

II. LEGAL STANDARDS

A. Motion to Dismiss Under Rule 12(b)(3)

In reviewing a Rule 12(b)(3) motion, the uncontroverted facts in a complaint are accepted as true, and the Court “must accept as true all allegations in the complaint and resolve all conflicts in favor of the plaintiff.” *Braspetro Oil Servs. Co. v. Modec (USA), Inc.*, 240 F. App’x 612, 615, 2007 WL 1425851 (5th Cir. 2007) (citation omitted). However, the court need not credit conclusory allegations. *Am. GNC Corp. v. ZTE Corp.*, No. 4:17-cv-00620, 2017 WL 5163605, at *2 (E.D. Tex. Oct. 4, 2017). “[W]hen unsubstantiated allegations are controverted by affidavit or declaration, the affidavit or declaration trumps the allegation,” *Walker v. Inter-Americas Ins.*, No. 7:03-CV-222, 2004 WL 1620790, at *1 (N.D. Tex. July 19, 2004).

B. Venue in Patent Cases

The patent venue statute, 28 U.S.C. § 1400(b), provides two bases for venue. First, a patent case can be brought in the judicial district where the defendant “resides.” 28 U.S.C. § 1400(b). A domestic corporation “resides” in its state of incorporation. *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1521 (2017). Second, a patent case can be brought in a judicial district where the defendant “has committed acts of infringement and has a regular and established place of business.” 28 U.S.C. § 1400(b). Proper venue under the second prong of § 1400(b) requires a showing of three elements: (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant. *In re Cray Inc.*, 871 F.3d 1355, 1362–63 (Fed. Cir. 2017). A “physical place” needs to be a “physical, geographical location in the district from which the business of the defendant is carried out.” *Id.* A “regular and established place of business” requires “the regular, physical presence of an employee or other agent of the defendant” conducting that business at the alleged “place of business.” *In re Google LLC*, 949 F.3d 1338, 1345 (Fed. Cir. 2020).

III. DISCUSSION

A. Venue Under § 1400(b)

Alexsam’s Third Amended Complaint (“TAC”)¹ is limited to the following allegation of venue with respect to Amex: “[v]enue is proper in this district pursuant to 28 U.S.C. § 1400(b) because [Amex] has a regular and established place of business in this district, at which upon information and belief, Amex has committed acts of infringement in this district.” (Dkt. No. 206 ¶ 41). Alexsam also alleges that “[v]enue is proper in this district pursuant to 28 U.S.C. § 1391(b) because [Amex] has, upon information and belief, a regular and established place of business in this district, which subjects it to the personal jurisdiction of this Court.” (*Id.* ¶ 42). However, the allegation under § 1391(b) should be disregarded since *TC Heartland* held that § 1400(b) is the “sole and exclusive provision controlling venue in patent infringement actions.” *TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514, 1519 (2017). Alexsam has not alleged that Amex “resides” in this District under § 1400(b). (*Id.* ¶¶ 41–42).

Amex states that it “has no office or other place of business in the Eastern District of Texas” and “does not lease, own, or otherwise control any real property in the Eastern District of Texas.” (Dkt. No. 133 at 9) (citing Dkt. No. 133-2 ¶¶ 4–7 (declaration from Amex’s Assistant Secretary—Corporate Secretary’s Office, John Nowak)). Amex also states that it is a New York corporation with its principal place of business in New York City. (Dkt. No. 133 at 9) (citing Dkt. No. 133-1 ¶¶ 4–7 (declaration of Amex’s Vice President and General Manager of Prepaid and Reloadable Products, Melissa Gordon)). Amex contends that its “executive management, marketing, and

¹ Since Amex’s Motion to Dismiss, Alexsam has filed a Third Amended Complaint against Amex et al. (Dkt. No. 206). The parties stipulated that the Motion to Dismiss shall apply to the TAC. (Dkt. No. 224 at 2). Accordingly, the Court will consider the Motion to Dismiss as if it applies to the TAC, and the relief granted herein applies to the operative Complaint—Alexsam’s TAC (Dkt. No. 206).

finance functions” for the prepaid, reloadable gift cards accused of infringement are based in New York. (Dkt. No. 133 at 9).

Alexsam responds that Amex is subject to venue due to its travel agency partners, two of which are located within this District. (Dkt. No. 157 at 7–8) (citing Dkt. No. 157-6). With respect to Amex, the travel agencies serve as retailers selling Amex products. (Dkt. No. 255 at 40:25–41:7). Alexsam argues that because “[t]hese agents are identified on AmEx’s website as offering AmEx-related services,” Amex has ratified the travel agency locations as its own, rendering them the regular and established places of business of Amex. (*Id.*). In addition, Alexsam argues that since Amex is alleged to jointly infringe with SPG, “SPG’s locations must be attributed to AmEx due to their joint infringement.” (*Id.*). Alexsam, however, does not argue that an agency relationship exists between Amex and SPG, and Alexsam cites no authority holding that allegations of joint infringement somehow override the statutory requirement that venue must be proper as to each and every defendant. *See AGIS Software Development, LLC v. ZTE Corp. et al.*, 2018 WL 4854023, at *4 (E.D. Tex. Sept. 28, 2018).

Alexsam also points to retailers who sell accused Amex products in this District to establish venue. (*Id.*). Alexsam argues that “AmEx has control over the employees at these retailers because (1) the retailer must establish a network connection to AmEx; (2) [the retailer must] format infringing activation transactions into a standardized message proscribed by AmEx; and (3) the clerks must perform the steps proscribed by AmEx.” (Dkt. No. at 157 at 9). However, not until its sur-reply does Alexsam identify any particular retailers in this District which it alleges serve as regular and established places of business of Amex. (Dkt. No. 175 at 7) (identifying Dollar General, CVS, Family Dollar, and Walmart locations in Tyler, TX and Marshall, TX). Alexsam does not explain the level of contractual control, if any, Amex retains over these retailers, other

than to state that Amex likely “has agreements with each of these identified retailers, specifying, among other things, how its products will be sold at each of these retailer locations.” (*Id.*). Alexsam contends it has alleged that Amex “controls its products within retailers’ stores” by supporting the standardized message format for the accused Amex products. (*Id.*). However, Alexsam does not support this allegation with any documentary evidence or explain that it sought such evidence from Amex. Taking Alexsam’s argument to its logical end, retailers like CVS would be the “regular and established place of business” of numerous brands who merely sell products in CVS’s retail locations. That is not consistent with current venue law in patent cases. *See In re Google*, 949 F.3d at 1345 (to establish an agency relationship, the principal must have the “right to direct or control’ the agent’s actions”).

The Court is persuaded that Alexsam has not made a sufficient showing to establish proper venue as to Amex. Alexsam has failed to allege specific facts regarding Amex’s presence in the District sufficient to satisfy the venue standard as enunciated by Federal Circuit precedent. Specifically, Alexsam has presented no factual contentions or evidence—nor has it made any request to Amex for the same—regarding the contractual relationship between Amex and its travel agency partners and retailers located within the District. Alexsam asks the Court to allow it venue discovery to further develop its theories—which appear for the first time in its briefs. However, the Court declines to do so. *See Wyatt v. Kaplan*, 686 F.2d 276, 283–85 (5th Cir. 1982) (finding plaintiff not entitled to jurisdictional discovery without first making a *prima facie* showing of jurisdiction).

The burden rests with Alexsam to show that venue is proper under § 1400(b). *In re: ZTE (USA) Inc.*, 890 F.3d 1008, 1013 (Fed. Cir. 2018). This burden carries with it an obligation to come forward with factual contentions and evidence supporting the conclusion that Amex has a regular

and established place of business in this District as described in Federal Circuit precedent. Alexsam is required to show “the regular, physical presence of an employee or other agent of the defendant conducting the defendant’s business” at an Amex place of business. *In re Google*, 949 F.3d at 1345. However, Alexsam provided mere cursory venue allegations as to § 1400(b) and it failed to present clearly probative evidence regarding any possible agency relationship which may subject Amex to proper venue. (Dkt. No. 206 ¶ 41). With such little evidence before it, the Court cannot fairly determine that Amex has a regular and established place of business in this District, under § 1400(b) and the relevant case law.

B. Transfer Under § 1406(a)

Having found venue improper, the Court has discretion to “transfer [the] case to any district or division in which it could have been brought.” 28 U.S.C. § 1406(a). Alexsam urges the Court to sever and transfer its claims against Amex to the Southern District of New York. (Dkt. No. 133 at 15–17). Alexsam concedes that Amex “is a corporation duly organized and existing under the laws of the State of New York,” with “its principal place of business located at Three World Financial Center, 200 Vesey Street, New York, New York 10285.” (Dkt. No. 90 ¶ 24–25). The parties therefore agree that Alexsam could have sued Amex in the Southern District of New York. Accordingly, in the interest of justice, the Court exercises its discretion under 28 U.S.C. § 1406(a) and rather than dismiss Amex, the Court elects to transfer Alexsam’s claims against Amex to the Southern District of New York.

C. CONCLUSION

For the foregoing reasons, Amex’s Motion to Dismiss or Transfer for Improper Venue (Dkt. No. 133) is **GRANTED**. Accordingly, the Court **SEVERES** all claims asserted by and between Plaintiff Alexsam, Inc. and Defendant American Express Travel Related Services

Company, Inc. from this action and directs the Clerk of Court to **TRANSFER** the same to the United States District Court for the Southern District of New York in accordance with 28 U.S.C. § 1406(a). This Order is limited to Amex and does not concern the remaining defendants herein.

So ORDERED and SIGNED this 3rd day of September, 2021.



RODNEY GILSTRAP
UNITED STATES DISTRICT JUDGE