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SOUTHERN DISTRICT CIVIL PRACTICE ROUNDUP

Expert Analysis

The Increasingly Important Venue Transfer Motion

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The Internet and other recent telecommunications advances have allowed businesses of all sizes to conduct operations on a national scale. But with the expansion of available markets comes the concomitant risk of being subject to jurisdiction in all of those markets, and the threat of having to defend against litigation in remote locales. In circumstances where a defendant has too much contact with the plaintiff's chosen litigation forum to prevail on a motion to dismiss for lack of personal jurisdiction, a motion to transfer pursuant to 28 U.S.C. §1404(a) may provide an alternative avenue of relief from having to defend an action far from home.

Three recent cases from the U.S. District Court for the Southern District of New York, all arising in the context of copyright infringement claims, illustrate some of the considerations that influence whether a case will be transferred to another jurisdiction, and the importance of presenting the detailed and concrete facts supporting a motion to transfer.

Legal Standard

28 U.S.C. §1404(a) authorizes a court "[f]or the convenience of parties and witnesses, in the interest of justice," to transfer a civil action to any district where the action "might have been brought." The threshold inquiry in deciding whether to transfer an action pursuant to §1404(a) is "whether the case could have been brought in the proposed transferee district"[1]—that is, whether venue is proper and the defendants are subject to personal jurisdiction in the alternative forum.

Once a court determines that the action could have been brought in the transferee district, it has broad discretion in deciding a motion to transfer, which is not subject to interlocutory appellate review. The party seeking transfer bears the burden of establishing by clear and convincing evidence that transfer is appropriate.

In making the transfer determination, courts weigh the following factors: "(1) the convenience of witnesses; (2) the convenience of parties; (3) the location of relevant documents and the relative ease of access to sources of proof; (4) the locus of the operative facts; (5) the availability of process to compel the attendance of unwilling witnesses; (6) the relative means of the parties; (7) the comparative familiarity of each district with the governing law; (8) the weight accorded to plaintiff's choice of forum; and (9) judicial economy and the interests of justice."[2] Of these factors, plaintiff's choice of forum is generally accorded substantial weight,[3] "[b]ut, there is no rigid formula for balancing these factors and no single one of them is determinative."[4]

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As the cases discussed below make clear, the presumption favoring plaintiff's choice of forum does not always control, and can be overcome if countervailing factors are sufficiently well developed.

Convenience of Witnesses

A trio of recent copyright decisions from the Southern District illustrate the degree to which the convenience of witnesses can tip the scales in favor of transfer. In *Capitol Records, LLC v. VideoEgg Inc.*,[5] three record companies and ten music publishers sued a social-networking Web site over technology (developed by another defendant) used to view copyrighted videos on the Web site, which allegedly led to reproduction, performance and distribution of those materials in violation of plaintiffs' copyrights.

Southern District Judge Harold Baer, Jr. first engaged in a lengthy and interesting analysis of the application of "unsettled rules of Internet-based [personal] jurisdiction to an increasingly popular means of online interaction, the 'social networking' Web site." He observed that the "spectrum of interactivity" between purely passive Web sites and those used to conduct active business over the Internet frequently used by courts to assess Internet-based jurisdiction was of "limited utility" in this case, because

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the Web site's level of interactivity fell in the middle of that spectrum. He noted that "[i]n any event, mere interactivity is not enough to support jurisdiction" under New York's long-arm statute without "something more." In this case, he found that the Web site defendant had engaged in "something more" sufficient to subject it to personal jurisdiction in New York because it allegedly targeted New York advertisers by touting its large New York user base to advertisers, and used the copyrighted videos to attract viewers and increase its advertising revenues. [6]

Having denied the defendant's motion to dismiss for lack of personal jurisdiction (as well as a "coextensive" motion for improper venue in the Southern District), Judge Baer went on to grant the Web site defendant's motion to transfer the action to its home turf in the Northern District of California. His opinion in *VideoEgg* underscores at once the degree to which elastic notions of personal jurisdiction in the Internet age have expanded to bring physically distant defendants within the jurisdictional reach of often far-flung courts, and the extent to which motions to transfer pursuant to §1404(a) may ameliorate those harsh results on fairness grounds that are less exacting than the constitutional limits imposed by the Due Process Clause.

The dispositive factor for Judge Baer was the convenience of the key witnesses, which he noted "[c]ourts typically regard…as the most important factor in considering a §1404(a) motion to transfer." Judge Baer observed that the court should do more than merely compare the number of witnesses in the current and proposed transferee forum, but "should instead assess the materiality, nature and quality of the testimony that the witnesses are likely to provide."

He went on to stress that while the convenience of non-party witnesses is generally accorded greater significance than the convenience of party witnesses, for the purposes of this analysis, non-officer employees of a party are considered non-party witnesses.[7] Noting that in a copyright case the key witnesses are generally those involved in the design, production and sale of the allegedly infringing product, he concluded that the employees of the Web site and those of the defendant technology company were likely to be the most important, and that in this case those witnesses lived and worked in Northern California.

Judge Baer was not swayed by the plaintiffs' argument that their own witnesses, located in New York, would also provide important testimony on the ownership and validity of plaintiffs' copyrights. He concluded that such testimony "will hardly be lengthy or nuanced," and thus that the bulk of the material testimony would be supplied by the defendants' California witnesses.

Illustrating just how fact specific the transfer analysis is, just days after Judge Baer's decision in *VideoEgg*, Southern District Judge Denny Chin issued a decision in *Atlantic Recording Corp. v. Project Playlist Inc.*,[8] denying a motion to transfer a case which, like *VideoEgg*, concerned copyright infringement claims asserted by large record companies in New York against a California-based Web site. Rejecting the defendant's argument that *VideoEgg* was "remarkably similar," Judge Chin noted that in *VideoEgg* all of the moving defendant's key witnesses lived and worked in the proposed transferee district, whereas in the case before him, of defendant's eight key witnesses, only four lived in the Northern District of California to which transfer was sought.

> Although the plaintiff's choice of forum carries a presumption in its favor, where the key events and key witnesses are located in another district, or other factors undercut the weight of the plaintiff's choice, the gravitational pull of the alternative forum may be sufficient to obtain transfer.

Notably, Judge Chin gave no weight to the fact that the other four defendant's witnesses also lived in California, albeit in the Central rather than Northern District. Citing several cases for the proposition that where a party must travel anyway the burden of traveling a longer amount of time is not legally significant, he found it of no import that the flight between the Central and Northern Districts of California was shorter than the flight from the Central District of California to the Southern District of New York.[9]

Judge Chin also gave greater consideration than did Judge Baer in *VideoEgg* to the location and convenience of witnesses who would testify for plaintiffs on questions of copyright ownership, the alleged infringement and the impact of that infringement on the plaintiffs' businesses. At that early stage of litigation, he refused to accept the defendant's contention that those witnesses were irrelevant. Because Judge Chin concluded that none of the factors weighed strongly in favor of transfer, and the plaintiffs' choice of forum militated against transfer, he held that the defendant had not made a clear and convincing showing that transfer was warranted.

In *VideoEgg*, Judge Baer did not recount in detail what each witness whose convenience was at issue would testify to, and did not require that the defendant seeking transfer specify which witnesses were officers of a party and which were not. Instead, he reasoned that "[t]o the extent they are employees and not officers…, they will not be within the subpoena power of this Court"—a factor which weighed in favor of transfer. By contrast, in *Atlantic Recording Corp. v. BCD Music Group Inc.*,[10] Southern District Judge William H. Pauley III denied a motion to transfer based in large measure on the moving defendant's failure to provide detail regarding the anticipated testimony of key witnesses for whom the proposed transferee forum was more convenient.

Judge Pauley noted that for the court to perform the requisite qualitative rather than quantitative comparison of the relative convenience between the competing fora, the party seeking transfer must list not just the witnesses for whom the transferee forum would be more convenient, but also the proposed topic of each witness' testimony. The plaintiffs had provided such a list for the witnesses they expected to call who lived in the New York area, but the defendants had not, and on that basis Judge Pauley discounted the significance of defendant's three non-party witnesses residing in the transferee forum.

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Judge Pauley also rejected the argument that transfer was warranted based on convenience to nine third-party defendants brought into the case by the moving defendant, because the moving defendant had similarly failed to be specific about their anticipated testimony. He resisted what he saw as an effort by the moving defendant to bootstrap its transfer arguments by adding third-party defendants residing in the proposed transferee state and then claiming that their presence warranted transfer. In considering the related factor of the availability of process, Judge Pauley found that despite the fact that the third-party defendants might be outside the court's subpoena power, the moving defendant had not argued that these witnesses would be unwilling to appear and testify.[11]

Locus of Operative Facts

The presumption accorded a plaintiff's chosen forum is strongest where the plaintiff is a resident of the forum district, and diminishes in force where "the operative facts upon which the litigation is brought bear little material connection to the chosen forum."[12] The courts in the three cases discussed above all recognized that the locus of operative facts in a copyright action will always include the place where the allegedly infringing product was designed and developed.

For Judge Baer in *VideoEgg*, that fact was determinative, whereas for Judges Chin and Pauley in *Project Playlist and BCD Music*, it was not. Specifically, Judge Baer emphasized that the offending Web site was designed and developed in California, which was also the location where the alleged partnership with the defendant technology company was negotiated and implemented. He acknowledged that while the injury from the alleged copyright infringement occurred where the copyrights were owned, the subject works were allegedly distributed worldwide and the "operative facts that will determine liability" occurred in California. He concluded that despite the fact that most of the plaintiffs were based in New York, and that New York had sufficient connection to the case to support personal jurisdiction, "the bulk of the events that give rise to this action occurred in Northern California," and sufficiently diminished the weight afforded plaintiffs' choice of forum to favor transfer.[13]

After finding that the proposed transferee forum was one locus of operative facts, Judge Chin, in *Project Playlist*, found that New York was also an important locus based on plaintiffs' allegations that the defendant social networking site linked its users to Web sites hosted on computer servers in New York, and that the defendant received funding from a New York investment company and sold advertising to New York companies through a New York advertising agency. Because he found that New York was also a locus of operative events, Judge Chin concluded that this factor was neutral in the transfer analysis.

Again, underscoring the failure of the moving defendant in *BCD Music* to support its transfer motion with fact-specific arguments, Judge Pauley discounted the defendant's claim that the allegedly infringing products were "presumably" made in the transferee forum, noting that the defendant "cannot assert with any degree of certainty that the products were in fact created there." This uncertainty, coupled with the fact that the products were distributed throughout the country (including in New York), led Judge Pauley to conclude that the locus of operative facts weighed against transfer.

Defendants facing litigation in a distant and inconvenient venue should give careful consideration to seeking transfer under §1404(a) and should develop the record in support of such a motion as fully as possible. Although the plaintiff's choice of forum carries a presumption in its favor, where the key events and key witnesses are located in another district, or other factors undercut the weight of the plaintiff's choice, the gravitational pull of the alternative forum may be sufficient to obtain transfer.

1. *Eres N.V. v. CITGO Asphalt Refining Co.,* 2009 WL 734029, at 3 (S.D.N.Y. March 16, 2009) (Marrero, J.) (quoting *Herbert Ltd. P'ship v. Electronic Arts Inc.*, 325 F.Supp.2d 282, 285 (S.D.N.Y. 2004) (Marrero, J.)). See also *Atlantic Recording Corp. v. BCD Music Group Inc.,* 2009 WL 1390848, at 4 (S.D.N.Y. May 7, 2009) (Pauley, J).

2. *Eres*, 2009 WL 734029, at 3. See also *Atlantic Recording Corp. v. Project Playlist Inc.*, 603 F.Supp.2d 690, 695 (S.D.N.Y. 2009) (Chin, J.).

3. *Project Playlist*, 603 F.Supp.2d at 698.

4. *Capitol Records*, *LLC v. VideoEgg Inc.*, 2009 WL 614727, at 10 (S.D.N.Y. March 9, 2009) (Baer, J.) (quoting *Citigroup Inc. v. City Holding Co.,* 97 F.Supp.2d 549, 561 (S.D.N.Y. 2000) (Sweet, J.)).

5. 2009 WL 614727.

6. Id., at 5-6.

7. Id., at 11 (quoting *Herbert Ltd. P'ship*, 325 F.Supp.2d at 290).

8. 603 F.Supp.2d 690.

9. Id. at 695-96 n.8 (citing, inter alia, *Eslworldwide. com Inc. v. Interland Inc.*, 2006 WL 1716881, at 4 n.2 (S.D.N.Y. June 21, 2006) (Sand, J.); *Coker v. Bank of America*, 984 F.Supp. 757, 765 (S.D.N.Y. 1997) (Keenan, J.)). See also Eres, 2009 WL 734029 (convenience of witnesses residing in neither the current nor the transferee forum not relevant when considering a motion to transfer venue).

10. 2009 WL 1390848.

11. Id., at 6. See also *Project Playlist*, 603 F.Supp.2d at 697 (absent assertion that witnesses are unwilling to testify in current forum, rather than simply more willing to testify in transferee forum, balance does not tip toward transfer).

12. *Capitol Records*, 2009 WL 614727, at 13 (internal citations omitted).

13. Judge Baer also took into consideration the fact that the plaintiff record companies had themselves initiated several unrelated lawsuits in the proposed transferee forum, which undercut any claims of inconvenience in litigating in that forum, and which served to diminish the weight he gave their choice of forum in New York.