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UNTANGLING A MESS IN TEXAS: LESSONS LEARNED FROM TRANSFERRING VENUE IN THE EASTERN DISTRICT

Knowing when to hold 'em, and when to fold 'em, can be just as important in managing venue for your patent infringement case as in poker games. And, of course, Texas has added several wild cards to your deck with a flurry of formerly rare change-of-venue decisions.

On December 29, 2008, the Federal Circuit Court of Appeal (CAFC) granted a defendant's petition for writ of mandamus, ordering District Court Judge T. John Ward (E.D. Tex.) to vacate an earlier order and transfer the case to another district.[1] Naturally, this decision created quite a stir in the legal community.

Since this key *TS Tech* opinion, defendants have filed a bevy of motions seeking transfer—some of which have been granted and some denied. The CAFC has considered at least five petitions for writs of mandamus emanating from the Eastern District of Texas.

Even though the dust has not fully settled, it is time to take stock of the status of the law relating to the transfer of patent infringement cases pending in the Eastern District. A basic understanding of the law, and some key issues that counsel should consider before filing or resisting a motion to transfer in the Eastern District, ought to be a part of your IP IQ.

KEY IDEAS:

Basic Rules Govern Motions to Transfer

Basic rules governing motions to transfer any patent infringement case include:

1. The Statutory Basis for Transfer – 28 U.S.C. § 1404(a) governs motions to transfer venue and provides that:

> For the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district court or division where it might have been brought.

2. Issues Raised by the Statute -- The preliminary question under § 1404(a) is whether a civil action "might have been brought" in the destination venue.[2] Frequently, this issue is not in dispute. Determination of what comprises the "convenience of the parties and witnesses" and the "interests of justice" is more complex and involves a more detailed analysis.

3. Local Circuit Law Applies -- Because a motion to transfer venue does not involve substantive patent law issues, the CAFC applies the laws of the regional circuit in which the district court sits.[3] Thus, decisions relating to motions to transfer venue must be made considering applicable circuit law. In this issue, we examine Fifth Circuit precedent because the Eastern District of Texas is in the Fifth Circuit.

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1 *In re TS Tech USA Corp.*, 551 F.3d 1315, 1323 (Fed. Cir. 2008).

2 *In re Volkswagen of America, Inc.*, 545 F.3d 304, 312 (5th Cir. 2008) (*Volkswagen II*).

3 *In re TS Tech USA Corp.*, 551 F.3d at 1319 (citing *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 836 (Fed.Cir.2003)).

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4. Motions to Transfer Are Fact Intensive – The U.S. Supreme Court has long held that § 1404(a) requires "individualized, case-by-case consideration of convenience and fairness."[4] As a consequence, examining fact patterns in reported cases is important to determine likely outcomes before filing or resisting motions to transfer.

5. The Losing Party May Seek a Writ of Mandamus -- If a motion to transfer venue is denied, the moving party is left with the option of seeking a writ of mandamus to correct an error. The common-law writ of mandamus against a lower court is codified at 28 U.S.C. § 1651(a).[5] By design, such writs are extremely difficult to obtain. The writ of mandamus is a "drastic and extraordinary" remedy "reserved for really extraordinary causes."[6] It is "one of the most potent weapons in the judicial arsenal."[7]

Fifth Circuit Transfer Law

"Under Fifth Circuit law, a motion to transfer venue should be granted upon a showing that the transferee venue is 'clearly more convenient' than the venue chosen by the plaintiff."

1. The Fifth Circuit Standard for Transfer – "Under Fifth Circuit law, a motion to transfer venue should be granted upon a showing that the transferee venue is 'clearly **more convenient**' than the venue chosen by the plaintiff."[8]

2. The Relevant Factors -- Assuming the case could have been brought in the destination venue, the Fifth Circuit applies "public" and "private" factors in deciding a § 1404(a) motion.[9]

4. The Four "Private" Factors -- The "private" interest factors include (1) the relative ease of access to sources of proof; (2) the availability of compulsory process to secure the attendance of witnesses; (3) the cost of attendance for willing witnesses; and (4) all other practical problems that make a trial easy, expeditious and inexpensive.[10]

5. The Four "Public" Factors -- The "public" interest factors to be considered are (1) the administrative difficulties flowing from court congestion; (2) the local interest in having localized interests decided at home; (3) the familiarity of the forum with the law that will govern the case; and (4) the avoidance of unnecessary problems of conflicts of laws [or in] the application of foreign law.[11]

6. Transfer Requires Less of a Showing than *FNC* Dismissal – Under Fifth Circuit jurisprudence, motions to transfer require a lesser showing of inconvenience than do motions to dismiss for *forum non conveniens*.[12]

"Plaintiffs' choice of venue is reflected in the movant's burden and is not a separate factor for the district court to consider in ruling on a motion to transfer."

7. Plaintiffs' Choice of Venue is Not a Separate Factor – Plaintiffs' choice of venue is reflected in the movant's burden and **is not** a separate factor for the district court to consider in ruling on a motion to transfer.[13]

8. Location and Convenience of Counsel is Irrelevant – "The word "counsel" does not appear anywhere in § 1404(a), and the convenience of counsel is not a factor to be assessed in determining whether to transfer a case under § 1404(a)."[14]

4 *Van Dusen v. Barrack,* 376 U.S. 612, 622 (1964); *In re Genentech, Inc.*, 566 F.3d 1338, 1346 (Fed. Cir. 2009) (citing *Van Dusen*).

5 *Cheney v. U.S. Dist. Ct. for D.C.*, 542 U.S. 367, 380 (2004).

6 *Id.* (citing *Ex parte Fahey,* 332 U.S. 258, 259-260, (1947)).

7 *Id.* (citing *Will v. United States,* 389 U.S. 90, 107 (1967)).

8 *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319 (Fed. Cir. 2008) (citing *Volkswagen II*, 545 F.3d 304, 315 (5th Cir. 2008)).

9 *Id.* at 1319 (citing *In re Volkswagen of American Inc.,* 545 F.3d 304, 314 n.9 (5th Cir. 2008) (*Volkswagen II*) (*en banc*)).

10 *See, e.g., id.* at 1319 (citing *Piper Aircraft Co. v. Reyno,* 454 U.S. 235, 241 n.6 (1981)).

11 *See, e.g., id.* at 1319 (citing *Volkswagen II,* 545 F.3d at 315).

12 *Volkswagen II*, 545 F.3d 304, 312-14 (5th Cir. 2008) ("[T]he burden that a moving party must meet to justify a venue transfer is less demanding than that a moving party must meet to warrant a *forum non conveniens* dismissal.").

13 *Id.* at 314 n.10; *In re TS Tech USA Corp.*, 551 F.3d at 1320.

14 *In re Volkswagen AG*, 371 F.3d 201, 206 (5th Cir. 2004) (*Volkswagen I*) (citing *In re Horseshoe Entm't,* 337 F.3d 429, 434 (5th Cir. 2003)) (finding that the "factor of 'location of counsel' is irrelevant and

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"In the years immediately preceding TS Tech, the Fifth Circuit twice granted petitions for writs of mandamus and ordered Judge Ward to reverse rulings denying motions to transfer venue."

"When the distance between an existing venue for trial of a matter and a proposed venue under § 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled."

Pre-*TS Tech* Fifth Circuit Cases Set the Stage

TS Tech is best understood as part of an ongoing series of cases involving motions to transfer venue. In the years immediately preceding *TS* Tech, the Fifth Circuit twice granted petitions for writs of mandamus and ordered Judge Ward to reverse rulings denying motions to transfer venue.

In re Volkswagen AG (*Volkswagen I*),[15] a product liability case arising from a traffic accident in San Antonio, Texas (Western District), was filed in the Eastern District of Texas and was assigned to Judge Ward. Defendant Volkswagen (VW) was granted leave to file a third-party complaint against the car driver who caused the accident.[16] VW then sought to transfer venue to the Western District of Texas.[17] Judge Ward denied the motion, and VW filed a petition for a writ of mandamus.[18]

Granting the writ and ordering Judge Ward to transfer venue, the Fifth Circuit held that, in denying the motion to transfer, the district court had erred *inter alia* in (a) failing to consider the convenience of the third-party defendants and other witnesses in the Western District in addition to the parties and witnesses involved in the initial products liability claim;[19] (b) failing to consider the site of the accident;[20] (c) failing to consider the superior interest of the citizens and jurors in the Western District of Texas in deciding the issue;[21] and (d) improperly considering counsel's location as one factor in its analysis.[22]

Importantly, in *Volkswagen I*, the Fifth Circuit established the 100-mile rule which provides that, "When the distance between an existing venue for trial of a matter and a proposed venue under § 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled."[23] This rule has been an important consideration for courts in evaluating numerous motions to transfer.[24]

In re Volkswagen of American Inc., (*Volkswagen II*),[25] was another product liability case arising from a traffic accident. This time, the accident occurred in Dallas, in the Northern District of Texas.[26] Otherwise, the underlying facts were virtually the same as *Volkswagen I*. After a traffic accident, VW was sued in the Eastern District where the case was assigned to Judge Ward. VW filed a third-party complaint against the other driver and sought to transfer venue. Judge Ward denied the motion and a motion for reconsideration, and VW sought a writ of mandamus from the Fifth Circuit.[27] After a Fifth Circuit panel granted a writ and ordered the case to be transferred, the Fifth Circuit granted a petition for rehearing *en banc*.[28]

The *en banc* Fifth Circuit reached the same result as the panel. The Fifth Circuit first held that mandamus was the appropriate means to test the district court's ruling on the motion to transfer.[29] The court said the district court had erred (a) by failing to include the "sources of proof" private factor in its analysis;[30] (b) by improperly applying the private factor relating to the availability of compulsory process to secure the attendance of witnesses;[31] (c) in applying the

improper for consideration in determining the question of transfer of venue"), *cert. denied,* 540 U.S. 1049 (2003).

15 371 F.3d 201 (5th Cir. 2004).
16 *Id.* at 202.
17 *Id.*
18 *Id.*
19 *Id.* at 204.
20 *Id.* at 205.
21 *Id.* at 205-06.
22 *Id.* at 206.
23 *Id.* at 204-05.
24 *See, e.g., In re TS Tech USA Corp*., 551 F.3d at 1320.
25 545 F.3d 304 (5th Cir. 2008) (*en banc*).
26 *Id.* at 307.
27 *Id.* at 307-08.
28 *Id.* at 308.
29 *Id.* at 308-09.
30 *Id.* at 316 (citing *In re Volkswagen I,* 371 F.3d 201, 203 (5th Cir. 2004)).
31 *Id.* at 316 (citing *In re Volkswagen I,* 371 F.3d at 205 n.4).

private factor relating to the cost of attendance for willing witnesses;[32] and (d) by disregarding Fifth Circuit precedent in applying the public factor in having localized interests decided at home.[33] Based on the foregoing errors, the Fifth Circuit granted the writ and ordered the case transferred.[34]

The *TS Tech* Opinion

In fall 2007, Lear Corp. sued TS Tech USA Corp. and related entities (TS Tech), in the Eastern District of Texas and alleged infringement of Lear's patent relating to vehicle headrest assemblies.[35] Lear alleged that TS Tech had manufactured allegedly infringing headrest assemblies and then induced Honda Motor Co. to infringe the patent by selling the headrest assemblies throughout the United States, including in the Eastern District of Texas.

"Lear opposed the motion, arguing that vehicles containing the infringing assembly had been sold in the Texas."

TS Tech promptly filed a motion under 28 U.S.C. § 1404(a) seeking to transfer venue to the Southern District of Ohio.[36] TS Tech argued that the Southern District of Ohio was a far more convenient venue because (a) the evidence was mainly located in Ohio; (b) all of the key witnesses lived in Ohio, Michigan and Canada; and (c) since none of the parties had offices located in the Eastern District of Texas, there was no meaningful connection between the venue and the case.[37] Lear opposed the motion, arguing that vehicles containing the infringing assembly had been sold in the Texas.[38]

More than nine months later, District Court Judge Ward denied the motion. Importantly, the district court said (a) TS Tech had failed to demonstrate that the convenience of the parties and witnesses clearly outweighed Lear's choice of venue in the Eastern District; and (b) citizens of the Eastern District had a "substantial interest" in having the case tried locally because several vehicles with the allegedly infringing headrest assemblies had been sold locally.[39]

TS Tech then filed a petition for writ of mandamus in the Federal Circuit Court of Appeals.[40] In its petition, TS Tech argued that the district court ignored precedent and abused its discretion by refusing to transfer the case.[41]

"Based on its review of the relevant "private" and "public" factors, the CAFC concluded that, despite correctly applying some of the factors, the district court had committed four key errors."

Writing for a CAFC panel, Judge Randall Rader began his analysis by reviewing the standards for granting a writ of mandamus and the governing law.[42] He then analyzed the motion to transfer venue under applicable Fifth Circuit precedent. Based on its review of the relevant "private" and "public" factors, the CAFC concluded that, despite correctly applying some of the factors, the district court had committed four key errors:[43]

First, the district court gave too much credit to the plaintiff's choice of venue.[44] While plaintiff's choice is accorded deference, it is not a separate factor.[45]

Second, the district court ignored Fifth Circuit precedent in assessing the private factor relating to witness attendance costs.[46] The district court ignored the 100-mile rule established in *Volkswagen I*."[47]

32 *Id.* at 317 (citing *In re Volkswagen I*, 371 F.3d at 204-05).
33 *Id.* (citing *In re Volkswagen I*, 371 F.3d at 205-06).
34 *Id.* at 319.
35 *In re TS Tech USA Corp.*, 551 F.3d 1315, 1318 (Fed. Cir. 2008).
36 *Id.*
37 *Id.*
38 *Id.*
39 *Id.*
40 *Id.*
41 *Id.*
42 *Id.* at 1318-19.
43 *Id.* at 1320.
44 *Id.*
45 *Id.*
46 *Id.*
47 *Id.*

Third, the district court erred by omitting the private factor relating to the relative ease of access to sources of proof.[48] The district court erred when it found that, since many of the relevant documents were stored electronically, the factor was "much less significant."[49] But "the fact 'that access to some sources of proof presents a lesser inconvenience now than it might have absent recent developments does not render this factor superfluous.'"[50]

Fourth, the district court disregarded Fifth Circuit precedent relating to the public interest in having localized disputes decided at home.[51] The CAFC held that no relevant connection existed between the actions giving rise to the case and the Eastern District. The mere fact that some vehicles with the allegedly infringing device were sold in the district was insufficient grounds.[52]

"The mere fact that some vehicles with the allegedly infringing device were sold in the district was insufficient grounds."

Based on the foregoing errors, the CAFC concluded that the district court had clearly abused its discretion.[53] The court rejected Lear's argument that TS Tech had failed to demonstrate that it had no other means of obtaining the requested relief, saying (a) TS Tech had no reasonable expectation that a request for reconsideration would be granted;[54] (b) TS Tech was not required to exhaust every possible avenue of relief at the district court level before seeking mandamus;[55] and (c) under Fifth Circuit precedent, it is clear that a party seeking a writ for the denial of a motion to transfer meets the "no other means" requirement.[56]

The CAFC granted the petition for writ of mandamus and ordered the district court to transfer the case.[57]

Post-*TS Tech* CAFC Cases Clarify the Standards

"Parties seeking to make or resist motions to transfer ought to set aside time to review these cases . . . to see if the factual circumstances of their case are similar to motions the court has already decided."

Since *TS Tech*, courts in the Eastern District of Texas have ruled on motions to transfer venue in multiple patent infringement cases. Motions to transfer venue were granted in some of those cases[58] and denied in others.[59] Parties seeking to make or resist motions to transfer ought to set aside time to review these cases (and numerous others handed down in the Eastern District) to see if the factual circumstances of their case are similar to motions the court has already decided.

The CAFC has decided five cases arising out of Eastern District rulings on motions to transfer venue in patent infringement cases.

In re Telular Corp.[60] The CAFC denied a petition for writ of mandamus after Judge Ward denied a motion to transfer venue. Finding that a five-month delay weighed against granting the writ,[61] the

48 *Id.* at 1320-21.
49 *Id.* at 1321.
50 *Id.* (citing *Volkswagen II*, 545 F.3d at 316).
51 *Id.* at 1321.
52 *Id.*
53 *Id.*
54 *Id.* at 1322.
55 *Id.*
56 *Id.*
57 *Id.* at 1323.
58 *See, e.g., Orinda IP USA Holding Group, Inc. v. Sony Corp.*, 2009 WL 3261932 (E.D. Tex. Sept. 29, 2009); *Fujitsu Ltd. v. Tellabs, Inc.,* 639 F. Supp. 2d 761 (E.D. Tex. 2009); *Invitrogen Corp. v. GE Corp.*, 2009 WL 331891 (E.D. Tex. Feb. 9, 2009); *Odom v. Microsoft Corp.,* 596 F. Supp. 2d 995 (E.D. Tex. 2009).
59 *See, e.g., Fin. Sys. Tech. PTY, Ltd. v. Oracle Corp.*, 2009 WL 4730620 (E.D. Tex. Dec. 8, 2009); *Versata Software, Inc. v. Internet Brands, Inc.*, 2009 WL 3161370 (E.D. Tex. Sept. 30, 2009); *Emanuel v. SPX Corp.*, 2009 WL 3063322 (E.D. Tex. Sept. 21, 2009); *ICHL, LLC v. NEC Corp. of Am.*, 2009 WL 1748573 (E.D. Tex. June 19, 2009); *Aloft Media, LLC v. Yahoo!, Inc.*, 2009 WL 1650480 (E.D. Tex. June 10, 2009); *Knoami Digital Entm't Co. v. Harmonix Music Sys., Inc.*, 2009 WL 781134 (E.D. Tex. March 23, 2009); *MHL Tek, LLC v. Nissan Motor Co.*, 2009 WL 440627 (E.D. Tex. Feb. 23, 2009); *J2Global Commc'ns, Inc. v. Protus Solutions, Inc.*, 2009 WL 440525 (E.D. Tex. Feb. 20, 2009); *Invitrogen Corp. v. GE Corp.*, 2009 WL 331889 (E.D. Tex. Feb. 9, 2009); *Novartis Vaccines & Diagnostics v. Hoffman-La Roche Inc.*, 597 F. Supp. 2d 706 (E.D. Tex. 2009).
60 319 Fed.App'x 909 (Fed. Cir. 2009) (not selected for publication).
61 *Id.* at 911.

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CAFC concluded that the moving party had failed to show that the transferee venue was "clearly more convenient."[62]

In re Genentech, Inc.[63] The CAFC granted the writ. Judge Ron Clark denied a motion to transfer, relying in part, on the "central physical location" of the Eastern District for foreign and U.S. witnesses.[64] After finding that no witness was a Texas resident, let alone an Eastern District resident, the CAFC ruled that "the district court improperly used its central location as a consideration in the absence of witnesses within the plaintiff's choice of venue."[65] The CAFC also rejected the argument that the transferee venue had to be more convenient for *all* the witnesses.[66] Finally, the court again rejected the argument that the advent of electronic storage and transmission had rendered the "access to evidence" factor less relevant—calling it the "antiquated era argument."[67]

In re Hoffman-La Roche Inc.[68] The CAFC granted the petition and ordered the district court to transfer the case. The court concluded that the case had no connection to the Eastern District.[69] The Federal Circuit chastised plaintiff for moving documents into Texas in anticipation of litigation.[70] The court also found that the district court had given too much weight to the fact that it could compel one witness (a Texas resident) to attend the trial, even though that witness lived more than 100 miles from the Eastern District.[71]

In re Nintendo Co., Ltd.[72] The CAFC again granted the petition for writ of mandamus. The Federal Circuit ruled that the district court erred by holding that the convenience of the witnesses only "slightly" favored transfer when no witnesses lived in Texas and other witnesses would travel from as far away as Japan.[73] The court also ruled that the district court erred in weighing the ease of access to proof as "neutral" when the majority of the relevant documents were located in the transferee venue.[74]

In re Vtech Communications, Inc.[75] The Federal Circuit denied the petition, finding that "there was at least one identified non-party witness who was a resident of the Eastern District of Texas."[76]

The battle over venue in the Eastern District rages on, but your IP IQ is now up to date. Make sure to keep up with the latest developments in this rapidly developing area of the law. Where each case is subject to rigorous factual scrutiny, the little things often make a big difference.

ABOUT SHB

Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.

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62 *Id.* at 912.
63 566 F.3d 1338 (Fed. Cir. 2009).
64 *Id.* at 1341.
65 *Id.* at 1344.
66 *Id.* at 1345.
67 *Id.* at 1346 (citing *Volkswagen II*, 545 F.3d at 316).
68 587 F.3d 1333 (Fed. Cir. 2009).
69 *Id.*at 1336-37.
70 *Id.* at 1337 (citing *Van Dusen v. Barrack*, 376 U.S. 612, 625 (1964) (section 1404(a) "should be construed to prevent parties who are opposed to a change of venue from defeating a transfer which, but for their own deliberate acts or omissions, would be proper, convenient and just.")).
71 *Id.* at 1337-38.
72 589 F.3d 1194 (Fed. Cir. 2009).
73 *Id.* at 1199.
74 *Id.*
75 2010 U.S. App. LEXIS 372 (Fed. Cir. Jan. 6, 2010).
76 *Id.* at *7.