Archetype IP℠
Federal Circuit Friday

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In re Google (February 13) addresses whether internet servers located in a judicial district can be a "regular and established place of business" for purposes of venue in a patent infringement action. Google contracted with internet service providers ("ISPs") in the Eastern District of Texas to host Google-owned servers in the ISPs' data centers. The ISPs were required to install the Google servers in their data centers, provide internet access, and maintain the servers per Google instructions.

Relevant Black Letter Law:

Civil actions for patent infringement may be brought in:[1]

1. The judicial district where the defendant resides, or
   - Domestic corporation "resides" only in its State of incorporation.[2]
2. Where the defendant has committed acts of infringement *and* has a regular and established place of business.
   - The requisite regular and established place of business must be a *physical* place in the district;[3]
   - That physical place must be a *regular and established place of business*;[3] and
   - That regular and established place of business must be a place *of the defendant* (*e.g.,* as opposed to the home of an employee).[3]

What *In re Google* Adds:

In re Google focuses on the second option, the district in which the defendant has committed acts of infringement and has a regular and established place of business, and in particular on the "regular and established place of business" requirement.

First, *In re Google* establishes that a "physical place" in the district need not be real property that is owned or leased by the defendant. The requirement can be "satisfied by any physical place that the defendant could possess or control,"[4] and, in this case, it was sufficient that Google's "servers are physically located in the district in a fixed, geographic location."

Second, *In re Google* establishes that a "regular and established place of business requires the regular, physical presence of an employee or other agent of the defendant conducting the defendant's business at the alleged place of business."[5] The Federal Circuit supported this determination by reference to the statute regarding service of process in patent cases, which is historically closely-linked to the venue statue – they were both in the same statute when originally enacted, and subsequently split into separate provisions, venue at 28 USC §1400(b) and service at 28 USC §1694.

The service portion of the original joint venue-service statute (which is not materially different that the current statute) provided that where a patent infringement action is brought in a district where the defendant is not a resident but instead "has a regular and established place of business, service of process,

[1] 28 USC §1400(b) provides the basic requirements.

[2] *TC Heartland LLC v. Kraft Foods Group Brands LLC,* 137 S. Ct. 1514, 1517 (2017).

[3] *In re Cray, Inc.,* 871 F.3d 1355, 1360 (Fed. Cir. 2017).

[4] Slip Op. at 10. The Federal Circuit cited tables at flea markets and leased retail shelf space as examples of "physical places" sufficient to satisfy the requirement. *Id.*

[5] Slip Op. at 13.

summons or subpoena upon the defendant may be made by service upon the agent or agents engaged in conducting such business . . . ."[6] Thus, the service portion associates a "regular and established place of business" with the presence of an "agent or agents engaged in conducting such business." Because "interpretation of a [statutory] provision must take due account of neighboring statutory provisions"[7] and courts "normally presume that the same language in related statutes carries a consistent meaning,"[8] the use in the venue portion of the phrase "regular and established place of business" carries the same association with an agent or agents conducting the defendant's business.

It was undisputed that there was no Google *employee* conducting business in the Eastern District of Texas, and the Federal Circuit determined that the ISPs were not *agents* of Google. Focusing on (i) the essential element of agency that the principal have a "right to direct or control" the agent's actions[9] (ii) the venue requirement that the agency relationship relate to Google's business, and (iii) the judicial policy of not broadly reading the venue statute, the Federal Circuit found the requisite agency relationship between Google and the ED-Tx ISPs to be absent:

- *Internet access*. Providing Google-owned servers with internet access is not sufficient to show agency because "Google [had] no right of interim control over the ISP's provision of network access" beyond the maintenance of the access and allowing use of specified ports.[10] This is because "[t]he power to give interim instructions distinguishes principals in agency relationships from those who contract to receive services provided by persons who are not agents."[11]
- *Installing servers.* Although the details of the contractually-required installation of Google-owned servers by the ISPs suggested an agency relationship, the installation of servers did not amount to "conducting Google's business within the meaning of the statute" because installation is "a one-time event for each server" and therefore "does not constitute the conduct of a 'regular and established' business."[12]
- *Maintaining servers.* Although maintenance of Google-owned servers by the ISPs suggested an agency relationship (especially in light of the degree of control Google retained over the process), maintenance of the servers did not amount to "conducting Google's business within the meaning of the statute" because "[m]aintaining equipment is meaningfully different from—as only ancillary to—the actual producing, storing, and furnishing to customers of what the business offers."[13]

Third, *In re Google* leaves open the possibilities that (1) a machine could be an agent in certain circumstances,[14] and (2) Google's business model could render its end-users "agents" by virtue of "voluntarily or involuntarily sharing information generated on Google's servers" – *i.e.,* "by entering searches and selecting results a Google consumer is continuously providing data which Google monetizes as the core aspect of its business model" such that "Google is indeed doing business at the computer of each of its users/customers."[15]

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[6] *Id.* at 11 (citing 54 Cong. Ch. 395, 29 Stat. 695 (1897)).

[7] *United States v. Tinklenberg,* 563 U.S. 647, 664 (2011)(internal quotation marks omitted).

[8] *United States v. Davis,* 139 S. Ct. 2319, 2329 (2019).

[9] Slip Op. at 13 (citing *Meyer v. Holley,* 537 U.S. 280, 286 (2003)).

[10] *Id.* at 14.

[11] *Id.* (quoting Restatement (Third) of Agency § 1.01 cmt. f(1)).

[12] Slip Op. at 14.

[13] *Id.* at 15.

[14] "[W]e do not hold today that a 'regular and established place of business' will always require the regular presence of a human agent, that is, whether a machine could be an 'agent.'" Slip. Op. at 17. This relates to an argument presented by the patentee based on the America Invents Act amendment to the venue statute such that "for a patent infringement action involving a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for the purposes of establishing venue under § 1400(b)." Slip Op. at 12. The patentee argued, unsuccessfully, that the amendment meant that "the venue statute has no requirement that an employee or agent must be present at the defendant's place of business at all, much less regularly conducting that business." *Id.* But here's another way of looking at it: If the "regular and established place of business" prong of the venue statute necessarily requires a *human* employee or agent, then why did Congress believe that an amendment excluding ATMs from being regular and established places of business was necessary?

[15] Wallach concurrence slip op. at 2.