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PATENT VENUE: MODERN MARKETING ACTIVITY AS ACTS OF INFRINGEMENT—THE CONTINUITY STANDARD

INTRODUCTION

The federal courts have exclusive jurisdiction over patent causes.¹ Since the federal judicial system divides the nation into eleven circuits with over 400 permanent judgeships,² it seems inevitable that federal courts throughout the country have different attitudes toward patent validity. Indeed, some circuits are more “friendly” toward patent validity than others,³ and, as a result, the choice of forum in a patent infringement suit can be crucial. Before a federal court can hear a suit against an individual or a corporation, it must, of course, be shown that venue requirements are satisfied. Thus, the complex problem of venue in patent infringement suits is important.

It is well established that venue in patent infringement actions is governed exclusively⁴ by 28 U.S.C. § 1400(b) :

Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.⁵

The statute sets forth two alternative requirements for patent venue: the defendant must either 1) reside in the judicial district,⁶ or 2) have a regular and established place of business *and* have committed acts of infringement within the judicial district.

This note will consider the venue problems of *P. Corporation*; *P* has been issued a patent which it believes *D Corporation* is infringing. *P* wishes to bring an infringement action against *D* in *P*'s home district; defendant *D* is a non-resident who has a regular and established place of business in the district. The first alternative of the patent venue statute cannot be met since *D* is a non-resident; the second alternative, how-

1. U.S. CONST., art. 1, § 8; 28 U.S.C. § 1338(a) (1964).

2. OFFICE OF THE FED. REGISTER, U.S. GOV'T. ORGANIZATION MANUAL 46 (1970-71); 28 U.S.C.A. § 133 (Supp. 1971).

3. Seidel, *Venue in Patent Litigation*, 22 *Geo. WASH. L. REV.* 682 (1954).

4. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957); *Stonite Prods. Co. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942).

5. 28 U.S.C. § 1400(b) (1964).

6. It has been held that a corporation “resides” only in the state of its incorporation. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222 (1957); *Ruth v. Eagle-Picher Co.*, 225 F.2d 572 (10th Cir. 1955).

ever, can be met by showing that acts of infringement were committed by *D* within the district. An "act of infringement" is committed by one who "without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor."⁷ *D* has engaged in extensive marketing activity but has neither sold, in a commercial sense, nor manufactured the product within the district. Since *D* has not manufactured the alleged infringing product within the judicial district, proper venue requires a showing that *D*'s marketing activity constitutes either using or selling the product within the district.

The writer will review the standards presently being applied in the Seventh Circuit to determine what marketing activity constitutes "acts of infringement" for venue purposes and will also discuss the possible inadequacy of the standards when applied to modern marketing behavior.

MARKETING ACTIVITY AS ACTS OF INFRINGEMENT

The plaintiff-patentee generally has the burden of establishing venue in an infringement suit.⁸ Consequently, before its case can be heard, *P*, described above, must show that the defendant, *D*, has committed acts of infringement within the district.⁹ *D* has neither manufactured nor completed sales of the alleged infringing product within the district. Accordingly, *P* must prove that *D*'s marketing activities (demonstrations, advertisements and solicitations of orders for the accused product) constitute acts of infringement. In other words, the plaintiff must show that one who engages in marketing activities, which are not technically completed sales within the district,¹⁰ either "uses" or "sells" the product within the district. Here *P* encounters a stumbling block.

Courts in the past have interpreted "sells" to require proof of "completed sales" within the judicial district.¹¹ Under this view, *P* could not establish venue since *D* has not technically completed any sales

7. 35 U.S.C. § 271(a) (1964).

8. 1 MOORE, FEDERAL PRACTICE 1326 n.6 (2d ed. 1964); see, e.g., McGah v. V-M Corp., 166 F. Supp. 662 (N.D. Ill. 1958).

9. 35 U.S.C. § 271(a) (1964).

10. When a dealer solicits an order for goods in one State and forwards it to a manufacturer at its home office in another State and the goods are shipped direct by the manufacturer, the sale is considered as having been made in the latter State and does not constitute an infringement of a patent in the former State. Minnesota Mining & Mfg. Co. v. International Plastic Corp., 159 F.2d 554, 560 (7th Cir. 1947).

11. Discussion of marketing activity in patent venue cases is abundant. See W.S. Tyler Co. v. Ludlow-Saylor Wire Co., 236 U.S. 723 (1915); Dow Chemical Co. v. Melton Corp., 281 F.2d 292 (4th Cir. 1960); Bulldog Elec. Prods. Co. v. Cole Elec. Prods. Co., 134 F.2d 545 (2d Cir. 1943); Endrezze v. Dorr Co., 97 F.2d 46 (9th Cir. 1938); Westinghouse Elec. & Mfg. Co. v. Stanley Elec. Mfg. Co., 116 F. 641 (C.C.S. D.N.Y. 1902); S.O.S. Co. v. Bolta Co., 117 F. Supp. 59 (N.D. Ill. 1953).

within the district. The research of *P*'s counsel reveals, however, that modern courts consider this rule harsh. Although there is much authority that patent venue provisions are not to be liberally construed,¹² the recent trend is to liberalize the meaning of "sells" as it relates to patent venue.¹³

Some courts have avoided the strict requirement of a completed sale by finding an infringing "use"¹⁴ in marketing activities which are not technically sales,¹⁵ such as solicitation of orders for an infringing product which are accepted solely outside the judicial district. *Ronson Art Metal Works, Inc. v. Brown & Bigelow, Inc.*¹⁶ held that continuous solicitation of orders through demonstration of the accused infringing device to prospective buyers was a sufficient "use" of the product to meet the "acts of infringement" requirement of section 1400(b). In reaching the result, the court considered the legislative direction which, according to the court, "looks to plurality and continuity of conduct."¹⁷ Another case relying on "use" was *Transmirra Products Corp. v. Magnavox Co.*¹⁸ Within the district, the defendant engaged in a "continuous course of business activity,"¹⁹ and it participated in two trade shows where the allegedly infringing products were displayed in exhibits manned by members of the defendant's advertising department. From this display it was held that there was an infringing "use" within the district even though the accused products were taken out of the district at the conclusion of the trade shows.

Later cases continue the liberal trend but disapprove of finding infringing "use" in solicitation of orders and other marketing activity, preferring to call such activity infringing "sales." *Union Asbestos & Rubber Co. v. Evans Products Co.*²⁰ disparages the finding by the courts of infringing "use" in solicitation of sales, pointing out that this "has resulted in a rather strained interpretation of infringing 'use.'"²¹ The

12. *Schnell v. Peter Eckrich & Sons*, 365 U.S. 260, 264 (1961); *Mid-Continent Metal Prods. Co. v. Maxon Premix Burner Co.*, 367 F.2d 818, 820 (7th Cir. 1966).

13. *Union Asbestos & Rubber Co. v. Evans Prods. Co.*, 328 F.2d 949 (7th Cir. 1964).

14. 35 U.S.C. § 271(a) (1964). See note 7 *supra* and accompanying text.

15. *Cf. Scott & Williams, Inc. v. Hemphill Co.*, 14 F. Supp. 621 (S.D.N.Y. 1931). Defendant operated an allegedly infringing knitting machine both as a demonstration to prospective buyers and as a way of making sample stockings to send out to the trade. The court found that the machine was operated with a fair degree of continuity and that such operation constituted an infringing "use" of the machine.

16. 104 F. Supp. 716 (S.D.N.Y. 1952).

17. *Id.* at 724.

18. 110 F. Supp. 676 (S.D.N.Y. 1953).

19. *Id.* at 677.

20. 328 F.2d 949 (7th Cir. 1964).

21. *Id.* at 951.

court held that two demonstrations by the defendants of the accused infringing device together with "systematic and continuous solicitation of orders within the district" were sufficient to amount to "infringing sales."²² The court concluded that a "completed sale" was not necessary:

We do not think the dicta in Tyler, Bulldog, and Endrezze compels us to decide that a completed sale was necessary for a finding of venue. The "completed sale" notion [was] derived from the formulation of a rule, without authority cited, by a single judge of the old circuit court of the Southern District of New York. . . .^[23]

....

. . . [T]he technicalities of sales law should not control whether defendant's degree of conduct within the district was sufficient to constitute "acts of infringement" for venue purposes. The degree of selling in the case before us is a sufficient impairment of plaintiff's "right to exclude others from making, using, or selling" its invention so as to constitute an act of infringement within the district for venue purposes.²⁴

The Seventh Circuit, then, no longer requires a completed sale in establishing acts of infringement under section 1400(b).²⁵

A search for a common denominator in these cases reveals two controlling factors: 1) level of marketing activity and 2) continuity.

Level of Marketing Activity

On a vertical scale which measures the defendant's marketing activity, there is a mystical level above which venue will be granted and below which it will be denied. The scale measures the type of activity, not the volume.²⁶ The activity's nature, not its frequency, is important.

22. *Id.* at 952 (emphasis added).

23. See note 11 *supra* and accompanying text. The court was referring to Judge Lacombe's opinion in *Westinghouse Elec. & Mfg. Co. v. Stanley Elec. Mfg. Co.*, 116 F. 641 (C.C.S.D.N.Y. 1902).

24. 328 F.2d at 952 (footnotes omitted).

25. See *Briggs v. Fram Corp.*, 272 F. Supp. 185 (N.D. Ill. 1967); *Briggs v. Gould-National Batteries, Inc.*, 272 F. Supp. 186 (N.D. Ill. 1967). Venue was found although sales were not completed in the judicial district but were forwarded outside the district for final acceptance. Defendant's salesmen continuously solicited orders for the accused device and were equipped with samples, catalogs and brochures.

26. Volume becomes important if the defense of *de minimis* is raised. The purpose of the *de minimis* rule is to determine whether total damage to the plaintiff throughout the country warrants an exercise of the court's jurisdiction. Since venue is based only on acts within the judicial district, it seems that *de minimis* should not be considered in venue proceedings. *Chicago Pneumatic Tool Co. v. Philadelphia Pneumatic Tool Co.*, 118 F. 852 (C.C.S.D.N.Y. 1902). See also *Hutter v. De Q. Bottle Stopper Co.*, 128 F. 283

The highest level of marketing activity on the scale is denoted by completed sales where both the buyer and the seller were in the judicial district.²⁷ A single sale completed in the district will also sustain venue and is equally high on the scale.²⁸ Close to the mystical level, yet still above it, is a sale where the product is shipped f.o.b. to a destination within the district.²⁹ A sale f.o.b. outside the district is below the level and will not support venue.³⁰ Also below the level are most other marketing activities: solicitation within the district of orders accepted solely outside the district,³¹ demonstrations and exhibitions of the accused device or the presence of spare parts,³² and the presence of promotional literature within the judicial district.³³ The mere sale of a "shopworn sample" may be insufficient to establish an act of infringement.³⁴ Radio and television advertising within the judicial district will not of itself sustain venue; advertising which reaches the district from a point outside is even lower on the scale. Mere display in the district of an infringing product does not constitute an act of infringement.³⁵

Although many courts believe it is necessary to liberalize the meaning of "sells" as it relates to patent venue, they have been unwilling to

(2d Cir. 1904); *Systron-Donner Corp. v. Palomar Scientific Corp.*, 239 F. Supp. 148 (N.D. Cal. 1965).

27. *See, e.g., Knapp-Monarch Co. v. Casco Prods. Corp.*, 342 F.2d 622, 624 (7th Cir. 1965).

28. *Latini v. R.M. Dubin Corp.*, 90 F. Supp. 212 (N.D. Ill. 1950) (one sale of a chocolate decorating machine within the district satisfied the section 1400(b) requirement of acts of infringement). *See also Hutter v. De Q. Bottle Stopper Co.*, 128 F. 283, 285 (2d Cir. 1904) (a single infringing sale made "in circumstances which indicate a readiness to make other similar sales" is actionable). If an infringing sale is actionable, it is a fortiori sufficient to establish venue; "the test used to determine whether an act of infringement has occurred within the district [for venue] is naturally less strict than that used when the case is tried on the merits." *Dover Corp. v. Fisher Governor Co.*, 221 F. Supp. 716, 720 (S.D. Tex. 1963).

29. *S.O.S. Co. v. Bolta Co.*, 117 F. Supp. 59 (N.D. Ill. 1953). Although the order for the sale of the accused product was accepted outside Illinois, the contract specified f.o.b. Chicago. The court held the sale was completed in Chicago and constituted an act of infringement.

30. *Welding Eng'rs., Inc. v. Aetna-Standard Eng'r. Co.*, 169 F. Supp. 146 (W.D. Pa. 1958). The infringing devices were shipped f.o.b. Warren, Ohio. The court found venue did not lie in the western district of Pennsylvania since the sale was completed in Ohio.

31. *See note 36 infra* and accompanying text.

32. *Lindly & Co. v. Karl H. Inderfurth Co.*, 190 F. Supp. 875 (E.D.N.C. 1961). *See note 60 infra* and accompanying text.

33. *See T.P. Laboratories, Inc. v. Ormco Corp.*, 389 F.2d 622 (7th Cir. 1968), in which the display by the defendant of a catalog illustrating the infringing device at the office which served as a base for its two traveling salesmen was not a sufficient act to establish venue.

34. *Hoegger v. F.H. Lawson & Co.*, 35 F.2d 219, 222 (S.D.N.Y. 1929) (dictum).

35. *Cf. Marlatt v. Mergenthaler Linotype Co.*, 70 F. Supp. 426 (S.D. Cal. 1947) (mere display of the infringing article does not constitute infringing use).

lower the level of marketing activity necessary to sustain venue.³⁶ For example, proof of solicitation of orders within the district, which are accepted solely outside the district, will not of itself sustain venue.³⁷ In lieu of a lower venue-granting level, the concept of continuity has evolved.

Continuity of Marketing Activity

When the marketing activity is continuous, the courts have been willing to combine several below-level activities, pushing the level of marketing activity above the venue-granting mark.³⁸ In *Stiegele v. Jacques Kreisler Manufacturing Corp.*,³⁹ the defendant, from a regional office within the district, solicited orders which were accepted at its out-of-state home office. The regional office was the headquarters for several salesmen and was the location of samples which were demonstrated by an employee of the defendant. The court held that continuous and systematic exhibition and demonstration of the accused product, coupled with the systematic and continuous solicitation of orders within the district, sufficed as acts of infringement for the purposes of venue.⁴⁰

The alleged infringer in *Gwynne v. Michael Flynn Manufacturing Co.*⁴¹ maintained, within the judicial district, an office wherein physical specimens of the accused device and sales catalogs were displayed. Five "consultants" systematically solicited orders for the accused product which were accepted only outside the district. Although the plaintiff did not allege that any sales were made within the district, the court found that proper venue had been established, quoting *Stiegele's* holding that

36. See *Grantham v. Challenge-Cook Bros., Inc.*, 420 F.2d 1182 (7th Cir. 1969); *Mid-Continent Metal Prods. Co. v. Maxon Premix Burner Co.*, 367 F.2d 818 (7th Cir. 1966); *Welding Eng'rs., Inc. v. Aetna-Standard Eng'r. Co.*, 169 F. Supp. 146 (W.D. Pa. 1958).

37. See *Grantham v. Challenge-Cook Bros., Inc.*, 420 F.2d 1182, 1185 (7th Cir. 1969). An argument can be made for lowering the venue-granting level to include solicitation of orders. After the order is accepted outside the district, the infringing product is shipped to the buyer f.o.b. "shipment" and the sale is technically completed outside the district. See note 10 *supra* and accompanying text. *Union Asbestos* and its progeny have urged a non-technical application of the sales law for venue purposes. See note 24 *supra* and accompanying text. Under this view, delivery via common carrier into the district should constitute a sale for venue purposes, irrespective of where title (or risk of loss) passed. The patentee's exclusive right to sell the product is eroded no less because the title technically passed outside the district. See notes 47-49 *infra* and accompanying text. Cf. *Sunbury Wire Rope Mfg. Co. v. United States Steel Corp.*, 129 F. Supp. 425 (E.D. Pa. 1955) (the court sustained venue under the Clayton Act in an anti-trust suit by finding that a delivery to the buyer f.o.b. seller's place of business was a "transaction of business" in the buyers state).

38. See notes 15-25 *supra* and accompanying text.

39. 213 F. Supp. 494 (S.D.N.Y. 1962).

40. *Id.* at 496.

41. 227 F. Supp. 357 (S.D.N.Y. 1964).

continuous exhibition, demonstration and solicitation of orders within the district supported venue under section 1400(b).⁴²

In *Watsco, Inc. v. Henry Valve Co.*,⁴³ the court held that venue was properly based on infringing sales when the alleged infringer systematically and continually solicited orders within the district and equipped its sales representatives with product samples and catalogs for use in demonstration of the accused infringing product within the district. The court spoke of chipping away the shaky foundation of the moribund doctrine of the completed sale.⁴⁴ It held that

[a] completed sale within the district is not required when there has been continuous solicitation of orders in addition to exhibitions, demonstrations, or the physical presence of the product within the district.⁴⁵

When courts grant venue based on a combination of marketing activities which are less than completed sales within the district, they emphasize the "continuous and systematic" nature of the activities.⁴⁶ The purpose of this liberal view toward venue is to give effect to the legislative policy behind patents given in 35 U.S.C. § 154; under the statute, a patentee acquires the "right to exclude others from making, using, or selling" its invention.⁴⁷ The *Watsco* court argued that continuous solicitation of orders and other marketing activities are a derogation of and an interference with the patentee's exclusive patent right irrespective of where the orders are finally accepted. The court explained:

It does not comport with reason to require a plaintiff patentee to chase the alleged infringer to the defendant's home district simply because sales orders are approved there, while all the while sales representatives of the defendant are *continually* present in the district and the alleged infringing device is delivered and displayed within the district.⁴⁸

Ronson states that "[t]he legislative direction looks to plurality and continuity of conduct."⁴⁹

Completed sales, then, are no longer required to establish patent

42. *Id.* at 358.

43. 232 F. Supp. 38 (S.D.N.Y. 1964).

44. *Id.* at 45.

45. *Id.*

46. See notes 15-25 *supra* and accompanying text.

47. 35 U.S.C. § 154 (1964).

48. 232 F. Supp. 38 at 46 (emphasis added).

49. 104 F. Supp. 716 at 724. See also note 24 *supra* and accompanying text.

venue since consideration of the policy behind patents has required a more liberal standard.⁵⁰ The two factors which courts now consider when determining whether marketing activities satisfy the "acts of infringement" requirement for venue are the level and continuity of the activity. When the alleged infringer's marketing activities include completed sales within the district, venue is granted without considering continuity. Continuity is important only when the level itself is not high enough to establish venue. If continuity is found, the court will add the elements of marketing activity together to determine whether the new level is above the venue-granting mark.

P Corporation, introduced earlier, can bring an infringement action against *D Corporation* in *P*'s home district if it can establish that *D*'s marketing activities there were "continuous and systematic," and if the combined marketing activities are comparable to the degree of activity found in other cases. While the level-continuity standard mitigates the inequities of the completed sale requirement, it is possible that the new test may itself cause hardships. If, after the plaintiff is issued his patent, he must wait until the defendant's infringing marketing activities are "continuous" before he can sue, he may lose his chance for recovery of infringement damages.

A PROBLEM UNDER THE CONTINUITY STANDARD

Continuity Over Two Days

It is not clear whether under the level-continuity standard venue would be granted if the following facts were added to *P*'s venue problems: *P* has filed its patent infringement suit the day after (say May 7) its patent was issued (May 6).⁵¹ *D* has extensively marketed the alleged infringing product in the district both before and after the patent was issued, but none of its sales of the product were completed within the district. These were substantially the facts of a recent case, *Archer Daniels Midland Co. v. Ralston Purina Co.*⁵² To establish venue under section 1400(b), the plaintiff must show that acts of infringement have been committed by the defendant within the judicial district.⁵³ There can be no infringement, however, until the patent is issued (May 6).⁵⁴ It is

50. See notes 47-49 *supra* and accompanying text.

51. The plaintiff could be involved in a "race to the courthouse" because the defendant hopes to file a suit for a declaratory judgment against the validity of the patent in his home district which may be more likely to declare the patent invalid. See notes 3 *supra* and 74 *infra* and accompanying text.

52. 321 F. Supp. 262 (S.D. Ill. 1971).

53. See note 8 *supra* and accompanying text.

54. *American Ornamental Bottle Corp. v. Orange-Crush Co.*, 76 F.2d 969 (4th

also clear from the patent venue statute that the words "has committed" imply that the acts of infringement must be committed before the bringing of the suit (May 7).⁵⁵ Hence, when the infringement suit is filed the day after the patent is issued, the acts of infringement must be shown to have taken place within a two-day period (May 6-May 7).⁵⁶ According to the *Ralston* court, the whole of May 6 will be within the period, no matter what time of day the patent was issued. Furthermore, all events of May 7 will also be within the determinative period, irrespective of the time the suit was filed.⁵⁷ Consequently, even if the infringement suit is filed ten minutes after the patent was issued, the courts will consider the events of at least one entire day.⁵⁸

Since *D* has not completed sales within the district, the level of marketing activity will not sustain venue and *P* must establish continuity before its case will be heard. It is difficult, if not impossible, to conceive how acts committed during a two-day period can be continuous and systematic within the meaning of *Union Asbestos*.⁵⁹ If the court considers only acts of the defendant that *D* committed on May 6 and 7, *P* cannot establish the continuity of *D*'s activity which is necessary to show acts of infringement and, thereby, sustain venue.

Past Treatment

Must, however, the facts which establish continuity occur after the patent is granted and before the suit is filed? It is unclear whether courts applying the level-continuity standard will require that continuity be proved only by events within the interval. In *Lindley & Co. v. Karl H. Inderfurth Co.*,⁶⁰ the patent infringement suit was filed the same day

Cir. 1935). The court held that "there can be no infringement of a patent prior to its issue, and no accounting of profits or assessment of damages except for the period which follows the grant . . ." *Id.* at 971. See also *Anchor Hocking Glass Corp. v. White Cap Co.*, 47 F. Supp. 451 (D. Del. 1942).

55. *Underwood Typewriter Co. v. Fox Typewriter Co.*, 158 F. 476, 483 (C.C.S.D. N.Y. 1907).

56. As a condition precedent to the right of a patent holder to maintain an action for infringement of his patent, it must be established that the defendant has committed some act of infringement after the patent was issued, prior to the institution of the suit, and before the expiration of the statute of limitations.

Lambert v. Dempster Bros., 34 F. Supp. 610, 616 (E.D. Tenn. 1940).

57. 321 F. Supp. 262 at 265.

58. *Ralston* holds that all transactions on the same day are to be regarded as occurring at the same instant of time unless this would result in a manifest injustice. 321 F. Supp. 262 at 265.

59. *Union Asbestos & Rubber Co. v. Evans Prods. Co.*, 328 F.2d 949 (7th Cir. 1964). See notes 20-24 *supra* and accompanying text.

60. 190 F. Supp. 875 (E.D.N.C. 1961). The defendant's single employee in the district worked out of his own home where he kept spare parts and literature for the
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the patent was issued. The court did not consider the importance of the date of patent issue. When looking for acts of infringement to establish venue, the court considered acts which took place before the patent was issued. It denied venue because the acts did not establish continuity or plurality.

The *Ralston* court also faced the problem of events outside the interval:

The court realizes that activities of the defendant with regard to the accused product which are outside the critical period are *generally irrelevant*. There is *some exception* to this general rule, however, for these activities may be relevant for reasonable inferences to understand what the defendant's activities during the critical time probably were.⁶¹

No authority for the exception is cited, however, and no attempt is made to define its limits other than to require that the excepted evidence has some probative value as to activities within the period. *Ralston* did not meet the issue of whether activities outside the period can be used to establish continuity. While the court's opinion was that before, during and after the critical period the defendant conducted a continuous program of sales solicitation in the district, it held that its acts "during [the critical period] were sufficient to constitute acts of infringement for venue purposes."⁶² The court cited facts which occurred both within and without the critical period. Although a large portion of the judicial district was an "official test market area" for the defendant's infringing product,⁶³ there were no completed sales within the critical period. Consequently, under the level-continuity standard of *Union Asbestos*, which the court relied upon, the defendant's activities must be continuous to support venue. The court concluded that "there was sufficient specific sales activity within the district and *within the critical period* to properly subject the defendant to venue here," and that "some continuous solicitation for sales was being carried on throughout the critical period."⁶⁴ The case held, therefore, either that marketing activity at a level below completed sales can establish venue without continuity or that continuity

allegedly infringing device. He made a delivery of the accused device in the state but in a different district; he demonstrated the device but to college students who were not prospective buyers. The court denied venue because the marketing activity did not constitute the required plurality and continuity.

61. 321 F. Supp. at 265 (emphasis added).

62. *Id.* at 265-66.

63. *Id.* at 266.

64. *Id.* at 267, 268 (emphasis added).

can be established by acts outside the critical period. It is difficult to tell from the opinion whether *Ralston* lowered the level of marketing activity necessary to sustain venue or applied acts outside the critical period to the continuity standard. Previous courts have not been willing to lower the venue-granting level,⁶⁵ but there is some support for permitting acts outside the critical period to establish continuity.⁶⁶

A Suggested Solution

The courts have not met squarely the issue of the relevancy of marketing activity outside the determinative period. From a consideration of policy and rules of evidence, however, it seems that the courts should look both before and after the crucial period to determine continuity. As a rule of evidence, a fact found to exist at different dates may be of such a nature that its continuance during the intervening period may be legally assumed.⁶⁷ In other words, there should be a rebuttable presumption that if the marketing activity has been continuous before May 6 and after May 7, it must also have been continuous between May 6 and May 7. The very definition of "continuity" implies there are no breaks or interruptions; activity is continuous when every interval of substantial length will contain the activity. If the marketing activity has been continuous for a long time, it is easy to infer that it was "continuous" over a small portion of that time. The inference is strengthened by evidence of the activity's permanence, *e.g.*, permanent offices, long-term contracts and leases, or a substantial number of employees.⁶⁸ The inference is weakened if the intervening time increment is long. The possibility of a change in conditions will also weaken the presumption.⁶⁹ For example, upon issuance of the patent, many sellers will stop marketing the infringing product; evidence of the withdrawal will rebut the presumption of continuing activity.⁷⁰ In short, the strength of the presumption is proportional to the length of the marketing activity's existence and its quality of permanence; the presumption is weakened by the marketing activity's tendency toward change, a long intervening time increment or the possibility of a change in conditions.

A National Labor Relations Board case considered a time problem

65. See note 36 *supra* and accompanying text.

66. See notes 67-72 *infra* and accompanying text.

67. *Citizens Finance Co. v. Cole*, 47 N.M. 73, 134 P.2d 550 (1943).

68. See, *e.g.*, *Mayhew v. McFarland*, 137 Tex. 391, 153 S.W.2d 428 (1941).

69. 9 WIGMORE, EVIDENCE § 2530 (3d ed. 1940).

70. If the level drops significantly after the date of the patent issue, venue may be denied for two reasons: the inference of sustained continuity is seriously weakened, and there may be evidence of a good faith effort to stop infringing.

similar to *Ralston*. An employer comes within the National Labor Relations Act if he engages in interstate commerce.⁷¹ In *NLRB v. J.G. Boswell Co.*,⁷² the court held that the board could properly infer that interstate commerce continuing until June 30 would not cease in the following month, giving jurisdiction over alleged unfair labor practices beginning in that month. In a patent venue context, the court could properly infer that continuous marketing activity conducted before the patent was issued and after the suit was filed would not cease during the intervening period.

Policy arguments also suggest that courts should look outside the interval to determine continuity. A rule which restricts proof of continuity to facts occurring after the patent is granted but before the suit is filed may work an unreasonable hardship on the plaintiff-patent applicant whose invention is being marketed by the defendant while the plaintiff's patent is pending.⁷³ If, after the patent is issued, the plaintiff must wait until he can prove the infringer's marketing activities were continuous and systematic, the defendant will have ample opportunity to file a suit for a declaratory judgment against the validity of the plaintiff's patent in the defendant's home district which may very likely be a forum far less "hospitable" toward patent validity than the plaintiff's district.⁷⁴ This may interfere with the legislative grant of the patentee's exclusive right to make, use and sell its invention.⁷⁵ The clever infringer will keep his marketing activity below the "completed sales" level in all districts which are "friendly" toward patent validity, knowing that he can institute an action against the plaintiff's patent in his home district shortly after the patent is issued, well before the plaintiff can establish continuity of activity and venue. If, therefore, the plaintiff-patentee must wait until the infringer's acts are continuous, the legislative policy of protecting the patentee will be thwarted.⁷⁶ The same policy considerations which required a liberalization of the completed sale standard⁷⁷ require that courts consider acts outside the crucial interval to establish continuity of activity.

The plaintiff-patentee *P Corporation* introduced earlier should show that the level of the defendant's marketing activity within the critical

71. National Labor Relations Act § 10, 29 U.S.C. § 160 (1964).

72. 136 F.2d 585 (9th Cir. 1943).

73. The plaintiff cannot sue until the patent is issued, either for infringement damages or for an injunction against the infringer. *Night Club Frocks, Inc. v. Waltz-time Dance Frocks, Inc.*, 19 F. Supp. 820 (S.D.N.Y. 1937).

74. See note 3 *supra* and accompanying text.

75. See notes 47-49 *supra* and accompanying text.

76. *Id.*

77. See notes 47-48 *supra* and accompanying text.

period was high enough, if continuity was present, to establish venue. *P* should also show that the defendant *D*'s marketing activities were continuous before the patent was granted and after the suit was filed, emphasizing the permanent nature of the activities. If the court finds it doubtful that continuity was broken during the crucial, intervening time increment, it will take a new look at the level of marketing activity. If continuity of activity is present, marketing activities which are not technically sales within the district can sustain venue. Alternatively, *P* may advocate adoption of a lower venue-granting level, but courts have not yet been willing to grant venue without the presence of continuity on such activities as solicitation of orders.⁷⁸

78. See notes 36-37 *supra* and accompanying text. *Ralston* may have lowered the venue-granting level *sub silentio*. See note 64 *supra* and accompanying text.