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3 UNITED STATES DISTRICT COURT  
4 EASTERN DISTRICT OF CALIFORNIA  
5

6 XCEL DATA SYSTEMS, INC., a  
7 California corporation,

8 Plaintiff,

9 v.

10 DEREK BEST, an individual, and  
11 DOES 1 through 25, inclusive,

12 Defendants.  
13

1:08-CV-00613-OWW-GSA

ORDER [GRANTING/DENYING]  
DEFENDANT'S MOTION TO TRANSFER  
VENUE (DOC. 5).

14 1. INTRODUCTION

15 On March 25, 2008, Plaintiff XCEL Data System ("XCEL") filed  
16 a complaint in the Superior Court of the State of California,  
17 County of Kern, alleging breach of contract by Defendant Derek  
18 Best. Compl. On May 2, 2008, Defendant David Best ("Best")  
19 removed the action to federal court on federal question and  
20 diversity jurisdiction grounds. Doc. 1, Def.'s Notice of Removal.  
21 Defendant Best moves to transfer the action to the Eastern  
22 District of Michigan. Doc. 5, filed May 12, 2008, Def.'s Mot.  
23 Change Venue. Oral argument was heard July 21, 2008.<sup>1</sup>

24 <sup>1</sup> On July 15, 2008, Plaintiff XCEL filed a notice that  
25 its corporate status was suspended and requested that the pending  
26 motions before the court be continued pending revival of its  
27 corporate status. Doc. 20, Pl.'s Notice Corporate Status. XCEL  
28 alternatively requested the court to remand the action, *sua*  
*sponte*, on the ground that it does not have subject matter  
jurisdiction.

Fed. R. Civ. P. 17 provides that a corporation's capacity to

2. BACKGROUND

From 1997 to 1998, Defendant David Best developed Microsoft Windows-based computer software known as XPawn. Doc. 15, filed July 7, 2008, Def.'s Opp'n Pl.'s Mot. Remand, Ex. II, David Best Decl. Opp'n Pl.'s Mot. Remand ¶ 3. XPawn is designed to manage transactions for small, independent pawnshops. Best began selling the software for commercial use in 1999 and launched the website "xpawn.com" during the same period. *Id.* ¶¶ 3, 6. On June 28, 2000, Best received a certificate of copyright registration for the software. Doc. 15, Def.'s Opp'n Pl.'s Mot. Remand, Ex. I. That same month he moved to California and entered into a partnership with Michael Moreno, the author of another, older software program for pawnshops. Doc. 15, Def.'s Opp'n Pl.'s Mot.,

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sue or be sued is determined by the law of the state under which it was organized. Fed. R. Civ. P. 17(b)(2). The capacity to sue "is the right to come into court." *Color-Vue, Inc. v. Abrams*, 44 Cal. App. 4th 1599, 1604 (1996). Incapacity is a legal disability that deprives a party of the right to come into court. *Id.* Since California is the state in which XCEL was incorporated, XCEL's capacity to be sued is tested under California law. Under California law, a court has the discretion to grant a continuance where a party's corporate status is suspended and lacks capacity to sue. *Id.* at 1603.

At oral argument, Plaintiff was directed to reinstate its corporate status within 30 days. On August 19, 2008, Plaintiff filed a request for extension of time to submit a certificate of revivor. (Doc. 36.) The request was granted and Plaintiff was given until September 30, 2008 to reinstate its corporate status. (Doc. 41.) On September 30, Plaintiff requested an additional extension because when it submitted its application to revive its corporate status, the application was denied because in the interim period the name "Xcel Data Systems, Inc." had been taken by a third party. (Doc. 47.) For good cause show, Plaintiff's request is GRANTED. On October 10, 2008, Plaintiff submitted a Certificate of Status from the Secretary of State of the State of California showing Plaintiff is a domestic corporation in good standing. (Doc. 53.)

1 Ex. II, David Best Decl. Opp'n Pl.'s Mot. Remand ¶¶ 7-9. A year  
2 later Best and Moreno formed XCEL Data Systems, the plaintiff in  
3 this action. *Id.* Best and Moreno were co-directors of XCEL Data  
4 Systems, which sold both Moreno's older program and Best's XPAWN  
5 software, and was based in Bakersfield, California. *Id.* As co-  
6 directors, Best and Moreno jointly leased property, took out  
7 loans, and operated XCEL. *Id.*

8 Best grew dissatisfied for reasons not relevant here and  
9 parted ways with Moreno. *Id.* ¶¶ 10, 14. On March 6, 2002, Moreno  
10 and Best entered into a Software Purchase Agreement (the  
11 "contract") in which Best agreed to resign as co-director,  
12 surrender any shares he owned, and transfer to XCEL all rights  
13 associated with XPAWN, including intellectual property, among  
14 other things, such as the "xpawn.com" domain name and website.  
15 Contract §§ 1.01, 1.03(f)-(j). The contract required a third-  
16 party to keep the copyright and trademark certificates in escrow  
17 until "[XCEL's] satisfactory performance," and, until the  
18 certificates' release, XCEL agreed not to remove from XPAWN's  
19 opening screen the words "© Copyright: Derek Best." *Id.* §§  
20 1.01(b), 3.06. In consideration of the sale, XCEL promised Best  
21 \$69,154.30 (purchase price), profits or draws due as of March 31,  
22 2002, repayment of \$12,500 in loans, a \$150 royalty fee for each  
23 software package sold, rented, or licensed within 48 months of  
24 the contract's execution, and \$10,000 in fees for servicing Best  
25 agreed to render. *Id.* §§ 1.01(a)-(d). XCEL also agreed to assume  
26 all notes and leases Best had entered into as co-director. *Id.* §  
27 1.01(k). The contract also gave Best an exclusive license to  
28 sell, distribute, and use the software in the United Kingdom and

1 retain as security ownership in the software and associated  
2 intellectual property. *Id.* §§ 1.04(a), 3.05. The contract closed  
3 in Bakersfield, California "or such other location as may be  
4 agreed upon," with a provision specifying California law as the  
5 choice of law and an attorneys' fees provision. *Id.* §§ 1.07,  
6 5.14-15.

7 After the contract was executed, Best allegedly developed  
8 substantial modifications to XPAWN, including additional modules  
9 and interface compatibility with the "Quickbooks" accounting  
10 system, which Best claims created an independent copyright in  
11 those modifications. Doc. 15, Def.'s Opp'n Pl.'s Mot., Ex. II,  
12 David Best Decl. Opp'n Pl.'s Mot. Remand ¶¶ 18, 20. Best claims  
13 these modifications constitute a derivative work not subject to  
14 the terms of the contract. Doc. 15, Def.'s Opp'n Pl.'s Mot.  
15 Remand at 4.

16 Best apparently sent XCEL a cease-and-desist letter dated  
17 February 24, 2008 that claims XCEL breached the contract by  
18 failing to make payments. Doc. 14, filed July 2, 2008, James M.  
19 Duncan Decl., Ex. C, Cease and Desist Letter. The letter also  
20 claims ownership of XPAWN and associated intellectual property.  
21 *Id.* A month later XCEL filed a complaint alleging breach of  
22 contract arising from Best's failure to place the copyrights and  
23 registration certificates in escrow, failure to transfer  
24 ownership in the domain name and other intellectual property, and  
25 competition against XCEL through the continued sale,  
26 distribution, and use of the software in the United States.  
27 Compl. ¶ 16. The complaint seeks a declaration that the contract  
28 was terminated by Best's failure to perform and that

1 plaintiff is the owner of all copyrights, trademarks,  
2 and rights related to the software, and the plaintiff  
3 is the owner of the software itself, and all  
4 intellectual property rights in the software subject to  
5 no claim of right by the defendants.

6 Compl. "Prayer." In addition, the complaint seeks a declaration  
7 that XCEL is under no further obligation under the contract. *Id.*  
8 The complaint also seeks costs of suit incurred, including  
9 reasonable attorney's fees allegedly in excess of \$5,000 as  
10 authorized under the contract. *Id.*

11 XCEL originally filed this action in the Superior Court of  
12 the State of California, County of Kern. Best removed the case to  
13 federal district court pursuant to 28 U.S.C. § 1446(b). Doc. 1,  
14 Def.'s Notice of Removal ¶ 2. Best asserts federal question  
15 jurisdiction exists under 28 U.S.C. § 1331 because the complaint  
16 alleges claims that arise under federal copyright laws. Best  
17 asserts that a declaration of the parties' respective rights  
18 requires an application of federal copyright laws to determine  
19 the scope of the copyright assigned to XPAWN, given the existence  
20 of Best's derivative work. Doc. 15, Def.'s Opp. Pl.'s Remand at  
21 16-17. Best argues the complaint alleges infringement and seeks a  
22 remedy expressly granted by the Copyright Act. *Id.* at 12-14. Best  
23 also claims diversity jurisdiction exists under 28 U.S.C. § 1332  
24 because plaintiff is a California corporation with its principal  
25 place of business in California, defendant resides in Michigan,  
26 and the amount in controversy allegedly exceeds \$75,000 in  
27 potential pecuniary losses to defendant, exclusive of interest  
28 and costs. *Id.* at 11.

Best moves to transfer venue to the Eastern District of  
Michigan, arguing that his medical condition makes travel to

1 California substantially burdensome, his key witnesses<sup>2</sup> reside in  
2 or near Michigan, the acts of alleged copyright infringement  
3 occurred in Michigan, and Michigan has a greater interest than  
4 California in the disposition of the action. Doc. 5, filed May  
5 12, 2008, Def.'s Mot. Change Venue.<sup>3</sup> In support of his claim that  
6 his medical condition makes travel to California burdensome, Best  
7 submits a letter written by his physician, Dr. Martin I. Belkin.<sup>4</sup>

8 <sup>2</sup> Best provides a partial list of key witnesses:

- 9 (1) Mr. Sheldon Stone of Cash City, Detroit, MI  
10 (2) A representative of Diamond Pawn, Mansfield, OH  
11 (3) Mr. Ronnie Berger of Main Street Pawn, Pontiac, MI  
12 (4) Mr. Lee Manes of Sam's Loan Emporium of Toledo, OH  
13 (5) Mr. Brett Fine of Sandel's Loan, Youngstown, OH  
14 (6) Mr. David Berke of Rich's Pawn Shop, Dayton, OH  
15 (7) Mr. Aaron Tet of Fall River Pawn Shop, Fall River,  
16 MA, who is willing to travel to Michigan  
17 (8) Mr. Leslie Gold of American Jewelry, Detroit, MI,  
18 who is "intimately familiar with the business  
19 arrangements between the Plaintiff and the Defendant"  
20 (9) Mr. Edward Bean of Suffolk Jewelry, Boston, MA, who  
21 is also willing to travel to Michigan  
22 (10) Mr. Craig Rabiner of Kohns Loan, Lima, OH  
23 (11) Mr. David Adelman, Jerry's Pawn Shop, Atlanta, GA  
24 (12) Mr. Ric Blum, Ohio Loan Co., Dayton, OH,  
25 (13) Mr. Thomas Labret of Zeidman Loan, Detroit, MI.  
26 Doc. 5, Def.'s Mot. Change Venue, Ex. II, Witness List.

27 <sup>3</sup> A filing error resulted in the issuance of a new case  
28 number, 1:08-CV-00647-LJO-SMS, to defendant's motion to transfer  
venue. Plaintiff moved to consolidate cases. Doc. 8, filed May  
28, 2008, Pl.'s Mot. Consolidate Cases. On May 28, 2008, U.S.  
District Judge Lawrence O'Neill issued an order dismissing 1:08-  
CV-00647-LJO-SMS as duplicative of this case. (Doc. 4.)  
Plaintiff's motion to consolidate was denied as moot. (Doc. 69.)

29 <sup>4</sup> Dr. Martin I. Belkin's letter states, in relevant part:  
30 "It would be extremely difficult to arrange [] treatments outside  
31 this state [i.e., Michigan], and missing his [i.e. Best] regular  
32 scheduled therapy would place him at risk for further progression  
33 of his already significant muscle weakness . . . . At this point  
34 his ability to travel for any length of time is limited, as  
35 missing his regular scheduled treatment could very well have a  
36 detrimental effect on his health. Therefore, if appropriate

1 Doc. 24, filed July 17, 2008, Def.'s Br. Supp. Opp'n Pl.'s Reply,  
2 Ex. II, Physician's Letter. In turn, XCEL asserts proper venue is  
3 in Kern County, California as the contract was entered into and  
4 the events occurred there. Doc. 10, Pl.'s Mot. Remand. XCEL  
5 opposes transfer to the Eastern District of Michigan on the  
6 ground that federal subject matter jurisdiction is lacking. Doc.  
7 13, filed on July 2, 2008, Pl.'s Opp'n Def.'s Mot. Change Venue.  
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### 9 3. DISCUSSION

#### 10 A. Motion to Transfer Venue.

11 A motion to transfer venue from one district court to  
12 another is governed by 28 U.S.C. § 1404(a), which provides, in  
13 relevant part: "[f]or the convenience of parties and witnesses,  
14 in the interest of justice, a district court may transfer any  
15 civil action to any other district or division where it might  
16 have been brought." 28 U.S.C. § 1404. The goal behind 28 U.S.C. §  
17 1404(a) "is to prevent waste 'of time, energy, and money,' and  
18 'to protect litigants, witnesses and the public against  
19 unnecessary inconvenience and expense.'" *Van Dusen v. Barrack*,  
20 376 U.S. 612 (1964) (citations omitted).

21 The analysis involved in a motion to transfer is twofold.  
22 The court must first decide whether the action is one that "might  
23 have been brought" in the transferee court. Then the court must  
24 decide whether transfer is appropriate, considering "the  
25 convenience of parties and witnesses" and "the interest of

26 \_\_\_\_\_  
27 arrangements can be made for him to provide any necessary  
28 information (testimony) by telephone, it would, without question,  
be in his best interest, medically and healthwise [*sic*]." Doc.  
24, Def.'s Br. Supp. Opp'n Pl.'s Reply, Ex. II, Letter.

1 justice." § 1404(a). "If it serves the convenience of the parties  
2 and witnesses, and if it is consistent with the interests of  
3 justice, a court may, in its discretion, transfer an action to  
4 any district where the case could have originally been filed."  
5 *Deputy v. Long-Term Disability Plan of Sponsor Aventis Pharms.*,  
6 2002 WL 31655328 at \*2 (N.D. Cal. 2002) (citing 28 U.S.C. §  
7 1404). The defendant has the burden of making a "strong showing  
8 of inconvenience to warrant upsetting the plaintiff's choice of  
9 forum." *L.L. Smith Trucking Co., Inc. v. Hughes Bros.*  
10 *Aircrafters, Inc.*, 2001 WL 267694 at \*9 (D. Or. 2001) (citing  
11 *Decker Coal Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 843  
12 (9th Cir. 1986); see also *Deputy*, 2002 WL 31655328 at \*2;  
13 *Commodity Futures Trading Comm'n v. Savage*, 611 F.2d 270, 278-279  
14 (9th Cir. 1979).

15  
16 1. "For the convenience of parties and witnesses" and "In  
17 the interest of justice."

18 "The decision whether to transfer venue lies in the  
19 discretion of the district court." *L.L. Smith Trucking, Inc.*,  
20 2001 WL 267694 at \*9 (citing 28 U.S.C. § 1404); see also *Creative*  
21 *Tech., Ltd. v. Aztech Sys. Pte Ltd.*, 61 F.3d 696, 699 (9th Cir.  
22 1995) (forum non conveniens determination committed to sound  
23 discretion of the trial court); *Deputy*, 2002 WL 31655328 at \*2.  
24 "A motion to transfer venue under § 1404(a) requires the court to  
25 weigh multiple factors in its determination whether transfer is  
26 appropriate in a particular case." *Jones v. GNC Franchising, Inc.*  
27 211 F.3d 495, 498 (9th Cir. 2000). These factors include:  
28



- 1 (1) convenience of the parties;
- 2 (2) convenience of the witnesses;
- 3 (3) the location where the relevant agreements were
- 4 negotiated and executed;
- 5 (4) the state most familiar with the governing law
- 6 (5) plaintiff's choice of forum;
- 7 (6) the differences in the costs of litigation in the two
- 8 forums;
- 9 (7) the availability of compulsory process to compel
- 10 attendance of unwilling nonparty witnesses;
- 11 (8) the ease of access to sources of proof;
- 12 (9) in the interest of justice.

13 *Id.* at 498-499.

14 "The difference in substantive law will not be relevant to  
15 transfer under 28 U.S.C. § 1404(a), the statutory replacement for  
16 domestic forum *non conveniens* in federal courts. A transfer under  
17 § 1404(a) results in a change of courtrooms, not a change of  
18 law." *Ravelo Monegro v. Rosa*, 211 F.3d 509, 514 (9th Cir. 2000)  
19 citing *Van Dusen*, 376 U.S. at 636-37; see also *Ferens v. John*  
20 *Deere Co.*, 494 U.S. 516, 524-25 (1990).

21 Each factor is discussed.

22 (1) *Convenience of the parties.* Defendant Best requests a  
23 transfer which Plaintiff XCEL opposes. Defendant Best resides in  
24 Michigan, does no business in California, and has a progressive  
25 neurological disorder known as multifocal motor neuropathy that  
26 requires four or five consecutive days of intravenous treatment  
27 every four weeks that is closely monitored by a trained IV nurse.  
28 Doc. 5, Def.'s Mot. Change Venue, Ex. I, David Best Aff. ¶ 4;

1 Doc. 27. Dr. Martin Belkin, Best's physician, states that his  
2 insurance provider likely will not make arrangements for  
3 treatment in California and that travel outside Michigan for any  
4 length of time should be limited since missing regularly  
5 scheduled treatment is detrimental to Best's health. Doc. 24,  
6 Physician's Letter. Dr. Belkin also explains that Best is  
7 significantly impaired with weakness in his upper extremities  
8 that limits his ability to perform routine daily activities. Doc.  
9 27. He requires assistance to perform activities of daily living,  
10 which is currently provided by his wife. *Id.* With the regular  
11 treatments he receives, Defendant maintains reasonable motor  
12 function in his hands and arms.

13 Plaintiff XCEL is based in Bakersfield, California and its  
14 director, Michael Moreno, resides in Bakersfield. It would be  
15 more convenient for Plaintiff to proceed with the litigation in  
16 the Eastern District of California, given that he resides and  
17 operates a business in this district.

18 Although courts have held that "any inconvenience that might  
19 enure to counsel is unpersuasive and generally not a factor to  
20 consider," *Hernandez v. Graebel Van Lines*, 761 F. Supp. 983, 988  
21 (E.D.N.Y. 1991), the inconvenience to Best would be substantially  
22 burdensome, given his medical condition. While Best provides no  
23 evidence from his insurance carrier or physician establishing  
24 that treatment cannot be performed in California, aside from  
25 stating it would be difficult to make arrangements, it would  
26 likely be very inconvenient for him to do so. However, hearings  
27 and trial may be scheduled to accommodate Best's treatment  
28 schedules. Moreover, although no estimate has been provided by

1 the parties as to how long they expect trial to last, it is  
2 highly unlikely trial will last four weeks. This factor weighs  
3 slightly against transfer.

4 (2) *Convenience of the Witnesses.* "The convenience of both  
5 the party and non-party witnesses is probably considered the  
6 single-most important factor in the analysis of whether a  
7 transfer should be granted." *Hernandez*, 761 F. Supp. at 988.

8 Best's witnesses, primarily pawnshop owner-operators who need to  
9 be present in their businesses on a daily basis and for whom  
10 travel to California is burdensome, reside in Michigan, a  
11 surrounding state, or on the east coast. Doc. 5, David Best Aff.

12 ¶ 7. XCEL also sells software to customers, many of whom are  
13 located in California and others are located throughout the  
14 country and Mexico. This factor is neutral because one party's  
15 witnesses would be inconvenienced no matter in which district the  
16 action is venued.

17 (3) *Location where Agreement was Negotiated and Executed.*

18 The contract was negotiated and executed in California. Contract  
19 § 1.07. This factor weighs against transfer.

20 (4) *State most familiar with the governing law.* The  
21 substantive law governing those aspects of the suit involving  
22 contract issues is California law. Best claims that because this  
23 action does not involve complex questions of state law, a  
24 Michigan court may safely adjudicate it. Doc. 5, Def.'s Mot.  
25 Change Venue 14. That is not the criterion. The criterion is to  
26 consider the state most familiar with the governing law, and that  
27 state is California. This factor weighs against transfer.

1           (5) *Plaintiff's Choice of Forum.* XCEL brought this action in  
2 California, and plaintiff's choice of forum is given deference.  
3 See Compl. This factor weighs against transfer.

4           (6) *Differences in the costs of litigation in the two*  
5 *forums.* Best alleges that the location of nonparty witnesses and  
6 documentation makes trial less expensive in Michigan. Doc. 5,  
7 Def.'s Mot. Change Venue 13. However, Best does not say how or  
8 why it would be less expensive, other than he would not have to  
9 travel. A party's expense is more relevant if one is claiming  
10 financial hardship. Plaintiff's evidence and witnesses are  
11 largely located in California. No evidence has been presented to  
12 show a cost of litigation differential depending on the forum.  
13 This factor is neutral.

14           (7) *Compelling Attendance of Unwilling Nonparty Witnesses.*  
15 Fed. R. Civ. P. 45 provides that a court must quash or modify a  
16 subpoena when it requires a nonparty witness to travel more than  
17 100 miles from that person's residence or place of business or  
18 within the state where the trial is held. Fed. R. Civ. P.  
19 45(3) (A). Best contends there are essential nonparty witnesses  
20 available within the Eastern District of Michigan not subject to  
21 compulsory process within California because they are located  
22 more than 100 miles away from the Eastern District of California.  
23 Doc. 5, Def.'s Mot. Change Venue 13. The same is true of  
24 Plaintiff's witnesses if the Eastern District of Michigan is the  
25 forum. Accordingly, this factor is neutral.

26           (8) *Ease of access to sources of proof.* Best claims that the  
27 physical evidence of infringement is located in Michigan,  
28 including documentation in possession of defendant and witnesses.

1 Doc. 5, Def.'s Mot. Change Venue 13-14. Since the contract was  
2 negotiated and executed in California, evidence regarding  
3 contract formation is located in California. Evidence of contract  
4 performance is located in Michigan for defendant and in  
5 California for plaintiff. This factor is also neutral.

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1 (9) *In the Interest of Justice*. Best alleges the public  
2 interest is better served by adjudicating the action in Michigan  
3 because the outcome will affect the pawn industry, given that  
4 pawnbrokers rely on the proper functioning of the software and  
5 are concerned with the possibility of losing much needed  
6 technical support that defendant provides. Doc. 5, Def.'s Mot.  
7 Change Venue 14. This argument is irrelevant. The pawnbrokers are  
8 not parties to this action, the proper functioning of the  
9 software is not in dispute, and the outcome of this action should  
10 not affect services defendant or plaintiff provides the pawn  
11 industry in many states. This concerns who owns a particular  
12 piece of software, which does not concern the industry the  
13 software supports.

14 Balancing all of the material circumstances in light of the  
15 factors set forth above, the motion to transfer venue is DENIED.

16 CONCLUSION

17 For all the reasons stated above, Defendant's Motion to  
18 Transfer pursuant to 28 U.S.C. § 1404 is DENIED WITHOUT  
19 PREJUDICE. Defendant shall submit an order consistent with this  
20 decision, within five (5) days following the date of service of  
21 this decision.

22  
23 IT IS SO ORDERED.

24 Dated: April 6, 2009

/s/ Oliver W. Wanger  
UNITED STATES DISTRICT JUDGE