



December 30, 2008

CLIENT ALERT

Federal Circuit Addresses Standard for Transferring Case Out of E.D. Texas

An order issued by the Federal Circuit on December 29 presages what may be easier get-out-of-Texas routes for defendants sued in the Eastern District of Texas, especially in cases where neither party to the suit has contacts with the district other than selling accused product there.

In *In re TS Tech USA Corp.* (Misc. Dkt. No. 888, Fed. Circ. Dec. 29, 2009), the Federal Circuit granted a writ of mandamus directing E.D. Texas Judge John T. Ward to vacate an order denying accused infringer TS Tech's motion to transfer a patent infringement lawsuit. Plaintiff-patentee Lear Corp. filed the underlying complaint in the Eastern District of Texas alleging that TS Tech had infringed Lear's patented pivotally attached vehicle headrest technology. TS Tech later moved pursuant 28 U.S.C. §1404(a) to transfer the case to the Southern District of Ohio arguing it was the "far more convenient venue to try the case" given its proximity to the evidence and because the case had "no meaningful connection" to the Eastern District of Texas. Lear countered – and Judge Ward agreed – that venue was appropriate because TS Tech's inconvenience was outweighed by Lear's right to choose the forum, and because the citizens of the Eastern District of Texas had a "substantial interest" in having the case tried locally since several vehicles incorporating the accused technology had been sold there.

Dissatisfied with Judge Ward's ruling, TS Tech sought a writ of mandamus from the Federal Circuit on grounds that "the district court ignored precedent and clearly abused its discretion by refusing to transfer the case despite no connection between the case and the Eastern District of Texas except Lear's decision to file this suit in that venue." Under the appropriate regional circuit law (here, 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." A number of "private" and "public" interest factors are part of this considered. 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. Public interest factors include: (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.

The Federal Circuit reviewed the evidence and found Judge Ward properly had given no weight to several of the factors that were neutral on the facts presented, but had also committed the following "key" errors:

First, the district court had given inordinate weight to Lear's choice of venue by weighing it as a "factor" against transfer. The Federal Circuit reasoned that, although a plaintiff's choice of venue is accorded deference, Fifth Circuit precedent "clearly forbids" treating that choice as a "distinct factor" in the §1404(a) analysis.

Second, the district court had improperly discounted the inconvenience and cost of attendance for witnesses, and specifically, had “completely disregarded” the Fifth Circuit’s 100-mile rule that requires this factor be given increased weight in direct relationship to the distance witnesses must travel above and beyond 100 miles as between the existing and proposed venues. All of the identified key witnesses were in Ohio, Michigan, and Canada – and would need to travel 900 more miles to attend trial in Texas than in Ohio.

Third, the district court had improperly “read out” of its analysis the relative ease of access to proof by reasoning that the documentary evidence was available electronically, and thus, of much less significance. Citing Fifth Circuit precedent, the Federal Circuit reasoned that this factor is not superfluous merely because some sources of proof may be less inconvenient than they once were (such as, e.g., electronically-stored documents). The vast majority of physical and documentary evidence – including the accused headrests – were “far more conveniently” located near the Ohio venue; no evidence was located in Texas.

Finally, the district court had disregarded precedent that “unequivocally rejected” the conclusion that citizens of the Eastern District of Texas have a “substantial interest” in having the case tried locally. Citing a recent Fifth Circuit decision, the Federal Circuit reasoned that because the accused headrests were sold throughout the United States, “the citizens of the Eastern District of Texas have no more or less of meaningful connection to this case than any other venue.” Although certain vehicles containing the accused headrests had been sold there, none of the companies had any office in the Eastern District of Texas, no identified witnesses resided there, and no evidence was located in the venue. Instead, the vast majority of identified witnesses, evidence and relevant events involved Ohio or its neighboring state of Michigan.

Based on the foregoing, the Federal Circuit ordered the case transferred to the Southern District of Ohio.

Although the decision applied Fifth Circuit law, it is of special interest in view of the number of patent infringement lawsuits filed in that Circuit, in the Eastern District of Texas.

If you have any questions please contact a member of Woodcock Washburn's Litigation Service Group. Further questions may also be directed to Richard B. LeBlanc(rleblanc@woodcock.com) or Dianne B. Elderkin (elderkin@woodcock.com).

About Woodcock Washburn LLP

Woodcock Washburn LLP, with offices in Atlanta, Philadelphia, and Seattle, has specialized in intellectual property law since 1946. Rated as one of the top IP law firms in the United States by IP Law & Business, the Firm was also named the top intellectual property firm in Pennsylvania by Chambers USA. The Firm's lawyers and scientific advisors provide national and international clients a full range of services that include litigation, patent procurement, IP strategies, trademarks & copyrights, licensing, and open source software standards across a wide range of industries and technologies. For more information: www.woodcock.com.

###