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Ruling May Spur New Patent Venue Rows Over Remote Work

By **Ryan Davis**

Law360 (November 3, 2022, 8:49 PM EDT) -- The activities of employees who work from home are likely to come under increased scrutiny in disputes over where patent cases should be heard in light of a recent Federal Circuit decision that cited remote workers in the Western District of Texas as a reason to keep a case there, attorneys say.

In a 2-1 decision in September, the appeals court denied a mandamus petition from Monolithic Power Systems seeking to dismiss a patent case against the chipmaker brought by energy company Bel Fuse for improper venue, or to have it transferred from Texas to California.

The majority concluded that Monolithic failed to show that it was clear and indisputable that U.S. District Judge Alan Albright was wrong to point to four Monolithic employees who work from home in the Western District of Texas — and who are provided with specialized equipment — to find that the district is a proper venue for the case.

The dissent said that was a departure from precedent and expressed concern that the ruling "threatens to bring confusion to the law relating to where a patent infringement suit can properly be brought based on the location of employee homes," especially "given the increased prevalence of remote work" amid COVID-19.

Attorneys said that while the ruling is limited because mandamus petitions seeking to overturn rulings in the middle of a case have to clear a high bar, they expect it will result in future patent venue disputes becoming increasingly focused on what workers are doing at home.

"Companies are going to need to be aware that remote employees' activities working from home, and their functions related to the wares and services of the company, are much more in play now," said Robert Rando of Greenspoon Marder LLP. Companies seeking to avoid suits in particular locations will need to think about how they can do that under the ruling, he said.

Attorneys agreed that an employee who simply uses a computer to work from home in a given location still likely won't result in decisions that a company can be sued there for patent infringement, but the ruling creates the possibility that other remote work arrangements might be sufficient.

The decision "made a lot of comments that perhaps opened up the door to further inquiry on remote work and to further complications on venue challenges," said Sarah Brooks of Venable LLP.

Monolithic has been granted an extension to file a petition for rehearing by the full court, which is now due Nov. 30.

Defining a Place of Business

Under U.S. Supreme Court precedent, companies can be sued over patents either where they are incorporated or where they have allegedly committed acts of infringement and have a "regular and established place of business."

The Federal Circuit analyzed two factors Judge Albright used to conclude that the homes of Monolithic's remote workers constituted a place of business for the company in the Western District of Texas, even though Monolithic doesn't have a brick-and-mortar facility there.

First, one of the employees had been given an array of company laboratory equipment, including oscilloscopes and a logic analyzer, that is "not typically found in a generic home office" and is used to conduct tests for customers in the district. Second, Monolithic had a history of soliciting employees to work in the district to support its customers there.

On that "idiosyncratic set of facts," the majority said, "Monolithic has not demonstrated the type of concerns that we have relied on when granting immediate mandamus review." It noted that the company could raise the venue issue again in appeal of the final judgment.

The dissent pointed to other decisions finding that job advertisements and employees who possessed company equipment were insufficient for venue and argued that "we should not stand back and let the requirements of the statute be eroded by the details of what an employee stores in his or her home."

Attorneys said that patent owners who want to keep cases in their favored courts like the Western District of Texas will now be looking closely during venue discovery for evidence of remote workers who have extensive equipment, companies who have solicited employees to work there and other factors they can use to support a finding of proper venue.

"There are a lot of remote workers, and if you're just distinguishing it based on advertising, or the quality or how expensive the equipment is, I think it is a little bit of a slippery slope," Venable's Brooks said. "It's hard going forward."

If the venue analysis goes in-depth on how many remote employees a company has, what they're doing and what they have in their home offices, "that just adds to the legal spend," she said. "It adds to the length of time of the venue discovery, all of that. It complicates matters."

More Confusion

When employees are doing more than typing on a computer at home, "I think this does introduce a little confusion at the motion to dismiss stage about how these factors should be considered," said Brendan McLaughlin of Ropes & Gray LLP.

"The main implication is that the Federal Circuit is giving a lot more discretion to the district courts to weigh different factors," he said.

Basing decisions about patent venue on what type of equipment employees have in their home "almost

sounds silly in a way," but it could be significant going forward, said Rando of Greenspoon Marder.

"Companies have to at least be cognizant of the implications of this decision when they're deciding the cost-benefit analysis of having employees working remotely from home in a particular venue that the company doesn't intend to be a regular and established place of business," he said.

Peter Snell of Mintz Levin Cohn Ferris Glovsky and Popeo PC said the facts of the Monolithic case "seem somewhat compelling and unique," and that it appeared reasonable to him to hold that a remote worker performing tests for customers makes the worker's home the company's place of business.

"I do think the court's decision will encourage litigants to look for remote employees conducting activities that are typically only conducted in a company's brick-and-mortar locations," he said.

But since most people just use their company laptop to work from home, "it seems unlikely that the court's decision will open the floodgates" to more venue decisions based on remote workers, Snell added.

It will take a definitive ruling that isn't a denial of a mandamus petition to bring more certainty, said William Milliken of Sterne Kessler Goldstein & Fox PLLC. But the decision indicates that some courts are inclined to find that certain nontraditional working arrangements for employees can lead to their homes being considered a place of business under the patent venue statute, he noted.

"It's certainly an issue that bears monitoring for anybody who has remote employees, and that's pretty much everyone in this day and age," he said.

Counsel for the parties did not respond to requests for comment on the decision.

U.S. Circuit Judges Raymond T. Chen, Leonard Stark and Alan David Lourie sat on the panel for the Federal Circuit, with Judge Lourie dissenting.

Monolithic Power Systems is represented by Deanne E. Maynard, Bryan J. Wilson, Stella Mao, Diek Van Nort and Seth Lloyd of Morrison Foerster LLP.

Bel Power Solutions is represented by Brian J. Sodikoff, Matthew H. Hartzler, Christopher B. Ferenc and Anthony Pettes of Katten Muchin Rosenman LLP.

The case is In re: Monolithic Power Systems Inc., case number 22-153, in the U.S. Court of Appeals for the Federal Circuit.

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