

**Keywords:** patent infringement; transfer of venue; *forum non conveniens*; 28 U.S.C. § 1404(a)

**General:** The Federal Circuit ordered the U.S. District Court for the Eastern District of Texas to vacate an order denying defendant's motion to transfer venue to the Southern District of Ohio after finding that the District Court clearly erred in its *forum non conveniens* analysis based upon Fifth Circuit precedent.

*In re TS Tech USA Corp.*

Misc. Docket No. 888 (Fed. Cir. December 29, 2008)

**I. Facts**

On September 14, 2007, Lear Corporation ("Lear") initiated suit against TS Tech USA Corporation ("TS Tech") in the Eastern District of Texas, alleging infringement of a United States patent owned by Lear and relating to pivotal vehicle headrest assemblies. Specifically, Lear's complaint stated that TS Tech was infringing its patent by making and selling the allegedly infringing headrest assemblies to Honda Motor Company, Ltd. Lear further asserted that TS Tech knowingly and intentionally induced Honda to infringe its patent by selling vehicles having the allegedly infringing headrest assembly throughout the United States, including in the Eastern District of Texas.

On December 27, 2007, TS Tech filed a motion pursuant to the 28 U.S.C. § 1404(a) to transfer venue of the case from the Eastern District of Texas to the Southern District of Ohio. TS Tech's argument that the Southern District of Ohio was a more convenient venue to try the case was based on three primary points. First, TS Tech noted that substantially all of the physical and documentary evidence was located in Ohio. Second, TS Tech noted that the majority of key witnesses involved in the case lived either in Ohio, Michigan, or Canada. Additionally, TS Tech noted that neither of the parties were incorporated in Texas or had offices located in the Eastern District of Texas and, therefore, there was no meaningful connection between the venue and the case.<sup>1</sup>

On September 10, 2008, the District Court for the Eastern District of Texas ("District Court") denied TS Tech's motion to transfer venue. In its decision, the court stated that TS Tech had failed to demonstrate that any potential inconvenience to the parties and witnesses clearly outweighed the deference entitled to Lear's choice of initiating suit in the Eastern District of Texas. The court further concluded that the Eastern District of Texas had a "substantial interest" in trying the present case locally due to the fact that several vehicles including the allegedly infringing headrest assemblies had been sold within the venue. Thereafter, TS Tech filed a petition for a writ of mandamus to the Court of Appeals for the Federal Circuit. In the petition, TS Tech contended that the District Court ignored regional precedent and clearly abused its discretion by refusing to transfer the present case despite there being no connection between the case and the venue other than the plaintiff's decision to file suit therein.

**II. Issues**

Did the District Court err in denying TS Tech's motion to transfer venue from the Eastern District of Texas to the Southern District of Ohio?

**III. Discussion**

Yes. A change of venue in a patent case, like any other civil case, is governed by 28 U.S.C. § 1404(a), which states, in relevant part, "for 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." Further, because the petition did not involve substantive issues of patent law, the Federal Circuit reasoned that Fifth Circuit precedent regarding

<sup>1</sup> Lear is a Delaware corporation having its principal place of business in Michigan. TS Tech is an Ohio corporation having its principal place of business in Reynoldsburg, Ohio, which is located in the Southern District of Ohio. TS Tech also has a foreign subsidiary that is registered as a Canadian corporation having a principal place of business in Ontario, Canada.

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transfer of venue under Section 1404(a) applied. Therefore, following Fifth Circuit precedent established in the case of *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 315 (5th Cir. 2008) (en banc), the Federal Circuit noted that a motion to transfer venue should be granted upon showing that the transferee venue is “clearly more convenient” than the venue chosen by the plaintiff. In deciding whether an alternate venue is clearly more convenient than a chosen venue, the Fifth Circuit weighs such a decision based upon a set of public and private factors for determining *forum non conveniens*. The private interest factors considered 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.

The public interest factors considered 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 with conflicts of laws or in the application of foreign law.

Upon review, the Federal Circuit first found that the District Court was correct in affording no weight to some of the above-listed factors in analyzing the facts of the present case. For instance, the Federal Circuit noted that the District Court was correct in deciding that the factors pertaining to (1) the availability of compulsory process, (2) the possibility of delay and prejudice in granting the transfer, and (3) the administrative difficulties due to court congestion, were all neutral with respect to both venues. The Federal Circuit also agreed that the District Court was correct in concluding that it was in no better position than the Southern District of Ohio in deciding issues of patent law. However, despite correctly applying the above factors, the Federal Circuit concluded that the District Court’s analysis under Section 1404(a) did contain several key errors.

First, the District Court gave too much weight to Lear’s choice of venue. In its decision, the District Court essentially weighed Lear’s choice of venue as a factor against transfer, thus affording it considerable deference. However, Fifth Circuit precedent established in *Volkswagen* clearly forbids treating the plaintiff’s choice of venue as a distinct factor in a Section 1404(a) analysis. *Volkswagen*, 545 F.3d at 314. Instead, the plaintiff’s choice of venue merely equates to a burden that a moving party, here TS Tech, must meet in order to demonstrate that the transferee venue, the Southern District of Ohio, is a clearly more convenient venue.

Second, the District Court ignored Fifth Circuit precedent with regard to assessing the cost of attendance for witnesses. The Fifth Circuit previously established a “100-mile rule” requiring that “when the distance between an existing venue for trial of the matter and a proposed venue under Section 1404(a) is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled.” *In re Volkswagen AG*, 371 F.3d 201, 204-05. Here, the Federal Circuit found that the District Court completely disregarded the 100-mile rule. As mentioned above, the majority of key witnesses in the present case are located in Ohio, Michigan, and Canada and, therefore, these witnesses would have to travel approximately 900 additional miles in order to attend trial in Texas as opposed to Ohio. As such, the Federal Circuit concluded that the District Court’s disregard of the 100-mile rule and its refusal to considerably weigh this factor in favor of TS Tech’s motion to transfer venue was clearly erroneous.

Third, the Federal Circuit found that the District Court also erred in its analysis regarding the relative ease of access to sources of proof. As acknowledged in the District Court’s order, the vast majority of physical and documentary evidence relating to the case was located in Ohio, Michigan, and Canada. In its analysis, however, the District Court weighed this factor as being neutral, reasoning that because many of the documents in question were stored electronically, the increased ease of storage and transportation makes this factor much less significant. The Federal Circuit found that this logic contradicted the Fifth Circuit’s finding in *Volkswagen*, in which it was established that “the fact that access to some sources of proof presents a lesser inconvenience now than it might have absent recent

developments does not render this factor superfluous.” *Volkswagen*, 545 F.3d at 316. Thus, because all of the physical evidence, including the headrests and the documentary evidence, are more conveniently located near the Ohio venue, the Federal Circuit concluded that the District Court erred in not weighing this factor in favor of transferring venue.

Lastly, the District Court further disregarded Fifth Circuit precedent in deciding that the public interest factor in having localized interests decided at home should be weighed against the transfer of venue. In the present case, the Federal Circuit found that there was no relevant connection between the actions which gave rise to this dispute and the venue selected by Lear, except that certain vehicles containing TS Tech’s allegedly infringing headrest assembly were sold in the venue. The Federal Circuit noted that neither party had an office in the Eastern District of Texas and that none of the evidence or identified witnesses was located in the venue. Instead, as discussed above, the vast majority of identified witnesses, evidence and events leading to this case are tied to Ohio or its neighboring state of Michigan. Despite these facts, the District Court concluded, in direct contradiction to Fifth Circuit precedent, that this factor weighed against transferring venue. The District Court’s reason for concluding that the public interest factor weighed against transfer was that the citizens of the Eastern District of Texas had a substantial interest in having the case tried locally because several of the vehicles were sold in that venue. However, this line of reasoning was unequivocally rejected by the Fifth Circuit in *Volkswagen* under similar facts. In the present case, the vehicles which contain TS Tech’s allegedly infringing headrest assemblies were sold throughout the *entire* United States and, therefore, the citizens of the Eastern District of Texas have no more or less of a meaningful connection to this case than any other venue in which such vehicles were sold. That is, based on the District Court’s reasoning, such rationale could apply virtually to *any* judicial district or division in the United States. Accordingly, the Federal Circuit concluded that the District Court also erred by weighing the public interest factor against venue transfer.

#### IV. Conclusion

Because the present petition was in the form of a writ of mandamus (as opposed to an ordinary appeal), the Federal Circuit emphasized that TS Tech, as the petitioner, must meet a higher burden of demonstrating that the District Court’s denial to transfer venue was a *clear* abuse of discretion, such that the refusal of the requested transfer produced a patently erroneous result. In deciding whether such a clear abuse of discretion occurred, the Federal Circuit compared the District Court’s errors to the facts of *Volkswagen*. In *Volkswagen*, the Fifth Circuit found that the District Court for the Eastern District of Texas clearly abused its discretion in denying transfer from a venue with no meaningful ties to the case because it:

1. applied too strict of a standard to demonstrate transfer;
2. misconstrued the weight of the Plaintiff’s choice of venue;
3. treated choice of venue as a Section 1404(a) factor;
4. misapplied one or more of the forum non conveniens factors;
5. disregarded Fifth Circuit precedent including the 100- mile rule; and
6. glossed over the fact that not a single relevant factor favored the plaintiff’s chosen venue.

The Federal Circuit concluded that the District Court’s errors in the present case were essentially identical to the errors committed by the District Court in *Volkswagen*. Therefore, the Federal Circuit concluded that the District Court clearly abused discretion and, therefore, granted TS Tech’s petition for a writ of mandamus, and ordered the District Court to vacate its order denying transfer and to transfer the case to the United States District Court for the Southern District of Ohio.