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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@portfoliomedia.com

Clarifying The Standard For Transfer In Eastern Texas

Law360, New York (March 10, 2010) -- The Eastern District of Texas has developed a reputation among patent practitioners as a plaintiff-friendly jurisdiction, making it a popular court for patent owners to file suit.

In many instances, the only connection to the Eastern District has been the fact that sales of allegedly infringing items are occurring there, although often sales of the accused products are taking place nationwide. Nevertheless, until recently, defendants had low odds of succeeding with transfer motions in the Eastern District.

However, in the wake of the Fifth Circuit's transfer ruling in In re Volkswagen of America Inc., 545 F.3d 304 (5th Circuit 2008), the Federal Circuit has taken the unprecedented step of granting four mandamus petitions from unsuccessful defendants seeking transfer out of the Eastern District of Texas.

In order to draw insights from the Federal Circuit's application of the transfer factors, this article first reviews the rulings in In re TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008), and In re Genentech Inc., 566 F.3d 1338 (Fed. Cir. 2009), and then focuses on the recent grants of mandamus this past December in In re: Hoffmann-La Roche Inc., Misc. No. 911, 2009 WL 4281965 (Fed. Cir. Dec. 2, 2009) and In re Nintendo, Misc. No. 914, 2009 WL 4842589 (Fed. Cir. Dec. 17, 2009).

Taken together, these decisions make clear that, where a more convenient forum exists in terms of access to witnesses and documents, the mere fact of allegedly infringing sales in the district is an insufficient basis to deny transfer.

In addition, the decisions in Hoffmann-La Roche and Nintendo demonstrate that transfer motions cannot be rejected out of hand in so-called "decentralized" cases, where parties, witnesses and documents are spread throughout the country.

Volkswagen, TS Tech and Genentech — Analysis of the Fifth Circuit Transfer Factors in Patent Cases

In Volkswagen, a products liability case, the Fifth Circuit gave transfer motions in the Eastern District of Texas new life, by making clear that district courts must fully analyze the usual private and public transfer factors.

The private interest factors include the relative ease of access to sources of proof, the availability of compulsory process, the cost of attendance for willing witnesses, and all other practical problems that make a case easy, expeditious and inexpensive.

With respect to the cost of attendance for willing witnesses, the Volkswagen decision noted 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.

The public interest factors include the administrative difficulties flowing from court congestion, the local interest in having localized interests decided at home, the familiarity of the forum with the law that will govern the case, and the avoidance of unnecessary problems of conflicts of law or in the application of foreign law.

In the wake of the Volkswagen decision, it became clear that a full analysis under Fifth Circuit transfer law had to be applied in the patent context as well.

In TS Tech, the Federal Circuit granted a mandamus petition and ordered the case to be transferred to the Southern District of Ohio, explaining that the district court's denial of defendant's transfer motion was improper, where, among other things, the district court disregarded Fifth Circuit precedent, including the 100-mile rule, and glossed over the fact that not a single relevant factor favored the plaintiff's chosen venue.

The evidence was mainly located in Ohio, and the key witnesses all lived in Ohio, Michigan and Canada. None of the parties were incorporated in Texas or had offices located in the Eastern District of Texas.

The Federal Circuit next considered a mandamus petition for transfer from the Eastern District of Texas in Genentech. In that case, a German company, Sanofi-Aventis, brought suit against Genentech, headquartered in San Francisco, Calif., and Biogen Idec Inc., which has facilities in San Diego, Calif.

Genentech and Biogen made two principal arguments in favor of transfer. First, at least 10 potential material witnesses resided in the Northern District of California, and at least four additional potential witnesses were residents of California. Second, all of defendants' development and marketing documents were either in the Northern District of California or in San Diego.

In denying the motion to transfer, the district court reasoned that although several witnesses lived in the Northern District of California, none were identified as "key witnesses." The district court also noted that Texas was a central physical location for the parties and witnesses, located both in the US and abroad.

The Federal Circuit granted the mandamus petition and ordered the case transferred to the Northern District of California.

With respect to the district court's emphasis on its "centralized location," the Federal Circuit stated that no identified witness was a resident of Texas, let alone a resident of the Eastern District of Texas, and that the district court improperly used its centralized location as a consideration in the absence of witnesses within the district.

The Federal Circuit explained that the district court also erred in holding that the convenience of witnesses factor would only favor transfer if the location would be more convenient for all of the identified witnesses.

The Federal Circuit concluded that in light of the witnesses, parties, evidence, compulsory attendance and local interest, the Northern District of California was clearly a more convenient forum.

Hoffmann-La Roche and Nintendo — A "Decentralized" Case Is Not a Sufficient Basis to Deny Transfer

In Hoffmann-La Roche and Nintendo, the Federal Circuit further emphasized that the "decentralized" nature of a case is not a sufficient justification to deny transfer motions.

In Hoffmann-La Roche, the district court squarely ruled that the "decentralized" nature of the case made transfer improper. Roche had moved to transfer to the Eastern District of North Carolina, arguing that there were no witnesses or any sources of proof within 100 miles of the Eastern District of Texas.

Roche further argued that most of the key documentary evidence was found in the Eastern District of North Carolina, and that a trial in that district would be far more convenient for employee witnesses of a Roche corporate partner, as well as for four non-employee witnesses who resided within 100 miles of the district.

Plaintiff Novartis opposed the motion, arguing that the Eastern District of Texas was appropriate because the parties, sources of proof, and witnesses were spread throughout the country. In the course of briefing the transfer motion, the parties identified 25 potential witnesses spread throughout the United States and Europe.

In applying the public and private interest factors, the Federal Circuit determined that transfer was proper. In comparing the Eastern District of Texas with the Eastern District of North Carolina, it found a stark contrast in relevance, convenience, and fairness between the two locations.

The Federal Circuit noted that the accused drug was developed and tested within the Eastern District of North Carolina and documents and sources of proof remained there.

Furthermore, the Federal Circuit found that the Eastern District of North Carolina had a strong local interest in the case, since the cause of action potentially affected several individuals living in or near the district, who likely work in the community.

In addition, at least four nonparty witnesses resided within 100 miles of the Eastern District of North Carolina, and they could all be compelled to testify if the case were transferred.

Notably, the Federal Circuit rejected plaintiff's assertion that relevant documents were located in the Eastern District because they had been sent to local counsel to be produced in the case. In this regard, the Federal Circuit emphasized the lack of connection between the case and the Eastern District of Texas.

In reviewing the district court's subpoena power, and its assessment of convenience to the witnesses, the Federal Circuit noted that the district court could only compel one potential nonparty witness to testify at trial, and could only do so by requiring her to travel more than 100 miles to attend trial.

In contrast, the Eastern District of North Carolina had the power to compel at least four potential nonparty witnesses, and could do so without similar inconvenience to those witnesses. Thus, the Federal Circuit concluded that the district court erred in failing to weigh this factor in favor of transfer.

In Nintendo, the defendant argued that the case should be transferred to the Western District of Washington because the physical and documentary evidence was mainly located in that district and in Japan. None of the parties were incorporated in Texas or had offices in Texas, no witnesses resided in Texas, and no evidence was located in Texas.

The district court denied Nintendo's motion, assuming that Nintendo's relevant documents were equally spread between its headquarters in Japan and Washington, and minor satellite offices in California and New York. Accordingly, the district court stated that the Eastern District could act as a centralized location.

The Federal Circuit granted Nintendo's petition for mandamus and transferred the case to the Western District of Washington. In so ruling, the Federal Circuit again emphasized that the convenience and cost of attendance for witnesses is an important factor in the transfer analysis, finding that the district court incorrectly assessed the 100-mile rule.

In considering the ease of access to relevant proof, the Federal Circuit noted that neither party had any relevant documentation or any other evidence in the Eastern District of Texas, and that all of Nintendo's research and development documents were located in Japan.

The Federal Circuit again cited Genentech for the proposition that it is improper to consider the centralized location of the Eastern District of Texas when no identified witness resides in the district. Because most evidence resided in Washington or Japan, with none in Texas, the Federal Circuit found that the district court should have weighed this factor heavily in favor of transfer.

Conclusion

Given the recent guidance from the Federal Circuit in Hoffmann-La Roche and Nintendo, defendants in the Eastern District of Texas, even those with "decentralized" cases, should seriously consider filing transfer motions in appropriate cases. In considering such a motion, these cases provide the following guidance:

1) It is improper to consider the centralized location of the Eastern District of Texas as a factor weighing against transfer when no witnesses reside there.

2) As a general proposition, the bulk of relevant evidence in patent infringement cases comes from the accused infringer; thus the place that such documents are kept weighs in favor of transfer to that location.

3) Transferring documents from their regularly kept location to the Eastern District of Texas will not help defeat a transfer motion.

4) Where the allegedly infringing product is being sold nationwide, the fact that such sales are also occurring in the Eastern District of Texas will not, by itself, suffice to prevent transfer.

5) Where most witnesses and evidence are closer to the transferee forum, with few or no convenience factors favoring the plaintiff's chosen venue, a motion for transfer should be granted.

In assessing the merits of filing a transfer motion, and in analyzing the public and private interest factors, defendants should focus particular attention on the location of key physical and documentary evidence, as well as the location of primary witnesses, to assess whether the case has any meaningful connection to the Eastern District of Texas.

Finally, in choosing where to bring suit, patent plaintiffs must now weigh the risk of losing a transfer motion against the perceived benefits of filing in the Eastern District.

--By Robert J. Gunther Jr. and James P. Barabas, WilmerHale

Bob Gunther is a partner and Jim Barabas is a counsel at WilmerHale in the firm's New York office.

WilmerHale represents several of the litigants in the cases discussed herein in unrelated matters.

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