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May 29, 2012
COUNSEL COMMENTARY

IP: Federal Circuit's clarification of joinder rules in patent cases may help some defendants

MULTI-DEFENDANT CASES FILED BEFORE THE AMERICA INVENTS ACT GET A BREAK IN RECENT RULING

35 U.S.C. § 299, part of the America Invents Act (AIA), enacts important changes to the rules governing joinder of defendants in patent litigation cases commenced on or after Sept. 16, 2011, the date of its enactment. Specifically, the new law provides that, other than in Hatch-Waxman cases, accused defendants can neither be joined in one action nor have their cases consolidated for trial based solely on the fact that they were all accused of infringing the same patent.

Instead, joinder is now only possible if the defendants are liable "jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences" and "questions of fact common to all defendants or counterclaim defendants will arise in the action."

As previously noted, these changes will greatly curtail a favorite tactic of patent trolls: joining many unrelated defendants in the same suit in order to minimize their own litigation costs while hampering the defendants' ability to defend themselves, and then seeking to settle with the defendants piecemeal.

But what about the many defendants unfortunate enough to have been caught up in multi-defendant cases filed prior to the passage of the AIA, particularly those swept up in the flood of such cases filed in the last days and weeks before the AIA's passage? Thanks to the Federal Circuit's recent decision in *In re EMC Corporation, Decho Corporation, and Iomega Corporation*, there may also be hope for these defendants.

In this case, the petitioners, eight of 18 defendants named in a single complaint filed by Oasis Research LLC in the Eastern District of Texas, were accused of infringing claims to methods for home computer users to access online backup and storage systems. The defendants filed motions to sever and transfer the actions to various different venues, arguing that the claims against them did not arise out of the same transaction or occurrence, as required by Rule 20 of the Federal Rules of Civil Procedure, since there was no concerted action between them. Nevertheless, the magistrate judge denied the motions, noting that all defendants faced common questions of claim validity, construction and scope, and reasoning that the claims arose out of the same transaction or occurrence since the accused services "were not dramatically different." The petitioners then sought a writ of mandamus from the Federal Circuit.

After deciding the threshold issue of whether mandamus was an appropriate means to test a district court's decision on a motion to sever and transfer—a matter of first impression—the Federal Circuit turned to the issue of severance. With regard to the question of "under what circumstances is the joinder of independent actors permissible," the court stated it was clear that "the mere fact that infringement of the same claims of the same patent is alleged does not support joinder, even though the claims would raise common questions of claim construction and patent invalidity."

Instead, the court explained, "independent defendants satisfy the transaction-or-occurrence test . . . [when] the defendants'

allegedly infringing acts, which give rise to the individual claims of infringement, . . . share an aggregate of operative facts." In other words, while the "sameness" of independent defendants' accused products or processes is necessary for joinder, it is not sufficient alone, but must be combined with "shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts," such as might arise with independently developed products using differently sourced parts.

Potentially pertinent facts, all of which the district court had considerable discretion in weighing, include "whether the alleged acts of infringement occurred during the same time period, the existence of some relationship among the defendants, the use of identically sourced components, licensing or technology agreements between the defendants, overlap of the products' or processes' development and manufacture, and whether the case involves a claim for lost profits."

In light of the above reasoning, the Federal Circuit rejected the district court's "not dramatically different" standard, which it said "seems to require little more than the existence of some similarity in the allegedly infringing products or processes, similarity which would exist simply because the same patent claims are alleged to be infringed," vacated its decision and remanded for reconsideration under the proper standard.

The Federal Circuit's decision should be welcomed for continuing the court's recent trend of correcting disparities in venue and transfer jurisprudence that have promoted forum shopping by making it very difficult for defendants to extricate themselves from certain districts. And while the ultimate disposition of the petitioners' motions to sever and transfer in this case remains to be seen, it would not be surprising to see an uptick in similar motions, particularly in the large number of multi-defendant cases filed just before the passage of the AIA.

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