

THE FUTURE OF MULTI-DEFENDANT PATENT CASES



BY: BINAL J. PATEL (L) AND TIMOTHY J. RECHTIEN (R)

On September 16, 2011, President

Obama signed

into law the America Invents Act (AIA), which effectuated some of the most sweeping changes in the patent laws since the Patent Act of 1952. One such change under the AIA impacts a patent plaintiff's ability to join accused infringers in a single action. Prior to the enactment of the AIA, patent owners such as nonpracticing entities would oftentimes file patent infringement suits naming dozens of disparate codefendants. The result was that multiple defendants were forced to coordinate a unified defense against the patent owner, despite the defendants having differing accused conduct. Section 299 of the AIA, entitled "Joinder of Parties" and which took effect upon enactment of the AIA, is designed to avoid this result.

Now, "accused infringers may not be joined in one action as defendants ... or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit." Rather, Section 299(a) requires that:

[A]ccused infringers may be joined in one action . . . only if:

- (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of

the same accused product or process; and
 (2) *questions of fact common to all* defendants or counterclaim defendants will arise in the action.¹

The AIA's legislative history shows that this provision was essentially codifying the joinder jurisprudence already followed by a majority of jurisdictions² and abrogating the more lenient standard followed by the minority of jurisdictions, particularly, the Eastern District of Texas.³ Even prior to the enactment of the AIA, courts in the majority of jurisdictions were severing unrelated defendants from multiple-defendant lawsuits under Fed. R. Civ. P. 20 and 21. *See, e.g., EIT Holdings, LLC v. Yelp!, Inc.*, No. 10-5623, 2011 WL 2192820, at *2-3 (N.D. Cal. May 12, 2011) (dismissing from lawsuit unrelated defendants that operated different accused websites that implement different functionalities through different software and where the plaintiff had not alleged any conspiracy or that any defendant induced another to infringe); *Phillips Elecs. N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415 (D. Del. 2004) (two defendants were not properly joined where they sold different accused products manufactured by different third parties, even though the accused products were sold to the same customer).

Despite the fact that it is codifying the majority approach, the provision is significant because the bulk of patent litigation filings occur not in these jurisdictions, but rather, in the minority of jurisdictions, such as the Eastern District of Texas, that have up until now applied a more lenient joinder standard. In these minority jurisdictions, the mere existence of a common

¹ 35 U.S.C. 299 (emphasis added) Notably, Section 299 is not compulsory. An accused infringer may "waive the limitations set forth in this section with respect to that party." § 299(c). Additionally, an exception is that this provision does not apply to Hatch-Waxman litigations (*i.e.*, abbreviated new drug application or ANDA litigations). Similarly, Section 299 is limited to "any civil action arising under any Act of Congress relating to patents." Thus, this provision does not appear to apply to copyright or trademark cases or to ITC actions.

² 2 H. R. Rep. No. 112-98, at 55, n.61 (citing *Rudd v. Lux Prods. Corp.*, No. 09-6957, 2011 WL 148052 (N.D. Ill. Jan. 12, 2011)).

³ H. R. Rep. No. 112-98, at 55, n.61 ("Section 299 legislatively abrogates the construction of Rule 20(a) adopted in [seven enumerated cases, five from Texas]).

patent and accused products that had not been shown to be “dramatically different” from each other was sufficient to maintain joinder of multiple defendants. See, e.g., *Adrian v. Genetec Inc.*, No. 08-423 , 2009 WL 3063414, at *2 (E.D.

where the same underlying technology (e.g., protocol, technology standard) is being utilized.

While the full effect of Section 299 is yet to be seen, certain trends appear to be on the horizon. For example, with the anticipated

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Tex. Sept. 22, 2009) (declining to sever claims against multiple defendants under Federal Rule 20 or 21).

Notably, this joinder provision made an impact even before the AIA took effect. More specifically, in the days leading up to the enactment of the AIA, patent plaintiffs flooded the courts with multi-defendant lawsuits to avoid having to comply with the new requirements. The provision has continued to have an impact since the enactment of the AIA. In particular, while courts have seen a drastic decline in *multi*-defendant lawsuits, they have experienced a simultaneous increase in the number of multiple *single*-defendant lawsuits. Since mid-September 2011, patent plaintiffs have filed more than 400 separate cases against individual defendants. Although multi-defendant lawsuits will likely continue to exist in the future, they may be limited to situations involving joint tortfeasors, defendants being accused of the same product/service (e.g., customer suits), and situations

rise of multiple lawsuits involving the same patent(s) across many different courts, courts may be more likely to resort to multidistrict litigation (MDL) proceedings.⁴ Alternatively, courts in later-filed cases may be more agreeable to staying the litigation pending resolution of key milestones in a previously filed litigation. Courts handling multiple single-defendant suits may consolidate, or at least coordinate, the cases for discovery and pre-trial matters. Similarly, patent plaintiffs may seek to file Section 337 actions in the United States International Trade Commission as an alternative to the courts. As another example, there may be some reduction in the overall number of defendants since patent plaintiffs may choose not to bring suits in marginal cases or in cases involving low monetary recovery.

Section 299 of the AIA has already had and will likely continue to have a noticeable impact on the patent litigation landscape. The full effects of this provision, however, are yet to be seen. ■

⁴ See 28 U.S.C. 1407(a)