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INTELLECTUAL PROPERTY LAW

Intellectual Property Advisory:

Federal Circuit Grants Mandamus Relief in *In re TS Tech USA Corp. et al.* for Refusal to Transfer Case from the Eastern District of Texas

By Timothy C. Meece[1]

On December 27, 2008, the U.S. Court of Appeals for the Federal Circuit issued its decision in *In re TS Tech USA Corporation, TS Tech North America, Inc., and TS Tech Canada, Inc.* In this decision, the Federal Circuit granted mandamus, holding that the district court "clearly abused its discretion in denying transfer of venue [from the Eastern District of Texas] to the Southern District of Ohio." The underlying rationale of this decision may sound the death knell for the Eastern District of Texas as the go-to jurisdiction for patent litigation and may encourage defendants involved in pending litigation in that district to file transfer motions.

The District Court Proceedings

On September 14, 2007, Lear Corporation filed suit against TS Tech USA Corporation *et al.* in the Marshall Division of the Eastern District of Texas and the case was assigned to Judge Ward.

Lear's complaint for patent infringement alleged that TS Tech had been making and selling infringing pivotal headrest assemblies to Honda Motor Co., Ltd. The complaint further alleged TS Tech knowingly and intentionally induced Honda to infringe the patent by selling the headrest assemblies in their vehicles throughout the United States, including in the Eastern District of Texas.

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Shortly after the suit was filed, TS Tech moved to transfer venue of the case to the Southern District of Ohio. TS Tech argued that the Southern District of Ohio was a far more convenient venue to try the case because (1) the physical and documentary evidence was located primarily in Ohio, (2) the key witnesses lived in Ohio, Michigan, and Canada, (3) no party was incorporated in Texas, (4) no party had an office located in the Eastern District of Texas, and (5) there was no meaningful connection between the venue and the case.

Lear opposed the transfer motion and argued that the Eastern District of Texas was the proper venue because several Honda vehicles containing the accused product had been sold in Texas.

Judge Ward sided with Lear and denied transfer. The district court found that TS Tech had failed to demonstrate that the inconvenience to the parties and witnesses clearly outweighed the deference entitled to Lear's choice of bringing suit in the Eastern District of Texas. Judge Ward further found that because several vehicles with TS Tech's accused product had been sold in the venue, the citizens of the Eastern District of Texas had a "substantial interest" in having the case tried locally.

Thereafter, TS Tech filed a petition for a writ of mandamus with the Federal Circuit.

The Federal Circuit's Analysis

Although a writ of mandamus is only available "in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power," the Federal Circuit determined that the district court clearly abused its discretion in refusing to transfer the case.

In reaching its conclusion, the Federal Circuit applied the law of the regional circuit in which the district court resides (*i.e.,* the Fifth Circuit), because the petition did not involve substantive issues of patent law. The Court explained that motions to change venue in patent cases, as in other civil cases, are governed by 28 U.S.C. § 1404(a), which provides that "[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to another district court or division where it might have been brought." The Court further explained that, based on the Fifth Circuit's recent *en banc* decision of *In re Volkswagen of Am., Inc.*, transfer motions should be granted upon a showing that the transferee venue is "clearly more convenient" than the venue chosen by the plaintiff.

As explained by the Fifth Circuit in *In re Volkswagen of Am., Inc.*, the "private" and "public" factors to be considered when evaluating § 1404(a) venue transfer questions 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; (4) all other practical problems that make a trial easy, expeditious and inexpensive; (5) the administrative difficulties flowing from court congestion; (6) the local interest in having localized interests

decided at home; (7) the familiarity of the forum with the law that will govern the case; and (8) the avoidance of unnecessary problems of conflicts of laws or in the application of foreign law.

In applying these factors, the Federal Circuit determined that the district court gave too much weight to the plaintiff's choice of venue. In particular, while the plaintiff's choice of venue is accorded deference, Fifth Circuit precedent clearly forbids treating the plaintiff's choice as a distinct factor in the analysis under 28 U.S.C. § 1404(a).

The Federal Circuit further held that the district court ignored precedent in accessing the cost of attendance for witnesses. This is because the district court disregarded the Fifth Circuit's "100-mile rule," which provided that "[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."

The district court also erred by reading out of the analysis the relative ease of access to sources of proof. Despite the fact that the vast majority of physical and documentary evidence was located in Ohio, Michigan, and Canada, and none of the evidence was located in Texas, the district court determined that this factor was insignificant, because some documents were stored electronically and therefore could be transported easily. However, the Federal Circuit noted that because all of the physical evidence, including the headrests and the documentary evidence, were far more conveniently located near the Ohio venue, the district court erred in not weighing this factor in favor of transfer.

Finally, and most notably, the Federal Circuit highlighted the district court's erroneous analysis regarding the public's interest in having localized interests decided at home. The Federal Circuit explained that there was no relevant connection between the actions giving rise to this case and the Eastern District of Texas except that certain vehicles containing the accused product were sold in the venue. No evidence, parties, or witnesses were located in the venue. In contrast, the vast majority of identified witnesses, evidence, and events leading to this case involve Ohio or its neighboring state of Michigan. The Federal Circuit further explained that the vehicles containing the accused product were sold throughout the United States, and thus the citizens of the Eastern District of Texas have no more or less of a meaningful connection to this case than any other venue.

Based on the foregoing, the Federal Circuit determined that mandamus relief was warranted and held that the district court "clearly abused its discretion in denying transfer of venue to the Southern District of Ohio."

Author's Opinion Regarding Future Litigation in E.D. Texas

In this author's opinion, this decision by the Federal Circuit may sound the death knell for future patent litigation in the Eastern District of Texas. This is because there is often no

meaningful connection between the Eastern District of Texas and the patent cases that are filed there. Physical evidence, documentary evidence, key witnesses, a party's office(s), and a party state of incorporation are located typically in other state(s). Consequently, the "private" factors[2] to be considered under § 1404(a) will typically favor litigating a case somewhere other than the Eastern District of Texas. Similarly, the "public" factors[3] often will be neutral because they will neither favor nor oppose transfer to another venue.

At a minimum, this decision will likely encourage defendants involved in pending litigation in the Eastern District of Texas to file transfer motions in an effort to escape what many trial attorneys believe is a pro-plaintiff district.

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[2] The "private" factors are (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.

[3] The "public" factors 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.