

ALERT

Federal Circuit Patent Bulletin: *In re Toyota Motor Corp.*

April 3, 2014

"[For purposes of 28 U.S.C. § 1404(a), the] comparison between the transferor and transferee forums is not altered by the presence of other witnesses and documents in places outside both forums."

On April 3, 2014, in *In re Toyota Motor Corp.*, the U.S. Court of Appeals for the Federal Circuit (Prost, O'Malley, Taranto*) issued a writ of mandamus vacating and remanding the refusal by the U.S. District Court for the Eastern District of Texas to sever and transfer to the U.S. District Court for the Eastern District of Michigan a case brought by American Vehicular Sciences LLC alleging that Toyota and other defendants infringed U.S. Patents No. 7,202,776, No. 6,772,057, No. 7,783,403, No. 7,359,782, and No. 8,041,483, which related to vehicular impact monitoring and safety systems. The Federal Circuit stated:

A district court may "transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented." . . . AVS brought this suit in the Eastern District of Texas in 2012, five months after AVS was incorporated in the Western District of Texas. AVS is a subsidiary of patent-licensing and -enforcing company Acacia Research Inc. and shares an office in the Eastern District of Texas with other subsidiaries of Acacia. At least some of the patents at issue are in the same family as patents that were the subject of cases litigated in the Eastern District of Michigan from the early 2000s to 2011.

A few months after this suit began, Toyota and Gulf States filed a motion making three related requests. Invoking Fed. R. Civ. P. 21, they moved to sever the claims against Gulf States. Invoking 28 U.S.C. § 1404(a), they moved to transfer the claims against Toyota to the Eastern District of Michigan. After transfer of the claims against Toyota, they argued, the remaining claims against Gulf States should be stayed pending resolution of the transferred case in Michigan. The transfer and stay requests are related because, they said, Gulf States could not be sued in the Eastern District of Michigan. Gulf States is located in Houston, Texas (i.e., the Southern District of Texas), and is an independent distributor of Toyota vehicles in Arkansas, Louisiana, Mississippi, Oklahoma, and Texas.

The district court, adopting the ruling of the magistrate judge, did not rule on the requests to sever and stay separately from the request to transfer. Instead, it set Gulf States to one side to consider whether the standards for transferring the claims against Toyota are met. The court held that they are not, concluding that “the convenience factors do not indicate that transfer to the Eastern District of Michigan would be clearly more convenient.” Based on that transfer denial, the court denied the severance-and-stay motion, stating that “there is little, if any, reason to sever and stay the claims against Gulf States.”

In reaching its conclusion about transfer, the court found no factor favoring retention of the claims against Toyota in the Eastern District of Texas. In particular, it did not count the recent opening of an office by AVS as weighing in favor of the transferor forum. On the other hand, the district court found that several factors favor transfer to the Eastern District of Michigan. In particular, the court determined that the interest in ease of access to sources of proof weighs in favor of transfer. It also determined that transfer is supported by the public interest factor that looks at local interests in the litigation. Those determinations are amply supported.

The district court found that two factors—the availability of compulsory process to secure attendance of witnesses and the cost of attendance for willing witnesses—are neutral regarding transfer. That determination appears to be incorrect. No non-party witnesses have been identified as being within the Eastern District of Texas. On the other hand, it appears undisputed that a number of witnesses in the Eastern District of Michigan have knowledge potentially relevant to infringement and validity issues, even if it is not possible at present to specify further just how material their testimony might be to the yet-undeveloped issues in the case. The comparison between the transferor and transferee forums is not altered by the presence of other witnesses and documents in places outside both forums. This comparison appears not to be neutral, but to favor transfer.

We need not draw any definitive conclusion, however, about the district court’s determination in that respect. Nor need we disagree with, or further analyze, the district court’s treatment of certain other related litigation as neutral regarding transfer here. The court noted that the Eastern District of Michigan had been home to several cases involving patents in the same family, breeding decisions and familiarity of some relevance to the present case. The district court in this case also noted that the Eastern District of Texas is currently home to several other cases involving the patents at issue here, though AVS initiated those cases more or less simultaneously with the present case.

Taken on its own terms, the district court's analysis presents a clear overall picture: nothing favors the transferor forum, whereas several factors favor the transferee forum. The analysis may not show that the transferee forum is far more convenient. But that is not what is required. With nothing on the transferor-forum side of the ledger, the analysis shows that the transferee forum is "clearly more convenient." In these circumstances, the district court's no-transfer conclusion was a clear abuse of discretion.

The district court declined to sever (or stay) the claims against Gulf States based entirely on its determination that transfer would not be appropriate in any event. Because we reverse that premise, the district court must newly address the severance-and-stay motion on remand. It must do so on the premise that, putting Gulf States aside, Toyota has a clear right to transfer. . . . If the district court severs the claims against Gulf States, the remainder of the case must be transferred.