

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

FORD MOTOR COMPANY,

Plaintiff,

Case No. 15-cv-10628

(consolidated with Case No. 15-11624)

v.

Hon. Matthew F. Leitman

VERSATA SOFTWARE, INC. *et al.*

Defendants.

**OPINION AND ORDER DENYING DEFENDANTS' MOTION TO
DISMISS, OR ALTERNATIVELY TO TRANSFER THIS ACTION TO THE
EASTERN DISTRICT OF TEXAS (ECF #18)**

INTRODUCTION

For roughly ten years, Defendants Versata Software, Inc., Trilogy Developmental Group, Inc., and Trilogy, Inc. (collectively, "Versata") licensed a sophisticated computer software system called "ACM" to Plaintiff Ford Motor Company ("Ford"). Last year, Ford decided that it would not renew its license with Versata and would, instead, develop its own software to replace the ACM software. Ford primarily directed the development of the replacement software from its offices in this judicial district; performed much of the actual development work here; and operates the replacement software on its computer servers here.

Ford and Versata dispute whether Ford's replacement software infringes Versata's software patents. That dispute has resulted in two federal civil actions:

this action filed by Ford against Versata (the “Ford Action”) and a related action filed by Versata against Ford in the United States District Court for the Eastern District of Texas (the “Versata Action”). In the Ford Action, Ford seeks a declaratory judgment that it “has not infringed any intellectual property rights owned by [Versata].” (Ford’s First Amended Complaint, ECF #6 at 1, Pg. ID 150.) In the Versata Action, Versata alleges that Ford infringed its patents and misappropriated its intellectual property. (*See* Versata’s Complaint, ECF #18-6 at 3-34, Pg. ID 409-440.) The two actions are substantially similar and address much of the same subject matter.

Versata now asks this Court to either (1) dismiss the Ford Action or (2) transfer the action to the Eastern District of Texas so it can be consolidated with the Versata Action (the “Motion to Dismiss/Transfer”). (*See* ECF #18.) Versata argues that the Eastern District of Texas is a more appropriate forum. This Court disagrees. This dispute is fundamentally about conduct undertaken by Ford within, and/or directed by Ford from, *this* district. Moreover, many important witnesses reside in this district, and the Court sees no meaningful connection between this dispute and the Eastern District of Texas. Accordingly, for the reasons explained in more detail below, Versata’s Motion to Dismiss/Transfer is **DENIED**.

RELEVANT FACTUAL BACKGROUND AND PROCEDURAL HISTORY

Ford is an automobile manufacturer with its headquarters and principal place of business in Dearborn, Michigan. (*See* Frist Am. Compl. at ¶1.) Versata is a software developer with its headquarters and principal place of business in Austin, Texas. (*See* Declaration of Greg Gunwall, Versata’s Vice President of Product Development, ECF #18-2 at 2, ¶3, Pg. ID 349.) Dearborn is located in the Eastern District of Michigan. Austin is located in the Western District of Texas.

From 2004-2015, Ford licensed a software system from Versata called “ACM” pursuant to an annual licensing agreement. (*See id.* at 3, ¶¶ 8-9, Pg. ID 350.) Versata says that the ACM software allowed Ford to “create, manage, and store configuration models [of automobiles] and enable[d Ford to conduct] ... transactions based on [the] configuration models.” (Declaration of Seth Krauss, former Versata consultant and software developer, ECF #18-3 at 2-3, ¶5, Pg. ID 398-399.) In mid-2014, Ford and Versata began negotiating a renewal of the annual license for the ACM software. (*See* Gunwall Decl., ECF #18-2 at 3, ¶10, Pg. ID 350.) Ford and Versata were unable to reach an agreement and the negotiations “ultimately broke down.” (*Id.*) Ford then developed its own software to replace Versata’s ACM software. According to Ford Program Manager Michael Sullivan, “[t]he design, development and administration of Ford’s replacement configuration software ... took place primarily at Ford in southeast Michigan.”

(Sullivan Declaration, ECF #33 at 2, ¶9, Pg. ID 906-907; *see also* Sullivan Deposition at 308, ECF #48-2 at Pg. ID 1126.) In addition, Sullivan says that the “source code” for Ford’s new software is “located in Dearborn” and the software “runs on a server located at a secure Ford data center in Dearborn.” (*See id.* at 3, ¶¶ 11-12, Pg. ID 907; *see also* Sullivan Dep. at 308, ECF #48-2 at Pg. ID 1126.)

On December 19, 2014, during a meeting between Versata and Ford at Ford’s Dearborn, Michigan headquarters, Ford informed Versata that it “had decided to decommission ACM and replace [it] with software Ford had developed internally.” (Declaration of Lance Jones, outside counsel for Versata, ECF #18-5 at 2, ¶4, Pg. ID 405; *see also* Declaration of Jennifer Qussar, Ford Contracts Manager, ECF #36 at 2, ¶¶ 3-4, Pg. ID 940.) According to Ford, during this December 19 meeting, Versata’s outside counsel Lance Jones (“Jones”) “made statements to the effect that Ford’s replacement software ‘must’ violate Versata’s intellectual property including trade secrets and confidential information.” (Qussar Decl., ECF #36 at 2, ¶5, Pg. ID 940.)¹ Jones denies making those statements and further contends that Versata never “threatened Ford with litigation” during that meeting. (Jones Decl., ECF #18-5 at 3, ¶7, Pg. ID 406.)

¹ Ford insists this was not the only time Versata accused Ford of infringing its patents. Ford says Versata made a similar accusation during a February 2014 meeting. (*See* Declaration of Ford Direct employee Jeffrey Krupp, ECF #35 at 2, ¶5, Pg. ID 938.)

On February 19, 2015, Ford filed the Ford Action against Versata in this Court. (*See* ECF #1.) Ford did not immediately serve Versata with its Complaint. Instead, Damian Pocari (“Pocari”), who works for a Ford subsidiary, e-mailed a courtesy copy of the Complaint to Jones and “invited Jones to call [him] the following day to discuss the matter.” (Declaration of Damian Pocari, ECF #32 at 2, ¶2, Pg. ID 903.) Jones and Pocari then spoke by phone on February 20. According to Jones, during this conversation Pocari said that “Ford had sued Versata to establish venue in Michigan because Ford was concerned about Versata filing suit first in Texas.” (Jones Decl., ECF #18-5 at 3, ¶9, Pg. ID 406.) Pocari “do[es] not recall making” those statements. (Pocari Decl., ECF #32 at 2, ¶3, Pg. ID 903.)

For approximately the next eight weeks, the parties engaged in settlement negotiations, but they failed to resolve their dispute. (*See id.* at 2, ¶4, Pg. ID 903.) On May 7, 2015, Versata filed the Versata Action against Ford in the United States District Court for the Eastern District of Texas. (*See* ECF #18-6 at 3-34, Pg. ID 409-440.) Versata served Ford with a copy of the Versata Action that same day (May 7). (*See* Declaration of Steven Mitby, ECF #18-6 at 2, ¶2, Pg. ID 408; *see also* Pocari Decl., ECF #32 at 3, ¶6, Pg. ID 904.) Ford thereafter served Versata with the Ford Action.

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