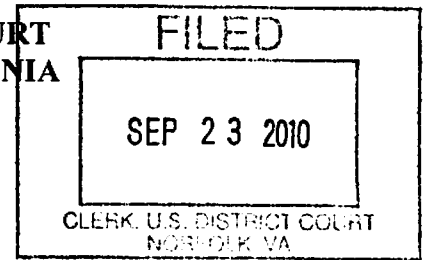


**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division**



ACTIVEVIDEO NETWORKS, INC.,

Plaintiff,

v.

CIVIL ACTION NO. 2:10cv248

**VERIZON COMMUNICATIONS, INC.,
VERIZON SERVICES CORP.,
VERIZON VIRGINIA INC., and
VERIZON SOUTH INC.**

Defendants.

MEMORANDUM OPINION AND ORDER

This matter is before the Court on Defendants', Verizon Communications Inc., Verizon Services Corp., Verizon Virginia Inc., and Verizon South Inc. (collectively, "Verizon"), Motion to Sever and Stay ActiveVideo, Inc.'s Claims Against Verizon Virginia Inc. and Verizon South, Inc. and to Transfer Remaining Claims under 28 U.S.C. § 1404(a). For the reasons stated below, Defendants' Motion to Sever and Stay and to Transfer Venue is **DENIED**.

I. FACTUAL AND PROCEDURAL HISTORY

On May 27, 2010, Plaintiff, ActiveVideo Networks, Inc. ("ActiveVideo") filed suit in the United States District Court for the Eastern District of Virginia against Verizon Communications Inc. ("VCI"), Verizon Services Corp. ("VSC"), Verizon Virginia Inc. ("Verizon Virginia"), and Verizon South Inc ("Verizon South") alleging patent infringement and seeking to enjoin Verizon from infringing five patents owned by ActiveVideo and to recover monetary damages for

previous infringement. Compl. ¶¶ 13, 19, 25, 31, 37. The patents at issue are United States Patent Nos. 6,034,678 (the “678 patent”), 5,550,578 (the “578 patent”), 6,100,883 (the “883 patent”), 6,205,582 (the “582 patent”), and 5,526,034 (the “034 patent”). Compl. ¶¶ 12, 18, 24, 30, 36.

Plaintiff, ActiveVideo, is a Delaware corporation with its principal place of business in San Jose, California. Compl. ¶ 1. ActiveVideo currently provides interactive television technology and services to various companies in the United States. Compl. ¶ 2. Defendant, VCI, is a Delaware corporation with its principal place of business in New York, New York. Compl. ¶ 3. VCI is a holding company and does not make, provide, offer for sale, market, or advertise any goods or services of any kind to the public. Def.’s Mem. Supp. Ex. E, at ¶ 4. Defendant, VSC, also a Delaware corporation, is a wholly owned subsidiary of VCI with its principal place of business in Ashburn, Virginia. Compl. ¶ 4. VSC provides management, administrative, and engineering services to Verizon’s operating companies, such as Verizon South and Verizon Virginia. Def.’s Mem. Supp. Ex. E, at ¶ 11. Both VCI and VSC are registered to do business in New Jersey, have employees in New Jersey, and maintain places of business in New Jersey. *Id.*, at ¶¶ 5, 7, 8, 11, 12. Defendants, Verizon Virginia, a wholly owned subsidiary of VCI, and Verizon South, an indirect subsidiary of VCI, are Virginia corporations with principal places of business in Richmond, Virginia. Compl. ¶¶ 5, 6. Verizon Virginia and Verizon South are two of the thirteen Verizon regional Operating Telephone Companies (“OTCs”), which provide services to customers in specific geographic territories where they are licensed to do so. Def.’s Mem. Supp. Ex. E, at 13. Verizon Virginia provides services exclusively to customers within Virginia. *Id.*, at 16. Similarly, Verizon South only provides services in Virginia and to a small number of

households in North Carolina. *Id.*, at 19.

In its First Amended Complaint, filed July 16, 2010, ActiveVideo alleges that the Verizon FIOS system, which provides interactive television services, infringes at least one claim of each of the '678, '578, '883, '582, and '034 patents, which are directed to methods and systems relating to interactive delivery of information services to subscriber televisions over a cable distribution network. First Am. Compl. ¶¶ 12, 18, 26, 33, 40, 47. On July 30, 2010, Verizon filed an answer to ActiveVideo's First Amended Complaint and a counterclaim against ActiveVideo, seeking, *inter alia*, declaratory judgments of non-infringement and invalidity of the '678, '578, '883, '582, and '034 patents and alleging infringement by ActiveVideo of various patents owned by VCI. Def.'s Countercl. ¶¶ 19, 23, 29, 33, 39, 43, 49, 53, 59, 63, 67, 78, 89. On the same date, Verizon filed a Motion to Transfer the case to the District of New Jersey, pursuant to 28 U.S.C. § 1404(a), and to Sever and Stay the claims against Verizon Virginia and Verizon South. This motion is presently before the Court and has been fully briefed by both parties.

II. LEGAL STANDARD

“For the convenience of the 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.” 28 U.S.C. § 1404(a). “Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.” 28 U.S.C. § 1400(b). The decision whether to transfer an action is committed to the sound discretion of the district court. *See S. Ry. Co. V. Madden*, 235 F.2d 198, 201 (4th Cir. 1956). When considering a motion to transfer venue, the Court must consider the plaintiff's choice of venue, the convenience of the parties and witnesses,

and the interest of justice. *GTE Wireless v. Qualcomm, Inc.*, 71 F. Supp. 2d 517, 519 (E.D. Va. 1999). Because the plaintiff's choice of forum is typically entitled to substantial deference, it is the movant's burden to establish that transfer is proper in view of these considerations.

Cognitronics Imaging Sys., Inc. v. Recognition Research Inc., 83 F. Supp. 2d 689, 696 (E.D. Va. 2000).

III. ANALYSIS

In considering Verizon's Motion to Transfer venue, pursuant to 28 U.S.C. § 1404(a), the Court must make two separate inquiries: (1) whether ActiveVideo's claims might have been brought in the District of New Jersey, the proposed transferee district, and, if so, (2) whether the interest of justice and the convenience of the parties justify transfer to that district. *See L.G. Elecs. Inc. v. Advance Creative Computer Corp.*, 131 F. Supp. 2d 804, 809 (E.D. Va. 2001). Because this Court concludes that the District of New Jersey is not an appropriate transferee district under the first prong, the Court need not consider whether it is a convenient forum under the second prong.

A. Was Venue Proper in the District of New Jersey

Pursuant to 28 U.S.C. § 1400(b), a claim alleging patent infringement might be brought "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." For the purposes of the venue analysis, "a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." 28 U.S.C. § 1391(c). Accordingly, personal jurisdiction, and thus venue, are proper in any judicial district in which a corporation has "minimum contacts" such that "the maintenance of the suit does not

offend ‘traditional notions of fair play and substantial justice.’” *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

ActiveVideo does not dispute that personal jurisdiction and thus, venue, are proper in the District of New Jersey for defendants, VCI and VSC, as both have substantial contacts with New Jersey. However, ActiveVideo maintains that the District of New Jersey cannot assert personal jurisdiction over defendants, Verizon Virginia and Verizon South, as neither corporation is incorporated in or has customers or offices in New Jersey. Thus, according to ActiveVideo, this case could not have been brought in the District of New Jersey, making transfer to that district improper. Verizon Virginia and Verizon South are both Virginia corporations, with principal places of business located in Virginia. Both provide services exclusively to Virginia residents, with the exception of a few residents in North Carolina. There is no indication that either has any contact with the state of New Jersey. Because both Verizon Virginia and Verizon South lack minimum contacts with the state of New Jersey, neither personal jurisdiction nor venue is proper for these defendants in the District of New Jersey. Thus, this Court concludes that this case, as presently situated, could not have been brought in the District of New Jersey.

In support of the instant motion, Verizon does not assert that jurisdiction and venue are proper in the District of New Jersey for Verizon Virginia and Verizon South, but rather argues that the claims should be severed and stayed against those defendants, as both are merely peripheral.

B. Severance of Claims Against Verizon Virginia and Verizon South

“[W]hen venue or personal jurisdiction in a transferee district is not proper for a defendant who is only indirectly connected to the main claims, the transferor court may sever the

claims as to that defendant and transfer the remaining claims to the more convenient forum.”

Corry v. CFM Majestic Inc., 16 F. Supp. 2d 660, 664 (E.D. Va. 1998); *see also* Fed. R. Civ. P.

21. Severance is appropriate where (1) the severed claim is peripheral to the remaining claims; (2) the adjudication of the remaining claims is potentially dispositive of the severed claim; and (3) transfer of the remaining claims is warranted under § 1404(a). *Corry*, 16 F. Supp. 2d at 665.

Whether a claim is peripheral depends on “the degree of involvement each defendant has in the transactions which form the basis of the plaintiff’s cause of action.” *Corry*, 16 F. Supp. 2d at 665 n.11 (quoting *Mobil Oil Corp. v. W.R. Grace & Co.*, 334 F. Supp. 117, 122-23 (S.D. Tex. 1971)). ActiveVideo asserts that Verizon’s interactive television systems and services infringe several patents held by ActiveVideo. Under patent law, “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . infringes the patent.” Thus the Court must determine the degree of involvement of Verizon Virginia and Verizon South in the alleged patent infringement.

Verizon asserts that since neither Verizon Virginia nor Verizon South were responsible for the design, development, research, and creation of the allegedly infringing FiOS services, both are merely peripheral defendants and should be severed from the remaining claims. In support of this contention, Verizon relies on several cases where this Court has severed claims against retailers or distributors of an allegedly infringing device. *See, e.g., Corry*, 16 F. Supp. 2d 660; *LG Elecs., Inc. V. Asustek Computers*, 126 F. Supp. 2d 414 (E.D. Va. 2000). In those cases, the severed defendants were distributors or resellers of an allegedly infringing product, and thus would be liable only if the accused manufacturer were held liable. *See Corry*, 16 F. Supp. 2d at 665-66; *LG Elecs.*, 126 F. Supp. 2d at 421-22; *see also Koh v. Microtek Int’l, Inc.*, 250 F. Supp.

2d 627, 632 (E.D. Va. 2003) (severing claims against a Virginia retail seller, where the manufacturer was the principal infringer and the claims against the retailer were merely peripheral); *L.G. Elecs.*, 131 F. Supp. 2d at 811-12 (severing claims against subsidiary reseller of accused manufacturer and transferring case to the center of accused infringing activity); *Brown Mfg. Corp. V. Alpha Lawn & Garden Equip., Inc.*, 219 F. Supp. 2d 705, 710 (E.D. Va. 2002) (severing and staying claims against downstream retailers of an accused product where the plaintiff's chosen forum was not its home forum).

By contrast, Verizon Virginia and Verizon South are not distributors or retailers of an infringing product manufactured by another entity, but rather are actually providing and selling the allegedly infringing service and/or system. The other defendants in this case, VCI and VSC, have no involvement in the allegedly infringing transactions. By Verizon's own admission, neither VCI nor VSC provide or offer for sale any products or services to the public. It is the use or sale of a patented method that constitutes infringement, not merely the initial design or development of such method. *See Beam Laser Sys., Inc. v. Cox Commc'ns, Inc.*, 117 F. Supp. 2d 515, 518-19 (E.D. Va. 2000) (noting that "the preferred forum in a patent infringement action is "that which is the center of accused activity."). Thus, on the facts as presented, VCI and VSC appear to be less involved in the alleged infringing sales and services than their local operators, Verizon Virginia and Verizon South.

Furthermore, this case is readily distinguishable from *Inline Connection Corp. V. Verizon Internet Services, Inc.*, 402 F. Supp. 2d 692 (E.D. Va. 2005), which Verizon relies on in asserting that the claims against Verizon Virginia and Verizon South should be severed and stayed. In *Inline*, the Court severed and stayed the claims against the Verizon OTCs, concluding that the

claims against the OTCs were peripheral to the asserted patent infringement claims. However, the Court specifically found that the OTCs did not offer for sale any portion of the allegedly infringing service. *Id.* at 700. Instead, the services were offered for sale and provided solely by the Internet Service Providers, including Verizon Internet Services, Inc., with the OTCs merely providing the mechanism for delivery of the service. *Id.* Unlike in *Inline*, Verizon Virginia and Verizon South directly provide the allegedly infringing services and/or systems to consumers in the state of Virginia. Thus, the claims against Verizon Virginia and Verizon South cannot be considered peripheral based on the Court's holding in *Inline*.

Verizon also argues that Verizon Virginia and Verizon South are merely two of Verizon's thirteen regional OTCs and thus have no more relevant information than another of the other OTCs. However, Verizon's argument is misplaced. While Verizon Virginia and Verizon South may be similarly situated with other Verizon OTCs around the country, the plaintiff's choice of where and whom to sue cannot be undermined by the national nature of the alleged infringement. *Beam Laser*, 117 F. Supp. 2d at 519. ActiveVideo could have chosen to sue the current defendants in Virginia or any of the other OTCs in each's home district, but this decision is committed to the discretion of the plaintiff so long as the suit is brought in the district where the allegedly infringing activity is occurring. *See id.*

Thus after considering the degree of involvement of Verizon Virginia and Verizon South in the alleged infringement, the Court concludes that neither Verizon Virginia nor Verizon South are peripheral parties to the instant suit. Having concluded that Verizon Virginia and Verizon South are not peripheral, the Court finds no need to address whether the adjudication of the remaining claims is potentially dispositive of the severed claim or whether transfer of the

remaining claims is warranted under § 1404(a). Thus, the Court finds that severance of the claims against Verizon Virginia and Verizon South is not proper. Because Verizon Virginia and Verizon South cannot be severed from the instant suit, and because the instant suit could not have been brought in the District of New Jersey, the Court concludes that transfer of venue to the District of New Jersey is improper.

IV. CONCLUSION

For the reasons set forth above, Defendants' Motion to Transfer Venue to the United States District Court for the District of New Jersey and Motions to Sever and Stay Claims Against Verizon Virginia and Verizon South are **DENIED**.

The Court **DIRECTS** the Clerk to send copies of this Memorandum Opinion and Order to counsel of record.

IT IS SO ORDERED.



Raymond A. Jackson
United States District Judge

Norfolk, Virginia
September 23, 2010