as Eclipse employees did not work out of New York offices by happenstance.[21] Eclipse's relevant job posting showed that it tried to hire people within the assigned sales territory and that it sought out specific territory managers for specific locations because the role necessitated proximity to customers. In evaluating whether the employee home offices could be considered "of the defendant," the court noted that Eclipse did not pay for home offices, nor did it own, lease, rent, or exercise any control over its employees' work places. The court also stated that Eclipse handled customer suggestions, complaints, feedback, and requests, and processed sales requests in its corporate office in Texas. Eclipse also did not provide any secretarial or support services in New York, or list an address or phone number in New York. However, the court differentiated Eclipse from *In re Cray* in two main ways to ultimately find that two employees' homes satisfied the "of the defendant" requirement: (1) Eclipse solicited sales people to cover New York and preferred its remote employees for the New York territory live in New York and (2) Eclipse sales employees performed product demonstrations in New York as part of their job description. Ultimately, the district court of the Southern District of New York concluded venue was proper under Section 1400(b).

In assessing venue, no one consideration or fact is controlling or determinative in the analysis. In *Zaxcom, Inc. v. Lectrosonics, Inc.*,[22] the issue was whether Lectrosonics had a regular and established place of business in the Eastern District of New York. Similar to *RegenLab*,

Lectrosonics had one employee in the Eastern District of New York who worked from his home office. He had responsibilities within the territory, stored demonstration samples in his home, worked from his home office when not traveling through the territory to meet with customers, and rented a mailbox within the territory to receive packages for Lectrosonics. Lectrosonics paid for the employee's computer, printer, cell phone, transportation costs, and cell phone. Lectrosonics did not pay or reimburse employee for use of his home to operate the business, did not identify the home as a business location, and put its New Mexico address on the employee's business card. Here, the court found that the facts did not support a finding that the employee's home was an established place of business of the employer.[23] In *GreatGigz Sols., LLC v. Maplebear Inc.*,[24] GreatGigz tried to establish Maplebear d/b/a Instacart had a regular and established place of business through the location of Instacart's employees' home. It asserted that the location of the employees' homes was both meaningful and crucial to Instacart because the shoppers were in the geographic areas that they service. The court reviewed the facts and noted that GreatGigz did not identify any business Instacart carried out within its employees' home offices and that the location of home offices alone was insufficient to establish venue. Instacart did not reimburse its employees for any housing costs, and Instacart exercised no control over its employees' living arrangements. Therefore, the court held the employees' residences failed to establish proper venue under Section 1400(b). Similarly, in *Celgene Corp. v. Mylan Pharm. Inc.*, the Federal Circuit held the employee-associated home offices were not a regular and established place of business of the employers under Section 1400(b).[25]

Conclusion

Based on the *In re Cray* framework, remote employees and their home offices may create grounds for establishing venue in patent infringement cases. As evidenced in the cases highlighted above, the court's evaluation of venue is detailed and fact intensive. As companies embrace permanent remote work positions for employees, it is important to monitor the factors that support and refute whether venue is proper based upon such remote positions, lest a company expose itself to patent litigation in an unintended and unexpected venue.

1. *https://www.forbes.com/sites/carolinecastrillon/2021/12/27/this-is-the-future-of-remote-work-in-2021/*
2. *https://www.forbes.com/sites/carlieporterfield/2021/06/09/facebook-will-allow-nearly-all-employees-to-work-remotely-post-pandemic/?sh=2f538efe26a7*
3. *https://hrblog.spotify.com/2021/02/12/introducing-working-from-anywhere/*
4. *https://www.nytimes.com/2021/10/11/business/amazon-office-remote-work.html*
5. *See* 28 U.S.C.A. § 1400.
6. *Id.*
7. *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514, 1520 (2017).
8. 871 F.3d 1355, 1360 (Fed. Cir. 2017).
9. *Id.* at 1360.
10. *Id.*
11. *Id.* at 1362 (internal quotations omitted).
12. *Id.*
13. *Id.*
14. *Id.* at 1363.
15. *Id.*
16. *Id.* at 1363-64.
17. *Id.* at 1366-67.
18. *Id.* at 1365.
19. 335 F. Supp. 3d 526, 548 (S.D.N.Y. 2018).
20. *Id.* at 549 ("Indeed, as all Eclipse employees work from home, home offices constitute a primary physical location for Eclipse's business.").
21. *Id.* at 550.
22. 17CV3408NGGSJB, 2019 WL 418860, at *4 (E.D.N.Y. Feb. 1, 2019).
23. *Id.* at *7.
24. W-20-CV-00737-ADA, 2021 WL 4691145, at *2 (W.D. Tex. Oct. 6, 2021).
25. 17 F.4th 1111, 1123 (Fed. Cir. 2021).