Document Security Systems, Inc. v. Cree, Inc.
2:17-cv-04263-JVS-JCG

Order Regarding Motion to Transfer Venue

Defendant Cree, Inc. ("Cree"), filed a motion to transfer this case to the Middle District of North Carolina. (Mot., Docket No. 27.) Plaintiff Document Security Systems, Inc. ("DSS") opposed the motion. (Opp'n, Docket No. 30.) Cree replied. (Reply, Docket No. 31.)

For the following reasons, the Court **denies** Cree's motion to transfer.

I. BACKGROUND

DSS is a publically traded New York corporation, which has business in "brand protection, digital security solutions and anti-counterfeiting technologies." (First Amended Complaint "FAC", Docket No. 17 at 1.) In November 2016, "DSS acquired a portfolio of patents covering technology used in Light-Emitting Diode ("LED") lighting products, including the patents-in-suit." (Id. at 1-2.)

Cree is a North Carolina corporation, with its principal place of business in Durham, North Carolina. (Id. at 2.) Cree has approximately 3,500 employees in the United States, 2,420 of which are employed in North Carolina. (Mot., Docket No. 27 at 5.) Cree's headquarters is in North Carolina, along with multiple manufacturing plants. (Id.) Cree also has a facility in Goleta, California that is primarily engaged in technology research, development, and design. (Id.; Deposition of John A. Demos ("Demos"), Docket No. 30-2 at 4-5.)

This action arises out of Cree's alleged infringement of four patents owned by DSS: U.S. Patent No. 6,949,771 (the "'771 patent"); U.S. Patent No. 7,524,087 (the "'087 patent"); U.S. Patent No. 7,256,486 (the "'486 patent"); and U.S. Patent No. 7,919,787 (the "'787 patent"). (FAC, Docket No. 17 at 3.) All of these asserted patents relate to LED technology. (Id. at 4-20.)

DSS initially filed suit against Cree on April 13, 2017, in the United States District Court for the Eastern District of Texas. (Mot., Docket No. 27 at 5; Opp'n, Docket No. 30 at 2.) DSS voluntarily dismissed the suit and subsequently filed this action in the Central District of California. (Compl., Docket No. 1; FAC,

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Docket No. 17.) Cree now moves to transfer this case to the Middle District of North Carolina pursuant to 28 U.S.C. § 1404(a).

II. LEGAL STANDARD

28 U.S.C. § 1404(a) allows courts, in their discretion, to transfer a case to another district when it would be convenient to do so. Courts must perform a two-step analysis when determining whether transfer is appropriate under section 1404(a). See Amazon.com v. Cendant Corp., 404 F. Supp. 1256, 1259 (W.D. Wash. 2005) (citing § 1404(a)). First, the court must determine whether the case could have been brought in the proposed transferee venue. Id. Second, the court must determine whether transferring the case would serve the convenience of the parties and the witnesses and promote the interests of justice. Id. The moving party bears the burden of showing that transfer is appropriate and must make a strong showing of inconvenience to warrant upsetting the plaintiff's choice of forum. Commodity Futures Trading Comm'n v. Savage, 611 F.2d 270, 279 (9th Cir. 1979); see also Decker Coal Co. v. Commonwealth Edison Co., 805 F.2d 834, 843 (9th Cir. 1986).

III. DISCUSSION

A. Propriety of Venue in the Transferee Court

The Court must first consider whether the case could have been brought in the Middle District of North Carolina. 28 U.S.C. § 1404(a). This requires the Court to determine whether the transferee venue would have had subject-matter jurisdiction, defendants would have been subject to the transferee venue's personal jurisdiction, and venue would have been proper in the transferee venue. Abrams Shell v. Shell Oil Co., 165 F. Supp. 2d 1096, 1103 (C.D. Cal. 2001).

DSS does not dispute that this case could have been brought in the Middle District of North Carolina. (Opp'n, Docket No. 30 at 4.) First, the Middle District of North Carolina would have subject-matter jurisdiction over DSS's infringement claims concerning each of the patent infringement counts pursuant to 28 U.S.C. § 1338. See Gunn v. Minton, 568 U.S. 251, 263 (2013) (observing "the federal courts' exclusive patent jurisdiction"). Second, Cree would be subject to the Middle District of North Carolina's personal jurisdiction because Cree is organized under the laws of the state of North Carolina, with its principle place of business in

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Durham, North Carolina. (Mot., Docket No. 27 at 5, 8.) Third, venue would be proper in the Middle District of North Carolina because Cree resides in North Carolina. See 28 U.S.C. § 1400(b) (venue in patent infringement cases is proper in the judicial district where the defendant resides); TC Heartland LLC v. Kraft Foods Grp. Brands LLC, 137 S. Ct. 1514, 1516-17 (2017) ("[A] domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute.").

B. Convenience and the Interests of Justice

Once a court determines that the case could have been brought in the proposed transferee court, the court must perform "an individualized, case-by-case determination of convenience and fairness." Stewart Org., Inc. v. Ricoh Corp., 487 U.S. 22, 29 (1988); see also Jones v. GNC Franchising, Inc., 211 F.3d 495, 498 (9th Cir. 2000). "The Court must balance three general factors: (1) the convenience of the parties; (2) the convenience of the witnesses; and (3) the interests of justice." Cascades Projection LLC v. NEC Display Solutions of America, Inc., No. CV 15-00273 SJO (Rzx), 2015 WL 12698454, at *2 (C.D. Cal. June 5, 2015) (quoting Catch Curve, Inc. v. Venali, Inc., No. 05-4820, 2006 WL 4568799, at *3 (C.D. Cal. Feb. 27, 2006).

The burden is on the moving party to show that transfer is appropriate. Decker, 805 F.2d at 843. "To meet this burden, that party must demonstrate that both private and public interests favor a transfer and overcome the choice of forum made by the non-moving party." Signal IP, Inc. v. Ford Motor Co., No. LA CV14–03106 JAK (JEMx), 2014 WL 4783537, at *2 (C.D. Cal. 2014). The Ninth Circuit has set forth ten factors that a district court may consider in determining whether the moving party has met its burden: (1) the location where the relevant agreements were negotiated and executed; (2) the state that is most familiar with the governing law; (3) plaintiff's choice of forum; (4) the respective parties' contacts with the forum; (5) the contacts relating to the plaintiff's cause of action in the chosen forum; (6) differences in the costs of litigation in the two forums; (7) availability of compulsory process to compel attendance of unwilling non-party witnesses; (8) the ease of access to sources of proof; (9) presence of a forum selection clause; and (10) the relevant public policy, if any, of the forum state. Jones v. GNC Franchising, Inc., 211 F.3d 495, 498-99 (9th Cir. 2000). "'[T]hese factors cannot be mechanically applied to all types of cases' and should be considered 'under the statutory requirements of convenience of witnesses,

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convenience of parties, and the interests of justice.'" Signal, 2014 WL 4783537, at *2 (quoting Amazon.com, 404 F. Supp. 2d at 1259).

Here, there is no relevant agreement or operative forum selection clause. Thus, the Court now considers the relevant factors.

1. State Most Familiar with Governing Law

"Patent law is uniform across all Circuits." Signal, 2014 WL 4783537, at *3. This factor is "less significant . . . when the applicable law is uniform throughout the nation." Id. (citing In re Link-A-Media Devices, Corp., 662 F.3d 1221, 1224 (Fed. Cir. 2011)). Because DSS's claims arise under federal law, the Central District of California and Middle District of North Carolina are equally capable of handling DSS's claims against Cree. Therefore, this factor is neutral.

2. Plaintiff's Choice of Forum

Generally, there is a strong presumption in favor of a plaintiff's choice of forum. See Decker, 805 F.2d at 843 ("The defendant must make a strong showing of inconvenience to warrant upsetting the plaintiff's choice of forum."). However, "[t]he plaintiff's choice [of forum] is given less weight where the plaintiff is a nonresident or the chosen forum lacks any significant contact with the activities giving rise to the litigation." Catch Curve, 2006 WL 4568799 at *2.

Cree argues that DSS's choice of forum should receive less deference because DSS does not reside in the Central District of California, and instead has its principle place of business in New York. (Mot., Docket No. 27 at 8.) Cree further argues DSS's choice of forum should be given less deference because "the operative facts giving rise to this lawsuit occur[ed] outside California." (Id. at 9 (emphasis omitted).) In support of this contention, Cree asserts that the "accused products in this action are produced and sold out of Cree's North Carolina and China facilities." (Id.) Moreover, Cree argues that the "evidentiary records concerning the production of the accused products, and other records relevant thereto including sales and marketing, are all located outside of California." (Id.) However, it does not appear that DSS's choice of forum should be afforded no deference. There is some contact in the Central District with the activities giving rise to the litigation in Cree's facility in Goleta, California, discussed in more detail below. Accordingly, this factor still weighs somewhat against transfer.

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3. Parties' Contacts with the Forum and Contacts with Forum Relating to Plaintiff's Cause of Action

"In patent infringement actions, the preferred forum is that which is the center of gravity of the accused activity." Amazon.com, 404 F. Supp. 2d at 1260 (internal citation and quotation marks omitted). "The district court ought to be as close as possible to the milieu of the infringing device and the hub of activity centered around its production." Id. (internal citation and quotation marks omitted). "This location is often where the development, research, and marketing of the accused product occurred." Signal, 2014 WL 4783537, at *3. "This makes sense because in determining whether infringement has been established, the principal target of inquiry is the design and construction of the accused product. The trier of fact will be asked to compare the claims in the patent with the accused product–examining its development, its components, its construction, and how it functions." Id. (quoting Arete Power, Inc. v. Beacon Power Corp., No. CV 07–5167 WDB, 2008 WL 508477, at *5 (N.D. Cal. Feb. 22, 2008)).

Cree argues that a substantial amount of its manufacturing facilities are located in North Carolina, as well as all but one of the witnesses it has identified thus far. (Reply, Docket No. 31 at 4.) Cree asserts that the accused products "are produced and sold out of Cree's North Carolina and China facilities." (Mot., Docket No. 27 at 9.) Furthermore, Cree argues that while it has a facility located in Goleta, California, that facility is "primary engaged in technology research and development" and the "facility is not responsible for the manufacturing or selling of . . . the accused products." (Id. at 5.)

In response, DSS asserts that "certain technology developed at [Cree's research and development facility in California] may be incorporated in certain Cree products." (Opp'n, Docket No. 30 at 6.) DSS asserts that at the deposition of Cree's Associate General Counsel for Intellectual Property, the employee admitted that Cree's team at the California facility "engage[] in research and development of LED components and related technology, as well as development of products incorporating LED components such as light bulbs, which are accused in this case." (Id.; see Demos Depo., Docket No. 30-2 at 4-7.) DSS asserts that "Cree does not deny that the technology developed at [the facility] was incorporated into the accused products." (Id. at 6 (emphasis omitted).) Moreover, DSS calls into question Cree's "suggestion that the accused products are produced in North Carolina," and contends that "[m]uch of the actual production . . . takes place in

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