

Footnote 61: Abrogating MyMail, Misjoinder in Patent Cases Revived

TIMOTHY K. WILSONⁱ

Senior IP Counsel, SAS Institute Inc, USA

abrogate : to abolish by authoritative action – Merriam Webster

One provision of the *Leahy-Smith America Invents Act of 2011* (the “*America Invents Act*”) that has been less noticed is a litigation procedure reform: Section 299 Joinder of Parties. This provision clarifies FRCP 20 for patent cases, making it substantially more difficult to join multiple defendants in a single patent infringement action. I think that this Congressional action may significantly impact the business model of non-practicing entities (NPEs) and potentially limit the Eastern District of Texas as a patent litigation forum of choice.

Under Section 299 Congress has provided that parties accused of patent infringement 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.

Congress further made clear that alleged patent infringers may not be joined “based solely on allegations that they each have infringed the patent or patents in suit.” Finally, Congress clarified that the joinder amendments only apply to actions commenced on or after the date of enactment of the Act. The purpose of Section 299 of the *America Invents Act* is to address “problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suitsⁱⁱ.”

Misjoinder

The language of Section 299 carefully follows the requirements of FRCP Rule 20(a) by permitting joinder of parties only when (1) the cases to be joined arise out of the same transaction or occurrence; and (2) contain a common question of fact or law. Misjoinder occurs when the parties to be joined fail to satisfy either requirement for permissive joinder. If a Court determines that joinder is improper, the Court may use FRCP Rule 21 to sever the party from the lawsuit.

Until recent years, patent cases typically pitted a single patent owner against a single accused infringer. However, it has become a common practice to file single patent infringement cases against multiple defendants in several jurisdictions around the US. Defendants in these cases are put at a disadvantage because now they must coordinate with each other to produce discovery, identify invalidity position and share time during depositions; and most unfairly, at trial. Imagine that your company has been sued for patent infringement – a very complex matter – with the potential of millions of dollars at risk, and you may only have a short period of time to present your defense in and amongst the defenses of any other company that has the misfortune of being sued in the same lawsuit. At the end of the day, most defendants choose to settle cases rather than face that prospect of being unable to thoroughly develop and present its case to the jury.

This practice of joining multiple defendants in a single patent case became even more important to NPEs as a tool for creating venue in the common patent forum of the Eastern District of Texas after the decision in *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed.Cir. 2009). In that case, a single patent defendant was able defeat the plaintiff's choice of venue on writ of mandamus to the Federal Circuit Court of Appeals. The Federal Circuit found clear error by the district court in: (1) giving too much weight to the plaintiff's choice of venue, (2) ignoring the relative ease of access to sources of proof and (3) reducing the importance of the cost of attendance for witnesses by disregarding the 100-mile rule. However, patent plaintiffs could avoid losing their choice of forum by simply joining multiple parties that are located in various jurisdictions with a defendant located in East Texas, thereby "manufacturing" their choice of venue for all defendants because no clearly more convenient forum existed for all the defendants and a district court may only transfer an entire action under 28 U.S.C. § 1404(a).

MyMail

In *MyMail v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Texas, 2004), AOL, AT&T, Netzero, Juno, Netbrands, Earthlink, Verizon Communications and SBC Communications, were all sued on a single patent. The only issue that was common to all the defendants is that they were each accused of infringing the same patent and they all utilized a shared resource (dial-up Internet access numbers). Three of the defendants asked the Court to sever the claims against them and transfer the claims to the Central District of California because the claims against them did not arise out the same transaction or occurrence or series of transactions or occurrences as the other defendants. The defendants admitted that being sued on the same patents would create common issues of fact and law under the first prong of the Rule 20 test.

The Court described the interpretation of Rule 20 advocated by the defendants to be "hypertechnical" failing to recognize the realities of complex patent litigation. The Court further stated that because fact discovery was not complete, it was not in a position to decide whether the accused products of each of the defendants were dissimilar enough to justify severance. The Court, in doing so acknowledged that its decision was incompatible with the four cases cited by the defendants where allegations against unrelated parties based on different products or different acts do not arise from the same transaction.

Through the next few years, several other courts, mainly located in Texas, followed the logic of *MyMail* to maintain the joinder of parties. See, *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D.Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WK3063414 (E.D. Tex. 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL

918307 (E.D. Tex. 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. 2010); *Alford Safety Services, Inc., v. Hot-Held, Inc.*, 2010 WL 3418233 (E.D. La. 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. 2010). Each of these cases found joinder appropriate when the defendants have been accused of infringing the same patent, but were otherwise unrelated.

An Alternative View of Joinder

In *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. 2011), Lux Products, Emerson Climate Technologies, Braeburn Systems and Lennox International were all sued for patent infringement of two patents. Emerson filed a motion to dismiss or in the alternative a motion to sever because the plaintiff could not establish that the claims of infringement by the defendants arose out of the same transaction or occurrence. The plaintiff in the case had alleged that the accused thermostats operate in a nearly identical manner as it relates to the patents and that the defendant's defenses and counterclaims are nearly identical.

The plaintiff urged the Court to adopt the interpretation of *MyMail* specifically that the claims arise out of the same transaction or occurrence if there is a nucleus of operative facts or law in the claims against all the defendants. However, the Court stated that this approach would eviscerate the same transaction or occurrence requirement and makes it indistinguishable from the requirement that there be a common question of law or fact. In a sense, the Court determined the plaintiff's position conflated the two requirements of Rule 20(a) into a single test.

The Court went on to determine that the approach in *MyMail* was in fact the minority approach for interpreting the requirements of Rule 20(a) of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent.

Androphy, 31 F.Supp.2d at 623; *Magnavox*, 496 F.Supp. at 34; see also *Golden Scorpio v. Steel Horse Bar & Grill* 596 F.Supp.2d 1282, 1285 (D.Ariz. 2009) (“[A]llegations against multiple and unrelated defendants for acts of patent, trademark, and copyright infringement do not support joinder under Rule 20(a).”) *Pereo, Inc. v. Alloc, Inc.*, 262 F.Supp.2d 122, 128 (S.D.N.Y. 2003) (“[T]he fact that two parties may manufacture or sell similar products, and that these sales or production may have infringed the identical patent owned by the plaintiffs is not sufficient to join unrelated parties as defendants in the same lawsuits pursuant to Rule 20(a).”) *Philips Elecs. N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415, 417 (D.Del. 2004) (“Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction”); *New Jersey Mach. Inc. v. Alford Indus., Inc.* 21 U.S.P.Q.2d 2033, 2034-35 (D.N.J. 1991) (“[C]laims of infringement against unrelated defendants, involving different machines, should be tried separately against each defendant.”) *aff'd* 983 F.2d 1087 (Fed.Cir 1992); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch* 564 F.Supp. 1358, 1371 (D.Del. 1983) (“Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction.”); *Spread Spectrum Screening, LLC v. Eastman Kodak Co.*, No. 10 C 1101, 2010 WL 3516106, at *2 (N.D. Ill. Sept. 1, 2010) (“The accused infringement software, other evidence and witnesses are all different and unique ... Therefore, because plaintiff's action is against ... two competing products, Kodak and Heidelberg and Hafner are improperly joined as defendants.”).

Further, the Court found that allegations by the plaintiff that the defendants all sell similar products do not satisfy Rule 20(a). *Pergo* 262 F.Supp. at 128; *see Movie Sys., Inc. v. Abel*, 99 F.R.D. 129, 130 (D. Minn. 1983) (“It may be that the complaints assert a right to relief against all defendants arising from similar transactions, but the rule permitting joinder requires that such arise from the same transactions.”) *emphasis added*. The Court went on to hold that the Defendants’ accused thermostats are unrelated and different products. Alleging that products are similar products is not enough to support joinder under Rule 20(a). Nor did the Court agree with the plaintiff’s contention that defendants raising similar defenses and counterclaims established that its claims arose out of the same transaction or occurrence.

Footnote 61: Abrogating MyMail

With all of that as background, we can now examine the truly remarkable action taken by Congress in a relatively brief footnote 61:

Section 299 [Joinder of Parties] legislatively abrogates [abolishes by authoritative action] the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, ... *Sprint Communications Co. v. Theglobe.com*, ... *Adrain v. Genetec Inc.*, *Better Educ. Inc. v. Einstruction Corp.* ... *Mannatech, Inc. v. Country Life, LLC*, ... *Alford Safety Systems, Inc. v. Hot-Hed, Inc.*, ... ; and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, ... -- effectively conforming these courts’ jurisprudence to that followed by a majority of jurisdictions. *See generally Rudd v. Lux Products Corp.*, ... *emphasis added, citations appear earlier in this article.*

So, it is apparent that Section 299 of the *America Invents Act* is not new law, but rather a clarification by Congress of what the law expressed in Rule 20(a) requires for joinder of parties in a patent infringement case, namely that the accused defendants make use or sell the same products or services; not similar product or processes; but the same products or processes. So, even though Section 299 only applies to actions commenced after the effective date of the *America Invents Act*, what Congress did through footnote 61 is applicable to cases filed prior to the effective date. Courts should be very reluctant to follow the reasoning of precedent that has been abrogated by Congress.

It has been reported that a record 54 patent infringement cases involving more than a record 800 defendants were filed the day proceeding the effective day of the *America Invents Act*. Clearly, the NPEs that filed those matters believed that Section 299 was a significant change in the law. The defendants in those cases, and other patent litigations where they are mis-joined, may be wise to move to sever the cases based upon Rule 20(a) even in jurisdictions where previously *MyMail* was the law of the land. Then, once the cases are severed, with each case now having a single defendant, the defendants should be able to transfer cases to a more convenient forum under 28 U.S.C. § 1404(a).

Anticipating NPE Strategy

There are several strategies that may be employed by NPEs in response to this development:

1. File any new cases separately in a single forum, then move to consolidate the cases (at least through discovery) to promote judicial economy.
2. File a new case in a favorable jurisdiction and allow it to proceed to a significant event (e.g. claim construction) then file additional cases against additional defendants and argue that the case is too far along to permit transfer.
3. File new cases separately and then use the multi-district litigation process to consolidate the cases for the purposes of discovery.
4. File new cases that tie somehow to an industry standard and claim that the standard makes this in effect the same product.

It seems to me that these strategies would be seen as an attempt to nullify the effect of Section 299, and I believe that it could be addressed by the defendants moving to transfer venue under 28 U.S.C. § 1404(a). Congress clearly expressed its intent that patent cases should not be joined unless the defendants make use or sold the same accused product or process, so I believe that the Courts should not allow plaintiffs to avoid the provision through the use of procedures that were in place prior to the enactment of Section 299.

Tim Wilson is Senior IP Counsel in the Legal Division at SAS Institute Inc., the world's largest private software company, where he leads the patent practice. He also provides advice on all types of intellectual property law matters and competitive intelligence issues. Prior to joining SAS, Tim was an associate at Brown Raysman in New York, where he advised clients on all manner of licensing and outsourcing transactions. Tim began his legal career as a patent and intellectual property litigator with Jones Day in Cleveland. Tim received his JD from Syracuse University College of Law in 1192 and a BS from Pennsylvania State University in 1989. Tim is a member of the Editorial Board of Intellectual Property Magazine.

ⁱ The opinions of the author are his own and should not be attributed to SAS Institute Inc., or any of his previous clients.

ⁱⁱ Legislative History of the Leahy-Smith America Invents Act of 2011, H.R. 1249, 112th Cong. § 19m at 49-50 (2011).