

Fifth Circuit Decision on Transfer Standard May Impact Patent Cases

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Motions for Transfer in the Eastern District of Texas

The Fifth Circuit recently issued a decision that may have implications for patent cases filed in the Eastern District of Texas. It has been a common belief among defendants sued in the Eastern District that motions for transfer are rarely granted. The statistics tend to support this belief. Over the past 17 years, the national success rate for motions to transfer has been 47.7%. In the Eastern District of Texas, motions to transfer cases to another district have been granted only 33.1% of the time over the same period.¹ This makes the Eastern District the second most difficult district in the nation from which to get a case transferred.

This perceived reluctance to transfer cases has become a particular concern to defendants in patent infringement actions. It is well known that the Eastern District of Texas is a center for patent litigation—according to the most recent data, 368 patent cases were filed in 2007 in the district, making it the most active district in the country for patent litigation.² Defendants in many of these cases have little or no direct contact with the Eastern District and, thus, often seek to transfer the case to another district pursuant to 28 U.S.C. § 1404. In a recent *en banc* decision, the Fifth Circuit may have made it easier for defendants filing such motions to be successful.

In re Volkswagen Appears to Change the Standard

In *In re Volkswagen*,³ the Fifth Circuit granted Volkswagen's petition for mandamus review of an Eastern District of Texas trial court's denial of a defendant's motion to transfer. The underlying case, *Singleton v. Volkswagen of America, Inc.*,⁴ is a product liability action stemming from a traffic accident in Dallas.⁵ The plaintiffs brought suit in the Eastern District and Volkswagen moved to transfer the case to the Northern District of Texas, Dallas Division.⁶ Volkswagen argued that transfer was warranted due to (1) the location of documents and physical evidence relating to the accident, (2) the availability of

¹ LegalMetric, *LegalMetric Transfer Motions in Patent Cases Excerpt: January, 1991 to May, 2008*, at 3, http://www.legalmetric.com/nationwide/patent/nplr_transfer_excerpt.pdf.

² Based on a CourtLink® search of cases filed with a nature of suit code of "830" (patents) for the period January 1, 2007 through December 31, 2007.

³ No. 07-40058, slip opinion (5th Cir. October 10, 2008).

⁴ No. 2:06-CV-222-TJW (E.D. Tex.).

⁵ *In re Volkswagen*, No. 07-40058, slip op. at 2 (5th Cir. October 10, 2008).

⁶ *Id.*

compulsory process, (3) the cost of attendance for willing witness, and (4) the local interest.⁷ The trial court denied transfer, concluding that (1) access to sources of proof was a neutral factor, (2) the ability of a court to deny a motion to quash and compel attendance of third-party witnesses was a neutral factor, (3) the cost of having witness attend trial in Eastern District was minimal, and (4) citizens in the Eastern District “would be interested to know whether there are defective products for sale in close proximity” to the Eastern District.⁸

In a 10–7 *en banc* decision overruling the trial court’s denial, the Fifth Circuit held that

[w]hen viewed in the context of § 1404(a), to show good cause means that a moving party, in order to support its claim for a transfer, must satisfy the statutory requirements and clearly demonstrate that a transfer is ‘[f]or the convenience of the parties and witnesses, in the interest of justice.’ Thus, when the transferee venue is not clearly more convenient than the venue chosen by the plaintiff, the plaintiff’s choice should be respected. When the movant demonstrates that the transferee venue is clearly more convenient, however, it has shown good cause and the district court should therefore grant the transfer.⁹

In its decision, the Fifth Circuit adopted the private and public interest factors listed by the Supreme Court in *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947) (commonly referred to as “the *Gilbert* Factors”). From *Gilbert*, 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 trial of a case easy, expeditious, and inexpensive.” The 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 conflict of laws [in] the application of foreign law.”¹⁰

When applying the *Gilbert* Factors to the facts of this case, the Fifth Circuit disagreed with the district court’s analysis of each of the private factors. Since the physical evidence and the accident site are all in Dallas, the Fifth Circuit held that the district court’s approach “reads the sources of proof requirement out of the § 1404(a) analysis.”¹¹ Applying the second factor, the Fifth Circuit noted that, while the court may be able to deny a motion to quash or compel attendance, that reasoning did not address the convenience of the parties and witnesses.¹² The Fifth Circuit further held that the third factor, cost of attendance, weighed in favor of transfer. The only contested public factor was the local interest in resolution of the case,¹³ and again, the Fifth Circuit disagreed with the rationale that the residents of the Eastern District “would be interested to know” of defective products sold nearby, as this rationale could apply to “virtually any judicial district or division in the United States.”¹⁴ In light of the analysis, the Fifth Circuit held that the district court’s errors “resulted in a patently erroneous result” and ultimately granted Volkswagen’s writ for mandamus and ordered the case transferred to the Northern District of Texas, Dallas Division.¹⁵

⁷ *Id.* at 15.

⁸ *Id.* at 16.

⁹ *Id.* at 14.

¹⁰ *Id.* at 14–15.

¹¹ *Id.* at 16.

¹² *Id.* at 17.

¹³ *Id.* at 18–19.

¹⁴ *Id.* at 19.

¹⁵ *Id.* at 20.

What One Should Take Away From This Decision

Over the past 10 years, the Eastern District of Texas has become a venue of choice for plaintiffs filing patent infringement actions. Defendants who would like a case transferred face a difficult choice, because, rightly or wrongly, the district has acquired the reputation for not transferring cases. While the statistics do not support the “will never grant a transfer” reputation, the Eastern District’s grant rate is well below the nationwide average.

The Fifth Circuit’s decision in *In re Volkswagen* appears to alter the analysis trial courts in the Eastern District of Texas will need to follow when considering motions to transfer.¹⁶ However, it is not at all certain that this altered analysis will affect the percentage of transfer motions granted within the district—particularly in patent cases. In *In Re Volkswagen*, there was only one defendant to consider. This made the private factors the court considered very clear. Since many patent cases involve multiple defendants, it is unlikely that the private *Gilbert* Factors, when all of the defendants are taken into account, will lead to a single, more convenient venue. Moreover, *In re Volkswagen*’s nexus of facts centered on a single car accident that happened in the district where the defendant wanted the case transferred. Since most patent cases involve multiple acts of alleged infringement that have occurred both inside and outside the Eastern District, the same logic may not apply. Multidefendant patent cases will make this analysis even more complex.

Given these complications, it is unclear the extent to which *In re Volkswagen* will change the venue transfer calculus in patent cases. However, the Fifth Circuit has changed the standard, and both plaintiffs and defendants alike will need to consider *In Re Volkswagen* when making venue decisions.

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¹⁶ Although all patent cases are appealed to the Federal Circuit Court of Appeals, decisions concerning motions to transfer are governed by regional circuit law, i.e., the law of the Fifth Circuit for cases originating from a Texas district court. *See e.g., Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 836 (Fed. Cir. 2003).

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