IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

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HEWLETT-PACKARD DEVELOPMENT COMPANY, L.P.,

Plaintiff,

OPINION AND ORDER

04-C-0789-C

v.

eMACHINES, INC.,

Defendant.

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This is a civil action for patent infringement that is before the court on defendant eMachines' motion to dismiss for lack of subject matter jurisdiction or for improper venue. Defendant asks that if the motion is denied, the case be transferred to the District Court for the Southern District of Texas, pursuant to 28 U.S.C. § 1404(a), which allows a district court to transfer a case to any other district in which it might have been brought, for the convenience of the parties and in the interest of justice.

The parties' dispute over venue and jurisdiction stems from previous patent litigation between them in the Southern District of Texas. In that litigation, the presiding judge found that four of the patents asserted had not been infringed, including plaintiff's U.S. Pat. No.

5,892,976. Subsequently, the parties settled the Texas litigation and memorialized the agreement in writing. They agreed that they would enter into a licensing agreement and that as part of that agreement plaintiff would undertake not to sue defendant's customers and others for selling "licensed consumer desktop computers" and "license consumer laptop computers." (Although the settlement agreement did not identify the computers, the parties agree that they were manufactured by a South Korean company named Trigem.) Paragraph 6 of the settlement agreement provides that "[c]onstruction and interpretation of this Settlement Agreement will be governed by the laws of the State of Texas. Any dispute relating to the terms or enforcement of this Settlement Agreement will be litigated in the United States District Court for the Southern District of Texas, Houston Division, and the parties consent to the jurisdiction of that Court for that purpose."

Plaintiff re-asserted U.S. Pat. No. 5,892,976 against defendant in its first complaint in this suit but has dropped it from its second amended complaint. Plaintiff continues to assert U.S. Pat. No. 6,138,184, which is a continuation of the '976 patent, along with U.S. Pats. Nos. 6,438,697 and 6,233,691. Plaintiff has accused defendant of infringing the three asserted patents by selling computers acquired from Trigem.

Defendant believes dismissal is appropriate because of the parties' agreement that they would litigate any dispute relating to the settlement agreement in Texas. It argues that the forum selection clause is binding on the parties in this case because they are disputing

the relationship of the claims of the '184 patent to those in the '976 patent case, the application of claim preclusion to plaintiff's attempt to assert the claims of the '184 patent and the effect on the claims raised in this case of plaintiff's undertaking not to sue for sales of Trigem computers. Defendant alleges that the '184 patent and '976 patent share the same disclosure and inventor, that the claims of the two patents are almost identical and that the terms of the settlement agreement prevent plaintiff from claiming infringement for such sales.

Plaintiff denies that any terms of the settlement agreement are implicated by the litigation in this court. In an effort to avoid any confusion on that point, it has excised from its complaint the two patents it litigated in Texas. As to the Trigem computers, plaintiff argues that it is irrelevant because the accused products could not be the same set of products as those addressed in the Texas suit. It contends that defendant cannot assert claim preclusion as to the '184 patent, whether or not it is a continuation of the '976 patent, because as a matter of law, claim preclusion cannot apply to a patent that has not been asserted previously.

DISCUSSION

Although defendant asserts that this court lacks subject matter jurisdiction, defendant is not talking about a lack of the usual prerequisites of subject matter jurisdiction. Instead

it is arguing that because the Texas district court retained exclusive jurisdiction to enforce the parties' settlement agreement, this court cannot exercise jurisdiction over any litigation related to that agreement. In fact, subject matter jurisdiction exists: the parties are contesting federal patents and this court has jurisdiction over the subject matter of such a contest. Therefore, this court has sufficient jurisdiction not only to decide whether it should hear this case but to hear it if doing so would not implicate the settlement agreement.

As to defendant's argument that venue is improper, defendant has not suggested that it cannot be sued in this district under 28 U.S.C. § 1400(b), which provides that suits for patent infringement may be brought in any judicial district in which the defendant resides or in which the defendant has committed acts of infringement and has a regular and established place of business. Defendant's venue argument rests on what it characterizes as the "forum selection clause" in paragraph 6 of the settlement agreement.

Contrary to defendant's assertions, deciding for claim preclusion purposes whether the '184 patent and the '976 patent involve the same disputed claims does not require resort to the terms of the settlement agreement. That inquiry requires determination of what patent claims plaintiff raised in the Texas litigation, not what promises it made in the settlement agreement. There is a caveat, however. Even if I agreed with defendant that the claims are so related as to support claim preclusion for some purposes, plaintiff would not be barred from asserting the '184 claim against devices different from those accused of

infringing in the Texas litigation. Hallco Manufacturing Co., Inc. v. Foster, 256 F.3d 1290, 1297 (Fed. Cir. 2001) (citing Foster v. Hallco Manufacturing Co., 947 F.2d 469, 479-80 (Fed. Cir. 1991) (prior settlement and consent judgment operate to bar challenge to validity of patent claims at issue in first infringement suit only if accused device is "essentially the same" as previous device admitted to infringe or if any changes were merely "colorable" or "unrelated to the limitations in the claim of the patent")).

The parties dispute whether the Trigem computers are the same as those at issue in the first suit and whether plaintiff gave up its right to sue defendant over those devices in the settlement agreement. I suspect that the devices are different and are not covered by the agreement, but I could not make a final determination of this dispute without interpreting the terms of the settlement agreement. Once I undertook such an interpretation, even on a relatively minor point, the parties would be deprived of the benefits of their agreement.

Although I am reluctant to impose this suit on another district judge, especially one in as busy a district as Southern Texas, I see no way to avoid doing so. The parties entered into an agreement that they would settle the litigation between them on certain terms, one of which is that any dispute relating to the interpretation and construction of the settlement agreement would be litigated in the Southern District of Texas. Plaintiff has argued vigorously why this forum selection provision does not apply to this case but it has not shown any reason why it should not be enforced if it is found to apply. Thus, I must

conclude that this case is venued in the wrong district.

Rather than dismiss the case, I will transfer it under 28 U.S.C. § 1406(a), which allows transfer of cases laying venue in the wrong district if it is in the interest of justice to do so.

ORDER

IT IS ORDERED that defendant eMachine's motion to transfer this case is GRANTED, pursuant to 28 U.S.C. § 1406(a) and the terms of the settlement agreement entered into by the parties on September 27, 2002, and the case is transferred to the United States District Court for the Southern District of Texas, Houston Division.

Entered this 17th day of February, 2005.

BY THE COURT:

BARBARA B. CRABB
District Judge