

## ***In re Volkswagen of America: Grounding the Marshall, Texas Patent Rocket Docket?***

The *en banc* Court of Appeals for the Fifth Circuit, in a 10-7 ruling in *In re Volkswagen of America Inc. and Volkswagen AG*, No. 07-40058 (October 10, 2008) (“*Volkswagen II*”), clarified the law on transferring actions “for the convenience of the parties in the interests of justice” under 28 U.S.C. § 1404(a). Though it comes from a regional circuit in a product liability case, the decision should have a significant impact on the future of venue transfer motions in the so-called patent “rocket docket” of Marshall, Texas, home to more patent litigation filings than any other district in the nation.

The facts of *Volkswagen II* actually have nothing to do with patent law. The underlying case of *Singleton v. Volkswagen of America, Inc.*, 2-06-CV-222, 2006 WL 2634768, (E.D. Tex. Sept. 12, 2006), involved an automobile accident that took place in Dallas, Texas, which is located in the Northern District of Texas. Though the accident occurred in Dallas, the vehicle was purchased in Dallas, the known fact witnesses were all located in the Dallas area and the relevant documents located in Dallas, the plaintiff sued Volkswagen in the Eastern District of Texas in Marshall. Despite these facts, and that Marshall had no connection to the facts giving rise to the suit, the district court refused to grant Volkswagen’s motion to transfer.

Though a product liability case, the *Volkswagen II* case nonetheless had been on the radar screen of the patent bar because the manner in which the district court analyzed the salient factors in this case mirrored the way in which the district courts in the Eastern District of Texas applied the factors in motions to transfer venue under 28 U.S.C. § 1404(a) in the many patent cases filed there. These transfer denials helped create the Marshall Division’s reputation as a preferred venue for patent holders.

Following the district court’s denial of Volkswagen’s motion to transfer venue, Volkswagen moved for reconsideration, and when denied, it petitioned the Court of Appeals for the Fifth Circuit for a writ of *mandamus*. After two different panel hearings, one in which the writ was denied, another on rehearing in which writ was granted, plaintiffs filed for an *en banc* rehearing.

At this stage of the case, the American Intellectual Property Law Association saw an opportunity to address the unfairness taking place in the Eastern District of Texas docket. It requested assistance from Hughes Hubbard to submit an *amicus* brief in support of Volkswagen. Hughes Hubbard’s *amicus* brief for AIPLA discussed the burgeoning patent docket in Marshall, Texas, the plaintiff-friendly nature of the Marshall district court in patent infringement suits, the historical development of the law of transfer from its antecedent in the law of *forum non conveniens*, and the district’s sometimes-blatant disregard of § 1404(a) jurisprudence in not transferring out patent cases.

The majority, in an opinion that was consonant with the arguments made in AIPLA’s *amicus* brief, granted Volkswagen’s petition for a writ of *mandamus* and ordered the case transferred to the Dallas Division of the Northern District of Texas. The majority concluded, “that the district court gave undue weight to plaintiff’s choice of venue, ignored our precedents, misapplied the law, and misapprehended the relevant facts,” and held “the district court reached a patently erroneous result and clearly abused its discretion in denying the transfer.” *Volkswagen II*, No. 07-40058, at \*5.

In so doing, the circuit court noted that the standard for transferring cases within the federal courts under § 1404(a) was intended to be less restrictive than dismissals of actions under the common law doctrine of *forum non conveniens*. Citing Supreme Court precedent, the majority noted that transferring a case required a “lesser showing of inconvenience” than that required to justify a case’s dismissal. *Id.* at \*12 (citing *Norwood v. Kirkpatrick*, 349 U.S. 29, 32 (1955)).

The majority clarified its precedent by re-emphasizing its own “good cause” standard: “When the transferee venue is not clearly more convenient than the venue chosen by the plaintiff, the plaintiff’s choice should be respected. When the movant demonstrates that the transferee venue is clearly more convenient, however, it has shown good cause and the district court should therefore grant the transfer.” *Volkswagen II*, No. 07-40058, at \*14. The court also noted that “[a] plaintiff’s forum choice . . . is not an independent factor within the *forum non conveniens* or the § 1404(a) analysis.” *Id.* at \*13 n.10.

The circuit court analyzed the public and private interest factors enunciated by the U.S. Supreme Court in *Gulf Oil v. Gilbert*, 330 U.S. 501 (1947), now incorporated into the § 1404(a) transfer analysis, and found that each factor weighed in favor of transfer. One public interest factor, whether there is “a local interest in having localized interests decided at home,” garnered particular attention. *Volkswagen II*, No. 07-40058, at \*18. The district court stated that Marshall, Texas had a local interest in maintaining the case because citizens of Marshall “would be interested to know whether there are defective products offered for sale in close proximity to the Marshall Division.” *Singleton*, 2-06-CV-222, 2006 WL 2634768, at \*4. The court noted that this reasoning “stretches logic in a manner that eviscerates the public interest that this factor attempts to capture.” *Volkswagen II*, No. 07-40058, at \*19.

The dissent questioned whether *mandamus* was appropriate in this context, but did not note substantial disagreement with the majority’s transfer finding.

We expect that the decision in *Volkswagen II* will lead to a spate of motions requesting transfer out of the Eastern District of Texas. We also expect litigants in patent infringement actions to challenge the denial of a transfer on appeal (to the extent the issue was raised first in the district court), in which case the Federal Circuit would decide the issue applying the law of the Fifth Circuit. The case provides ample support to transfer cases where the only reason for keeping the case in the venue is because a plaintiff chose to file suit there. It remains to be seen, however, how faithful the Eastern District will be to the prescriptions of the Fifth Circuit.

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