

EXHIBIT A

IN THE UNITED STATES DISTRICT COURT
 FOR THE WESTERN DISTRICT OF TEXAS
 AUSTIN DIVISION

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VERVE L.L.C.,

PLAINTIFF,

V.

HYPERCOM CORP.; INGENICO CORP.
 USA; THALES E-TRANSACTIONS, INC.;
 FIRST DATA CORPORATION;
 RADIANT SYSTEMS, INC.; AND
 VERIFONE, INC.,

DEFENDANTS.

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CAUSE NO. A-04-CA-062-LY

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ORDER ON MOTIONS TO SEVER AND TRANSFER

Before the Court is Defendant Hypercom Corporation’s Motion to Sever and Transfer Claims to the District of Arizona (Doc. #16), Plaintiff Verve L.L.C.’s Response to Hypercom Corporation’s Motion to Sever and Transfer Claims to the District of Arizona (Doc. #28), Defendant Ingenico Corporation USA’s Motion to Sever and Transfer to the Northern District of Georgia (Doc. #74), Plaintiff Verve L.L.C.’s Response to Ingenico Corporation USA’s Motion to Sever and Transfer Claims to the Northern District of Georgia (Doc. #78), Defendant Thales E-Transactions’ Motion to Sever and Transfer Claims to the Eastern District of Michigan (Doc. #14), Plaintiff Verve L.L.C.’s Response to Thales E-Transactions’ Motion to Sever and Transfer Claims to the Eastern District of Michigan (Doc. #23), and Defendant Thales E-Transactions’ Reply in Support of its Motion to Sever and Transfer Claims to the Eastern District of Michigan (Doc. #34).

On October 7, 2004, the Court held a hearing on these motions and advised all Defendants that any further motions for severance or transfer were to be submitted to the Court by October 29,

2004, and any supporting materials regrading previously filed motions were to be submitted by October 19, 2004.

As a result, the following are now also before the Court: Defendant Hypercom Corporation's Additional Materials in Support of its Motion to Sever and Transfer Claims to the District of Arizona (Doc. #94), Defendant Thales E-Transaction's Supplement in Support of its Motion to Sever and Transfer Claims to the Eastern District of Michigan (Doc. #93), Defendant First Data Corporation's Submission Regarding Joinder of Defendants and Motion for Severance (Doc. #95), Defendant Radiant System's Motion to Sever and Transfer Claims to the Northern District of Georgia (Doc. #102), Defendant Verifone Inc.'s Opposed Motion to Sever and Transfer Claim to Northern District of California (Doc. #110), Plaintiff Verve's Brief Regarding Point of Sale Related Litigation (Doc. 104), Plaintiff Verve's Consolidated Response to Defendants Thales E-Transactions', Hypercom Corporation's, and Ingenico Corporation USA's Motions to Sever and Transfer (Doc. #106), Reply by Ingenico Corporation USA to Response to Motion to Sever and Transfer (Doc. #116), Reply by Verifone Inc. to Response to Motion to Sever and Transfer (Doc. #120), and Opposed Motion by CyberNet USA to Dismiss for Lack of Personal Jurisdiction Pursuant to Federal Rule of Civil Procedure 12(b)(2) (Doc. #90).

Hypercom Corporation ("Hypercom"), Ingenico Corporation USA ("Ingenico"), Thales E-Transactions ("Thales"), Radiant Systems ("Radiant") and Verifone Inc. ("Verifone") all request that pursuant to Rule 21 of the Federal Rules of Civil Procedure and 28 U.S.C. section 1404(a), this Court sever and transfer their respective patent-infringement actions for the convenience of the parties and witnesses and in the interest of justice. First Data Corporation ("First Data") requests this Court to sever it from Verve's claims against the other Defendants. First Data's principal place

of business is in this district. First Data seeks severance but not transfer of the case against it. With regard to the severance of the cases, Thales, Hypercom, Ingenico, First Data, Radiant, and Verifone each argue that it is proper for this Court to sever their respective cases because each was improperly joined. With regard to the transfer of the cases, Hypercom, Ingenico, Radiant, and Verifone contend that the material witnesses and the relevant documents regarding infringement, if any, are located in Arizona, Georgia, and California respectively, and that most, if not all, of the relevant events in this action occurred there. *See* 28 U.S.C. § 1404(a). Thales, Hypercom, Ingenico, and Verifone argue that each is already involved in patent-infringement litigation with Verve in the respective districts to which they seek transfer of the present action. Having reviewed the motions, the responses, the supplemental submissions of the parties, the file and the applicable law, the Court is of the opinion that the motions should be granted and the actions should be severed and transferred.

Severance

Rule 21 of the Federal Rules of Civil Procedure provides: “all persons . . . may be joined in one action as defendants if there is asserted against them jointly, severally, or in the alternative any right to relief in respect of or arising out of the same transaction, occurrences, or series of transactions or occurrences and if any question of law or fact common to all defendants will arise in the action. Fed. R. Civ. P. 20(a). “If there is a misjoinder of a party, “[a]ny claim against a party may be severed and proceeded with separately.” Fed. R. Civ. P. 21. A patent owner may sue several defendants for patent infringement at one time. *See Paine, Weber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner, & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D.Del. 1983). However, the Court may choose to sever claims if the defendants’ conduct does not meet the “transaction test” set out in Rule 20(a). *Id.* Defendants who have merely committed similar acts of infringement do not meet

that test. *Id.*

Verve argues that because the case concerns a single patent, which it alleges each Defendant has infringed, the litigation will involve common issues regarding the patent's claim construction. Verve also argues that its claims against Defendants arise from the same transaction. Verve asserts that each of the Defendants' accused products are configured to or are configurable to connect to a subsidiary of Defendant First Data's transaction-processing payment network. Verve submits that in order to authorize a transaction on Defendants' products, the transaction network provider must transmit an approval or declination of the transaction to the payment terminal. Verve does not allege that First Data's subsidiary definitely provides the transaction network for Defendants but only that Verve "believes" that it is likely that First Data's subsidiary provides the transaction network for Defendants. Further each Defendant asserts that it has no connection to any other Defendant. In fact, the Defendants are competitors with one another. Other than this possible link among Defendants, Verve does not allege that Defendants are otherwise interrelated or acted in concert to infringe Verve's patent. This Court finds that although there may be common issues of law between the Defendants in this matter, the claims of infringement do not clearly arise from the same transaction.

Under Rule 21, this Court retains the discretion to determine whether Defendants Thales, Hypercom, Ingenico, First Data, Radiant, and Verifone should be severed from the present suit "on such terms as are just." Fed. R. Civ. P. 21; *see also MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455, 457 (E.D.Tex. 2004). Because the Defendants are all direct competitors and a trial in this case is likely to require the production of highly sensitive materials, and considering that this Court is not convinced that the parties were properly joined, the Court will exercise its discretion and

sever the Defendants.

Transfer

Section 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.” 28 U.S.C. § 1404(a). It is within the sound discretion of the court to decide to transfer venue. *Id.* at § 1404(b); *Jarvis Christian Coll. v. Exxon Corp.*, 845 F.2d 523, 528 (5th Cir. 1988).

A defendant bears the burden of demonstrating that transfer is warranted. *See Time, Inc. v. Manning*, 366 F.2d 690, 698 (5th Cir. 1966) (“At the very least, the plaintiff’s privilege of choosing venue places the burden on the defendant to demonstrate why the forum should be changed.”); *see also Langton v. Cbeyond Communication, L.L.C.*, 282 F. Supp. 2d 504, 509-10 (E.D. Tex. 2003) (“The movant must demonstrate that the balance of convenience and justice *substantially* weigh in favor of transfer.”) (citing *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947)). In deciding a motion to transfer venue, the trial court should consider whether “the litigation would more conveniently proceed and the interests of justice be better served by transfer to a different forum.” *Peteet v. Dow Chem. Co.*, 868 F.2d 1428, 1436 (5th Cir. 1989) (citation omitted). Relevant considerations include convenience factors, such as the availability and convenience of witnesses and of the parties, the place of the alleged wrong, the location of relevant documents, books, and records, and include public-interest factors such as administrative issues related to court congestion, local interest in adjudicating local disputes, and the unfairness of burdening citizens in an unrelated forum with jury duty. *See, e.g., Int’l Truck & Engine Corp. v. Quintana*, 259 F. Supp. 2d 553, 558 (N.D. Tex. 2003); *Hanby v. Shell Oil Co.*, 144 F.Supp. 673, 676-77 (E.D. Tex. 2001); *E.E.O.C. v.*

Mustang Mobile Homes, Inc., 88 F. Supp. 2d 722, 725 (W.D. Tex. 1999). The plaintiff's choice of forum, which is generally entitled to great deference, has reduced significance in cases where most of the operative facts occurred outside the district. *Lindloff v. Schenectady Int'l*, 950 F.Supp. 183, 185 (E.D. Tex. 1996); *see also Robertson v. Kiamichi R.R. Co.*, 42 F.Supp.2d 651, 656 (E.D. Tex. 1999). Additionally, the plaintiff's choice of forum is given less weight when the plaintiff brings suit outside its home district. *Hanby*, 144 F.Supp. at 677; *see also Rock Bit Int'l, Inc. v. Smith Int'l, Inc.*, 957 F.Supp. 843, 844 (E.D. Tex. 1997) ("plaintiff's choice of forum is of minimal value when none of the parties reside in this division of this District").

Verve, a Texas limited-liability company, commenced this action against Thales, whose principal place of business is in Georgia, Hypercom, whose principal place of business is in Arizona, Ingenico, whose principal place of business is in Georgia, Radiant, whose principal place of business is in Georgia, and Verifone, whose principal place of business is in California, asserting patent-infringement claims against each. Seeking to enforce its patent rights regarding U.S. Patent No. 4,562,341, Verve contends that Defendants are offering for sale, selling, and distributing in the Western District of Texas, as well as throughout the United States, electronic-payment terminals that infringe this patent.

Defendants assert the following facts supporting their motions to transfer this action: (1) although Verve is a Texas limited-liability company, it has no offices or employees in Texas; (2) this district and the state of Texas have no relationship to the operative facts in this action other than the fact that the allegedly infringing products are used here; (3) there are no relevant facilities in this district and only two identified party witnesses reside in this district; (4) Defendants Hypercom, Ingenico, Radiant, and Verifone currently have pending patent litigation with Verve in the respective

districts to which each seeks transfer of the present action; (5) Verve has filed suit against Defendants Hypercom, Ingenico, Thales, and Verifone in California and Washington, D.C.; therefore, Verve has shown a willingness to prosecute its claims in venues other than the Western District of Texas. Furthermore, Hypercom, Ingenico, Radiant, and Verifone argue that Arizona, Georgia, and California respectively are where relevant evidence and witnesses regarding the alleged infringing activity are located. They anticipate that all of their witnesses will be residents of such states, and all documents relating to their electronic-payment terminals are located in those states.

Accompanying Hypercom's motion is the declaration of Michael S. Rafford, counsel and assistant secretary of Hypercom. He states that Hypercom has no offices in this district but has a small development facility with eight employees in Richardson, Texas, within the Northern District of Texas. Such employees have no responsibility or knowledge regarding the present dispute. The employees that have knowledge regarding the present dispute are located in Arizona. Hypercom asserts that it will call witnesses for trial that are in Arizona. It further asserts that all of its documents that relate to its electronic-payment terminals are in Arizona. Verve also sued Hypercom in the Eastern District of Michigan regarding a different but similar patent. The Michigan court transferred the suit to Arizona. Verve then dismissed the action. Hypercom has filed a declaratory-judgment action against Verve regarding that patent in Arizona, which remains pending. Verve has also sued Hypercom regarding different but similar patents in the Northern District of California and has filed a complaint, regarding the same patent at issue before the Northern District of California, with the International Trade Commission in Washington D.C. Both cases remain pending.

Accompanying Ingenico's motion is the declaration of Charles Kovach, vice president of finance for Ingenico Corporation. He states that Ingenico has no offices in this district. He states

that although some of Ingenico's employees are responsible for sales in Texas, none of those employees reside in Texas and they do not have responsibility or knowledge regarding the present dispute. He states that the employees that have knowledge regarding the present dispute are located in Toronto, Canada or the state of Georgia. He further states that Ingenico will call witnesses for trial that are located in Toronto and Georgia, that all of Ingenico's documents that relate to its electronic- payment terminals are in Toronto and Georgia, and there are no records located in this district that would be material to the issues to be resolved in this action. Verve has also sued Ingenico in the Eastern District of Michigan regarding a different but similar patent. The Michigan court transferred the suit to Georgia. Verve has also sued Ingenico regarding different but similar patents in the Northern District of California and has filed a complaint, regarding the same patent at issue before the Northern District of California, with the International Trade Commission in Washington D.C. All three cases remain pending.

Accompanying Thales's motion is the declaration of William D. McSpadden, an associate at the law firm which represents Thales in this litigation. He attests to the veracity of court documents from the Eastern District of Michigan attached to his declaration. The documents reflect that Verve also sued Thales in the Eastern District of Michigan regarding a different but similar patent. The Michigan court subsequently dismissed Verve's suit against Thales *sua sponte*. Thales has filed a declaratory-judgment action in the Eastern District of Michigan regarding the patent that was the subject of the original suit. Although Thales's main offices are in Georgia and France, it submits that the same witnesses and documentation involved in the Michigan case are also involved in the present case. Therefore, Thales argues, it would be more convenient to send the witnesses and documentation to one foreign forum, Michigan, rather than two. Verve has also sued Thales

regarding different but similar patents in the Northern District of California and has filed a complaint, regarding the same patent at issue before the Northern District of California, with the International Trade Commission in Washington D.C. Both cases remain pending.

Radiant asserts that it is based in the Northern District of Georgia and that its witnesses and documents regarding its accused products and alleged damages are located there. Radiant's motion further states that it has no physical presence in Texas and no connection with Texas other than the products it has sold here.

Accompanying Verifone's motion is the declaration of Owen W. Dukelow, an attorney representing Verifone in this litigation. He states that Verve also sued Verifone in the Eastern District of Michigan regarding a different but similar patent. The Michigan court subsequently transferred Verve's suit against Verifone to the Northern District of California. Verve has additionally sued Verifone regarding a third patent in the Northern District of California and has filed a complaint, regarding the same patent at issue before the Northern District of California, with the International Trade Commission in Washington D.C. All three cases remain pending. Verifone further states that its headquarters are located in the Northern District of California and the majority of any alleged infringement activity occurred in the Northern District of California.

Verve responds that such movants have failed to show that the relevant factors described above substantially weigh in favor of transferring this action. Verve contends that this district sits in a location central to the witnesses and parties, its complaint is one for remedies under the patent laws for infringement in this district as well as elsewhere, and its choice of forum is entitled to great weight and should not be disturbed. Further, Verve contends that as the movants for transfer are global, sophisticated corporations their claim that the relevant documents and witnesses are not

located in Texas does not justify transfer of the action, a substantial injury occurred in Texas because movants profited from sales here, and Hypercom's and Thales's declaratory-judgment actions are likely to be dismissed. Verve argues that if this Court were to sever and transfer this case, there is a threat of inconsistent claim constructions by the various courts that will hear the causes. Finally, Verve asserts that there is no indication that a jury in this district would be less interested in handling a patent case than a jury in the districts the Defendants prefer and public-interest factors favor the retention of this action in this district.

In patent-infringement cases, "the trier of fact ought to be as close as possible to the milieu of the infringing device and the hub of activity centered around its production." *Minka Lighting, Inc. v. Trans Globe Imports, Inc.*, 2003 WL 21251684 at *3 (N.D. Tex. 2003) (citing *S.C. Johnson & Son, Inc. v. Gillette Co.*, 571 F. Supp 1185, 1187-88 (N.D. Ill. 1983)). "In finding the center of gravity, a district court should consider the location of a product's development, testing, research, and production." *Id.* Additionally, a court should consider the place where the marketing and sales decisions occurred, not just the location of any particular sales activity. *Id.* The location of the alleged infringer's principal place of business, therefore is often the critical and controlling consideration in adjudicating a motion to transfer venue. *Id.* (citing *Houston Trial Reports, Inc. v. LRP Publications, Inc.*, 85 F.Supp.2d 663, 668 (S.D. Tex. 1999)).

This Court finds that among the parties in this action, none has a physical principal place of business in this district. Further, this Court finds that the hub of activity and the place where decisions were made regarding infringement, if any, occurred in Arizona with regard to Hypercom, Georgia with regard to Ingenico and Radiant, and California with regard to Verifone, the states where Hypercom, Ingenico, Radiant, and Verifone maintain their respective principal places of

business and where each asserts its witnesses and records are located. Further, this Court finds that this district has no factual nexus to the case and there is nothing unique about this district's interest in the dispute. As for Thales, this Court finds that the present claims against Thales should be transferred to the Eastern District of Michigan, where similar litigation between the Thales and Verve is pending.

Although Verve is a Texas limited-liability company, it identifies only two witnesses it may call at trial who reside in Texas and no movant identified any witness that resides in this district. Verve states that it maintains substantially all of its business records in Texas, but Verve has no situs of business other than a post-office box in Austin. In the event of transfer, only two witnesses will be inconvenienced by out-of-state travel; whereas, maintaining this action in this district, would cause all witnesses inconvenience. Further, because Verve is pursuing litigation in California and has a complaint pending before the International Trade Commission in Washington, D.C., this Court finds that litigating this action in Arizona, Georgia, Michigan, California should not be substantially burdensome. Finally, although the Court acknowledges Verve's concerns regarding inconsistent claim construction, this Court notes that in patent cases, the severance of unrelated defendants that have allegedly infringed the same patent is not an unusual or disfavored measure. *See Phillips Elecs. N. Am Corp. v. Contec Corp.*, 220 F.R.D. 415 (D.Del. 2004); *Pergo, Inc. v. Alloc, Inc.*, 262 F.Supp. 122 (S.D.N.Y. 2003); *Paine Webber*, 564 F. Supp. at 1371; *but see MyMail*, 223 F.R.D. at 457. In this case, the Defendants seeking transfer have demonstrated that their preferred venues have significant connections to the case and they have persuaded this Court that the balance of convenience and justice weigh in favor of transfer.

IT IS THEREFORE ORDERED that Defendant Hypercom Corporation's Motion to Sever

and Transfer Claims to the United States District Court for the District of Arizona (Doc. #16) is **GRANTED**, and that Verve's cause against Hypercom is **TRANSFERRED** to the United States District Court for the District of Arizona.

IT IS FURTHER ORDERED that Defendant Ingenico Corporation USA's Motion to Sever and Transfer to the United States District Court for the Northern District of Georgia (Doc. #74) is **GRANTED**, and that Verve's cause against Ingenico is **TRANSFERRED** to the United States District Court for the Northern District of Georgia.

IT IS FURTHER ORDERED that Defendant Thales E-Transactions' Motion to Sever and Transfer Venue to the United States District Court for the Eastern District of Michigan (Doc. #23) is **GRANTED**, and that Verve's cause against Thales and Thales's counterclaim against Verve are **TRANSFERRED** to the United States District Court for the Eastern District of Michigan.

IT IS FURTHER ORDERED that Defendant Radiant Systems Inc.'s Motion to Sever and Transfer Venue to the United States District Court for the Northern District of Georgia (Doc. #102) is **GRANTED**, and that Verve's cause against Radiant and Radiant's counterclaim against Verve are **TRANSFERRED** to the United States District Court for the Northern District of Georgia.

IT IS FURTHER ORDERED that Defendant Verifone, Inc.'s Motion to Sever and Transfer Venue to the United States District Court for the Northern District of California (Doc. #110) is **GRANTED**, and that Verve's cause against Verifone and Verifone's counterclaim against Verve are **TRANSFERRED** to the United States District Court for the Northern District of California.

IT IS FURTHER ORDERED that, having severed and transferred all other Defendants, Defendant First Data Corporation's Submission Regarding Joinder of Defendants and Motion for Severance (Doc. #95) **IS DISMISSED AS MOOT**.

IT IS FURTHER ORDERED that, having previously dismissed CyberNet from this action without prejudice (Doc. #101) upon the Notice of Stipulation of Dismissal by Verve and CyberNet USA (Doc. #99), CyberNet's Motion to Dismiss for Lack of Personal Jurisdiction (Doc. #90) **IS DISMISSED AS MOOT.**

IT IS FURTHER ORDERED that the Clerk of this Court forward copies of the case file to the United States District Court for the Eastern District of Michigan, the United States District Court of Arizona, the United States District Court for the Northern District of Georgia, and the United States District Court for the Northern District of California.

IT IS FINALLY ORDERED that, as to Plaintiff Verve L.L.C. and Defendant First Data Corporation, the Case Management Start Date defined in Paragraph 3(D) of the Scheduling Order signed in this case on October 7, 2004, shall be January 10, 2005, and Verve and First Data are **ORDERED** to submit their initial disclosures under Rule 26(a)(1), Scheduling Order Paragraph 3(E), on or before January 10, 2005.

SIGNED this 29th day of December, 2004.



LEE YEAKEL
UNITED STATES DISTRICT JUDGE