

## WSGR ALERT

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RECENT DECISIONS FROM THE EASTERN DISTRICT OF TEXAS  
REJECT EARLY APPLICATION OF DIVIDED INFRINGEMENT DEFENSE  
IN PATENT CASES

A series of recent decisions in the Eastern District of Texas indicate that defendants seeking early dismissal of patent infringement claims based on a defense of divided infringement will have to wait until after claim construction and discovery before the issue is ripe for consideration. For the third time this year, judges from this district have declined to address divided infringement at the pleading stage. In each case, the defendants brought motions to dismiss under Rule 12(b). And, in each case, Eastern District judges denied the motions, reasoning that dismissals for infringement theory defects in the pleadings are not ripe for consideration until plaintiffs have had the benefit of discovery and claim construction to fully develop their infringement theories. These recent decisions are in tension with those of other district courts that have granted similar motions for dismissal on the pleadings over the past two years. However, these decisions confirm that this variety of early dismissal will not be available in the Eastern District of Texas.

Divided infringement, also commonly referred to as "joint infringement," occurs when multiple actors are required to perform all the limitations of an asserted method patent claim. In 2007, new life was infused into the assertion of divided infringement as a defense by the Federal Circuit's decision in *BMC Resources, Inc. v. Paymentech*. 498 F.3d 1373 (Fed. Cir. 2007). The *Paymentech* court ruled that direct infringement of a patent claim only occurs when a single actor either commits the entire act of direct infringement,

or directs or controls the actions of all parties needed to commit the entire act of infringement. If multiple unrelated actors are required to perform all the actions of a method claim, then there can be no direct infringement. Furthermore, if there is no direct infringement, there can be no contributory infringement or inducement either. In other words, if no single actor is a direct infringer, then there can be no infringement of any kind. The Federal Circuit subsequently bolstered the "mastermind test" in *Muniauction Inc. v. Thomson Corp.* by clarifying that a mere arms-length transaction with a party performing a step of the asserted method could not rise to direct infringement. 87 USPQ2d 1350, 1358 (Fed. Cir. 2008). These two holdings opened the door for defendants to file early motions to dismiss claiming that the asserted patent claims were incapable of being practiced by a single user and the plaintiff had not pled a single user as a "mastermind."

The first court to grant dismissal of an infringement claim due to failure to plead divided infringement was the Southern District of Florida in *Global Patent Holdings, LLC v. Panther BRHC LLC*. 586 F.Supp. 2d 1331 (S.D. Fla. 2008). This court dismissed the defendant's complaint as insufficient to state a claim per Rule 12(b)(6) of the Federal Rules of Civil Procedure. Following the path set forth in *Paymentech*, the court ruled that a claim of direct infringement warranted dismissal because the parties had agreed that multiple entities were required to perform the steps of a method claim at issue. The holding

opened the floodgates of defendants seeking similar 12(b)(6) dismissals. Those seeking early 12(b)(6) dismissals were emboldened further by subsequent district court decisions granting dismissals on the pleadings for failure to properly allege divided infringement in *Friday Group v. Ticketmaster*, 2008 WL 5233078 (E.D. Mo. Dec. 12, 2008), and *Desenberg v. Google, Inc.*, 2009 WL 2337122 (S.D.N.Y. Jul. 30, 2009) adopted by 2010 WL 1008841 (S.D.N.Y. Jan. 11, 2010). However, this movement appears to have hit a roadblock in the Eastern District of Texas.

In a February 2010 order, Judge T. John Ward refused to even consider the plaintiff's request in *Actus, LLC v. Bank of America Corp* for dismissal on the pleadings based on divided infringement. No. 2-09-cv-102-TJW; Docket No. 248 (E.D. Tex. Feb. 10, 2010). Judge Ward distinguished *Paymentech* by noting that the *Paymentech* ruling was one of summary judgment. In *Paymentech*, the court had before it infringement theories and construed claims developed and refined with the aid of discovery. Judge Ward concluded that ruling on divided infringement based solely on the pleadings was premature and declined to dismiss the suit.

Two months later in *Tune Hunter v. Samsung Telecommunications America, LLC*, Judge Ward reiterated that dismissals of the pleadings for divided infringement would be improper, and instead should be entertained as requests for summary judgment. No. 2:09-cv-148-TJW, Docket No. 130 (E.D. Tex. Apr. 1, 2010). Despite the fact that Judge Ward

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## Recent Decisions from the Eastern District . . .

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acknowledged that the claims at issue clearly required multiple actors, he refused to dismiss the action on the pleadings without giving the plaintiff the “benefit of discovery” to “crystallize its theory of infringement.” *Id.* at \*8.

Finally, in *Soverain Software LLC v. J.C. Penney Corp.*, Judge Leonard Davis held that a motion for dismissal based on infringement theory defects in the pleadings was “premature” prior to claim construction and discovery. Offering little analysis, it would seem that the courts of the Eastern District of Texas likely consider this a settled matter warranting no consideration. However, despite the cold reception given to 12(b)(6) motions for dismissal by Judges Ward and Davis, both have indicated that infringement theory pleading defects are properly asserted via summary judgment. Consequently, it is likely that summary judgment will emerge as the standard setting for asserting divided infringement.

For example, in a recent order by Judge James Ware of the Northern District of California, he cited the *Muniauction* holding and granted summary judgment to the defendants based on the issue of divided infringement. *In re Ricoh Company Ltd. Patent Litigation*, No. C 03-02289-JW (N.D. Calif. Apr. 15, 2010). Wilson Sonsini Goodrich & Rosati acted as counsel for the defendants who obtained this summary judgment.

This decision, and similar ones in other jurisdictions, confirm the availability of the defense on summary judgment. Of course, if a court refuses to consider the issue ripe until after the claim construction process and the close of discovery—as we now know is the case in the Eastern District of Texas—then the defendant will have invested significantly in the defense of the case before even being allowed to challenge the patent on the divided infringement defense. For many defense attorneys who had hoped the divided infringement defense might provide an opportunity for an early exit from expensive patent litigation, that door appears closed—at least in the Eastern District of Texas.

For more information on these recent decisions or any related matter, please contact Craig Tyler or another member of Wilson Sonsini Goodrich & Rosati’s intellectual property litigation department.



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