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## Genentech — Where Do We Go From Here?

*Law360, New York (July 15, 2009)* -- The last two years have seen several significant changes in various aspects of patent law, both by the U.S. Supreme Court as well as the Federal Circuit.

The Federal Circuit's May 22, 2009, decision in *In re Genentech Inc.*, Misc. Docket No. 901, once again indicates that the court will reconsider important issues governing not only substantive patent law but judicial procedure as well — even when the abuse of discretion standard of review applies.

Genentech is the second time in the past five months that the Federal Circuit has taken the unusual step of exercising its mandamus power to compel a court in the Eastern District of Texas to transfer a case.

The case provides important guidance on venue transfers in the common patent litigation scenario involving geographically scattered witnesses and evidence.

Read in the broadest terms, Genentech indicates that transfer is strongly supported when there is no nexus to the original district and when no witnesses reside nearby.

Genentech extends the principles set forth in *In re TS Tech USA Corp.*, Misc. Docket No. 888 (Dec. 29, 2008).

Whereas in *TS Tech*, the venue transfer increased the convenience of every witness (all of whom were located closer to the transferee district than the Eastern District of Texas), Genentech presented a more difficult situation.

The transfer in Genentech increased the inconvenience to some witnesses who were farther from the proposed transferee district (the Northern District of California), but avoided inconvenience to the majority of the witnesses, who were located in California.

Taken together, TS Tech and Genentech make transfer far more likely in many cases in which the motion might never have even been filed under the former prevailing application of Section 1404(a).

Genentech involved an infringement action filed in the Eastern District of Texas by Sanofi, a German pharmaceutical firm, against Genentech (located in the Northern District of California) and Biogen (located in the Southern District of California).

The Federal Circuit issued a writ of mandamus directing the district court to grant a motion filed by Genentech and Biogen to transfer the case to the Northern District of California.

The witnesses and evidence were geographically dispersed, but none were located in the Eastern District of Texas or elsewhere in Texas. The district court based its denial of the transfer motion largely on the central physical location of the Eastern District of Texas.

The Federal Circuit rejected this “central location rationale” and instead focused on the fact that the Northern District of California had a much greater nexus to the case.

The court noted, but did not emphasize, that Genentech and Biogen had filed a related declaratory judgment action in the Northern District of California on the same day the Texas case was filed.

Because transfer is a procedural question, the Federal Circuit applied the law of the Fifth Circuit. As a petition for writ of mandamus, the petitioners had to show that the denial of transfer was a clear abuse of discretion, producing a patently erroneous result.

The court considered the following private interest factors under Fifth Circuit law on convenience transfers pursuant to 28 U.S.C. § 1404(a) (which is largely consistent with the law of other circuits):

- Convenience of the witnesses and parties: The Northern District of California was home to ten potential material witnesses, and four other potential witnesses (including at least three nonparty witnesses) also lived in California.

The Federal Circuit held that it was sufficient for the party seeking transfer to identify witnesses with relevant information within the proposed transferee district; it need not establish that they are “key witnesses,” nor does the district court need to evaluate the significance of the witnesses’ testimony.

As for witnesses located outside California and Texas, the Federal Circuit cautioned against a rigid application of the Fifth Circuit’s “100-mile rule,” which requires that when the distance between the existing and proposed venues is more than 100 miles, the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled.

Instead, the court took a more pragmatic approach, recognizing that Sanofi and the witnesses from Europe would be required to travel a significant distance whether trial was in Texas or California.

Texas's slightly closer proximity to Europe did not outweigh the inconvenience to the fourteen California-based witnesses and the two California parties if they were required to travel to Texas.

In other words, the court concluded it was better to impose some additional burden on witnesses who would be inconvenienced regardless of venue, rather than burdening witnesses who would otherwise avoid inconvenience.

- Relative ease of access to sources of proof: The Federal Circuit stated that in patent infringement cases, the bulk of the relevant evidence usually comes from the accused infringer.

Here, Genentech maintained all relevant materials relating to eight of the nine accused products in the Northern District of California, and Biogen's materials relating to the ninth accused product were located elsewhere in California. The court employed a similar balancing test, just as it had when evaluating the convenience of witnesses.

The court rejected the notion that defendants Genentech and Biogen, who would otherwise not incur a burden in producing documents in California, should have to transport those materials to Texas, simply to save Sanofi the slight incremental burden of transporting documents housed in Europe and Washington, D.C., to California rather than Texas.

- Availability of compulsory process to secure the attendance of witnesses: Under Rule 45(b)(2)(C) of the Federal Rules of Civil Procedure, subpoena power extends within the district of the court by which it is issued or at any place within 100 miles of where the deposition, trial or hearing is being held.

In Genentech, this factor weighed "not only slightly" in favor of transfer because there were a substantial number of witnesses within the subpoena power of the Northern District of California and none within the compulsory process power of the Eastern District of Texas.

- Other practical problems that make trial easy, expeditious and inexpensive: The district court had cited two practical issues that dictated against a transfer: Genentech had previously filed a different lawsuit in the Eastern District of Texas, and there was a possibility that the Northern District of California lacked personal jurisdiction over plaintiff Sanofi.

The Federal Circuit held that consideration of each of these factors was clear error. The prior case did not weigh against transfer because Supreme Court precedent directs that transfer motions should be considered on an individualized, case-by-case basis. And

the Court noted that there is no requirement under section 1404(a) that the transferee court have jurisdiction over the plaintiff.

The court also considered these public interest factors:

- Court congestion: The Federal Circuit credited the district court's conclusion that it could dispose of the case more quickly than the Northern District of California. However, the court noted that this factor appeared to be "the most speculative" and did not outweigh other factors favoring transfer.

- Local interest in having localized interests decided at home: The district court had noted that this factor slightly favored transfer, and the Federal Circuit did not consider whether the factor should be given even greater weight.

- Familiarity of forum with the governing law; Conflicts of law or foreign law concerns: The Federal Circuit opinion did not address these issues. The Federal Circuit has held in other cases that the governing law factor is neutral in patent cases because district courts are equally capable of applying patent law to infringement claims. See *In re TS Tech USA Corp.*

Will Genentech break the Eastern District of Texas's grip on patent litigation? Significantly, there was not a single witness in or near the Eastern District. Moreover, Biogen supported transfer to the Northern District of California even though its witnesses were located in the Southern District of California.

Consider if Sanofi had significant operations and even some witnesses with relevant information in the district — it seems that a strong case could be made that transfer should not occur when it merely shifts the inconvenience from one side to the other.

A far more difficult question is presented when the district court has to deal with a nonpracticing entity (NPE) that has set up shop as a holding company in the district and sued numerous of companies based in disparate locations.

Genentech certainly suggests that even when a transfer does not serve the convenience of all of the defendants' witnesses, if a significant number are aided and there are no witnesses in the district, the requested transfer should be granted.

Gone may be the days where the logic of, "there is no truly convenient forum, therefore, the plaintiff's choice should be honored," can prevail.

After all, if some witnesses will enjoy additional convenience, shouldn't that prevail in the equation when all witnesses will be inconvenienced by maintaining the original forum?

In re Volkswagen of America Inc., Misc. Docket No. 897 (May 22, 2009), a decision issued the same day as Genentech, raises another question when considered with Genentech.

Volkswagen involved two patent infringement suits brought by MHL, a Texas corporation operated out of offices in Michigan, against a total of thirty foreign and domestic automobile companies. The petition for mandamus addressed in the Volkswagen opinion was in the first of these cases, which involved 22 defendants.

In addition to the second multi-defendant action brought by MHL, there was a third suit in the Eastern District of Texas — a declaratory judgment action against MHL that had been transferred to Texas from MHL's home forum of the Eastern District of Michigan.

In light of the two other pending cases in the Eastern District of Texas, the district court had denied the petitioners' motion to transfer the first suit to the Eastern District of Michigan.

Unremarkable on its own, the Federal Circuit denied mandamus, focusing on the economies to be achieved by trying all the cases before one court familiar with the issues. This makes perfect sense as the requested transfer would not have applied to all three cases.

The Federal Circuit did not even address the other convenience factors, such as the location of evidence and the convenience of witnesses, holding that “the existence of multiple lawsuits involving the same issues is a paramount consideration when determining whether a transfer is in the interest of justice.”

Because Volkswagen involved multiple pending cases with overlapping issues, it does not illuminate how the Federal Circuit will treat stand-alone NPE suits against multiple defendants.

What would the Federal Circuit have done if there was only one suit against all 30 car companies? Where multiple, geographically dispersed defendants are involved, the Genentech analysis at least suggests that transfer is appropriate even when there may not be a single jurisdiction where the bulk of the evidence is located.

The effect of Genentech is an open question, but it will not remain so for very long. The Eastern District of Texas continues to be a favored jurisdiction for NPE plaintiffs. There are dozens of multi-defendant cases at stages early enough that we will, without question, see motions to transfer filed in circumstances where they might not have been even a few weeks ago.

Genentech may very well erode the dominance of certain “destination” patent district courts around the country and bring about increased activity in districts where technology companies — the typical targets of these cases — are located.

It is highly unlikely that the number of cases filed by NPEs will drop off any time soon. The business model is now a fixture in the patent litigation world and too many entities have invested too much money to simply stop trying to profit from their investment.

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