IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF TEXAS

TYLER DIVISION

ALOFT MEDIA, LLC,	§	
	§	
Plaintiff,	§	
	§	**Civil Action No. 6:08-CV-509-JDL**
v.	§	
	§	
YAHOO!, INC., et al.,	§	**JURY TRIAL DEMANDED**
	§	
Defendants.	§	

EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TEXARKANA DIVISION

ICHL, LLC d/b/a INTELLECTUAL CAPITAL HOLDINGS LIMITED Plaintiff	§	
V.	§	**No. 5:08CV65**
NEC CORPORATION OF AMERICA, ET AL. Defendants	§	

ICHL, LLC d/b/a INTELLECTUAL CAPITAL HOLDINGS LIMITED Plaintiff	§	
V.	§	**No. 5:08CV175**
BFG TECHNOLOGIES, INC., ET AL. Defendants	§	

ICHL, LLC d/b/a INTELLECTUAL CAPITAL HOLDINGS LIMITED Plaintiff	§	
V.	§	**No. 5:08CV177**
LG ELECTRONICS, INC., ET AL. Defendants	§	

REPORT AND RECOMMENDATION
OF THE UNITED STATES MAGISTRATE JUDGE

The above-referenced case was referred to the undersigned United States Magistrate Judge for pre-trial purposes in accordance with 28 U.S.C. § 636. Before the Court are the following: (1)

Defendant BFG Technologies, Inc., EVGA Corporation, and PNY Technologies, Inc.'s Joint Motion to Transfer Venue (Docket Entry # 31); and (2) ICHL I and III Defendants' Joint Motion to Transfer Venue (Docket Entry #s 57, 50). The Court, having reviewed the relevant briefing and hearing arguments of counsel May 19, 2009, recommends Defendants' motions to transfer venue be **DENIED.** [1]

I.

BACKGROUND

Plaintiff ICHL, LLC ("ICHL" or "Plaintiff") has filed three separate patent infringement lawsuits against three groups of defendants ("Defendants"), alleging infringement of United States Patent 4,884,631 (the "'631 patent"). The defendants in the second suit filed by Plaintiff, BFG Technologies, Inc., EVGA Corporation, and PNY Technologies, Inc. ("*ICHL II* Defendants") moved

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[1] There is a split of authority as to whether a motion to transfer venue is one that a magistrate judge may hear and determine, or only recommend an appropriate disposition under the statute governing the authority of a United States Magistrate Judge. *See* 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 72; *Beavers v. Express Jet Holdings, Inc.,* 421 F.Supp.2d 994, 995 (E.D. Tex. 2005) (J. Hines) (*compare, e.g.*, *White v. Abco Eng'g Corp.,* 199 F.3d 140, 142 (10th Cir.1999); *Paoa v. Marati*, 2007 U.S. Dist. LEXIS 94856 (D. Haw. Dec. 28, 2007); *Lu v. Lu,* 2007 U.S. Dist. LEXIS 67545 (E.D. N.Y. Sept. 12, 2007); *Vanmeveren v. Int. Bus. Machines Corp.,* 2055 U.S. Dist. LEXIS 38327 (D. Kan. Dec. 27, 2005); *Meier v. Premier Wine & Spirits, Inc.,* 371 F.Supp.2d 239, 244 (E.D. N.Y.2005); *McEvily v. Sunbeam-Oster Co., Inc.,* 878 F.Supp. 337, 340 (D.R.I.1994); *O'Brien v. Goldstar Technology, Inc.,* 812 F.Supp. 383 (W.D. N.Y.1993); *Holmes v. TV-3, Inc.,* 141 F.R.D. 697 (W.D. La.1991) (each holding that magistrate judge has authority to order a change of venue, subject to the clearly erroneous standard of review by the District Court), with *Beavers,* 142 F.Supp.2d at 995-96; *Campbell v. United States Dist. Ct.,* 501 F.2d 196 (9th Cir.1974); *Outlast Technologies, Inc. v. Frisby Technologies, Inc. .,* 298 F.Supp.2d 1112 (D. Colo.2004) (each holding that ordering a change of venue is dispositive). In absence of governing circuit precedent, the undersigned elects to submit a report and recommendation subject to *de novo* review rather than a final order on the motion. *See Beavers* 421 F.Supp.2d at 995-96. This approach allows the parties to argue and the presiding District Judge to determine whether to review the undersigned's opinion under a *de novo* or clearly erroneous standard of review. *Id.* at 996.

this Court under 28 U.S.C. § 1404(a) to transfer venue to the United States District Court for the Central District of California. Subsequently, the defendants in the first suit, Sony Electronic, Inc., Sony Computer Entertainment America, Inc., and Lenovo, (United States) Inc. ("*ICHL I* Defendants"), and the defendants in the third suit, Mitsubishi Digital Electronics America, Inc., Samsung Electronics America, Inc., and Toshiba America Consumer Products, LLC ("*ICHL III* Defendants") filed a joint motion to transfer pursuant to 28 U.S.C. § 1404(a), also seeking a transfer of this case to the United States District Court for the Central District of California.

II.

DEFENDANTS' MOTIONS TO TRANSFER

In their motions to transfer this case to the Central District of California, Defendants assert the overwhelming majority of non-party witnesses, party witnesses, documents, and physical evidence is located in or near the Central District of California. According to Defendants, none of the parties, witnesses, or documents are located in the Eastern District of Texas.

In response, Plaintiff asserts it has a direct connection with the Eastern District of Texas, and it would be greatly inconvenienced by having to litigate in a forum more than one thousand miles away from its home. Plaintiff focuses on the fact that the underlying dispute in this case has a nationwide, if not global, scope as opposed to a regional dispute focused in or near the Central District of California. Thus, Plaintiff contends Defendants are unable to satisfy their burden of showing good cause that a transfer is justified.

III.

APPLICABLE LAW

A. 28 U.S.C. § 1404(a)

Twenty-eight U.S.C. § 1404(a) provides, "for the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought." The defendant must first demonstrate that the plaintiff could have brought the action in the transferee court initially. *In re Volkswagen AG,* 371 F.3d 201, 203 (5th Cir. 2004)(*In re Volkswagen AG*). The defendant moving to transfer venue must show "good cause" for transfer. *In re Volkswagen of America, Inc.*, 545 F.3d 304, 315 (5th Cir. 2008)(en banc)(*In re Volkswagen*). "When viewed in the context of § 1404(a), to show good cause means that a moving party, in order to support its claim for a transfer, must satisfy the statutory requirement and *clearly demonstrate* that a transfer is '[f]or the convenience of parties and witnesses, in the interest of justice.'" *Id.*

In determining whether to grant a motion to transfer under section 1404(a), a district court must balance the private convenience interests of the litigants and the public interests in the fair and efficient administration of justice. *See Koehring Co. v. Hyde Const. Co.*, 324 F.2d 295, 297 (5th Cir. 1963) (*citing Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947));[2] *see also In re Volkswagen*, 545 F.3d at 315. The private interest factors 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

[2] The Court points out that *Gilbert* involved a common law *forum non conveniens* issue which is to be distinguished from a transfer under § 1404. District courts are given greater discretion to transfer in § 1404 cases than they are to dismiss in *forum non conveniens* cases. *Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955). *Gilbert* merely articulated the public and private interest factors to be considered.

attendance for willing witnesses; and (4) all other practical problems that make a trial of a case easy, expeditious, and inexpensive." *In re Volkswagen*, 545 F.3d at 315, *citing In re Volkswagen AG*, 371 F.3d 201, 203 (5th Cir. 2004). The last catch-all private interest factor has been applied in this Court to include the plaintiff's choice of forum, the possibility of delay and prejudice if transfer is granted, and the place of the alleged wrong. *Monster Cable Prods., Inc. v. Trippe Mfg. Co.*, 2008 WL 2492060, *1, *4 (E.D. Tex. 2008); *LG Elecs., Inc. v. Hitachi, Ltd.*, 2007 WL 4411035, *2 (E.D. Tex. 2007).

The public interest factors are: "(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 of conflict of laws [or in] the application of foreign law." *In re Volkswagen*, 545 F.3d at 315, *citing In re Volkswagen AG*, 371 F.3d at 203. While the *Gilbert* factors are appropriate for most cases, they are not necessarily exhaustive or exclusive. *In re Volkswagen*, 545 F.3d at 315. No single factor is of dispositive weight. *Id., citing Action Indus., Inc. v. U.S. Fid. & Guar. Corp.*, 388 F.3d 337, 340 (5th Cir. 2004). The court should engage in a case-by-case consideration of convenience and fairness. *See Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988).

The Fifth Circuit in *In re Volkswagen* recently noted that the § 1404(a) standard for transfer of venue was intended to be less exacting than the common law forum non conveniens doctrine adopted by the Supreme Court in *Gilbert*, which resulted in dismissal as opposed to a mere transfer of venue. *In re Volkswagen*, 545 F.3d at 313-14. Therefore, a movant is no longer required to show that the § 1404(a) factors "substantially outweigh the plaintiff's choice of venue." *Id.* at 314-15. Rather, "[w]hen the movant demonstrates that the transferee venue is clearly more convenient . . .

it has shown good cause and the district court should therefore grant the transfer," even though the plaintiff has chosen the present venue. *Id.* at 315.

B. Case Law

Given the large number of recent decisions regarding motions to transfer venue in patent cases filed in this district, the Court finds a review of the relevant case law would be beneficial. Several courts in the Eastern District of Texas have applied the Fifth Circuit's recent precedent from *In re Volkswagen*, 545 F.3d 304 (5th Cir. 2008)(en banc), in patent cases to resolve motions seeking to transfer venue under 28 U.S.C. § 1404(a). These cases reveal that the central question is whether or not the underlying dispute is focused on some localized region away from the Eastern District of Texas.

In December of 2008, the court denied the defendants' motion to transfer venue in *J2 Global Comm., Inc. v. Protus IP Solutions*, 2008 WL 5378010 (E.D. Tex. Dec. 23, 2008)("*J2 Global I*"). The defendants in this patent case had not offered any specific examples of documents or other evidence which were located in the proposed transferee forum, the Central District of California, so the first private interest factor weighed against transfer. *Id.* at *3. Defendants had not demonstrated any need for compulsory process in California to secure witnesses so the second factor also weighed against transfer. *Id.* With regard to the third and fourth private interest factors, the defendants pointed out that the plaintiff's principal place of business was in California; defendant Easylink's principal place of business was in Georgia, and defendant Captaris' principal place of business was in Washington. *Id.*

The defendants also specified that one potential non-party witness, one of the inventors of the patents in suit, resided in the Central District of California. *Id.* The plaintiff countered that the

other inventor resided in Washington, D.C. *Id.* The court noted the Eastern District of Texas is "roughly equidistant between California and Washington D.C., [and] this District would seem to be a more convenient location than California." *Id.* The court identified the geographic spread of witnesses between east and west coasts to explain why California was not a clearly more convenient forum than Texas for resolving that dispute. *Id*. at *5-*6. Regarding the public interest factors, the court held they were either neutral or weighed against transfer. *Id.* at *6-*7.

Approximately one week after the *J2 Global* decision, the Federal Circuit Court of Appeals issued its decision in *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2008) ("*TS Tech*"). The plaintiff was a Delaware corporation with its principal place of business in Michigan. Two of the three defendants were incorporated under the laws of Ohio and had principal places of business in Ohio. The third defendant was a Canadian corporation with its principal place of business in Canada. *Id.* at 1318, n. 1. The Federal Circuit held that the district court "clearly abused its discretion in refusing to transfer the case despite no connection between the case and the Eastern District of Texas except [the plaintiff's] decision to file [the] suit in that venue." *Id.* at 1318.

The Federal Circuit pointed out that none of the parties had any connection with the Eastern District and that, instead, "the vast majority of identified witnesses, evidence, and events leading to this case involve Ohio or its neighboring state of Michigan." *Id*. at 1321. The Federal Circuit also noted that the district court had concluded that the public interest factor of having localized interests decided at home weighed against transfer-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 the Eastern District. *Id.* The Federal Circuit disagreed, stating the "vehicles containing TS Tech's allegedly infringing headrest assemblies were sold throughout the United States, and thus the citizens

of the Eastern District of Texas have no more or less of a meaningful connection to this case than any other venue." *Id.* So, the Federal Circuit granted the defendants' petition for writ of mandamus and directed the district court to transfer the case to the Southern District of Ohio. *Id.* at 1323.

After the Federal Circuit delivered its *TS Tech* opinion, the defendants in *J2 Global* asked the court to reconsider its opinion. On rehearing, the court denied the defendants' motions for reconsideration. The court further explained that transfer to California would not be more convenient given that the likely witnesses came from eighteen different states and provinces and five foreign countries. *J2 Global Comm. v. Protus IP Solutions*, Cause Nos. 6:08-cv-00211; 6:08-cv-262; 6:08-cv-263 (E.D. Tex. Feb. 20, 2009)("*J2 Global II*") at 7-8 (distinguishing case from other "cases where all of the parties and witnesses are localized in one general geographic area").

In January of 2009, two courts in the Eastern District transferred cases but emphasized that the plaintiffs did not have any connection with the Eastern District. Instead, the relevant events and evidence were located in and around the transferee forum. In *Odom v. Microsoft Corp.,* 596 F.Supp.2d 995 (E.D. Tex. Jan. 30, 2009), the court observed that the case was significantly localized in the Northwest. The plaintiff resided in Oregon, and the defendant resided in Washington. *Id.* at 998. Thus, both parties were residents of the Northwest. Additionally, Microsoft's equitable defenses arose out of conduct and contracts in the Northwest. *Id.* at 1001, 1003. No Texas resident was a party to this litigation, nor was any Texas state law cause of action asserted. *Id.* at 1003. All identified witnesses, with the possible exception of one, were located in the Northwest. *Id.* at 1002. The case was not one where witnesses were expected to be traveling from all over the country or world. *Id*. Rather, "the vast majority of identified key witnesses in the case [were] much closer to Oregon than Texas." *Id.*

In *PartsRiver, Inc. v. Shopzilla, Inc.*, Cause No. 2:07-cv-00440, Docket Entry # 90 (E.D. Tex. Jan. 30, 2009), Chief Judge David Folsom expressly based his transfer Order on the "regional nature" of the case, pointing out that both the plaintiff and six of the seven defendants were located in California, and that most witnesses and documents would come from California and Washington. *Id*. at 4. Later, in *Novartis Vaccines and Diagnostics, Inc. v. Hoffman-La Roche, Inc., et al.*, 597 F.Supp.2d 706 (E.D. Tex. February 3, 2009), the Court denied the defendants' transfer motion, relying on the plaintiff's showing "that the relevant proof in this case is *spread throughout the nation* —as [the accused product] was developed in North Carolina, was approved by the FDA in Washington D.C., is presently manufactured in Colorado and Michigan (and Switzerland), and is sold throughout the United States." *Id.* at 4 (emphasis added). Moreover, the plaintiff was located in California, and the defendants were located in Colorado, North Carolina, and New Jersey. *Id*.

In *MHL TEK, LLC v. Nissan Motor Co., et al*, Cause No. 2-07-cv-00289 (E.D. Tex. Feb. 23, 2009), Judge T. John Ward was asked to reconsider his decision of September 10, 2008, denying the defendants' motion to transfer the case to Michigan. The court concluded the "defendants ha[d] not shown that the proposed transferee forum is clearly more convenient" and therefore denied the motion to reconsider. *Id.* at 17. The plaintiff was a Texas corporation with offices in Michigan; the defendants were various foreign automobile companies and subsidiaries with their principal offices located in Virginia, Michigan, Alabama, Tennessee, Georgia, New Jersey, South Carolina, Indiana, California, Germany, Japan, and South Korea. *Id.* at 2-3.

Specifically, with regard to the defendants, the court noted that four defendants resided in Germany; three in California; two in Japan; two in South Korea; two in New Jersey; one each in Michigan, Tennessee, Alabama, Georgia, South Carolina, Indiana, and Virginia. *Id.* at 7. The court

found that "this district would, in the least, be just as convenient or inconvenient to most of the defendants as the desired transferee District." *Id.* With regard to the non-party witnesses, the court noted that the relevant witnesses were spread around the country or the world. *Id.* at 10. "This is not a case where all of the witnesses are concentrated in one part of the country, close to the forum where transfer is sought to." *Id.* Accordingly, the court found that the convenience of the witnesses and cost of attendance factor was neutral. *Id.* at 11.

On March 23, 2009, the court denied the defendants' motion to transfer in *Konami Digital Entertainment Co, Ltd. et al v. Harmonix Music Systems, Inc., et al*, Cause No. 6-08-cv-00286 (E.D. Tex. March 23, 2009). The court noted that "the geographic location of physical evidence must be taken into account" but that in the *Konami* case:

> these materials are spread throughout the country and the nation, and therefore [the transferee forum] is not a clearly more convenient forum to access sources of proof for all parties. With respect to sources of proof that are purely electronic information. . . it does not follow that transfer to [the transferee forum] where Defendant . . . would have relevant source code would be more convenient for anyone.

Id. at 8-9. The sources of proof originated from Massachusetts, New York, California, and Japan, where the parties had their principal places of business. *Id.* at 9. Therefore, the court found the relative ease of access to sources of proof factor neutral. *Id.* Regarding witnesses, the parties identified witnesses in Massachusetts, New York, California, New Jersey, and Japan. *Id.* at 10. Because the witnesses were located throughout the country and in Japan, the court found this factor neutral as well. *Id.* at 11.

The courts which have transferred cases have emphasized that the plaintiffs did not have any connection with the Eastern District and that, instead, the relevant evidence and witnesses were located in and around the transferee forum. The courts which have denied transfer motions have

focused on the lack of a common regional geographic area in and around the proposed transferee forum where relevant documents and witnesses are located. In sum, when a dispute is national or global in its reach, courts in this district are not usually finding that any one particular forum is "clearly more convenient" than another. With these general principles in mind, the Court now considers whether Defendants have shown good cause in this case to justify a transfer to the Central District of California.

IV.

DISCUSSION

A. Whether the Central District of California is a proper venue for this case

"The first issue that a district court must address in ruling on a motion to transfer under § 1404(a) is whether the judicial district to which transfer is sought qualifies under the applicable venue statutes as a judicial district where the civil action 'might have been brought.'" *In re Horseshoe Entm't*, 337 F.3d 429, 433 (5th Cir. 2003). There is no question this suit originally could have been filed in the United States District Court for the Central District of California.

The Court now considers the private and public interest factors restated in *In re Volkswagen*, starting with the private interest factors which are as follows: (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 and convenience of willing witnesses; and (4) all other practical problems that make a trial easy, expeditious, and inexpensive.

B. Private Interest Factors

1. Relative ease of access to sources of proof

Defendants argue that transfer is appropriate because the Central District of California would

provide easier access to Defendants' sources of proof. According to Defendants, defendants SEL, SCEA, Mitsubishi, EVGA, PNY, Eastcom, Mr. Rippel (the inventor), the California Institute of Technology (the assignor), Mr. Tachner (the prosecuting attorney), and non-parties Mr. Speck, Mr. Ansell, Dr. Laughton, and Mr. Edwards reside or have offices in or near the Central District of California. However, like the defendants in *J2 Global*, "other than generally referring to documents, [Defendants] have not identified any specific evidence, physical or otherwise" that is more conveniently accessible to the Central District of California. *See J2 Global II*, slip op. at 5. Plaintiff points out that the relevant documents and physical evidence are spread throughout the country. According to Plaintiff, the actual manufacture of the infringing products takes place either overseas or in New Jersey or Illinois. Plaintiff asserts financial information is maintained in the parties' offices in California (EVGA), New Jersey (PNY), Illinois (BFG), and the Eastern District of Texas (ICHL).

Plaintiff states it is storing physical evidence of the infringing products at its offices in the Eastern District of Texas. Specifically, Robert Klinger, one of two principals of ICHL and the managing director of the company, performs his day-to-day responsibilities out of two office locations each of which is within the Eastern District. The primary location is his principal business office which is located at 2591 Dallas Parkway, Suite 300, Frisco, TX 75034. The other location is a home office located at 3999 Touraine Dr., Frisco, Texas 75034. Klinger Decl., ¶ 3. According to Plaintiff, other relevant documents are available online or through the United States Patent and Trademark Office.

In *Novartis*, Chief Judge David Folsom considered this factor under facts similar to this case. There, the sources of proof, like here, were many and were spread across the nation. The Court

noted that while transfer to North Carolina would make access to some proof easier, access to all evidence would not necessarily be easier. 597 F.Supp.2d at 711. The Court further noted that some evidence located on the West Coast related to the development of the patented invention would be "far more difficult to reach if [the] case were transferred to the East Coast." *Id.* Therefore, the Court distinguished the *Novartis* case from both *In re Volkswagen* and *In re TS Tech* wherein the physical evidence was confined to a limited region.

Similarly, this is not a case like *In re Volkswagen* or *TS Tech* where the evidence is substantially located in or near the transferee forum. *See In re Volkswagen*, 545 F.3d at 316 (all documents relating to accident and all physical evidence in transferee forum, including crash site and other sensitive physical evidence identified by movant); *TS Tech*, 551 F.3d at 1320-21 ("all of the key witnesses" and "all of the physical evidence" in transferee forum, including bulky physical evidence identified by movant). Rather, the relevant proof is spread throughout the nation.

Importantly, Mr. Klinger stated that he has in his possession in his "Eastern District offices certain documents that are central to ICHL's claims, including documents reflecting ICHL's acquisition of the patent and analysis concerning how the accused products infringe the patents." Klinger Decl., ¶ 7. Also, when Plaintiff "bought the patent from the California Institute of Technology ("Caltech"), it acquired Caltech's entire file containing any and all of Caltech's documents related to the patent, including correspondence with the prosecuting attorney and correspondence with Mike Kotschenreuther, a prospective licensee." *Id.* at ¶ 8. This entire file was delivered directly to Mr. Klinger's home office in the Eastern District of Texas. *Id.* Mr. Klinger also keeps physical samples of the allegedly infringing products in the Eastern District offices and in a

"public storage" facility that Plaintiff rents in the Eastern District. *Id.* at ¶ 9.[3]

Even if the Court were to ignore the fact that some relevant evidence is currently located in the Eastern District of Texas, the Court would still find the Central District of California is not a venue in which evidence is necessarily more easily accessible overall. Accordingly, this factor does not weigh in favor of transfer.

2. Availability of compulsory process to secure the attendance of witnesses

The second private interest factor to be considered is the availability of compulsory process to secure the attendance of witnesses. Federal Rule of Civil Procedure 45(b)(2) governs the places where a subpoena issued by a court of the United States may be served. The non-party witnesses located outside this district "are outside the Eastern District's subpoena power for deposition under FED. R. CIV. P. 45(c)(3)(A)(ii)," and any "trial subpoenas for these witnesses to travel more than 100 miles would be subject to motions to quash under FED. R. CIV. P. 45(c)(3)." *In re Volkswagen*, 545 F.3d at 316. The Fifth Circuit in *Volkswagen* noted, in considering this factor, that the venue transfer analysis is concerned with convenience, and the fact a court can deny any motions to quash does not address concerns regarding the convenience of parties and witnesses. *Id*. Because there was a proper venue available that enjoyed absolute subpoena power for both depositions and trial, the Fifth Circuit in *Volkswagen* held the factor weighed in favor of transfer.

Here, Defendants assert the inventor of the '631 patent (Mr. Rippel), the assignor to Plaintiff and nearly 20-year owner of the '631 patent (Caltech), the prosecuting attorney (Mr. Tachner), and

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[3] This is not a case like *In re Genentech, Inc. and Biogen Idec, Inc.*, 2009-M901 (Fed. Cir. May 22, 2009), wherein the foreign plaintiff brought the suit in the Eastern District of Texas, "a venue which indisputably [had] no connection to any of the witnesses or evidence relevant to the cause of action." *Id.* at 1.

three individuals identified by Plaintiff as having knowledge of facts relating to the '631 patent, its ownership, and/or licensing (Mr. Speck, Mr. Edwards, and Mr. Ansell) are all in the Central District of California and thus outside the Eastern District of Texas' subpoena power for depositions. Defendants further assert the non-party California Institute of Technology witnesses are particularly important because they likely possess significant information relevant to the '631 patent, including laches. Finally, Defendants assert Dr. Laughton, a non-party witness identified by Plaintiff as having knowledge of facts related to the '631 patent, its ownership, and/or licensing, is also subject to compulsory process in the Central District of California even though he resides in the Northern District of California. *See Morris v. Safeco Ins. Co.*, 2008 WL 5273719, at *5 (N.D. Cal. Dec. 19, 2008) ("Plaintiff erroneously assumes that the Eastern District[] [of California's] subpoena power could reach only those non-party witnesses who reside within 100 miles. The Eastern District[] [of California's] subpoena power extends throughout the state of California pursuant to Rule 45 of the Federal Rules of Civil Procedure, which provides that a subpoena may be served anywhere within the state of the issuing court if a state statute allows state-wide service of a subpoena issued by a state court of general jurisdiction. *See* Fed. R. Civ. P. 45(b)(2)(C). Section 1989 of the California Code of Civil Procedure authorizes such state-wide service.").

Plaintiff argues Defendants "artificially restrict the scope of third-party witnesses largely to the inventor (Wally Rippel), the prosecuting attorney (Leonard Tachner), and representatives of the inventor's employer (Caltech)," and that not surprisingly, these witnesses are geographically near each other. Plaintiff's response in Cause No. 5:08cv65, Docket Entry # 57 at pg. 9. Plaintiff states that in most patent cases, the inventor and his or her employer will typically engage a local patent attorney to prosecute the application. "If an exclusive focus were placed on this particular cluster

of witnesses," according to Plaintiff, "it is hard to imagine many patent cases being tried somewhere other than the place of invention." *Id.*

The Court agrees with Plaintiff that the analysis should be broader than the seven non-party witnesses identified by Defendants. As Judge Davis explained in *Network-1 Sec. Solutions, Inc. v. D-Link Corp.*:

> The extension of the argument that venue should be based on the location of the inventors or prosecuting attorney would require that any suit involving the '930 patent be filed in New York. This is illogical since the patent venue statute does not limit venue to the districts where the inventors or prosecuting attorneys reside and is contrary to Congressional intent. Rather the statute anticipates that there are many appropriate venues in a patent case.
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> * * *
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> Witnesses in patent cases are typically more dispersed. There are the inventors who created the patented invention and the attorneys who prosecuted the patent application, who may or may not have ties to the plaintiff. The inventors and designers of the defendant's accused products are also important. Of immense importance, and usually unknown at the beginning of the case, are witnesses with personal knowledge of relevant prior art. Such witnesses are usually not affiliated with either party and have the possible power of proving the plaintiff's patent invalid. . . . Typically, witnesses in patent cases are scattered throughout the country, if not the world.

433 F. Supp. 2d 795, 802-03 (E.D. Tex. 2006). *See also MHL*, slip op. at 9-10 (noting that the court cannot limit its consideration to just the inventor and prosecuting attorney and emphasizing importance of party witnesses and expert witnesses in convenience of parties and witnesses factor).

The record reflects not only the seven non-party witnesses identified by Defendants, but also "prior art" non-party witnesses who are spread out around the world, encompassing places such as France, Washington, D.C., and Minnesota. Garry Dec. ¶ 10. Neither the Central District of California nor the Eastern District of Texas will have subpoena power over these non-party

witnesses. With respect to the "invention" witnesses, Plaintiff points out that Mr. Rippel has agreed to appear for trial and deposition in Texas without need for a subpoena. Rippel Decl. ¶ 3. Most importantly, for purposes of this factor, Plaintiff asserts that while the Caltech "licensing" witnesses are located in California, at least four different "licensing" witnesses are located in Texas. *See* Defendants' Motion to Transfer Venue in Cause No. 5:08cv65, Docket Entry # 56 at pg. 7 (identifying Winthrop A. Eastman (Houston) and Daniel Thompson (Dallas)); *see also* Garrey Decl., Ex. 4, pg. 4 (identifying IDTM (Austin)); Klinger Decl., ¶ 8 (identifying Mike Kotschenreuther (Austin)).

At least one court in this district has held that the court has trial subpoena power over witnesses residing in the State of Texas. The court in *Mohamed v. Mazda Motor Corp*., 90 F.Supp.2d 757, 771 (E.D. Tex. 2000) stated Federal Rule of Civil Procedure 45 underwent a complete revision in 1991 to enable "the court to compel a witness found within the state in which the court sits to attend trial." *Id.* at 778. If the witness' residence or employment is more than 100 miles from the place of trial but nevertheless within the sate in which the trial sits, the Court can "command" the witness to appear at trial pursuant to subdivision (c)(3)(A)(ii).

Although the Eastern District of Texas may have the power to subpoena for trial the four identified "licensing" non-party witnesses residing in the State of Texas, the Court does not have absolute subpoena power over these witnesses for purposes of discovery. Nor does the fact, that this Court may have trial subpoena power over the four Texas non-party witnesses, address the concerns regarding the convenience of all the non-party witnesses as required by *In re Volkswagen*.

Although neither this Court nor the transferee court would enjoy absolute subpoena power in this case, a Central District of California court would have absolute subpoena power over some

identified non-party witnesses. In *In re Genentech, Inc. and Biogen Idec, Inc.*, 2009-M901 (Fed. Cir. May 22, 2009), there were a substantial number of witnesses within the subpoena power of the transferee court and no witnesses who could be compelled to appear in the Eastern District of Texas. *Id.* at 10. The Federal Circuit held that the "fact that the transferee venue is a venue with usable subpoena power here weighs in factor of transfer, and not only slightly." In this case, the Court finds this factor weighs in favor of transfer.

3. Cost of attendance for and convenience of willing witnesses

The third private interest factor is the cost of attendance for and convenience of willing witnesses. "The court is to consider whether substantial inconvenience will be visited upon key fact witnesses should the court deny transfer." *Shoemake v. Union Pacific Railroad Co.*, 233 F.Supp.2d 828, 832 (E.D. Tex. 2002). "Additionally, the convenience of non-party witnesses is accorded greater weight than that of party witnesses." *Id.*

Defendants state they have strong ties to the Central District of California, asserting as follows: (1) Sony Electronics, Inc. has its principal place of business in San Diego, California, approximately 80 miles from the Central District of California (Southern Division) courthouse (Lauwaert Decl., ¶ 2)(Singer Decl., Ex. I); (2) Sony Computer Entertainment America Inc., has its principal place of business in Foster City, California, 408 miles from the Federal Courthouse in Santa Ana (Buchanan Decl., ¶ 2)(Singer Decl., Ex. I); (3) EVGA's principal place of business is in the Central District of California; (4) PNY maintains an office in the Central District of California; (5) Eastcom has its principal place of business in the Central District of California; and (6) Mitsubishi Digital Electronics America, Inc. has its principal place of business in the Central District of California in Irvine, California, less than 13 miles from the Santa Ana courthouse. Rogers Decl.,

¶¶ 2, 7. According to Defendants, these party witnesses which may be called to testify on technical, marketing, sales, and financial topics will have an easier time attending trial in California.

Plaintiff responds by asserting California is not clearly more convenient for all the defendants or for Plaintiff's witnesses. Specifically, *ICHL I* defendant NEC Corporation of America is based in Dallas, Texas. Garrey Decl., Ex. 5. *ICHL I* defendant Lenovo, (United States) Inc. has four operational hubs located in Beijing, China; Raleigh, North Carolina; the Republic of Singapore, and Paris, France. Singleton Decl., ¶ 2. *ICHL III* defendant Samsung Electronics America, Inc. has its principal place of business in Ridgefield Park, New Jersey. Panosian Decl., ¶ 2. *ICHL III* defendant Toshiba America Consumer Products, LLC has its principal place of business in Wayne, New Jersey. Olivero Decl., ¶ 2.

In *In re Volkswagen I*, the Fifth Circuit set a 100-mile threshold as follows: "When the distance between an existing venue for trial of a matter and a proposed venue under § 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 I*, 371 F.3d at 204-05. The Fifth Circuit further stated it is an "obvious conclusion" that it is more convenient for witnesses to testify at home. *Id*. at 205. Additional "distance means additional travel time; additional travel time increases the probability for meal and lodging expenses; and additional travel time with overnight stays increases the time which fact witnesses must be away from their regular employment." *Id*. The Eastern District of Texas is located more than 100 miles from the California witnesses identified by Defendants.

Given the national character of this lawsuit and the fact that one defendant and Plaintiff have connections with Texas, the Court finds transfer in this case would "merely reallocate inconvenience

rather than lessen it." *Novartis*, 597 F.Supp.2d at 713. This is simply not a case where an out-of-state plaintiff has chosen to file suit in an arbitrary forum to which it is unconnected. Plaintiff is a Texas limited liability company. Its "official" mailing address is currently in Arlington, Texas (in the Northern District), but that is mainly a mailbox for financial documents. (Klinger Decl., ¶ 2). Plaintiff also maintains offices, personnel, documents, and storage facilities in the Eastern District of Texas. Robert Klinger, one of two principals of ICHL, maintains two office locations (including a home office and another office which is his primary business office) in Frisco, Texas, which is in Denton County in the Eastern District.

Even if the Court were inclined to disregard Plaintiff's connections to Frisco, which is located in the Eastern District of Texas, limiting its focus only to ICHL's Arlington location, the Court would still find a trial in this Court would be substantially more convenient to Plaintiff than a trial in the Central District of California, which is over 1200 miles away from Arlington. Klinger Decl., ¶ 10. More importantly, even if Plaintiff had no connection to the Eastern District of Texas, Defendants have still not failed to demonstrate that there is a localized focus of people, events, and evidence in the Central District of California as to make that venue clearly more convenient for all involved. To the contrary, this case has a national reach, such that no one particular forum can be said to be clearly more convenient than any other.

As noted above, Defendants themselves are located across the United States. Specifically, Defendants are located in (1) Texas, (2) California, (3) Illinois, and (4) New Jersey. Defendants admit that "key party witnesses" are located not only in California, but also in Illinois and New Jersey. What is more, Plaintiff points out that while the inventor, prosecuting attorney, and the Caltech "licensing" witnesses are in California, four other "licensing" witnesses have been identified

in Texas and the prior art witnesses are spread throughout the world. Therefore, while transfer to the Central District of California may be more convenient for some party and non-party witnesses, this convenience may be offset by additional burdens placed on other party and non-party witnesses. For these reasons, the Court finds that the cost of attendance for and convenience of willing witnesses does not favor transfer to California.

4. All other practical problems that make trial easy, expeditious and inexpensive

In this last catch-all private interest factor, the Court has oftentimes considered the possibility of delay and prejudice if transfer is granted**.** Delay and prejudice associated with transfer is only relevant "in rare and special circumstances" and only if "such circumstances are established by clear and convincing evidence." *In re Horseshoe*, 337 F.3d 429, 434 (5th Cir. 2003). No rare or special circumstances are presented here. The Court finds this final catch-all private interest does not weigh in favor of or against transfer.

C. Public Interest Factors

The "interest of justice" is also an important component of the transfer analysis. 28 U.S.C. § 1404(a). The public interest factors are: "(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 of conflict of laws [or in] the application of foreign law." *Id.* The only contested public interest factors are the administrative difficulties flowing from court congestion and the local interest in having localized interests decided at home. The Court finds the other two factors to be neutral.

Defendants rely on recent Federal Judicial Caseload Statistics which indicate that cases in the Central District of California reach disposition more quickly than cases pending in the Eastern

District of Texas. According to Defendants, the Central District of California's less congested docket favors transfer. Relying on more relevant "time to trial" statistics rather than "time to disposition" statistics, Plaintiff argue the time to trial is actually 3.3 months quicker in the Eastern District of Texas. Therefore, Plaintiff asserts this factor is neutral, at least.

"To the extent that court congestion is relevant, the speed with which a case can come to trial and be resolved may be a factor." *Genentech*, 2009-M901 at 13. Although the Federal Circuit did not disturb the district court's suggestion that it could dispose of the case more quickly than if the case were transferred to the Northern District of California, the court noted that the factor appeared to be the "most speculative," and "case-disposition statistics may not always tell the whole story." *Id.* at 14. In this case, the Court finds this factor is neutral, neither weighing in favor or of against transfer.

With regard to the local interest in having localized interests decided at home, Defendants and Plaintiff both point out that no single venue possesses a uniquely meaningful connection to a patent dispute. In a suit where an allegedly infringing product is sold nationwide, the Federal Circuit has held that no one venue has "more or less of a meaningful connection to [the] case than any other venue." *In re TS Tech*, 2008 WL 5397522, *4 ("Here, the vehicles containing TS Tech's allegedly infringing headrest assemblies were sold throughout the United States, and thus the citizens of the Eastern District of Texas have no more or less of a meaningful connection to his case than any other venue."). Thus, this factor is also neutral.

V.

CONCLUSION

Defendants must show that the Central District of California is clearly more convenient for the parties and witnesses and that transfer is in the interest of justice. Carefully considering all of the relevant factors, the Court concludes that Defendants have not shown good cause to justify transfer in this case. Accordingly, the Court is of the opinion that Defendants' motions should be denied. Based on the foregoing analysis, it is hereby

RECOMMENDED that Defendant BFG Technologies, Inc., EVGA Corporation, and PNY Technologies, Inc.'s Joint Motion to Transfer Venue (Docket Entry # 31); and ICHL I and III Defendants' Joint Motion to Transfer Venue (Docket Entry #s 57, 50) be **DENIED.**

Within ten (10) days after receipt of the magistrate judge's report, any party may serve and file written objections to the findings and recommendations of the magistrate judge. 28 U.S.C.A. 636(b)(1)(C). Failure to file written objections to the proposed findings and recommendations contained in this report within ten days after service shall bar an aggrieved party from *de novo* review by the district court of the proposed findings and recommendations and from appellate review of factual findings accepted or adopted by the district court except on grounds of plain error or manifest injustice. *Thomas v. Arn*, 474 U.S. 140, 148 (1985); *Rodriguez v. Bowen*, 857 F.2d 275, 276-77 (5th Cir. 1988).

SIGNED this 2nd day of June, 2009.

CAROLINE M. CRAVEN
UNITED STATES MAGISTRATE JUDGE