

Intellectual Property Alert

Federal Circuit Issues Significant Venue Decision

December 5, 2011

In an important venue decision on December 2, 2011, the United States Court of Appeals for the Federal Circuit granted a petition for a writ of mandamus directing a district court to transfer venue in a patent infringement suit from the District of Delaware to the Northern District of California. *In re Link_A_Media Devices Corp.*, No. 2011-m990 (Fed. Cir. Dec. 2, 2011). The opinion is significant because it rejects the argument that a plaintiff's choice of forum is always entitled to significant weight under Third Circuit law, and it undermines a primary basis for holding venue over cases filed in Delaware—an accused infringer's state of incorporation.

Background

Factually, the case involved allegations of patent infringement brought by Marvell International Ltd. ("Marvell") against Link_A_Media Devices Corp. ("LAMD") in the District of Delaware. To establish proper venue over the case, Marvell relied heavily on the fact that LAMD was incorporated in Delaware. LAMD asked the district court to transfer venue to the Northern District of California pursuant to 28 U.S.C. § 1404(a), arguing that Delaware had no connection to the lawsuit. Despite being incorporated in Delaware, LAMD was headquartered in the Northern District of California, and nearly all of its 130 employees worked there. In addition, the inventors of the patents-in-suit were employed by a Marvell affiliate, also located in the Northern District of California. Presumably, all of the documents relating to the patents were also located there. Finally, LAMD argued that the Marvell entity bringing the case was merely a holding company, incorporated in Bermuda. As a result, LAMD argued that the public and private interest factors favored the Northern District of California, rather than Delaware.

The district court denied the motion, relying on the principle that the plaintiff's choice of forum was entitled to great deference under Third Circuit law. The court noted that under its precedent, deference afforded to plaintiff's choice of forum will apply as long as a plaintiff has selected the forum "for some legitimate reason." The court also accepted the plaintiff's argument that LAMD could hardly claim surprise by having to litigate in the forum in which it was incorporated. In addition, the district court stated that the private interest factors addressed to the location of witnesses and records were "outdated, irrelevant, and should be given little weight, if any, except for those rare exceptions where truly regional defendants are litigating." After considering the other factors relevant to the venue decision, the district court denied the motion to transfer.

The Federal Circuit's Decision

The Federal Circuit granted LAMD's petition for a writ of mandamus and ordered the case transferred to the Northern District of California. The unanimous panel, which included Chief Judge Rader, Judge Dyk and Judge O'Malley, held that the district court placed too much weight on Marvell's choice of forum. Although acknowledging that the Third Circuit places significant weight on the plaintiff's choice of forum, the Federal Circuit determined that such a choice is entitled to less deference when the plaintiff brings its case in a venue that is not its home forum. Because Marvell was a



holding company incorporated in Bermuda, and its affiliate was located in California, the Federal Circuit concluded that the plaintiff's choice was not entitled to the weight afforded it by the district court. Likewise, "the court's heavy reliance on the fact that LAMD was incorporated in Delaware was similarly inappropriate."¹ According to the Federal Circuit, neither § 1404 nor Third Circuit precedent lists a party's state of incorporation as a factor for a venue inquiry. A party's state of incorporation is certainly not a dispositive fact in the venue transfer analysis. Finally, the Federal Circuit criticized the district court for refusing to analyze the private interest factors related to the location of witnesses and documents. According to the court, even with advances in technology, these factors remain relevant and should be considered.

Conclusion

The venue decisions from the Federal Circuit and the new non-joinder provision of the Leahy-Smith America Invents Act have caused patent infringement plaintiffs to adopt new filing strategies. One such strategy is to turn to Delaware because of the Third Circuit's favorable law respecting the plaintiff's choice of forum and the large number of corporations that are formed in that state. This case is important because it fails to afford significant weight to the plaintiff's choice of forum when the plaintiff is not from Delaware, and it weakens the state-of-incorporation basis used to establish venue in Delaware. The opinion confirms that the location of the parties' business operations, along with the location of documents and witnesses, are paramount considerations under § 1404. Parties considering filing patent cases in Delaware should accordingly avoid placing wholesale reliance on the fact that an accused infringer is incorporated there. Likewise, parties accused of infringement in Delaware may be able to take advantage of this holding to secure transfer to a more favorable forum.

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¹ The full text of the decision is available at <http://www.cafc.uscourts.gov/images/stories/opinions-orders/11-m990%20order.pdf>.