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Transfer Motions in the Eastern District of Texas After *Volkswagen* and *TS Tech*

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Two recent appellate decisions have significantly changed the legal landscape regarding motions to transfer patent cases in the U.S. District Court for the Eastern District of Texas. The district's initial opinions following these appellate decisions suggest that more cases will be transferred from the Eastern District, but that some types of cases — particularly multi-defendant cases with parties that are distributed across the country — may remain. Since the Eastern District has become one of the leading venues for patent litigation, the impact of these rulings could have a major influence on the distribution of patent cases throughout the country.

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In recent years, the Eastern District of Texas has become a hotbed for patent litigation. The initial appeal of the district was the relatively quick time to trial and its reputation as a venue that was favorable to plaintiffs. Other potential advantages of the district may have included the impression that few cases were resolved on summary judgment and the disinclination of judges in the district to stay cases pending reexaminations. Further, if a plaintiff filed suit in the Eastern District, there was a strong probability that the case would stay there — even if the only connection to the district was the sale of an accused product that was sold nationwide — because the court rarely granted motions to transfer. As a result, the district has generated a patent infringement docket that is disproportionate to the population or the number of technology-oriented companies in the district. And it was not unusual to see major patent cases where none of the parties had any direct connection to the district. But that may be changing.

Until recently, the odds of a patent case being transferred out of the Eastern District were low.[1] The broad outlines of the governing law are straight forward: in assessing a motion to transfer, the court must consider "the convenience of parties and witnesses." 28 U.S.C. § 1404(a). The convenience determination involves both public and private interest factors. *See*, *e.g.*, *LG Elecs., Inc. v. Hitachi, Ltd*, No. 9:07CV138, 2007 WL 4411035, at *2 (E.D. Tex. Dec. 3, 2007). Courts balance the following "public" interest factors: (1) the administrative difficulties caused by court congestion; (2) the local interest in adjudicating local disputes; (3) the unfairness of burdening citizens in an unrelated forum with jury duty; and (4) the avoidance of unnecessary problems in conflict of laws. The "private" factors are: (1) the plaintiff's choice of forum; (2) the convenience of the parties and material witnesses; (3) the place of the alleged wrong; (4) the cost of obtaining the attendance of witnesses and the availability of the compulsory process; (5) the accessibility and location of sources of proof; and (6) the possibility of delay and prejudice if transfer is granted.

Although the governing law was not disputed, the application of the law to the facts was perceived by some as unduly favoring plaintiffs. As the AIPLA *amicus* brief in *Volkswagen* stated: "The routine filing of patent infringement complaints in the Eastern District of Texas that have essentially no connection to that district has been encouraged by the seeming reluctance of courts in that district to transfer cases under § 1404(a)."[2]

However, the first appellate case to significantly influence transfer law in the district was a case

relating to a car accident, not a patent case. In *Volkswagen*, an accident in Dallas — which is located in the Northern District of Texas — led to a product liability case filed in the Eastern District of Texas. *In re Volkswagen of America, Inc*., 545 F.3d 304 (5th Cir. 2008) (en banc). Volkswagen moved to transfer the case to the Northern District, arguing that the vehicle was purchased in Dallas, the accident occurred in Dallas, the witnesses were Dallas residents, and Dallas police and paramedics responded to the accident, among other things. *Id.* at 315-16. Volkswagen asserted that no parties, no witnesses, and no sources of proof were located in the Eastern District. *Id.* Judge Ward denied the motion, finding that access to proof was equal, due in part to advances in technology; the cost of attendance neutral because no key witnesses were identified and the cost of travel to Marshall was minimal; and that the Eastern District had an interest in the case because residents of the Eastern District would be interested in knowing whether defective products were being sold close to Marshall. *Id.* at 316. The case eventually ended up before the full Fifth Circuit, which granted Volkswagen's petition for a writ and ordered the case transferred.

The Fifth Circuit opinion surveyed transfer law and found several errors in the district court's reasoning. *Id.* at 316-18. The court held that the district court's analysis of the sources of proof read the requirement out of the analysis, as the factor is still relevant despite technological advances. Because all of the documents and physical evidence were in Dallas, that factor favored transfer. *Id.*at 316. As to the availability of compulsory process, the Northern District had absolute subpoena power for all witnesses, so that factor also favored transfer. *Id.* As to the cost of attendance for willing witnesses, the court referenced its hundred-mile rule: "[w]hen 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." *Id.* at 317 (quoting *In re Volkswagen I*, 371 F. 3d 201, 204-205 (5th Cir. 2004). This factor also favored transfer. Finally, the court held that the "having localized interests decided at home" factor strongly favored transfer, as virtually everything relating to the accident was in Dallas. *Id.* at 317-18. The court soundly rejected the district court's reasoning on this factor:

Furthermore, the district court's provided rationale — that the citizens of Marshall have an interest in this product liability case because the product is available in Marshall, and that for this reason jury duty would be no burden — stretches logic in a manner that eviscerates the public interest that this factor attempts to capture. The district court's provided rationale could apply virtually to any judicial district or division in the United States; it leaves no room for consideration of those actually affected —directly and indirectly — by the controversies and events giving rise to a case. That the residents of the Marshall Division "would be interested to know" whether a defective product is available does not imply that they have an interest — that is, a stake in the resolution of this controversy. Indeed, they do not, as they are not in any relevant way connected to the events that gave rise to this suit. In contrast, the residents of the Dallas Division have extensive connections with the events that gave rise to this suit.

Id. at 318. Thus, the court found that the "district court's errors resulted in a patently erroneous result" and issued the writ directing transfer. *Id.*

It did not take long for a patent infringement defendant to take the issue to the Federal Circuit. In *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008), Lear Corporation sued TS Tech in the Eastern District, alleging that certain automobile headrest assemblies infringed its patent. *Id.* at 1318. Lear asserted that TS Tech sold its products to Honda, which in turn sold its cars throughout the United States, including the Eastern District. *Id.* TS Tech moved to transfer, arguing that all of the physical and documentary evidence and the witnesses were located in Ohio, Michigan, or Canada. *Id.* The district court denied the motion, and TS Tech filed a petition for a writ of mandamus in the Federal Circuit.

The Federal Circuit found that TS Tech had met the standard for a writ and found that the district court had clearly abused its discretion. Applying Fifth Circuit law, the Federal Circuit found several key instances in which the district court's order did not comply with *Volkswagen*.[3]

- First, the district court gave too much weight to Lear's choice of venue, finding that the plaintiff's choice is not a distinct factor but instead corresponds to the burden of proof required to show that the proposed transferee district is clearly more convenient. *Id.* at 1320.
- Second, the district court ignored Fifth Circuit precedent regarding cost of attendance of witnesses, which states that when the distance between the existing venue and a proposed venue is more than a hundred miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled. Because all of the key witnesses were in Ohio, Michigan, or Canada, this factor strongly favored transfer. *Id.*

- Third, the district court "erred by reading out of the § 1404(a) analysis the factor regarding the relative ease of access to sources of proof." *Id.* at 1320-21. Because the vast majority of the physical and documentary evidence was in Ohio, Michigan, or Canada, the factor favored transfer, even if some electronic documents could be easily transported. *Id.* at 1321.
- Fourth, the district court disregarded Fifth Circuit law in analyzing the public interest in having localized decisions decided at home. There were no meaningful connections between the case and the Eastern District — none of the parties had an office in Texas, no witnesses resided in Texas, and no evidence was in Texas. The Federal Circuit rejected the argument that the Eastern District had a substantial interest because several vehicles were sold in the district as the vehicles were sold throughout the country and "the citizens of the Eastern District of Texas have no more or less meaningful connection to this case than any other venue." *Id.*

Accordingly, the Federal Circuit granted the writ and directed the district court to vacate its order denying transfer and to transfer the case to the Southern District of Ohio.

There have been just a few decisions in the Eastern District on motions to transfer in the six weeks since *TS Tech* issued. Although it is difficult to speculate based on these decisions, the cases suggest trends, and it is clear that *Volkswagen* and *TS Tech* have changed the way transfer motions are decided in the Eastern District.

In *Odom v. Microsoft* Magistrate Judge Love (of Tyler) transferred a case to the District of Oregon. *Odom v. Microsoft Corp.*, No. 6:08-CV-331, Memorandum Opinion and Order, slip op. at 13 (E.D. Tex. Jan. 30, 2009). The plaintiff, Mr. Odom, an Oregon resident, ran a consulting company based in Portland, and accused Microsoft, a Washington company, of infringing a patent. *Id.* at 1-3. The accused product was Office 2007 and Microsoft argued that the relevant development team, documents, witnesses, and source code were located in Redmond, Washington. *Id.* at 2. Moreover, Odom had provided consulting services to Microsoft's counsel (and directly to Microsoft) and that activity was centered in Oregon. *Id.* at 1-2. Those services were governed by various agreements that Microsoft alleged were relevant to its defenses. *Id.* at 11. The court noted the recent cases of *Volkswagen* and *TS Tech* and assessed the transfer factors.

As to the relative ease of access to the sources of proof, the court held that the two venues were "equally convenient," rejecting the argument that the physical location of electronic information such as source code was highly relevant to the analysis since it can be easily accessed from many locations and can easily be sent to any part of the country. *Id.* at 6. The court distinguished *TS Tech* on this basis, stating that *TS Tech* appeared to be emphasizing the "physical nature of the evidence at issue" (*e.g.*, the headrests) rather than electronic evidence. Nevertheless, the court found that the convenience of the witnesses — almost all of whom were in the Pacific Northwest — favored transfer. *Id.* The court specifically noted that it was "not a case where witnesses are spread out all over the country or the world," suggesting that the outcome might have been different if that had been the case.[4] *Id.* at 8. The court found most of the other factors neutral with the exception of the localized interest, where the court found that Oregon had a stronger interest because of the "extensive ties to the events that gave rise to" the action. *Id.* at 11. Similarly, the court found that an Oregon court would have more familiarity with the potentially relevant agreements relating to Odom's consulting, which were governed by Oregon law. *Id.* at 12. In contrast, Texas has no meaningful relationship to the action, other than it was plaintiff's choice of forum. "In summary, there is little convenience to the parties for this case to remain in Texas, while there are several reasons why it would be more convenient for the parties to litigate this case in Oregon." *Id.* at 13.

In *PartsRiver v. Shopzilla* Judge Folsom granted a motion to transfer the case to the Northern District of California. *PartsRiver, Inc. v. Shopzilla, Inc.*, No. 2:07-CV-440, Order, slip op. at 4 (E.D. Tex. Jan. 30, 2009). The court noted the "regional nature" of the case and found that California would clearly be more convenient for the parties and the potential witnesses. *Id.* The plaintiff and six of the seven defendants were located in California. *Id.* The court further noted that the original patent owner was also in California and that most witnesses would be from California and Washington, and many documents would be located in those locations. *Id.* In sum, the court found "that the overall nature of this case, considering all of the involved parties, is regional and would therefore be more conveniently handled by the Northern District of California." *Id.*

In *Novartis v. Hoffman-La Roche, et al*., the *Odom* court's observation that transfer might be inappropriate if the parties were distributed across the country proved prophetic, as Judge Folsom denied a motion to transfer under those circumstances.[5] *Novartis Vaccines & Diagnostics, Inc. v. Hoffman-La Roche Inc.*, No. 2:07-CV-507, Order, slip op. at 10-11 (E.D. Tex. Feb. 3, 2009). In *Novartis*, as the court noted, "Plaintiff points out that the relevant proof in this case is spread

throughout the nation — as [the accused product] was developed in North Carolina, was approved by the FDA in Washington D.C., is presently manufactured in Colorado and Michigan (and Switzerland), and is sold throughout the United States." *Id.*at 4. Moreover, the plaintiff was located in California, and the defendants were located in Colorado, North Carolina, and New Jersey. *Id.* at 4-5. The North Carolina defendant had moved to transfer the case there. The court found that:

> [T]he Eastern District of Texas is a centrally located venue for this litigation. The sources of proof in this case are many and are spread across the nation. While transfer to North Carolina would make access to *some* proof easier, this court is not convinced that access to all evidence would be so. In fact, important evidence on the West Coast relating to the development of the patented invention would be far more difficult to reach if this case were transferred to the East Coast.

Id. at 5 (emphasis in original). Accordingly, the case was distinguishable from both *Volkswagen* and *TS Tech*, where the physical evidence was confined to a "limited region." *Id.*

As to the other factors, the court noted that neither district would have subpoena power over all of the potential witnesses, again due to the national distribution of the parties, evidence, and witnesses. *Id.*at 7. Because transfer would simply reallocate the inconvenience from one forum to another, that factor did not favor transfer. *Id.*at 8. The same was true of the cost of attendance for witnesses. *Id.*at 9. The court found that the other factors were neutral and that the defendant had not clearly demonstrated that transfer was appropriate. *Id.* at 10-11.

* * *

While they offer only a limited (and early) perspective, these three cases suggest several potentially important changes in Eastern District transfer practice. First, where none of the parties have a connection to the Eastern District and there is another jurisdiction that plainly has a substantial connection to the case or is far more convenient, the case has a high probability of being transferred. In other words, where the parties, evidence, and witnesses are confined to a single geographic region outside of Texas, that case may be transferred. Second, where the parties are from multiple geographic regions across the country and no single venue would clearly be more convenient, transfer is less likely. In such cases, the Eastern District is arguably more centrally located for many of the parties. Third, in assessing whether transfer is appropriate, electronic evidence appears to be less significant than physical evidence and the location of the witnesses.

As a result, many single-defendant patent infringement cases that have little relationship to the Eastern District will either not be filed there or may be transferred to districts that are more convenient for the parties. Other districts may therefore see an increase in patent infringement cases and the Eastern District may see a decrease. However, multi-defendant cases may continue to be filed in the Eastern District, and there is a good possibility that unless there is a single geographic region that is clearly more convenient, those cases will continue to be litigated in the Eastern District of Texas.

[1] The possible exception was where a judge in another district had significant substantive experience with the patent in suit and/or the parties and technology. *See Chi Mei Optoelecs., Corp. v. LG Philips LCD Co.*, No. 2:07-CV-176, 2008 WL 901405, at *2 (E.D. Tex. Mar. 31, 2008); *Kinetic Concepts, Inc. v. Bluesky Med. Group*, No 2:07-CV-188, 2008 WL 151276, at *2 (E.D. Tex. Jan. 15, 2008); *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, No. 2:04-CV-359, 2006 WL 887391, at *2 (E.D. Tex. Mar. 28, 2006); *LG Elecs.*, 2007 WL 4411035, at *3; *Zoltar Satellite Sys., Inc. v. LG Elecs. Mobile Commc'ns Co.*, 402 F. Supp. 2d 731, 735-36 (E.D. Tex. 2005).

[2] AIPLA *Volkswagen amicus* brief at 2.

[3] The district court's order in *TS Tech* was issued on September 10, 2008, and the Fifth Circuit's *en banc* decision in *Volkswagen* was not issued until October 10, 2008. However, the earlier Fifth Circuit panel decision in *Volkswagen* was issued in 2007, *In re Volkswagen of Am., Inc.*, 506 F.3d 376 (5th Cir. 2007), and the Federal Circuit also cited that decision.

[4] The court also rejected the argument that Microsoft could not complain that litigating in Texas

would be inconvenient because it has already been involved in numerous patent infringement actions in the Eastern District of Texas.

[5] Morrison & Foerster represents plaintiff Novartis Vaccines and Diagnostics, Inc., in this action.