Portfolio Media, Inc. | 648 Broadway, Suite 200 | New York, NY 10012 | www.law360.com
Phone: +1 212 537 6331 | Fax: +1 212 537 6371 | customerservice@portfoliomedia.com

Eastern Texas After TS Tech, Awaiting Genentech

Law360, New York (July 06, 2009) -- In the leading Federal Circuit case on venue transfer motions, TS Tech, the court applied Fifth Circuit precedent to the forum non conveniens factors and ordered a patent case transferred out of the Eastern District of Texas. In re TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008).

Since TS Tech, Eastern District courts have ruled on about a dozen contested transfer motions. While slightly more than half were granted — up from about one third prior to TS Tech — a review of these decisions shows that unless the case sought to be transferred is regional in nature, or another court already has experience with the patents-in-suit, then transfer has been unlikely.

The Federal Circuit's recent simultaneous grant of a mandamus transfer motion to remove a case from the Eastern District in In re Genentech, and denial of a second motion in In re Volkswagen, further define the contours of the standard for transferring cases under Fifth Circuit law.

Motions to Transfer under 28 U.S.C. § 1404(a)

Section 1404(a) governs motions to transfer and, assuming that the case could have been brought in the district to which transfer is sought, provides for a venue change upon a showing that the transferee venue is "clearly more convenient" than the venue chosen by the plaintiff.

In analyzing a motion to transfer, a district court weighs two categories of interests, the private interests (i.e., the convenience of the litigants) and the public's interest in the fair and efficient administration of justice, which together are referred to as the forum non conveniens factors.

Although not an exhaustive list, 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) other practical problems that make a trial easy, expeditious and inexpensive.

The “public interest” factors include: (1) administrative difficulties flowing from court congestion; (2) the interest in having localized interests decided at home; (3) the familiarity of the forum with the governing law; and (4) avoiding conflicts of laws or problems in applying foreign law.

While no factor alone is dispositive, an additional public interest consideration, judicial economy, usually weighs heavily when present, and is not considered in this discussion.

See In re Volkswagen of Am. Inc., 2009 U.S. App. LEXIS 10883, at *6 (Fed. Cir. May 22, 2009) (“[T]he existence of multiple lawsuits involving the same issues is a paramount consideration when determining whether a transfer is in the interest of justice.”).

Analysis of the Forum Non Conveniens Factors after TS Tech and Genentech

Since the Federal Circuit’s TS Tech decision, the courts of the Eastern District of Texas have issued at least 12 opinions deciding contested motions to transfer in which considerations of judicial economy did not play a major role (one of which was reversed in Genentech).

These decisions give insight into how Eastern District of Texas courts are treating the forum non conveniens factors in light of the Federal Circuit’s interpretation of Fifth Circuit precedent on motions to transfer.

Private Interest Factors

Relative Ease of Access to Sources of Proof

The TS Tech court specifically addressed this factor and left no doubt that when the bulk of the physical evidence and documents is located near the transferee venue, this factor should favor transfer. See, e.g., Fifth Generation Computer Corp. v. IBM, 2009 U.S. Dist. LEXIS 12502, at *12 (E.D. Tex. Feb. 13, 2009).

Both before and after TS Tech, however, the E.D. Texas courts have noted that most documents are now stored electronically and can be transmitted across the country with relative ease.

Moreover, where a case involves electronically stored information to begin with (for example, software code), then the location of the stored information is less important in a convenience analysis. See, e.g., Odom v. Microsoft, 596 F. Supp. 2d 995, 1000 (E.D. Tex. 2009).

However, in Genentech the Federal Circuit reiterated that the relative ease of transmitting documents electronically does not render this factor superfluous. In re Genentech Inc., 2009 U.S. App. LEXIS 10882, at *17-18 (Fed. Cir. May 22, 2009).

Thus, where defendants' documents would allegedly not have to be transported at all if transfer were granted, and other documents would have travel great distances regardless of venue, then this factor favors transfer.

Interestingly, none of the recent transfer decisions addresses document production, which frequently requires transmitting large amounts of documents to relatively disparate locations (usually based on the locations of counsel), regardless of venue.

Thus, analysis of this factor may remain in flux even after Genentech absent a clear "main" location of the documentary evidence.

Ability to Secure the Attendance of Witnesses

This factor concerns non-party witnesses who cannot be compelled to attend trial absent a transfer of venue. Genentech held that where no witnesses resided in the Eastern District of Texas, and the transferee venue had subpoena power over at least some witnesses, this factor should favor transfer. See, e.g., Invitrogen Corp. v. GE, 2009 U.S. Dist. LEXIS 9113, at *9 (E.D. Tex. Feb. 9, 2009).

Although this factor has sometimes been downplayed due to the speculative nature of identifying important witnesses early in a case, Genentech further clarified that, at this stage of the litigation, parties need only identify potential witnesses who possess relevant and material information.

Cost of Attendance for Witnesses

This factor considers the convenience of both party and nonparty witnesses, but with deference given to nonparty witnesses. The location of counsel should not be considered. This factor has been a primary focus of the recent Federal Circuit mandamus decisions.

First, TS Tech noted and applied the Fifth Circuit's "100-mile" rule: when the distance between an existing venue and a proposed venue is more than 100 miles, the relative inconvenience to witnesses increases directly with the additional distance to be traveled.

Decisions since TS Tech have struggled to apply the 100-mile rule, however, especially regarding distances to be travelled by overseas witnesses.

Perhaps not surprisingly, Genentech further addressed the 100-mile rule, noting that its application should not be rigid, especially for foreign witnesses who will be inconvenienced about equally regardless of where trial occurs in the U.S. Genentech

also pointed out that the transferee venue need not be more convenient for all of the witnesses.

Pursuant to TS Tech and Genentech, where a significant number of witnesses are located in the transferee forum, and none are in the Eastern District, this factor should favor transfer. See, e.g., Partsriver Inc. v. Shopzilla Inc., 2009 U.S. Dist. LEXIS 12482, at *7-8 (E.D. Tex. Jan. 30, 2009).

On the other hand, while the full effects of Genentech are not yet known, this factor will likely be treated as neutral when a significant number of witnesses are not concentrated in or near the transferee venue.

See, e.g., J2 Global Commc'ns Inc. v. Protus IP Solutions Inc., 2009 U.S. Dist. LEXIS 13210, at *4 (E.D. Tex. Feb. 20, 2009).

Moreover, this factor can be expected to disfavor transfer if at least some witnesses reside within the Eastern District.

Other Practical Problems that Make a Trial Easy, Expeditious and Inexpensive

While most courts do not find a reason to analyze this factor (or analyze these arguments under the other factors), Genentech clarified that courts may not consider unrelated suits previously filed in the Eastern District by the party requesting a transfer.

Public Interest Factors

Administrative Difficulties Flowing from Court Congestion

When the Eastern District of Texas patent docket was relatively fast, courts there often weighed this factor against transfer. See, e.g., Network-1 Sec. Solutions Inc. v. D-Link Corp., 433 F. Supp. 2d 795, 800-01 (E.D. Tex. 2006) (finding that this factor disfavored transfer because the Eastern District "is rarely beset with issues of congestion").

However, for the 12-month period ending Sept. 30, 2008, the median time to trial for civil cases in the Eastern District of Texas had grown to 21.1 months.

As a result, Eastern District courts more recently have been construing time-to-trial differences between the various districts as negligible, and treating this factor as neutral.

See, e.g., Invitrogen, 2009 U.S. Dist. LEXIS 9113, at *11 (finding this factor neutral even where the time-to-trial in the transferee district was 4.5 months longer); but see Sanofi-Aventis Deutschland GmbH v. Genentech Inc., 2009 U.S. Dist. LEXIS 22108, at *26-27, (E.D. Tex. Mar. 19, 2009) (finding that the median time-to-trial of 1.79 years in the E.D. Texas, versus 2.87 years in the N.D. Cal., weighed against transfer), rev'd on other grounds.

It remains to be seen whether the average time-to-trial will continue to increase in the Eastern District, and if so, whether courts there will begin to weigh this factor in favor of a transfer where the proposed transferee venue is significantly faster.

See, e.g., Novartis Vaccines & Diagnostics Inc. v. Hoffman La Roche Inc., 597 F. Supp. 2d 706, 714 (E.D. Tex. 2009) (finding this factor neutral where the time-to-trial was 1.5 months faster in the proposed transferee venue).

In any event, where several other factors favor transfer, Genentech makes clear that this factor cannot alone outweigh those other factors.

Local Interest in Having Localized Interests Decided at Home

This factor's analysis was substantially changed by TS Tech, which held that when a defendant sells products all over the country, no specific venue has a dominant interest in resolving the issue of patent infringement, and this factor should weigh neutrally.

Since TS Tech, this factor will typically be neutral, although it may favor transfer if the proposed transferee venue has identifiable ties to the parties, witnesses and events involved. See, e.g., Odom, 596 F. Supp. 2d at 1003.

Familiarity of the Forum with the Law that will Govern the Case

Since essentially all potential transferee forums are familiar with patent law, this factor weighs neutrally.

Avoidance of Unnecessary Problems of Conflicts of Laws

As federal patent law will apply to most, if not all, of the issues in a patent infringement case, there is no conflict of laws problem, and this factor weighs neutrally.

Take-Aways on Transfer Motions in the Eastern District of Texas

Since the Federal Circuit's decision in TS Tech, at least 12 opinions have issued from the Eastern District of Texas deciding contested transfer motions under § 1404(a), with half being granted and half denied.

One of the denials was subsequently reversed in Genentech, for a transfer rate of about 58 percent.

This rate is noticeably higher than the roughly 33 percent grant rate in transfer decisions issued prior to TS Tech, and is even more striking considering that most of the cases transferred before TS Tech involved significant considerations of judicial economy, while such cases were excluded from this post-TS Tech analysis (this analysis also does not attempt to capture cases that were voluntarily transferred, or that were filed elsewhere to begin with, in the wake of TS Tech.)

Of the motions granted, the movant was able to identify a locus of evidence and witnesses within or near the transferee forum. Under such TS Tech-like conditions, defendants can reasonably expect a transfer motion to be granted.

By way of contrast, of the motions denied to date, the Eastern District courts most often relied upon the wide dispersal of the parties, witnesses and evidence across the country or world to undercut the movants' allegations of a clearly more convenient venue.

While the analysis under § 1404(a) will undoubtedly further evolve as more transfer motions are decided in view of TS Tech and Genentech, some messages for plaintiffs and defendants are already clear: to stay in the Eastern District, plaintiffs should establish a basis for arguing that the Eastern District is at least as convenient as another venue where suit might have been brought; and to transfer a case from the Eastern District, defendants should identify what evidence and witnesses are likely to be involved in a case, and show that such evidence and witnesses are more conveniently located to the proposed transferee venue.

Based on the Eastern District's post-TS Tech decisions to date, and at least until the full effects of Genentech become clear, a moving defendant is best served by attempting to establish a "regional" nature of the case to refute plaintiff's choice of venue in the Eastern District of Texas.

--By Michael R. Houston, Foley & Lardner LLP

Mike Houston is an associate with Foley & Lardner in the firm's Chicago office. He was assisted on this article by Foley partner Greg S. Norrod, also in the firm's Chicago office.

The opinions expressed are those of the author and do not necessarily reflect the views of Portfolio Media, publisher of Law360.