Litigation Alert

The Federal Circuit Issues Writ of Mandamus to Transfer Patent Suit from the Eastern District of Texas

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MICHAEL J. SACKSTEDER, RYAN J. MARTON AND GUINEVERE JOBSON

FENWICK & WEST LLP

The Federal Circuit has taken away another tool used by patent plaintiffs to keep lawsuits in the Eastern District of Texas in spite of motions to transfer by defendants. "Non-practicing entities" (known as NPEs or sometimes by a more disparaging term) often attempt to make their lawsuits "stick" in the Eastern District by incorporating in Texas and/or by establishing a "headquarters" in that district. (One of the authors has considered performing an empirical study of how many NPEs list their address as 104 E. Houston Street in Marshall, Texas. 104 E. Houston Street is located next door to the Federal courthouse in Marshall). When considering venue transfer motions, Eastern District judges had previously declined to examine whether such tactics were motivated by litigation strategy or by other considerations. A recent Federal Circuit ruling changes that.

On November 8, 2010, the Federal Circuit in *In re Microsoft Corp., No. 944* (Fed. Cir. Nov. 8, 2010) granted Microsoft's petition for a writ of mandamus finding the District Court's denial of Microsoft's motion to transfer pursuant to 28 U.S.C. §1404(a). The Federal Circuit determined that the denial was a clear abuse of discretion and ordered the case to be transferred to the Western District of Washington as the more convenient forum. This decision is the most recent in a line of Federal Circuit decisions ordering transfer out of the Eastern District of Texas. *See e.g., In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009) (transfer ordered where plaintiff had no contact with the district); *In re Hoffmann-La Roche, Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (rejecting a plaintiff's litigation-inspired attempts to create contacts in the jurisdiction for purposes of manipulating venue); *In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009) (the trial court failed to perform a meaningful analysis of the factors relating to the convenience of the parties and witnesses); *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008) (all key witnesses and sources of proof were in transferee forum). In this decision, the Federal Circuit confirmed that tactics designed to establish a presence in a district for the sole (or primary) purpose of maintaining venue there should be rejected.

In August 2009, Allvoice Developments U.S. ("Allvoice") filed suit against Microsoft for patent infringement in the Eastern District of Texas, alleging that Microsoft's XP and Vista systems infringe its patent relating to software that allows voice recognition in word-processing applications. Allvoice, which is apparently based in the United Kingdom, was incorporated in Texas sixteen days before filing the suit. Around that same time, it opened an office in Tyler, Texas. That office employed no one. Customer calls, though directed to the Texas office, were forwarded to London, where all requests and inquiries were handled. Allvoice had also shipped documents related to the litigation to its Texas office just prior to filing suit and claimed that its documents are maintained there. Microsoft moved to transfer the case to the Western District of Washington. The District Court denied the motion, explaining that because Allvoice is incorporated in Texas and has an office in Texas, the district has an interest adjudicating the matter. The Court also gave weight to the fact that Allvoice's documents were located in Texas and several purported third-party witnesses were located closer to Texas than to Washington State.

The Federal Circuit rejected the district court's reasoning, holding that the courts need not "honor connections to a preferred forum made in anticipation of litigation and for the likely purpose to make that forum appear convenient."

In its ruling, the Federal Circuit recognized that Allvoice's asserted ties to Texas were clearly undertaken in anticipation of litigation and should therefore be rejected. It also criticized the District Court for accepting Allvoice's argument that its principal place of business was in the Eastern District "without scrutiny," and instead emphasized the importance that courts "ensure that the purposes of jurisdictional and venue laws are not frustrated by a party's attempt at manipulation." The court likened Allvoice's offices in Tyler, Texas, to those in *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010), reaffirming that offices which "staffed no employees, were recent, ephemeral, and an artifact of litigation and appeared to exist for no other purpose than to manipulate venue" do not establish convenience in the venue analysis. The additional fact that Allvoice also took the step of incorporating in Texas (sixteen days before filing suit) also failed to make venue appropriate.

In reaching its conclusion, the Federal Circuit found that the convenience and fairness to the identified witnesses tipped in favor of Microsoft – all of Microsoft's identified witnesses resided within 100 miles of the transferee venue. In contrast, while Allvoice had identified two witnesses within Texas, the twelve remaining identified witnesses resided outside Texas and would be required to travel in any event.

Over the past two years, the Federal Circuit has steadily removed bases upon which patent plaintiffs have relied to avoid transfer out of the Eastern District of Texas. *Microsoft* appears to be another step in this process.

For further information, please contact:

Michael J. Sacksteder, Partner, Litigation Group
msacksteder@fenwick.com, 415.875.2450

Ryan J. Marton, Associate, Litigation Group
rmarton@fenwick.com, 415.875.2332

Guinevere Jobson, Associate, Litigation Group
gjobson@fenwick.com, 415.875.2388