Some Humans (Still) Required: Court Examines 'Place of Business' Under the Patent Venue Statute

by Steve Kramarsky

"Three things matter in real estate," the old saying goes, "location, location, location." That can be true in litigation as well. The venue in which a trial is held can often be dispositive of a case, for a host of reasons ranging from the applicable law, to the character of the jury pool, to the simple business economics of trying a case in an inconvenient forum.

But questions of jurisdiction and venue—questions of the "location" of an improper act, or a bad actor, or a particular harm, or a piece of intangible digital property—become extremely complex in a highly networked and widely distributed commercial environment. If unlawful conduct occurs on the Internet, the question of "where" it occurred has been a challenge for the courts in recent years. The legal regimes governing jurisdiction and venue are among the oldest in American law, and they are not always a perfect fit for changed circumstances. So the courts face difficult questions: How much Internet commerce is enough to invoke general personal jurisdiction, which typically requires a sustained business "presence?" Where does intangible information "exist" for purposes of a property claim, if it is stored in a distributed cloud computing infrastructure? Over time, the courts have developed a series of loose rules for these kinds of questions, but there are few bright lines.

Patent law, in particular, has its own jurisdictional and venue rules that can be especially thorny, especially given that patents often involve, by definition, cutting-edge technology. For patent venue purposes, courts must perform a heightened inquiry, determining whether the alleged infringer has a "place of business" within the district. Often, that analysis can be challenging and technical, and it is different from the normal general jurisdiction test. However, a recent case involving autonomous robot lockers offered a somewhat simplified take on the analysis that is worth a closer look.

Background to the Dispute

Rensselaer Polytechnic Institute (RPI) is "the nation's oldest technological university" having its main campus in Troy, N.Y. *Rensselaer Polytechnic Institute v. Amazon.com*, 2019 WL 3755446, at *1 (N.D.N.Y. Aug. 7, 2019) (*RPI*). Researchers at RPI have been granted hundreds of patents, and RPI often seeks to

commercialize those patents. RPI's research has led to innovations (and patents) in numerous technological areas, including natural language processing, "a field that allows users to input search queries or commands into computers, smart phones, and other devices by using plain or conversational language rather than specific terms or syntax."

One of those patents was titled "Natural Language Interface Using Constrained Intermediate Dictionary of Results." In plain English, that patent involved improvements on existing "natural language interfaces," allowing users to "communicate" with devices using "common speech," from which the computer would "learn … and adjust future results." The process disclosed by the patent represented a major improvement in the natural language processing field, facilitating mass-communication between humans and their devices. If that sounds familiar, it's probably because you have a device like that in your home. The trouble is you didn't get it from RPI.

The Patent Infringement Action

In May 2018, RPI brought suit against Amazon in the Northern District of New York (its "home" district) for patent infringement. RPI alleged that Amazon products, including its Alexa products, made use of RPI's patented technology. In particular, RPI asserted that Amazon infringed its patents "by at least employing a voice-based command system that allows the user to ask questions or provide commands for performing tasks using speech."

Amazon—perhaps preferring to have the action heard in its hometown rather than RPI's—moved to transfer the litigation to the U.S. District Court for the Western District of Washington. Amazon brought its motion under two distinct theories. First, Amazon asserted that venue was improper in the Northern District of New York under 28 U.S.C. §1400(b), the "patent venue statute." Under that statute, venue is proper in the judicial district: (1) "where the defendant resides," or (2) "where the defendant has committed acts of infringement and has a regular and established place of business." Amazon argued that venue was improper in the Northern District of New York because it did not have a regular and established place of business there.

Alternatively, Amazon sought a change of venue for the convenience of the parties pursuant to 28 U.S.C. §1404(a). After a lengthy and thorough analysis, the Northern District determined that neither provision provided sufficient justification to disturb RPI's choice of forum. Here, we focus on the court's reasoning with respect to the patent venue statute.

Statutory Interpretation

Before turning to an analysis of the underlying facts, the court analyzed the "text, structure, history, and purpose" of the patent venue statute. Relying on Federal Circuit precedent, it found the language of the

statute requires a showing that a defendant has a "place of business" that is "regular" and "established" in the district. See *In re Cray*, 871 F.3d 1355, 1362 (Fed. Cir. 2017). To determine whether RPI met those required elements, the Northern District followed a three-part test set forth in Cray: the "place of business" must be "(1) 'a physical place in the district' from which the defendant 'actually engage[s] in business'; (2) 'regular and established'; and (3) 'the place of the defendant.'" *RPI* at 6.

The court observed that the purpose of the patent venue statue (passed in 1897), was to curb "abuses engendered" by earlier venue provisions that allowed suits to be brought in any district in which a defendant could be served. Quoting the bill sponsor's statement, the court found that the "main purpose" of the statute was to provide "original jurisdiction to the court where a permanent agency transacting the business is located." *RPI* at *8.

Application of the Patent Venue Statute

RPI contended that venue was proper because Amazon operated at least three types of "places of business" (under the patent venue statute interpretation set forth above) in the Northern District of New York: (1) a Whole Foods retail store (an Amazon subsidiary), (2) a planned Amazon distribution center, and (3) three "Amazon Lockers."

The court quickly found that the first two were not sufficient to meet the definition of "place of business" under the statute. The presence of a Whole Foods in the district could not satisfy the statutory requirement because a "subsidiary's presence in the forum cannot be imputed to the parent company so long as they maintain formal corporate separateness." Based on the facts, including that Amazon and Whole Foods are separately incorporated and have separate executive teams, the court found that Whole Foods was sufficiently separate and thus not a "place of business" imputed to Amazon. As to the planned Amazon distribution center, the court, relying on the use of the present tense in the patent venue statute, found that future contemplated businesses could not satisfy the "place of business" requirement. *RPI* at *9.

The bulk of the court's analysis focused on the question of whether the Amazon Lockers located in the Northern District of New York constituted "places of business." An Amazon Locker is a "fully automated kiosk for picking-up and returning Amazon packages." Amazon, through several third-party vendors, operated three such lockers in the Northern District of New York: one at Whole Foods and two at Speedway gas stations. For the two lockers at Speedways, Amazon paid a lease fee to Speedway for the space. All installation and operation of the lockers was done by third-parties hired by Amazon. Amazon argued that its lockers did not meet any of the requirements to be a "place of business."

Applying the 'Cray' Test

Amazon first argued that the lockers were not a "physical place" and thus failed the first requirement of the *Cray* test. The court noted that the lockers indisputably occupied physical space, but that *RPI* needed to further show that the lockers were an "established 'physical geographical location' where business is carried out." The court found that the lockers, which Speedway agreed not to move (and which were bolted to the ground), formed a "part of a building set apart for [a] purpose" and thus were physical places of business.

The court distinguished Amazon Lockers from a similar case where a court found that equipment supplied to a packaging manufacturer did not to constitute physical places of business because, unlike that equipment, the Amazon Lockers were "not used by the retailers that host them; instead, they are used by [Amazon] for its own business." Further evidence that the lockers were "places of business" included their large size and that they were installed at fixed locations, had advertising for Amazon, and Amazon exercised control over the placement and service of the lockers. *RPI* at *10.

Next, Amazon argued that Amazon Lockers did not meet the first step of the *Cray* test because Amazon was not "engaged in business" there as "no Amazon employee or agent conducts Amazon's business at the NDNY lockers." The court acknowledged that it was unsettled whether the "place of business" test required the presence of a human employee or agent. However, relying on the statutory history, the purpose of the statute, and the language of a parallel provision setting forth the method of service (which referred to service on "his agent or agents conducting such business), the court determined that "Congress assumed that 'a defendant with a place of business in a district will also have agents conducting such business in the district.'" Thus, the court read a requirement into the statute that some human employee or agent of the defendant work at the "place of business" within the district. At least for now, robots alone are not enough for this purpose.

However, the court found that employees of Ricoh USA, the third-party Amazon contracted with to service its Amazon Lockers after installation, were agents of Amazon sufficient to render the Amazon Lockers "places of business." The court found that those employees acted in accordance with guidelines developed by Amazon, considered themselves to be "an extension of Amazon," and were included on Amazon's internal organizational charts. Thus, even though those agents were not present at all times and did not deal directly with customers, they were involved in facilitating Amazon's business in the district. In fact, the court observed that Ricoh employees were "integral to the package distribution operation" of Amazon's business, which is a central purpose of Amazon's business. Thus, they were "engaged in business" on behalf of Amazon at a "physical place" satisfying the first element of the *Cray* test. *RPI* at **10-13.

Finally, Amazon argued that Amazon Lockers were not the "place of the defendant" for purpose of the *Cray* analysis. The court was unconvinced. It considered a variety of factors in holding that Amazon Lockers satisfied the third element of the *Cray* test. Amazon owns the lockers. Amazon pays rent to Speedway to place the lockers on its premises. Amazon exercises control over the location of the lockers on Speedway's property. The lockers themselves are Amazon branded and listed on Amazon's website. The court did not point to any one dispositive factor, but it found that, taken together, those facts established that Amazon

Lockers were the "place" of Amazon for purposes of the patent venue statute. Thus it held that venue was proper in the Northern District of New York.

Teaching an Old Statute New Tricks

The court's extensive and factually detailed analysis makes clear the struggles faced in applying a 120-year-old statute to the modern world. And *RPI* was a comparatively simple case, involving a tangible, physical property rather than, for example digital delivery. The *RPI* court alludes to more difficult cases where the "location" of the property in question is anything but clear, and courts have differed in their conclusions on those cases. But one thing is clear: If a plaintiff can establish defendant's physical presence, even through something as pedestrian as a storage locker, they have a much better chance of surviving a venue inquiry.

This article first appeared in the *New York Law Journal* on September 16, 2019. Jack Millson, an associate at the firm, assisted with the preparation of this article.