



IPO COMMITTEE WHITE PAPER

Impact of the Misjoinder Provision of the America Invents Act

This paper has been prepared for the Intellectual Property Owners Association (IPO) on behalf of the IPO Litigation Committee concerning the anticipated impact on patent litigation practice of the misjoinder provision of the Leahy-Smith America Invents Act, 35 U.S.C. § 299 (2011). The paper presents an early and preliminary analysis by its authors. This paper does not, however, reflect any legal advice by its authors or their firms. Neither does this paper present any official position of the IPO, its Board, its members, the Litigation Committee, the authors or their law firms.

The authors wish to thank the members of the IPO Litigation Committee and its 2011 Chair Laurie Gathman Kowalsky for their comments and support, while acknowledging that all errors are exclusively our own.

~ Scott W. Burt, Jones Day
~ Barry F. Irwin, Kirkland & Ellis LLP
~ Jonathan B. Tropp, Day Pitney LLP

I. Introduction

On September 16, 2011, President Barack Obama signed into law the Leahy-Smith America Invents Act (the AIA or the Act), Public Law No. 112-29, 125 Stat. 284 (2011) which represents the most significant overhaul of the U.S. patent system since 1952. Among the many issues the AIA addresses, Section 19 of the Act concerns jurisdictional and procedural matters. One such procedural matter is the addition of a new section, Section 299, to Title 35 of the United States Code (the Patent Act). Section 299 concerns joinder (or, perhaps more accurately, misjoinder) of accused infringers in patent cases. Section 19 of the Act, which became effective on President Obama's signature, purports to prevent plaintiffs from joining multiple, unrelated defendants in the same case.

In the wake of the enactment of the AIA, the following questions arose:

- What is the anticipated impact of the AIA misjoinder provision?
 - What impact has the misjoinder provision had to date?
 - What impact has the misjoinder provision had on large multi-defendant patent litigations?
 - Have there been dismissals of defendants or cases due to the new misjoinder statute?
 - What issues may arise in the future as a result of the misjoinder provision?

The short answers to these questions, which are explained in greater detail below, are as follows:

1. The effect of the Act has been immediate and, indeed, preceded its enactment. In the weeks immediately leading up to the passage of the Act, it became apparent that the Act would soon become law. Federal courts, and particularly the Eastern District of Texas, saw a modest spike of multi-defendant patent filings, as certain plaintiffs (often non-practicing entities) sought to take advantage of the old

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

regime. Further, in the weeks since the Act became effective, we have observed a material increase in the overall number of patent cases filed, as plaintiffs appear largely to have heeded the joinder limitations of the Act while continuing to pursue claims against defendants who might previously have been joined in a single action.

2. Thus far, we have not seen any dismissals – either of defendants or of cases – for failure to comply with the joinder limitations of the Act. Whether this is because it is yet too early for such issues to have begun to appear in published decisions or because plaintiffs have largely complied with the limitations making dismissals unnecessary, we do not know, but we are unaware even anecdotally of any pending motions to dismiss for misjoinder. Interestingly, we have seen a couple of pre-AIA cases in which defendants were recently severed from multi-defendant actions under Rule 20 of the Federal Rules of Civil Procedure, where the courts cited Section 299 for comparison.
3. Going forward, it seems reasonable to anticipate a variety of impacts of the misjoinder provision. The provision has the potential of increasing the risks and costs of litigation for both patent plaintiffs and defendants. To some degree, there may be a reduction in patent defendants, as plaintiffs decline to bring suits in marginal cases that might have been pursued as part of a larger single lawsuit in the past. Further, it is possible that some defendants may avoid substantial expense to the extent their cases are ones that, for one reason or another, lag behind a related case that substantively resolves the matter (by way of invalidating the patent, for example). To a greater degree, however, we anticipate

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

the use of both known and novel tactics for joining cases together for pretrial purposes in an effort to mitigate the risks and costs imposed by the multiple, geographically diverse litigations. For example, we anticipate increased reliance on Section 337 actions in the ITC and/or increased requests of the United States Judicial Panel on Multidistrict Litigation under 28 U.S.C. § 1407 to transfer related cases to a common jurisdiction for consolidation or coordination of pre-trial proceedings, including claim construction. Similarly, where multiple actions are pending in the same district, we anticipate motions to consolidate those intra-district actions for purposes of pre-trial proceedings. For example, in the immediate aftermath of the Act, we witnessed an increase in filings in the District of Delaware, where plaintiffs may hope to obtain jurisdiction and venue over multiple defendants incorporated under the laws of that state¹ in individual suits that can nevertheless be coordinated within a single district. Other trends may emerge, but it is too early to determine which of the foreseeable trends is likely to materialize.

In the sections below, we explore these answers in somewhat greater detail.

¹ According to the website of the Delaware Department of State: Division of Corporations, “[m]ore than 850,000 business entities have made Delaware their legal home. More than 50% of all publicly-traded companies in the United States including 63% of the Fortune 500 have chosen Delaware as their legal home.” <http://www.corp.delaware.gov/aboutagency.shtml> (last accessed November 11, 2011). The success of this tactic may depend on the impact of the Federal Circuit’s recent decision in *In re Link_A_Media Devices Corp.*, Misc. Dkt. No. 990, 2011 U.S. App. LEXIS 23951 (Fed. Cir. Dec. 2, 2011)(ordering the District of Delaware on writ of mandamus to transfer an action to the Northern District of California, notwithstanding the defendant’s incorporation in Delaware).

II. The Misjoinder Provision of the AIA

A. Scope, Origin and Purpose of Section 299

Section 299 states as follows:

(a) JOINDER OF ACCUSED INFRINGERS.—With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants² 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.

(b) ALLEGATIONS INSUFFICIENT FOR JOINDER.—For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

(c) WAIVER.—A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.

Pub. L. 112-29, 125 Stat. 284, 332-33 (2011), to be codified as 35 U.S.C. § 299. Though the legislative history of the multi-year effort to pass the AIA is voluminous, the portion of the AIA

² As originally introduced, H.R. 1249 provided that “parties that are accused infringers may be joined in one action as defendants or counterclaim defendants only if” (H.R. Rep. No. 112-98, at 33 (2011)). A Manager’s Amendment added the phrase “or have their actions consolidated for trial” after the phrase “or counterclaim defendants.” H.R. Rep. No. 112-111, at 15 (2011). A scrivener’s error appears to have caused the phrase “or counterclaim defendants” also to appear after the inserted text.

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

that introduces Section 299 was new with H.R. 1249, which became the AIA after passage without change in the Senate upon the President's signature.³ The House Report accompanying H.R. 1249, devotes relatively little attention to the joinder issue. Most pertinently, the report states:

The Act also addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.

The Act amends chapter 29 of the Patent Act by creating a new Sec. 299 that addresses joinder under Rule 20 and consolidation of trials under Rule 42. Pursuant to the provision, parties who are accused infringers in most patent suits may be joined as defendants or counterclaim defendants only if: (1) relief is asserted against the parties, jointly, severally, or in the alternative, arising out of the same transaction regarding the manufacture, use, or importation of the accused product or process; and (2) questions of fact common to all of the defendants will arise in the action. New 299 also clarifies that joinder will not be available if it [sic] based solely on allegations that a defendant has infringed the patent(s) in question.

H. R. Rep. No. 112-98, at 54-55. In a footnote, the report adds: "Section 299 legislatively abrogates the construction of Rule 20(a) adopted in [seven enumerated cases, five from Texas]—effectively conforming these courts' jurisprudence to that followed by a majority of jurisdictions. *See generally* *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011)." *Id.* at 55 n.61. Five of the seven enumerated cases were from 2009 and 2010, perhaps explaining the recent provenance of Section 299. Although the legislative history of Section 299 in the Senate is scant and focuses primarily on the language concerning consolidation for trial, it echoes that this Section 299 otherwise "effectively codifies current law as it has been applied everywhere

³ S.23 (2011), a Senate counterpart to H.R. 1249 in the 112th Congress, included a Section 17 that addressed jurisdictional issues, but that did not address misjoinder.

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

outside of the Eastern District of Texas.” 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011)(statement of Sen. Kyl).

As this legislative history reveals, Section 299 was intended to resolve a split of authority among the district courts relating to joinder under Federal Rule of Civil Procedure 20. Rule 20 permits a plaintiff to join multiple defendants in a single action if:

(A) any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and

(B) any question of law *or* fact common to all defendants will arise in the action.

Fed. R. Civ. P. 20(a)(2)(emphasis added). In *MyMail, Ltd. v. AOL, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004), plaintiff sued multiple defendants, including AOL, AT&T, NetZero, Juno, Earthlink and SBC under the same '290 patent for accessing a computer network by a roaming user. Certain defendants moved to sever and transfer the claims against them, arguing that the claims against them did not arise out of the same transaction or occurrence as the claims against other defendants. The court concluded that the transaction or occurrence requirement is satisfied where “there is some connection or logical relationship between the various transactions or occurrences,” which “exists if there is some nucleus of operative facts *or* law.” *Id.* at 456 (emphasis added). Because the “legal question as to the 290 patent’s scope” was common as to all defendants, the court concluded that Rule 20’s joinder requirements were satisfied. The court rejected “a rule that requires separate proceedings simply because unrelated defendants are alleged to have infringed the same patent” as a “per se rule that elevates form over substance.” *Id.* at 457.

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

Although several cases prior to *MyMail* appeared to have reached an opposite conclusion (some of them distinguished by the *MyMail* opinion), in the years following *MyMail*, plaintiffs – and especially non-practicing entities – have frequently joined numerous defendants in a single complaint. Doing so may have offered a number of perceived advantages, including reduced transaction costs (including filing fees and discovery and other litigation costs), improved forum selection opportunities, reduced risk of transfer to an inconvenient or undesirable forum, and reduced risk of inconsistent outcomes (e.g., with respect to claim construction and patent validity determinations).

In many cases, the attempt at joinder was unsuccessful or successful only in part. For example, in *Rudd v. Lux Products Corp.*, No. 09-cv-6957, 2011 WL 148052 (N.D. Ill. Jan. 12, 2011), the court concluded that the *MyMail* approach “eviscerates the same transaction or occurrence requirement and makes it indistinguishable from the requirement that there be a common question of law or fact.” *Id.* at *2 (internal quotations marks and citation omitted). Had courts routinely taken this more rigorous approach to enforcement of Rule 20, Congress presumably would have had little cause to enact the misjoinder provision of the AIA. However, notwithstanding Congress’ conclusion that the *MyMail* approach represented a minority view, a spate of recent decisions following that approach, particularly in Texas, appears to have spurred Congress to add Section 299 to the Patent Act. Section 299 is substantially similar to Rule 20 of the Federal Rules of Civil Procedure, except that it expressly applies only to patent cases and, in such cases, joinder requires (1) joint, several or alternative liability 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) common questions of *fact* (as distinct from questions of fact *or* law).⁴ In such cases, joinder may still be appropriate.

By Manager’s Amendment, Section 19 of the AIA was clarified to address circumstances in which cases commenced separately may be consolidated. More specifically, cases that must be commenced separately also may not be consolidated for trial unless the requirements of the Act have subsequently been met; e.g., by waiver, as discussed below. Section 299 thus also addresses, in addition to joinder, the issue of consolidation under Federal Rule of Civil Procedure 42.

Rule 42 gives district courts the discretion, in ordinary cases that “involve a common question of law or fact,” Fed. R. Civ. P. 42(a), to:

- (1) join for hearing or trial any or all matters at issue in the actions;
- (2) consolidate the actions; or
- (3) issue any other orders to avoid unnecessary cost or delay.

Id. Further, Rule 42(b) gives district courts discretion to order separate trials of any issue, claim or counterclaim. As with respect to Rule 20, Section 299 constrains courts’ exercise of discretion under Rule 42 so that the joinder restrictions of the Act are not circumvented by consolidating separate actions for trial merely on the basis of common questions of law. Indeed, Section 299(b) makes explicit that “accused infringers may not be joined in one action” nor “have their actions consolidated for trial, based solely on allegations that they each have

⁴ Congress’ decision to limit the misjoinder provision of the AIA to patent cases may give rise to arguments in other cases, such as copyright cases, that Rule 20 continues to allow joinder of diverse defendants in matters involving common questions of fact or law, under *MyMail*. One presumes that this argument will not gain significant traction, however, given Congress’ recognition of *MyMail* as the minority view, coupled with its statement of legislative intent to “legislatively abrogate[] the construction of Rule 20(a) adopted in *MyMail*.”

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

infringed the patent or patents in suit.” 35 U.S.C. § 299(b). Thus, Congress has now established by statute that, even – indeed, especially – in patent cases, the requirement that there exist common questions of fact is one of substance and not merely of form. Moreover, the common fact questions must relate to issues other than those associated merely with the assertion of a common patent against multiple defendants, such as those arising from validity or enforceability challenges.

The Act also includes a waiver provision, however, allowing an accused infringer to “waive the limitations set forth in [Section 299] with respect to that party.” The Act does not specify the circumstances by which this waiver may be invoked or triggered. Moreover, the waiver provision was added by the Manager’s Amendment and the legislative history is silent both with respect to the legislature’s rationale for including this provision and its expectations with respect to its invocation.

B. Limitations of Section 299

Although we are unaware of any court decisions under Section 299 to date, the language of the statute suggests certain limitations to the scope of the act. As litigants and courts feel their way with respect to joinder and misjoinder, we anticipate that these limitations will feature prominently in the process:

1. The joinder provision applies only to “any civil action arising under any Act of Congress relating to patents.” 35 U.S.C. § 299(a). Of particular note, proceedings before the International Trade Commission (ITC) appear not to be civil actions within the meaning of the Act. *Compare* 35 U.S.C. § 1295(a)(1) (concerning appeals from decisions of district courts in any civil action arising under any act of Congress relating to, among others, patents) *with* § 1295(a)(6)

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

(concerning appeals of determinations of the ITC in matters involving unfair methods of competition and unfair acts in the importation of articles).

2. The joinder restriction expressly does not apply to actions alleging infringement under 35 U.S.C. § 271(e)(2), the Hatch-Waxman Act.
3. Though the joinder restriction prevents a plaintiff, in many circumstances, either from joining multiple defendants in a single action or from seeking to consolidate multiple actions *for trial*, the AIA does not, on its face, prevent the consolidation or coordination of multiple cases for purposes of pre-trial activities. Thus, excepted from the restrictive ambit of the misjoinder provision are the consolidation of multiple cases in multi-district proceedings or the coordination of multiple cases within a single district for purposes of discovery, claim construction, and even summary judgment.
4. Finally, the provisions of Section 299 may be waived by any joined defendant. Presumably, at least two accused infringers must waive the restrictions of Section 299 to allow joinder or consolidation for all purposes.

C. Impact of Section 299 to Date

There have been three evident impacts of Section 299 to date. First, there was a spike in patent filings in the Eastern District of Texas just before the AIA effective date, probably as a “rush to the courthouse” to file multi-defendant cases before Section 299 went into effect. Second, since the AIA effective date, the total number of patent filings has significantly increased. This appears to be caused by plaintiffs’ shifting from filing multi-defendant cases to filing multiple single-defendant cases, although the overall number of litigants may not have changed much. Finally, since the AIA effective date, patentees are filing more cases in the

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

District of Delaware, for reasons about which we can only speculate, but may have to do with the large number of companies incorporated in Delaware and the opportunity for intra-district coordination of cases.

We used data from Docket Navigator⁵ to look at the effects of Section 299 on patent filings. We focused on what Docket Navigator classifies as affirmative patent-infringement complaints, which do not include Hatch-Waxman, false-marking, and declaratory judgment cases. We looked at three periods. The first period (baseline) is the year from August 26, 2010, to August 26, 2011 (three weeks before the effective date of the AIA), to get a baseline on filings before it was clear if and exactly when the AIA would be enacted. The second period (pre-AIA) is the two weeks from September 2 to September 16, 2011, immediately preceding the effective date of the AIA. The third period (post-AIA) is the nine weeks from September 19 to November 21, 2011, since the effective date of the AIA. The results are summarized in the tables below.

Table 1 compares the total filings for each period.

TABLE 1

Filings	Baseline August 26, 2010- August 26, 2011	Pre-AIA September 2-16, 2011	Post-AIA September 19- November 21, 2011
Total	2222	200	626
Average Per Week	43	100	70

Table 1 shows a spike in filings in the two weeks before the AIA effective date, when the weekly average number of filings more than doubled from 43 to 100. The table also shows that the

⁵ <http://docketnavigator.com/> (last accessed November 18, 2011).

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

weekly average has continued to stay up almost 50%, from 43 per week in the baseline to 70 per week post-AIA.⁶

Looking at the cases more closely, it appears the post-AIA increase in filings is due to patentees filing multiple single-defendant cases, where pre-AIA a single multiple-defendant suit might have been filed. As an example, in the first week after the AIA effective date, a patentee called Optimum Power Solutions (OPS), based in Frisco, Texas (in the Eastern District of Texas), sued nine computer companies in four districts for infringement of the same patent. The infringement assertion relates to power management in computers. OPS sued Toshiba, Asus, Fujitsu, and Acer in the Central District of California; Lenovo, H-P, Sony, and Panasonic in Delaware; and Dell in the Eastern District of Texas. In each of the two districts where OPS sued four defendants, its complaint states that OPS “believes that these actions [within the district] should be consolidated for all purposes until the trial of the claims against the original defendants.”⁷ Thus far, two of the Delaware defendants, H-P and Sony, have filed pending motions to transfer those cases to yet a fifth district, the Northern District of California.

Table 2 compares the filings (and percentages of the total) in each of the “big five” patent districts for each period.

⁶ We also looked at the same two-week and nine-week periods during the baseline corresponding to the pre-AIA and post-AIA periods in an effort to confirm that there is nothing anomalous about those particular periods of the year. We found no similar spikes.

⁷ See, e.g., Complaint at ¶ 2, *Optimum Power Solutions LLC v. Fujitsu America, Inc.*, No. 8:11-cv-01459 (C.D. Cal. Sept. 21, 2011).

TABLE 2

Court	Baseline August 26, 2010- August 26, 2011	Pre-AIA September 2-16, 2011	Post-AIA September 19- November 21, 2011
C.D. California	217 (10%)	11 (6%)	59 (9%)
N.D. California	129 (6%)	5 (3%) ⁸	24 (4%)
Delaware	189 (9%)	29 (15%)	122 (19%)
N.D. Illinois	145 (7%)	18 (9%)	54 (9%)
E.D. Texas	303 (14%)	62 (31%)	93 (15%)

Table 2 shows that, in the filings spike in the two weeks before the AIA effective date, patentees headed disproportionately to the Eastern District of Texas, where almost one-third of the cases were filed in that period. But the table also shows a move in that period towards Delaware, as it became the clear second-favorite district. Post-AIA, the move towards Delaware was even more pronounced, as about one in five of all filings have been there, while the percentage of filings in the Eastern District of Texas has returned to baseline levels.

All the post-AIA numbers should be taken with a grain of salt at this point simply because of the relatively short period of time. For example, of the 122 post-AIA cases in Delaware, one patentee (Beacon Navigation GmbH) filed 38 of those cases on October 11; and, of the 72 post-AIA cases in the Eastern District of Texas, one patentee (Klausner Technologies, Inc.) filed 31 of those cases on November 1. Had either of those patentees chosen a different district, the numbers in Table 2 would have been quite different. It is also possible that patentees who in the ordinary course might have filed in the Eastern District of Texas after September 16

⁸ For both the pre-AIA period (September 2-16, 2011) and the post-AIA period (September 19 –November 21, 2011) the Northern District of California dropped out of the top five patent jurisdictions. In the pre-AIA period the Southern District of California and the Eastern District of Virginia were tied for fifth place with 6 cases each, and in the post-AIA period the District of Massachusetts was in fifth place with 25 cases on the basis of a single patentee filing 17 cases there.

moved up their plans and filed before September 16; in the short run, this could lower the number of post-AIA filing in that district.

D. Anticipated Future Impact of Section 299

1. *Problems Created by Section 299*

As seen, Section 299 will almost certainly result in more complaints being filed. A civil action against many alleged infringers that previously might have been brought in a single action will now require many actions. Prior to Section 299, when multiple defendants were involved in one action, it was sometimes possible for a patentee to maintain a claim against a particular infringer in an otherwise inconvenient forum for that particular infringer because there was no other “clearly more convenient forum” to handle the litigation as a whole. In other words, if that particular defendant had been sued on its own in that forum, the case would likely have been transferred. But, because multiple defendants located across the country were also named in the action, transfer was sometimes denied. Now, a patentee that chooses to bring a claim against an infringer in an inconvenient forum will face a serious risk of having the case transferred to a more convenient forum of the defendant’s choosing. Therefore, as we are seeing already, patentees with claims against multiple alleged infringers are likely to bring a first group of actions against a first group of infringers in one jurisdiction that the patentee perceives as favorable and likely to be considered sufficiently convenient that the actions are not transferred, and to bring a second group of actions against a second group of infringers in a second jurisdiction that the patentee also perceives as favorable and likely to be considered sufficiently convenient that the actions are not transferred, and so on. The net result is that multiple litigations involving the same patents will likely be pending in several different districts. The problems created by such an eventuality include the following:

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

a. Several different courts may each need to spend a substantial amount of time to manage their respective litigations and determine the same or substantially related issues;

b. The parties may need to duplicate efforts that could be avoided by having a single action. Consider, for example, one of the actions being brought in a jurisdiction wherein activities are initiated rapidly (such as the Northern District of Illinois with its substantial early disclosure requirements) and another of the actions being brought in a jurisdiction that takes longer for activities to be initiated. The plaintiff will likely face a situation where it will be required to have similar, duplicative negotiations related to scheduling orders, protective orders, and discovery responses. Similarly, the plaintiff may be required to present the same witnesses on multiple occasions and engage in multiple hearings on the same matters, such as claim construction, summary judgment motions, motions *in limine* and *Daubert* hearings. Similarly, while each of the defendants will not necessarily have to engage in the same activities on multiple occasions, each defendant will inevitably be required to monitor and follow the activities of each of these “unrelated” litigations (including, perhaps, overcoming the strictures of protective orders that may be entered in each other case), which similarly increases the cost of defense; and

c. The possibility of inconsistent rulings: consider inconsistent invalidity or unenforceability summary judgment rulings, or inconsistent claim construction determinations.

2. *Potential Strategies In Light of Section 299*

a. ITC Litigation

To the extent the procedural hurdles of “importation” and “domestic industry” can be satisfied, a Section 337 action in the ITC would avoid the inefficiencies effectuated by Section 299. The AIA does not apply to a Section 337 action because it is not considered a “civil action.” Further, the ITC requires joinder of all impacted parties. ITC cases proceed very quickly, before patent savvy administrative law judges. While damages are not available in an ITC action, an order excluding importation obtained upon favorable ITC decision is often a sufficient outcome, either as an end in itself or as the leverage necessary to monetize the patent right.

b. MDL Proceedings

Should the ITC not be an option or not be the preferable option, to the extent the patentee, or one or more defendants, believe that litigating multiple, geographically diverse actions is ineffective, one possible strategy is to request the Judicial Panel on Multi-District Litigation (“Panel”) to transfer the cases to a single district court and consolidate them for pretrial purposes. In fact, the Panel can consolidate the cases without request.

The job of the Panel is to (1) determine whether civil actions pending in different federal districts involve one or more common questions of fact such that the actions should be transferred to one federal district for coordinated or consolidated pretrial proceedings; and (2) select the judge or judges and court assigned to conduct such proceedings. The purposes of this transfer or “centralization” process are to avoid duplication of discovery, to prevent inconsistent pretrial rulings, and to conserve the resources of the parties, their counsel and the judiciary. Transferred actions not terminated in the transferee district are remanded to their

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

originating transferor districts by the Panel at or before the conclusion of centralized pretrial proceedings.⁹

Of course, once cases have been consolidated or coordinated for pre-trial purposes, mechanisms may become available for encouraging defendants to grant the waivers invited by Section 299(c), so that the consolidated action remains in the transferee district through trial.

There is substantial precedent for consolidation of patent cases by the MDL. Indeed, one of the authors is involved presently in a three-year-old MDL patent proceeding involving nine patents, numerous defendants, and a multiplicity of actions originally commenced in three different federal districts. In consolidated proceedings in the District of Delaware, all disputes related to eight of the patents and certain of the defendants were resolved, and defendants obtained summary judgment, now on appeal, with respect to the remaining patent following a consolidated claim construction. Since 1968, the Panel has decided 130 requests to transfer and consolidate patent infringement cases. The Panel has granted 87 (67%) and denied 43 (33%) of such requests. However, since 2005, the Panel has granted 16 of 19 such requests. In the two of the three situations where the requests were denied, the Panel relied heavily on all or the overwhelming majority of the pending cases being in the same district already.¹⁰ In the other, the Panel relied upon the fact that the patentee had previously resolved 200 actions early in those cases.¹¹

⁹ http://www.jpml.uscourts.gov/General_Info/general_info.html (last accessed November 17, 2011).

¹⁰ *In re PCV Vaccine Products Patent Litigation*, MDL No. 2095 and *In re Plastic Injection Molding Manufacturing Process ('184) Patent Litigation*, MDL No. 2149.

¹¹ *In re Arrival Star S.A. Fleet Management Systems Patent Litigation*, MDL No. 2253.

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

It is possible that Section 299 will be relied upon by those opposing consolidation to argue that such consolidation would be inconsistent with the goal of Section 299. The difference, however, is that consolidation prior to Section 299 occurred in the district of the plaintiff's choosing, which was not necessarily the most convenient forum for the disposition of all of the cases. Consolidation by the Panel will occur in the jurisdiction determined by the Panel to be the most convenient. Of course, those urging consolidation may also point out that Section 299 is silent concerning consolidation of pre-trial activities. Further, the rules governing the JPML permit pre-trial consolidation of cases involving common questions of fact, including facts related to questions of validity or enforceability, in contrast with the narrower provision of Section 299 requiring common questions of fact arising out of transactions or occurrences related to "the same accused product or process."

c. Intra-district coordination

Another potential avenue for eliminating at least some of the inefficiency of multiple, geographically diverse litigations is to consolidate or at least coordinate each of the actions pending in the same district for pre-trial purposes. Of course, absent waiver or satisfying the other requirements of joinder under Section 299, the AIA would require that these cases be tried separately.

d. Satisfying Section 299's Joinder Requirements

To the extent joinder of several defendants is permissible under Section 299, the inefficiency of multiple, geographically diverse litigations can be minimized. Again, Section 299 generally requires: (1) asserting a right to relief "jointly, severally or in the alternative" arising out of the same transaction or occurrence or set of them "relating to the making, using, ... of the same accused product or process;" and (2) "questions of fact" common to all

defendants. These hurdles may be satisfied in cases involving joint infringers, retailers and their suppliers, direct infringers and the indirect infringers contributing or inducing their infringement, and, it has been suggested, by those participating in setting and incorporating an industry standard alleged to be infringing.¹²

3. *Waiver of Joinder Limitations*

Subsection 299(c) provides that “[a] party that is an accused infringer may waive the limitations set forth in this section with respect to that party.” This waiver provision was added by the Manager’s Amendment, and the legislative history is silent both with respect to the legislature’s rationale for including this provision and its expectations with respect to its invocation. The waiver provision appears to permit two or more accused infringers to be voluntarily joined in a case where joinder otherwise would not be permitted under subsections (a) and (b). Without the waiver in subsection (c), a strict application of the limitations in Section 299 might not permit joinder even if all parties consented and the court agreed.

The Act does not specify the circumstances by which this waiver may be triggered. Few patentees may seek waivers before filing suit because that would risk pre-emptive declaratory judgment filings by the accused infringers. More likely, a party (either the patentee or any accused infringer) to one of multiple suits in a district by the same patentee may request joinder, or a court as part of its own case management procedures may *sua sponte* request that

¹² On October 31, 2011, two plaintiffs sued seven defendants in the District of Delaware, specifically alleging proper joinder under Section 299 because allegedly each defendant’s infringing products practice certain industry standards that “necessarily results in infringement” and each was involved in the setting of those standards. Complaint ¶ 13, *Chrimar Sys., Inc. v. Cisco Sys., Inc.*, No. 11-cv-1050-GMS (D. Del. Oct. 31, 2011); *but cf. Medsquire LLC v. Quest Diagnostics, Inc.*, No. 2:11-cv-04504-JHN-PLAx, slip op. at 4 (C.D. Cal. Dec. 1, 2011)(dismissing claims where plaintiff failed to show that the patent “covers every possible implementation of the federal standard.”).

IPO Litigation Committee White Paper:
Impact of the Misjoinder Provision of the America Invents Act

multiple accused infringers waive the limitations of Section 299.

The Act also does not specify how a waiver may be invoked. In particular, it remains to be seen if and how an accused infringer might waive the Section 299 limitations and permit its own joinder by implication or conduct. Indeed, because Section 299 includes a waiver provision and so is, by definition, not a jurisdictional or mandatory bar, a patentee might purposefully file a multiple-defendant case to see which accused infringers consent to remain joined in the case.

Put differently, the failure to move to dismiss a plaintiff's claims in such circumstances might be deemed a 299(c) waiver. Will courts conclude that waiver arises from answering a multi-defendant complaint without moving to dismiss or asserting an affirmative defense under § 299? How about if a defendant negotiates a case management plan, or participates in multi-party discovery or joint claim construction proceedings?

Will the analysis be any different in cases in which the initial complaint is plainly inconsistent with §§ 299(a) and (b), as compared with circumstances in which a patentee files a multiple-defendant case in good faith that, on the face of the complaint, presents a legitimate issue of whether Section 299 applies. In those instances, will an accused infringer need to file a Rule 12(b) motion or plead an affirmative defense or move for misjoinder under Rule 21 to avoid waiving the limitations of Section 299, or will the courts allow some latitude for discovery so the defendants can get underneath the plaintiff's allegations such that a defense has materialized before waiver will be found?

Arguably, even before enactment of the AIA, defendants' failure to pursue dismissal for misjoinder under Rules 20 and 21 was a "waiver" of Rule 20. This was not so explicit, however, as Section 299 now provides (nor, in light of *MyMail*, is it necessarily appropriate to view a

defendant's silence as the waiver of a known right). Now, in light of Section 299, new strategies and tactics are likely to emerge, as well as a new jurisprudence around waiver.

III. Conclusion

The misjoinder provision of the AIA, to be codified as Section 299 of the Patent Act, was enacted as a reaction to the liberal interpretation of Rule 20 of the Federal Rules of Civil Procedure in some courts, particularly the Eastern District of Texas. Plaintiff activity in the immediate pre-AIA and post-AIA periods suggests that the statute is reasonably clear on its face, as plaintiffs appear to be complying with its strictures. As noted, however, the misjoinder provision of the AIA imposes a variety of inefficiencies and risks that may be only partially circumvented using known procedural mechanisms. Because plaintiffs (and even defendants) will have incentives to circumvent these risks and inefficiencies, we anticipate that the practice of litigating patents against multiple accused infringers will continue to evolve, as parties develop strategies and tactics to achieve their goals. Among the features of Section 299 that we expect parties to develop mechanisms to exploit is the waiver provision of Section 299(c).