Banner & Witcoff Wins Mandamus from Federal Circuit for WMS Gaming

April 25, 2014

On April 23, 2014, the Honorable Circuit Judges Lourie, Dyk, and Reyna of the U.S. Court of Appeals for the Federal Circuit issued a panel decision granting mandamus in In re WMS Gaming, Inc. in favor of firm client, WMS Gaming Inc. (WMS). The Federal Circuit vacated a district court's refusal in MGT Gaming, Inc. v. WMS et al. to transfer the patent infringement suit from the U.S. District Court for the Southern District of Mississippi to the U.S. District Court for the Northern District of Illinois. In short, the Federal Circuit held that "[b]ecause we conclude that the decision denying transfer amounted to a clear abuse of discretion, we grant mandamus."

The Federal Circuit explained that the transfer dispute arose out of a complaint filed by a non-practicing entity, New York-based MGT Gaming, Inc. (MGT) in the Southern District of Mississippi, alleging infringement of U.S. Patent No. 7,892,088. According to MGT, the patent allegedly covers gaming systems linked to an interactive sign, such that an event in the first game may allow the player to play a second bonus game via the interactive sign.

MGT's original complaint named two gaming machine manufacturers, WMS and its competitor, Aruze Gaming, Inc., accusing each of manufacturing, selling, and offering to sell, products that purportedly infringe the patent. MGT's original complaint also named as defendants MGM Resorts International, Inc. (MGM) and Caesars Entertainment Corp. (Caesars), which both lease from WMS the accused gaming systems for their casino properties, and Penn National Gaming Inc., which received accused gaming systems from Aruze.

The district court granted Banner & Witcoff's motion to dismiss inducement claims against WMS and its customers. The district court also granted Banner & Witcoff's motion to sever the claims against Aruze from the claims against WMS, MGM, and Caesars. However, the district court denied WMS's motion to transfer the case to the Northern District of Illinois. The district court found that "focus on the 'making' of the games is more appropriate" for considering this transfer motion, despite the fact that that all of WMS's documents and witnesses were located in the Northern

District of Illinois where it designed and manufactured the accused products. Further, the district court reasoned that based on its perceived ability to more quickly resolve the case and to subpoena non-party casino managers in Mississippi, that WMS had failed to establish the Northern District of Illinois was a clearly more convenient forum than the Southern District of Mississippi. That was so even though the court found that information related to game play and the collection of revenue at the casinos "will likely be irrelevant to the core of [the] patent infringement action[.]"

The Federal Circuit disagreed with the district court's analysis and held that the reasons it cited were insufficient to discount the compelling case for transfer. The Federal Circuit explained that it did not regard the prospective speed with which the case might be brought to trial to be of particular significance, especially since MGT did not dispute the fact that it did not practice the patent and therefore was not in need of a quick resolution of the case due to any potential market threat. The Federal Circuit further observed that, even on its own terms, the district court's analysis indicated that inconvenience clearly favored transfer. The witnesses that have the information that the district court characterized as being at the core of the case against the manufacturers all reside in the Northern District of Illinois. Keeping the case in Mississippi would thus require those witnesses to incur significant expenses and loss in productivity. By contrast, MGT had no connection on its own to the Southern District of Mississippi. In addition, as between the transferor and transferee venues, the only identified sources of proof are located in the Northern District of Illinois. The only suggested connection to the cause of action and MGT's chosen forum were allegedly "unidentified" casino managers, who were unlikely to have information beyond the use of the product, which was irrelevant to the infringement analysis. The Federal Circuit stated that, to the extent that the district court felt compelled to keep the case on that basis, the determination was incorrect. As the district court acknowledged, this information is largely irrelevant to the case against the manufacturers and all documentary information concerning use of the games is kept in Illinois. If actually needed, the Federal Circuit confirmed that the transferee court can compel testimony from a casino manager in Illinois regarding use of the products.

Consequently, the Federal Circuit concluded that WMS established the right to mandamus in directing the district court to transfer. The Federal Circuit ordered the district court to revisit and clarify its severance rulings concerning WMS and the casino defendants, keeping in mind that WMS has a clear right to transfer, and that severance is particularly appropriate in peripheral claim cases to facilitate transfer.

WMS Gaming, Inc. was represented by Banner & Witcoff, Ltd. attorneys Timothy C. Meece, V. Bryan Medlock, Jr., Michael J. Harris, and Audra Eidem Heinze.

The Federal Circuit appeal was In re WMS Gaming Inc., Appeal No. 2014-107. The district court case was MGT Gaming, Inc. v. WMS Gaming Inc., Caesars Entertainment Corp. and MGM Resorts

International, Inc.,Civil Action Nos. 3:13-cv-00691-CWR-FKB and 3:13-cv-00692-CWR-FKB.

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