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May 8, 2012

Say Goodbye to Your Co-Defendants: Federal Circuit Imposes New Requirements for Joinder in Pre-AIA Cases

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Last week, the Federal Circuit addressed the pre-America Invents Act (“AIA”) standard for joinder in patent cases.¹ In *In re EMC Corporation*, the Federal Circuit held that: (1) mandamus is an available remedy for a district court’s refusal to sever; (2) joinder requires more than the assertion of a common patent against similarly situated defendants; and (3) MDL procedures and consolidation under Federal Rule of Civil Procedure 42 are still available even if joinder is improper.² The decision could break up many multi-defendant cases pending in various jurisdictions across the country, forcing plaintiffs to make difficult decisions as to which companies to continue to litigate against and in what jurisdictions.

CASE BACKGROUND

Plaintiff Oasis Research, LLC (“Oasis”)³ sued 18 defendants for patent infringement in the Eastern District of Texas.⁴ The patents-in-suit related to methods for data storage, and Oasis alleged that all 18 defendants offered “services that provide online backup and storage for home or business computer users.”⁵

Defendants sought to sever and transfer the claims against them to various district courts around the country, arguing that the case did not arise out of the same transaction or occurrence as required by Federal Rule of Civil Procedure 20.⁶ The magistrate judge denied the motion, noting that “[c]laim validity, claim construction, and the scope of the four patents . . . are questions common to all Defendants in this case.”⁷ After the district court adopted the magistrate’s findings, certain defendants filed a writ of mandamus with the Federal Circuit. Underscoring the importance of joinder issues in patent cases, a coalition of major corporations, including Cisco Systems, Microsoft, and Yahoo! filed an amicus brief in September 2011 supporting EMC’s position.⁸

¹ *In re EMC Corp.*, Misc. No. 100 (Fed. Cir. May 4, 2012).

² *Id.*, slip op. at 6, 15-16.

³ Oasis was made famous last year by NPR’s *This American Life* which paid a visit to Oasis’s empty offices in Marshall for their radio show “*When Patents Attack!*” See, e.g., Jan Wolfe, *Tech Defendants Score on Joinder Question at Federal Circuit*, The Litigation Daily, May 7, 2012, available at http://www.americanlawyer.com/litigation_daily.jsp.

⁴ *In re EMC Corp.*, slip op. at 3.

⁵ *Id.* at 3.

⁶ *Id.* at 4.

⁷ *Oasis Research, LLC v. ADrive, LLC*, No. 4:10-CV-435, 2011 WL 3099885, at *3 (E.D. Tex. May 23, 2011).

⁸ Jan Wolfe, *Tech Defendants Score on Joinder Question at Federal Circuit*, The Litigation Daily, May 7, 2012, available at http://www.americanlawyer.com/litigation_daily.jsp.

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THE FEDERAL CIRCUIT'S OPINION

The Federal Circuit first addressed whether mandamus can be an appropriate means to test a district court's discretion in ruling on motions to sever and transfer. Applying Federal Circuit law and recognizing that this was an issue of first impression, the court found that mandamus was available to challenge the denial of a motion to sever, because the movant lacked an adequate remedy on appeal.⁹

Again applying Federal Circuit law, the court then turned to the severance issue, noting the "unusual circumstances" involved.¹⁰ Specifically, Congress recently enacted the AIA, which provides that accused infringers may be joined in one action only if the allegations of infringement "aris[e] 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."¹¹ The new provision, however, is not retroactive.¹² Indeed, in an apparent effort to avoid this law, hundreds of patent suits were filed in the days before the AIA went into effect, many of which were against companies whose only connection to each other was that they were accused of infringing the same patent.¹³ As Oasis' suit was similarly filed prior to the AIA's enactment, the Federal Circuit expressly declined to comment on what the appropriate standard is under the AIA's new provisions.¹⁴

Evaluating joinder under pre-AIA standards, the Federal Circuit first looked to Rule 20 for guidance. Under Rule 20, "[d]efendants may be joined in a single action only if the two independent requirements of Rule 20 are satisfied: (1) the claims against them must be asserted "with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences," and (2) there must be a "question of law or fact common to all defendants."¹⁵ Applying this rule to patent cases, the Federal Circuit held that joinder is generally not appropriate where different products or processes are involved.¹⁶ Rather, claims against independent defendants can only be joined if "the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts."¹⁷ Unless there is an "actual link" between the facts, "independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical."¹⁸

The Federal Circuit also provided a non-exclusive list of factors to determine whether the joinder test is satisfied. Pertinent factual considerations include: (1) "whether the alleged acts of infringement occurred during the same time period;" (2) "the existence of some relationship among the defendants;" (3) "the use of identically sourced components;" (4) "licensing or technology agreements between the defendants;" (5) "overlap of the products' or processes' development

⁹ *In re EMC Corp.*, slip op. at 5.

¹⁰ *Id.* at 5, 8.

¹¹ *Id.* at 8 (citing Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 19(d), § 299, 125 Stat. 284, 332-33 (2011) (to be codified at 35 U.S.C. § 299)).

¹² *Id.*

¹³ Ryan Davis, *EMC, GoDaddy Wrongly Joined In Texas IP Row: Fed. Circ.*, IP Law360, May 4, 2012, available at <http://www.law360.com/ip/articles/337439/emc-godaddy-wrongly-joined-in-texas-ip-row-fed-circ->.

¹⁴ *In re EMC Corp.*, slip op. at 8.

¹⁵ *Id.* at 8-9 (citations and quotations omitted).

¹⁶ *Id.* at 15.

¹⁷ *Id.*

¹⁸ *Id.*

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and manufacture;” and (6) “whether the case involves a claim for lost profits.”¹⁹

In so holding, the Federal Circuit also noted that a district court still has considerable discretion to weigh the aforementioned factors, and to consolidate cases under FRCP 42 or the MDL provisions even where joinder is not appropriate under FRCP 20.²⁰ Accordingly, the Federal Circuit granted the writ in part and vacated the district court’s denial because it relied on a “not dramatically different” standard. The Federal Circuit directed the district court to reconsider severance and transfer in light of its new “sameness” standard.

PRACTICAL EFFECT AND CONCLUSION

The new standard will “have an immediate impact on the numerous multi-defendant case filed just before the enactment of the [AIA],” EMC’s deputy general counsel, Krish Gupta, told the *Litigation Daily*.²¹ Indeed, the very same day that the Federal Circuit issued its ruling, “some of the over 300 defendants in an Eastern District of Texas patent suit brought by GeoTag Inc. . . . asked the court to take notice of the decision when considering their pending motions to dismiss for misjoinder.”²² The new standard may also help certain defendants transfer patent cases out of plaintiff-friendly venues such as the Eastern District of Texas. The Federal Circuit’s reminder that parties may use consolidation and MDL even when joinder is improper may mitigate the decision’s impact for many cases. Also, the legal standard under the AIA will become increasingly important over time. Nonetheless, the *EMC* decision provides important new guidance for joinder and venue in pre-AIA patent cases involving multiple unrelated defendants.

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¹⁹ *Id.* at 16.

²⁰ *Id.* at 16-17.

²¹ Jan Wolfe, *Tech Defendants Score on Joinder Question at Federal Circuit*, The Litigation Daily, May 7, 2012, available at http://www.americanlawyer.com/litigation_daily.jsp.

²² Ryan Davis, *EMC, GoDaddy Wrongly Joined In Texas IP Row: Fed. Circ.*, IP Law360, May 4, 2012, available at <http://www.law360.com/ip/articles/337439/emc-godaddy-wrongly-joined-in-texas-ip-row-fed-circ->.

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