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In Re VW: Patent Filing In Eastern District Of Texas

Law360, New York (October 27, 2008) -- In a long-anticipated ruling that some argue may influence the amount of patent litigation in the Eastern District of Texas, the Fifth Circuit Court of Appeals determined that the district court “clearly abused its discretion” by denying a motion to transfer venue and thus granted Volkswagen’s petition for a writ of mandamus directing the district court to transfer the case to the Northern District of Texas, Dallas Division. *In re: Volkswagen*, 2008 WL 4531718 (5th Cir. Oct. 10, 2008).

In Re: Volkswagen

The lawsuit began when an injured motorist, a passenger, and the mother of a deceased passenger sued Volkswagen in the Eastern District of Texas, Marshall Division, claiming that design defects in a Volkswagen Golf caused injuries to the plaintiffs and resulted in the death of one passenger.

Volkswagen responded by filing a motion to transfer the lawsuit to the Northern District of Texas, Dallas Division.

In so doing, Volkswagen argued that transfer was proper because, among other things, the automobile was purchased in Dallas; the accident occurred in Dallas; the emergency personnel who responded to the call were located in Dallas; the witnesses resided in Dallas; and none of the sources of proof, party witnesses or nonparty witnesses were located in Marshall.

After the district court denied Volkswagen’s motion to transfer, Volkswagen unsuccessfully moved for reconsideration, contending that the district court placed “inordinate weight” upon the plaintiffs’ choice of forum.

Volkswagen then took the unusual step seeking a writ of mandamus from the Fifth Circuit to compel the district court to transfer the case. Initially, this effort resulted in a per curiam opinion in which the majority found that the district court properly denied Volkswagen’s motion to transfer.

Volkswagen then petitioned for rehearing En Banc. This request was construed as a petition for panel rehearing and granted. After a second panel of the Fifth Circuit granted Volkswagen's petition for a writ of mandamus, Plaintiffs filed a petition for rehearing En Banc, which the Fifth Circuit granted.

Following this extensive procedural history, in a 10-7 decision written by Judge Jolly, a sharply-divided Fifth Circuit first confirmed that mandamus was an appropriate vehicle to challenge a District Court's ruling on a party's motion to transfer venue.

More specifically, the Appellate Court explained that "a writ is appropriate to correct a clear abuse of discretion."

The Fifth Circuit then articulated the three requirements that the United States Supreme Court has determined must be satisfied before a writ may issue:

- (1) "the party seeking issuance of the writ [must] have no other adequate means to attain the relief he desires;"
- (2) "the petitioner must satisfy the burden of showing that [his] right to issuance of the writ is clear and indisputable;" and
- (3) "even if the first two prerequisites have been met, the issuing court, in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances." See *Cheney v. U.S. Dist. Ct.*, 542 U.S. 367, 380-81 (2004).

The Fifth Circuit then considered whether Volkswagen established that its right to issuance of the writ was "clear and indisputable."

In so doing, the Appellate Court first distinguished the more stringent showing required in a *forum non conveniens* analysis from the lesser burden imposed under 28 U.S.C. § 1404(a) and found that the district court erred by placing too much emphasis on the plaintiffs' choice of venue.

In fact, the Fifth Circuit explained that the plaintiff's choice of venue is not an independent factor in the section 1404(a) analysis because deference to the choice of venue is already reflected in the requirement that a movant demonstrate "good cause" to show that transfer is appropriate.

Such "good cause" exists where the movant "satisf[ies] the statutory requirements and clearly demonstrate[s] that a transfer is 'for the convenience of the parties and witnesses, in the interest of justice.'"

After applying the private and public interest factors routinely considered under a 1404(a) transfer analysis, the Court found that "not a single factor" favored the Plaintiffs' choice of venue and that sole "connection between this case and the Eastern District of Texas is plaintiffs' choice to file there."

Consequently, the Fifth Circuit concluded that Volkswagen right to issuance of a writ was “clear and indisputable.”

The Appellate Court proceeded to consider whether Volkswagen had any other adequate means to obtain relief. The Fifth Circuit found that this requirement was satisfied because, in the context of an appeal from an adverse final judgment, Volkswagen “would not be able to show that it would have won the case had it been tried in a convenient [venue.]”

The Court also found it significant that interlocutory review of transfer orders is not available and that the inconvenience caused by the failure to transfer the case could not be cured because the parties and witnesses would have already been inconvenienced by being required to litigate the case in Marshall.

The Fifth Circuit then applied the final Cheney requirement and found that the writ was appropriate under the circumstances because “writs of mandamus are supervisory in nature and are particularly appropriate when the issues also have an importance beyond the immediate case.”

This is so “[b]ecause venue transfer decisions are rarely reviewed, the district courts have developed their own tests, and they have applied these tests with too little regard for the consistency of outcomes.”

Potential Application Of In Re: Volkswagen To Patent Litigation

Although it is unclear what impact *In re: Volkswagen* will have on patent litigation in the Eastern District of Texas, it is conceivable that this decision may encourage more defendants to file motions to transfer under section 1404(a).

While *In re: Volkswagen* was not a patent case, the Federal Circuit applies the law of the regional circuit to the section 1404 (a) analysis. See e.g. *In re D-Link Corp.*, 183 F. App’x. 967, 968 (Fed. Cir. 2006); *Storage Tech. Corp. v. Cisco Sys. Inc.*, 329 F.3d 823, 836 (Fed. Cir. 2003).

Thus, in patent litigation cases, the Federal Circuit will apply *In re: Volkswagen* to appeals or petitions for writs of mandamus challenging decisions denying motions to transfer rendered by district judges within the Fifth Circuit.

At least in part due to the potential for reversal by the Federal Circuit, it is possible that judges in the Eastern District, and indeed within the Fifth Circuit, will apply the section 1404(a) factors more rigorously in patent litigation matters going forward and that more motions to transfer may have a chance of being granted.

That is especially true given that the plaintiff’s choice of venue is no longer an independent factor in the section 1404(a) analysis.

In the event that motions to transfer are denied, it is conceivable that more defendants may also try to obtain relief through mandamus proceedings. It is worth noting, however, that before *In re: Volkswagen* was decided, other defendants unsuccessfully tried to obtain mandamus relief from the Federal Circuit to compel the Eastern District of Texas to transfer patent litigation. See e.g. *In re D-Link Corp.*, supra.

While a number of commentators have speculated that *In re: Volkswagen* will greatly reduce the amount of patent litigation in the Eastern District of Texas, it is also conceivable that the decision may not have as big an impact as many predict.

In a typical patent case, especially a case involving multiple defendants, the confluence of factors supporting transfer may not be as compelling as those in *In re: Volkswagen*. Accordingly, district courts confronted with motions to transfer may continue to exercise a substantial amount of discretion post-*In re: Volkswagen*.

For plaintiffs in patent litigation matters, the new life that has been breathed into the section 1404(a) analysis may mean that plaintiffs will need to consider more carefully their choice of venue.

In situations where, as in *In re: Volkswagen*, the facts underlying a lawsuit are not closely connected to the plaintiff's choice of venue, a plaintiff may need to consider whether the anticipated benefits of litigating a patent lawsuit in the Eastern District of Texas outweigh the potential time and expense associated with trying to withstand a motion to transfer.

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