Miscellaneous Docket No. 18-120

United States Court of Appeals for the Federal Circuit

IN RE BIGCOMMERCE, INC.,

Petitioner.

On Petition For A Writ Of Mandamus
To The United States District Court for the Eastern District of Texas
In Case No. 6:17-cv-00186
Judge Rodney Gilstrap

BIGCOMMERCE, INC.'S REPLY IN SUPPORT OF ITS PETITION FOR WRIT OF MANDAMUS

Mark A. Lemley
Clement S. Roberts
Timothy C. Saulsbury
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

January 8, 2018

Attorneys for Petitioner
BigCommerce, Inc.

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4(a)(1) and Federal Rule of Appellate Procedure 26.1, counsel for Petitioner BigCommerce, Inc. certifies the following:

1. Full Name of Party Represented by me:

   BigCommerce, Inc.

2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:

   None

3. Parent corporations and publicly held companies that own 10% or more of stock in the party:

   BigCommerce, Inc. states that its parent corporation is BigCommerce Holdings, Inc. No publicly held corporation owns 10% or more of BigCommerce's stock.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

Mark A. Lemley (CA SBN 155830)
Clement S. Roberts (CA SBN 209203)
Timothy C. Saulsbury (CA SBN 281434)
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300
croberts@durietangri.com
tsaulsbury@durietangri.com

Amit Agarwal (CA SBN 294269)
14420 Edinburgh Moor Dr.
Wimauma, FL 33598

Telephone: 310-351-6596
ama7386@gmail.com

Bobby Lamb
State Bar No. 24080997
GILLAM & SMITH, L.L.P.
303 South Washington Avenue
Marshall, Texas 75670
Telephone: 903-934-8450
Facsimile: 903-934-9257
wrlamb@gillamsmithlaw.com

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal are:

Express Mobile, Inc. v. BigCommerce, Inc., No. 2:17-cv-00160-JRG-RSP, pending in the Eastern District of Texas, is another case that may be affected by this Court's decision on this mandamus petition. In that case, the district court expressly relied on its reasoning set forth in the venue decision challenged by this mandamus petition. BigCommerce has filed a separate mandamus petition addressing this *Express Mobile* ruling, which this Court has docketed under Case No. 18-122.

Dated: January 8, 2018

/s/ Mark A. Lemley

Mark A. Lemley
Clement S. Roberts
Timothy C. Saulsbury
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

Attorneys for Petitioner
BigCommerce, Inc.

TABLE OF CONTENTS

Page

CERTIFICATE OF INTEREST i

I. SUBSTANTIVE REASONS FOR GRANTING THE PETITION 1

A. Diem Misstates the Standard of Review for Mandamus Petitions 1

B. The Statute, the Supreme Court, and Common Sense Support the Conclusion that a Corporation Does Not Simultaneously Reside in Multiple Districts Merely Because it Registered in One of Them..2

C. The Choice of Which District is Appropriate is Straightforward..8

II. THIS CASE PRESENTS AN APPROPRIATE PROCEDURAL VEHICLE FOR RESOLVING THE QUESTION.....................................9

A. BigCommerce Has No Alternative Means of Relief 9

B. BigCommerce Did Not Waive Its Objection to Venue...................11

C. The Petition is Timely 12

III. CONCLUSION...12

TABLE OF AUTHORITIES

Page(s)

Cases

Cheney v. U.S. Dist. Court for D.C.,
542 U.S. 367 (2004)....1

Cooter & Gell v. Hartmarx Corp.,
496 U.S. 384 (1990)....2

Diem LLC v. BigCommerce, Inc.,
No. 6:17-CV-0186-JRG, 2017 WL 6729907 (E.D. Tex. Dec. 28, 2017)....10

In re EMC Corp.,
677 F.3d 1351 (Fed. Cir. 2012)....2

Fourco Glass Co. v. Transmirra Prods. Corp.,
353 U.S. 222 (1957)....4, 5, 7

Galveston, H. & S.A. Ry. Co. v. Gonzales,
151 U.S. 496 (1894)....3, 4, 8

Hoffman v. Blaski,
363 U.S. 335 (1960)....10

Leroy v. Great W. United Corp.,
443 U.S. 173 (1979)....10

Lexecon Inc. v. Milberg Weiss Bershad Hynes & Lerach,
523 U.S. 26 (1998)....10

Melvin Lloyd Co. v. Stonite Prods. Co.,
36 F. Supp. 29 (W.D. Pa. 1940)....5, 6, 7, 8

Motoshaver, Inc. v. Schick Dry Shaver, Inc.,
100 F.2d 236 (9th Cir. 1938)....6, 7

Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.,
760 F.2d 312 (D.C. Cir. 1985)....10

Olberding v. Ill. Cent. R.R. Co.,
346 U.S. 338 (1953) 10

Stonite Prods. Co. v. Melvin Lloyd Co.,
315 U.S. 561 (1942) 7

TC Heartland LLC v. Kraft Foods Grp. Brands LLC,
137 S. Ct. 1514 (2017) 3, 5, 7, 11

In re Volkswagen of Am., Inc.,
545 F.3d 304 (5th Cir. 2008) 10

Statutes

28 U.S.C. (1940 ed.) § 109 5

28 U.S.C. § 1400 .... 2, 5

28 U.S.C. § 1404 .... 9, 10

Rules

Fed. R. Civ. P. 12 11

Diem seems oddly concerned that the issue presented by this case—where within a state a corporation resides by virtue of having filed incorporation papers there—is one made up out of whole cloth. In its introduction alone it calls the issue a "complete fabrication," Opp. at 1, "fabricated," Opp. at 2, and "purely fabricated," Opp. at 4. *Accord* Opp. at 19, 26.

But if this issue is fabricated, it is Congress and the Supreme Court, not BigCommerce, that has fabricated it. Diem ignores the language of the statute and asks this Court to ignore controlling Supreme Court precedent, instead falling back on the curious claim that there is no way to figure out in which district within a state a corporation has registered to do business.

I. SUBSTANTIVE REASONS FOR GRANTING THE PETITION

A. Diem Misstates the Standard of Review for Mandamus Petitions

A writ of mandamus is proper if: (1) the right to issuance of the writ is clear and indisputable; (2) there is no other adequate means to attain the relief; and (3) this Court is satisfied that the writ is appropriate under the circumstances. *Cheney v. U.S. Dist. Court for D.C.*, 542 U.S. 367, 380–81 (2004). That does not mean, however, that "mandamus must be denied should this Court even so much as suspect that venue is correct," as Diem claims. Opp. at 2. Where, as here, the underlying issue is an unresolved legal question, not a dispute of fact, the writ should issue if the petitioner is right about the law. Legal error is a well-understood

ground for granting a writ of mandamus. *See In re EMC Corp.*, 677 F.3d 1351, 1354–55 (Fed. Cir. 2012) (holding that mandamus is proper to correct "a clear abuse of discretion" and that a "district court abuses its discretion if it relies on an erroneous conclusion of law"); *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990) (holding that a district court "necessarily abuse[s] its discretion if it based its ruling on an erroneous view of the law"). It is particularly appropriate here, because the legal question is likely to arise *only* on a writ of mandamus, not in an ordinary appeal.

B. The Statute, the Supreme Court, and Common Sense Support the Conclusion that a Corporation Does Not Simultaneously Reside in Multiple Districts Merely Because it Registered in One of Them

Diem never confronts the central problem with its argument: the plain meaning of the statute. Section 1400(b) makes venue proper in "*the judicial district*" in which the defendant resides. Not "the judicial district<u>s</u>," not "the judicial district <u>or districts</u>," not "<u>a</u> judicial district," nor "<u>any</u> judicial district," but "<u>the</u> judicial district." 28 U.S.C. § 1400(b) (emphasis added). Congress clearly contemplated that a defendant resided in one and only one district. That doesn't mean a defendant can be sued in only one district. It can also be sued wherever it has a regular and established place of business and has committed acts of infringement. *Id.* But Congress contemplated that a defendant resides in a single district.

Diem argues that corporations are different and that the language of the statute shouldn't apply to them. But the case on which it places central reliance, *TC Heartland*, says no such thing, and certainly does not "necessarily hold" that corporations reside in multiple judicial districts. That case *limited* the meaning of the term "residence," which this Court had previously held was coextensive with personal jurisdiction, saying that "a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute." *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1517 (2017). As the term "only" suggests, the issue before the Court in *TC Heartland* was whether a corporation could reside anywhere it could be found. And the answer was no.[1] *TC Heartland* not only didn't resolve the question in this case, it couldn't have done so. The case arose in Delaware, which has only one judicial district.

While *TC Heartland* did not face or address the issue, the Supreme Court has done so in the past, and it has clearly and unambiguously rejected the idea that a corporation simultaneously resides in every judicial district in a state. In *Galveston, H. & S.A. Ry. Co. v. Gonzales*, 151 U.S. 496, 503–04 (1894), the Court explained:

> These cases must be regarded as establishing the doctrine that a domestic corporation is both a citizen and an

[1] When Diem reproduces the same language from *TC Heartland* in the course of making this argument, it strategically replaces the word "only"—and solely that word—with ellipses. Opp. at 6. Elsewhere, it does quote the language accurately.

> inhabitant of the state in which it is incorporated; but in none of them is there any intimation that where a state is divided into two districts, a corporation shall be treated as an inhabitant of every district of such state, or of every district in which it does business, or, indeed, of any district other than that in which it has its headquarters, or such offices as answer in the case of a corporation to the dwelling of an individual.

Indeed, the *Galveston* Court went on to choose one and only one district in which a corporation was an inhabitant. *Id*. at 504.

Diem tries to get around *Galveston*, which forecloses its theory, by noting that the patent venue statute replaced the term "inhabitant" with "resident" in 1948. Opp. at 13–14. Diem's theory is that the term "resides" expanded domicile of corporations to states in which they conducted no business so long as they were incorporated there. *Id.* at 15. It says that "cases prior to the Supreme Court's *Fourco* decision demonstrate a different understanding of the word 'inhabitant,'" *id.* at 16, suggesting that *Fourco* was actually concerned, not with a physical place of residence or inhabitance, but with "citizenship," and citizenship applies statewide.

The problem with Diem's creative interpretation of the term "resident" is that it is explicitly foreclosed by controlling precedent. While Diem suggests that "only [a] tenuous connection" can be drawn between "resident" and "inhabitant," Opp. at 18, the Supreme Court disagrees. The Reviser's Notes expressly say that the two

terms are "synonymous." 28 U.S.C. § 1400 Reviser's Notes.[2] That alone suggests that the 1948 amendments did not intend to radically change patent venue. But the Supreme Court went further. In *Fourco*, the Court explained that "28 U.S.C.A. § 1400(b) made no substantive change from 28 U.S.C. (1940 ed.) § 109 as it stood and was dealt with in the *Stonite* case." *Fourco*, 353 U.S. at 228. And, in *TC Heartland*, the Court explicitly held that "[t]he substitution of 'resides' for 'inhabit[s]' thus did not suggest any alteration in the venue rules for corporations in patent cases." *TC Heartland*, 137 S. Ct. at 1519.

---

[2] It is true that *Fourco* goes on to say that "those synonymous words mean domicile, and, in respect of corporations, mean the state of incorporation only." *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957). But in context, that language is intended to make clear that a corporation cannot be a resident or inhabitant of a district other than the state in which it is incorporated. The language reads in full:

> [W]e pause here to observe that this [synonymous] treatment, and the expressed reason for it, seems to negative any intention to make corporations suable, in patent infringement cases, where they are merely 'doing business,' because those synonymous words mean domicile, and in respect of corporations, mean the state of incorporation only.

Id. That the Court took pains to make sure that the term "resident" could not be read to *expand* venue outside the state of incorporation does not mean that it should be understood as rejecting all prior case law interpreting the word "inhabit," as Diem suggests, Opp. at 19. To the contrary, the Court expressly adopted that prior case law and held that the scope of the venue statute remained unchanged. *Fourco*, 353 U.S. at 228.

Diem's creative interpretations don't end there, however. In an effort to avoid the clear import of *Stonite*—that venue cannot be proper in every judicial district in a defendant's state of incorporation—Diem suggests that the *Stonite* district court (and thus the Third Circuit and Supreme Court) "completely ignored" the fact that the statute permitted "venue based on the defendant's inhabitance." Opp. at 12 n.2. From this premise, Diem concludes that the Plaintiff in *Stonite* must not have asserted that venue was proper based on the defendant's incorporation in Pennsylvania such that the Supreme Court simply ignored that as a basis for venue. *Id*. at 9–13.

But, contrary to Diem's suggestion of "complete[]" ignorance, the *Stonite* district court in fact discussed the entirety of Section 48 and expressly recited the portion of the statute providing for venue "in the district of which the defendant is an inhabitant." *See Melvin Lloyd Co. v. Stonite Prods. Co.*, 36 F. Supp. 29, 29 (W.D. Pa. 1940) (quoting 28 U.S.C.A. § 109 (Judicial Code Sec. 48)). And, in concluding that venue was improper as to the Stonite Products Company, the *Stonite* district court noted that its conclusion was "supported by *Moto Shaver v. Schick*," a Ninth Circuit case concluding that venue in the Southern District of California was improper as to a California corporation because—despite being incorporated in the state of California—the defendant was "not an inhabitant" of the Southern District. *Id*. (citing *Motoshaver, Inc. v. Schick Dry Shaver, Inc.*, 100 F.2d

236, 238 (9th Cir. 1938)). The Third Circuit and Supreme Court, in turn, also recited "the district of which the defendant is an inhabitant" as a basis for venue under the statute, and the Supreme Court in fact noted the apparent "conflict with *Motoshaver*" as its basis for granting certiorari. *See Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563 (1942). And, significantly, immediately after reciting the portion of the statute permitting venue in "the district of which the defendant is an inhabitant," the Supreme Court went on to describe Stonite Products Company as "an inhabitant of *the Eastern District of Pennsylvania*"—leaving no doubt that the Supreme Court understood that inhabitance was a proper basis for venue, but concluded that it did not permit venue on the *Stonite* facts because the defendant inhabited only the Eastern District—not every judicial district within the state of Pennsylvania. *Id.*

In short, the Supreme Court in the nineteenth century unambiguously held that the patent statute treated a corporation as an inhabitant of only one district, not multiple districts. The Supreme Court in *Fourco* and *TC Heartland* unambiguously held that the change from "inhabitant" to "resident" did not alter the venue rules in patent cases. And those clear holdings comport with the plain meaning of the venue statute. They require the conclusion that a corporation does not simultaneously "reside" in multiple different places.

C. The Choice of Which District is Appropriate is Straightforward

Diem's argument for ignoring the statutory language and Supreme Court precedent boils down to the rhetorical question it repeatedly asks: "If a corporation must reside within a particular district . . . how do you decide *which* district?" Opp. at 1 (emphasis in original). Diem seems to believe there is no answer to that question, and that that fact undermines the interpretation the Supreme Court has repeatedly given to the patent venue statute over more than a century.

In the nineteenth century, this wasn't much of a concern, because corporations were almost always registered in the state in which they also had their principal place of business. That was true in *Galveston*, for instance. So the Court in *Galveston* and *Stonite* could simply conclude that a defendant could be sued in the district in the state where it had its principal place of business. In BigCommerce's case that is Austin, in the Western District of Texas.

As Diem points out, though, sometimes corporations register in states in which they do not actually do business. What then? Diem seems to think that this possibility means that this Court must rewrite the law of venue and overrule Supreme Court precedent because the Supreme Court didn't think of the problem.

There is no need to do so, however. First, the issue doesn't arise in this case, because BigCommerce does in fact have its principal place of business in the state and district in which it is incorporated—in Austin, in the Western District of Texas.

Thus, there is no need in this case for this Court to resolve the question of what to do about a corporation that has no presence in a state other than its corporate registration.

In fact, though, the answer to that question is quite simple: a corporation should be deemed to reside in the district in which it registers with the secretary of state to do business—in the state capital. That is where the legal act of incorporation takes place, and it is where the corporate records are kept. In this case, the capital is also Austin, in the Western District of Texas.

In the future there might arise a case in which a company is headquartered in one district within a state, sued in a second district in the same state, and the state capital is in yet a third district. But this case does not present that issue. The possibility of it arising in the future does not justify disregarding the language of the statute and controlling Supreme Court precedent. And it is not a reason to deny mandamus here, where no such complication arises.

II. THIS CASE PRESENTS AN APPROPRIATE PROCEDURAL VEHICLE FOR RESOLVING THE QUESTION

A. BigCommerce Has No Alternative Means of Relief

Diem argues that this Court should deny the petition because BigCommerce has an alternative way to move this case from the Eastern District of Texas—by filing a motion to transfer to a more convenient forum under 28 U.S.C. § 1404(a). It correctly notes that BigCommerce did in fact seek such a transfer order. Diem

neglects to inform this Court, however, that that motion was denied—at Diem's urging—before Diem filed its response to this petition. *Diem LLC v. BigCommerce, Inc.*, No. 6:17-CV-0186-JRG, 2017 WL 6729907 (E.D. Tex. Dec. 28, 2017). Given the denial of BigCommerce's § 1404 motion, mandamus is currently the only way to correct the district court's erroneous venue ruling.

Mandamus is not intended to correct every pretrial order. But it is particularly well suited to correcting a district court's jurisdictional error on a question like venue. The purpose of the venue statute is to "protect the defendant against the risk that a plaintiff will select an unfair or inconvenient place of trial." *Leroy v. Great W. United Corp.*, 443 U.S. 173, 183–84 (1979); *see Lexecon Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 42–43 (1998); *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, 760 F.2d 312, 316 (D.C. Cir. 1985). If trial proceeds in the wrong forum, then the judgment will necessarily be invalid. *See Lexecon Inc.*, 523 U.S. at 41; *Leroy*, 443 U.S. at 181, 184 & n.18; *Hoffman v. Blaski*, 363 U.S. 335, 342 (1960); *Olberding v. Ill. Cent. R.R. Co.*, 346 U.S. 338, 340 (1953). It would be costly and wasteful to wait until appeal of final judgment to challenge venue. *See In re Volkswagen of Am., Inc.*, 545 F.3d 304, 319 (5th Cir. 2008) ("[T]he harm—inconvenience to witnesses, parties and other—will already have been done by the time the case is tried and appealed, and the prejudice suffered cannot be put back in the bottle.").

B. BigCommerce Did Not Waive Its Objection to Venue

BigCommerce brought a motion to dismiss or transfer for improper venue at the very outset of this case. The operative complaint was filed on May 26, 2017, shortly after *TC Heartland* was decided. ECF No. 13. BigCommerce moved to dismiss under Fed. R. Civ. P. 12 for lack of venue just five days later, on May 31, 2017. ECF No. 14. The district court held that BigCommerce had waived the venue argument by not raising it alongside its (successful) Rule 12 motion to dismiss the initial complaint under *Twombly* and *Iqbal*. Appx002. That decision cannot survive *Micron*, which held that *TC Heartland* was an intervening change in the law. Diem admits as much: "*Micron* does not preclude the District Court from finding that BigCommerce waived its venue objection. *It only precludes any such waiver under Fed. R. Civ. P. 12*." Opp. at 21 (emphasis added).

Diem also admits that the only basis for the district court's alternative waiver holding was Rule 12—the very basis *Micron* overruled. *Id*. So Diem is speculating that the district court might *sua sponte* reopen the waiver question and decide to find BigCommerce's motion waived on a ground Diem has not previously argued. More remarkably, Diem offers no analysis of the factors discussed in *Micron* or any reason to think that a venue challenge filed five days after the complaint was filed would possibly be waived under those factors.

Most notably, Diem does not assert waiver as a reason to deny the mandamus petition. It is careful to title its section "BigCommerce *May* Have Waived its Venue Challenge," Opp. at 20 (emphasis added), and the relief it asks for is an order vacating the denial of the motion to dismiss but remanding to the Eastern District of Texas so that Diem can make new waiver arguments. We don't believe that is necessary or appropriate, particularly given the speed with which BigCommerce acted and Diem's failure to point to any facts that could support waiver. But even should this Court disagree, this argument is not a reason to deny the petition, but just a request to limit the scope of relief while granting the petition.

C. The Petition is Timely

BigCommerce explained why this petition was timely. While Diem includes its own statement of facts, it nowhere challenges the timeliness of this Petition.

III. CONCLUSION

This Court should issue a writ of mandamus dismissing the case for improper venue, or alternatively, transferring the case to the Northern District of California.

Dated: January 8, 2018

/s/ Mark A. Lemley

Mark A. Lemley
Clement S. Roberts
Timothy C. Saulsbury
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

Attorneys for Petitioner
BigCommerce, Inc.

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

The undersigned certifies that this petition complies with the type-volume limitation of Federal Rule of Appellate Procedure 21(d). The reply contains 3,039 words, as calculated by the "Word Count" feature of Microsoft Word 2010, the word processing program used to create it.

The undersigned further certifies that this reply complies with the typeface requirements of Federal Rule of Appellate Procedure 32(c)(2). The reply has been prepared in a proportionally spaced typeface using Microsoft Word 2010 in Times New Roman 14 point font.

Dated: January 8, 2018

/s/ Mark A. Lemley

Mark A. Lemley
Clement S. Roberts
Timothy C. Saulsbury
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

Attorneys for Petitioner
BigCommerce, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on January 8, 2018, one copy of **BIG COMMERCE, INC.'S REPLY IN SUPPORT OF ITS PETITION FOR WRIT OF MANDAMUS** was dispatched by overnight courier for deliver on the next business day to:

Magistrate Judge Roy Payne
United States District Court, Eastern District of Texas
Sam B. Hall, Jr. Federal Building and United States Courthouse
100 East Houston Street
Marshall, TX 75670
Tel.: (903) 935-2498
Fax: (903) 938-7819

Attorneys for Diem LLC:

Brett Rismiller
HUSKY FINCH
5640 B Telegraph Rd., Suite 209
St. Louis, MO 63129
Tel: (314) 329-7796

Kirby Drake
Gary R Sorden
KLEMCHUK LLP
Campbell Centre II
8150 North Central Expressway, Fl. 10
Dallas, TX 75206
Tel: (214) 367-6000

Dated: January 8, 2018

/s/ Mark A. Lemley

Mark A. Lemley
Clement S. Roberts
Timothy C. Saulsbury
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
Telephone: 415-362-6666
Facsimile: 415-236-6300

Attorneys for Petitioner
BigCommerce, Inc.