



## Despite TC Heartland, Forum Selection Clause Controls Venue in Patent Dispute

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The dispute began in 2013 when the patent owner filed suit in the Central District of California alleging that the defendant, a Florida-based company, was infringing a design patent. Following that initial dispute, the parties entered a confidential settlement agreement which included a forum selection clause identifying the Central District of California as the exclusive venue for any action regarding the settlement agreement. In 2018, the patent owner filed another suit in the Central District of California alleging that the defendant was again infringing the patent. The patent owner also alleged breach of contract, false advertising and violation of various California business codes. In response, the defendant sought dismissal for improper venue under Rule 12(b)(3), or, in the alternative, transfer to the Southern District of Florida under 28 U.S.C. § 1404(a). The defendant argued that notwithstanding the forum selection clause, § 1400(b) controlled and that the previously agreed-upon forum did not meet the statute's tests for venue.

The court began its analysis by noting that because venue may be waived by a forum selection clause, the Rule 12(b)(3) motion would be resolved by determining whether the clause was enforceable. The court found that the defendant had failed to establish that the clause was unenforceable. First, the clause was not the result of "fraud, undue influence or overweening bargaining power." Second, the clause was not overreaching in light of *TC Heartland* because the forum was "proper at the time of the [settlement agreement]." Third, defendant's argument that being forced to litigate in a forum "nearly 3,000 miles" away would be "exceptionally absurd and inequitable" was an inconvenience argument that was not relevant to enforceability, and that the defendant had failed to show any *bona fide* deprivation of its right to a day in court. Finally, there were no demonstrable public interest

factors strong enough to outweigh the factors favoring enforcement. Moreover, *TC Heartland* was resolved by statutory interpretation, not public policy concerns, suggesting that venue could be waived just as it is in other civil cases. The court ruled that the clause was therefore enforceable.

Next, the court considered and determined that the clause was a venue waiver. The court found that defendant had failed to elaborate upon, or provided legal support for, its statement that it had not waived venue by entering the agreement. Instead, the court reasoned that waiver was proper here because the defendant had assented to the clause and knew which forum would handle disputes.

Finally, the court denied the defendant's motion for transfer under § 1404(a). Because the forum selection clause was enforceable, all of the private interest factors weighed in favor of denial of transfer. Precedent required that the clause be given controlling weight absent exceptional circumstances, but the defendant had not shown that the case was "exceptional." Rather, the defendant had agreed to litigate in the forum, and the public interest factors did not warrant transferring the case.

**Practice Tip:** A party seeking to extricate itself from a forum selection clause has a heavy burden. Despite *TC Heartland's* significant effect on patent litigation, even agreements that predate the U.S. Supreme Court's decision will not be discarded lightly. A party entering into an agreement with a forum selection clause should carefully consider the impact of the clause, especially if the agreed-upon forum is geographically remote.

*Sundesha, LLC v. IQ Formulations, LLC*, Case No. 2:19-cv-06467, slip op. (C.D. Cal. Aug. 19, 2020)

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