IN THE UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

AU OPTRONICS CORPORATION,

Plaintiff,

v.

MEMORANDUM AND ORDER
07-C-137-S

LG.PHILIPS LCD CO., LTD.
and LG.PHILIPS LCD AMERICA,

Defendants.

Plaintiff AU Optronics Corporation commenced this action against LG.Philips LCD Co., Ltd. and LG.Philips LCD America for infringement of its United States patents nos. 6,689,629, 6,976,781 and 6,778,160. Jurisdiction is pursuant to 28 U.S.C. §1331 and §1338(a). The matter is presently before the Court on defendants' motions to dismiss for lack of personal jurisdiction and improper venue or to transfer venue to the District of Delaware. The following facts are undisputed for purposes of these motions.

FACTS

Plaintiff AU Optronics Corporation (AU) is a Taiwanese corporation with its principal place of business in Taiwan. Defendant LG.Philips LCD Co., Ltd. (LPL) is a Korean corporation with its principal place of business in Seoul, South Korea. LPL is

in the business of developing and manufacturing liquid crystal display modules (LCDs) used in computer monitors and televisions.

Defendant LG.Philips LCD America (LPLA) is a California corporation and wholly owned subsidiary of LPL with offices in California, Texas, North Carolina and Illinois in the business of selling LPL's LCDs. The LCDs sold by LPLA are incorporated in televisions and computers which are sold throughout the country under various brands by retailers including Best Buy, Radio Shack and Circuit City. Since January 2004 LPLA has sales of $5,250,000 in the United States. LPLA does not sell finished consumer products.

On December 1, 2006 LPL commenced a suit in the United States District Court for the District of Delaware (C.A. No. 06-726-JJF) against AU, Chi Mei Optoelectronics Corporation, AU Optronics Corporation America, Tatung Company, Tatung Company of America, Inc. and Viewsonic Corporation. The Delaware complaint alleges that AU and the other defendants infringe LPL's United States patents nos. 5,019,002, 5,825,449 and 4,624,737. In that action plaintiff stipulated at AU's request to a ninety day extension for AU to answer the complaint.

On March 8, 2007 AU filed the present complaint. On April 11, 2007 LPL filed a First Amended Complaint in C.A. No. 06-726-JJF for declaratory judgment of invalidity and non-infringement of

AU's '629, '781 and '160 patents. All six patents-in-suit involve various aspects of liquid crystal display modules (LCDs).

MEMORANDUM

Defendants move to dismiss for lack of personal jurisdiction and improper venue or, alternatively to transfer the case to the United States District Court for the District of Delaware. The issues of personal jurisdiction (both in Wisconsin and Delaware) are integrally related to the venue transfer motion. The Court now concludes that personal jurisdiction would be appropriate over all parties in the United States District Court for the District of Delaware and the facts compel transfer to Delaware.

A motion for change of venue is governed by 28 U.S.C. § 1404(a), which provides:

> For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.

In ruling on this transfer motion the Court must consider all circumstances of the case, using the three statutory factors, "the convenience of parties and witnesses, in the interest of justice," as place holders in its analysis. Coffey v. Van Dorn Iron Works, 796 F.2d 217, 219 (7th Cir. 1986).

The convenience of the parties does not favor one forum over the other because LPL and AU are foreign corporations. Neither

party has identified any witnesses for which this Court would be more convenient than the district of Delaware.

As a result, the question of transfer hinges entirely on the interest of justice factor. Defendants argue that the interest of justice would be served by transferring the case to the District of Delaware for consolidation with the suit previously filed there by the defendants. Plaintiff argues that although defendant LPL filed suit first in Delaware, it was first to file the suit concerning the patents '629, '781 and '160 in this Court.

The interest of justice clearly disfavors the duplication and waste which is resulting from the simultaneous prosecution of mirror image patent suits in different federal courts.

> To permit a situation in which two cases involving precisely the same issues are simultaneously pending in different District Courts leads to wastefulness of time, energy and money that § 1404(a) was designed to prevent.

Ferens v. John Deere Co., 494 U.S. 516, 531 (1990). The interests of justice therefore compel that one case or the other be transferred or stayed. The legal presumption is that the case to be stayed or transferred is the one filed second. Genentech, Inc. v. Eli Lily and Co., 998 F.2d 931, 937-38 (Fed. Cir. 1993). Furthermore, the first filed rule is applicable regardless of whether the first action was an action for declaratory relief and regardless of the time period by which the first filed case

preceded the second. Id. Accordingly, the general rule would compel transfer to Delaware.

The fact that the Delaware action became a complete mirror image only after amendment does not change the analysis. In Versus Technology, Inc. v. Hillenbrand Industries, Inc., 2004 WL 3457629, (W.D. Mich. 2004)(also collecting similar cases), the Court addressed a case where the first filed suit was subsequently amended to add the claims in the second filed suit. The Court held that the first-filed rule applied where a plaintiff amends its first filed suit to add claims raised in a second-filed suit in another district. The Court transferred the second filed case to the first court to determine how the two cases should proceed. Similarly, in Mattel, Inc. v. Louis Marx & Co., 353 F.2d 421 (2d Cir. 1965), the Court found it immaterial that the issues raised in the second suit were not included in the first until after a subsequent amendment was filed, holding that the first suit was the only suit where all the issues between the parties had been raised. It transferred the case to the court where the first suit was filed.

The interest of justice factor weighs heavily in favor of transfer to Delaware. The Delaware action was first filed and is the only action where all the issues between the parties have been raised. The interest of justice would by undermined by the duplication and waste of judicial resources that would occur by keeping this action in both courts. Zipher Ltd. v. Markem Corp.,

2007 WL 8450514 (W.D. Wis. 2007). The interest of justice would best be served by transferring this case to the United States District Court of Delaware where consolidation is feasible. Trafficast, Inc. v. Pritchard, 2005 WL 3002267 (W.D. Wis. 2005).

Notwithstanding the obvious efficiencies of transfer, plaintiff suggests that the matter remain in this Court because it can be adjudicated more promptly. While the parties would likely receive a speedy trial in this district, the advantages of consolidation outweigh the impact of slightly greater delay:

> While the interests of justice are served when an action is transferred to a district where the litigants are more likely to receive a speedy trial, the interests of justice are also served when related litigation is transferred to a forum where consolidation is feasible.

Id. at *4. As in Trafficast, even though the parties statistically can expect a more speedy disposition in this action it does not justify deviating from the first to file rule. This is particularly true in light of the fact that the parties have already stipulated to a three month delay in the Delaware action, indicating that speed of resolution is not critical to either party. The interest of justice overwhelmingly favors transfer to the United States District Court for the District of Delaware where the first suit was filed.

Notwithstanding that the convenience of parties and witnesses and the interest of justice favor transfer, §1404(a) does not

permit transfer unless this action "might have been brought" in Delaware. 28 U.S.C. § 1414. A case "might have been brought" in the other district only if personal jurisdiction and venue was available for all defendants in that district at the time the action was filed. Hoffman v. Blaski, 363 U.S. 335, 344 (1960); 15 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 3845, 57-59 (2007). However, where appropriate a defendant may be dismissed or severed from the action and the matter transferred to a district where it might have been brought against the remaining defendants. Wild v. Subscription Plus, Inc., 292 F.3d 526, 531. (7th Cir. 2002).

It is conceded that personal jurisdiction and venue were available in Delaware at the time this action was commenced. The issue on the present motion is whether venue and personal jurisdiction would have been proper against LPLA in Delaware. The question of personal jurisdiction in Delaware appears nearly identical to the personal jurisdiction issue in Wisconsin. LPLA is a nationwide distributor of LCDs to manufacturers of televisions and computers. The manufacturers incorporate the LCDs in their products and sell them to consumers via electronics outlets throughout the United States. LPLA maintains offices in California, Texas, North Carolina but does not have an office in either Wisconsin or Delaware. Apparently, LPLA does not sell LCDs to manufacturers in either state. The relevant (local injury,

foreign act) long arm statutes are similar in Delaware and Wisconsin. Accordingly, it seems very likely that personal jurisdiction over LPLA will be appropriate in both states or neither.

In light of the powerful arguments for transferring this matter to the District of Delaware one of two outcomes seems appropriate: dismissal of defendant LPLA from this action for lack of personal jurisdiction and transfer of the action between the remaining parties to Delaware in accordance with Wild, or transfer of the entire action including LPLA to Delaware on the basis that personal jurisdiction is proper in both states. The Court is convinced that the stream of commerce theory of personal jurisdiction as applied to patent actions by the Federal Circuit in Beverly Hills Fan Co. Royal Sovereign Corp., 21 F.3d 1558 (1994) operates to afford nationwide personal jurisdiction over LPLA under the particular circumstances of this action and therefore adopts the second alternative.

The question of personal jurisdiction in a patent infringement action is governed by Federal Circuit law. Id. at 1564-65. On several occasions the Federal Circuit has recognized, but declined to choose, between the two potential tests for stream of commerce jurisdiction discussed by members of the Supreme Court in Asahi Metal Industry Co., Ltd. v. Superior Court of California, 480 U.S. 102 (1987). In Asahi four members of the Court found the

constitutional minimum contacts requirement met when a defendant sells goods where "the regular and anticipated flow of those products" will bring them into the state. Id. at 117. Four other Justices thought that in addition to placing the goods in the stream of commerce there must be an act of the defendant "purposefully directed toward the forum state." Id. at 112. In both Beverly Hills Fan and Viam Corp. v. Iowa Export-Import Trading Co., 84 F.3d 424 (Fed. Cir. 1996) the Court declined to choose between the tests, finding it unnecessary because the facts of those cases satisfied both tests:

> Defendants, acting in consort, placed the accused fan in the stream of commerce, they knew the likely destination of the products, and their conduct and connections with the forum state were such that they should reasonably anticipated being brought into court there.

Beverly Hills Fan, 21 F.3d at 428; Viam, 84 F.3d at 429. In Viam the Court noted the importance of the fact that the defendant "knowingly and intentionally exploited" the state market.

In this case, there is very limited evidence of contact with either state other than general stream of commerce sales, raising the issue which the Federal Circuit has thus far declined to address: whether personal jurisdiction can be established over a defendant in a patent infringement action based solely on stream of commerce activities. See Commissariat A L'Energie Atomique v. Chi Mei Optelectronics Corp., 395 F.3d 1315, 1322 (Fed. Cir.

2005)(identifying the issue but declining to reach it based on the failure of the district court to permit additional discovery) Based on the nature of the particular activities in this case, the answer is yes. Defendant LPLA exists for the purpose of exploiting the entire United States market for the sale of LPL's LCDs. LPLA has offices throughout the United States to reach the entire U.S. market. LPLA sells a product that is incorporated in mass marketed consumer products by large producers of brand name electronics and sold through nationwide retail chains thereby guaranteeing their sale everywhere in the country. LPLA sells a product that employs cutting edge technology which is the subject of numerous patents.

The inevitable conclusions from these facts are that LPLA "knowingly and intentionally exploited" the markets in both Wisconsin and Delaware and that LPLA should reasonably anticipate being sued for patent infringement in any United States district court. Commissariat A L'Energie Atomique, while declining to directly resolve the issue, held that the sale of LCDs for the same purposes in similar distribution channels satisfied the requirements of one of the Asahi tests. Id. at 1321. Furthermore, the defendant there was the foreign LCD manufacturer and therefore significantly further removed from the final point of sale than LPLA as the United States distributor. Given the substantially closer ties between LPLA and the distribution of products within the United States, the Court now concludes that personal

jurisdiction is available under the long arm statutes of Wisconsin and Delaware and assertion of jurisdiction in either state is consistent with due process requirements.

There being no impediment to personal jurisdiction or venue in Delaware, this action "might have been brought" in Delaware as required by 28 U.S.C. § 1404(a). The interest of justice overwhelmingly favors transfer to Delaware for consolidation with the first filed case presently pending in that Court.

ORDER

IT IS ORDERED that this case is transferred to the United States District Court for the District of Delaware pursuant to 28 U.S.C. § 1404(a).

Entered this 30st day of May, 2007.

BY THE COURT:

/s/

JOHN C. SHABAZ
District Judge