

# Strategies for dealing with the non-joinder provision

**Marla Butler** explores the likely impact of and possible strategies for navigating the non-joinder provision mandated by the America Invents Act

**O**n September 16 2011, as part of the America Invents Act (AIA), a law went into effect stipulating that multiple defendants joined in one patent action must be accused of “making, using, importing into the United States, offering for sale, or selling of the same accused product or process”. This provision – Section 299 of the Act – precludes joinder of multiple defendants where the only basis for joinder consists of allegations that all defendants infringe the same patent.

The expectations of this provision are high: many companies often sued for patent infringement by non-practising entities (NPEs) believe the non-joinder provision will help curb the filing of patent litigation suits against them. NPE suits may, in fact, be limited because it is now more difficult to efficiently assert a patent against a large number of defendants. However, practising entities looking to enforce their patent rights against their competitors, and even defendants in many instances, will also be impacted by the inefficiencies that will necessarily flow from Section 299. Therefore, plaintiffs and defendants alike will employ various strategies to increase efficiency, with the goal of reducing costs of litigation.

## What it means

Under the non-joinder provision, accused infringers may not be joined in one action “based solely on allegations that they each have infringed the patent or patents in suit”. A party that is an accused infringer may also waive the limitations imposed by this provision.

There are at least two significant practical implications to this provision. First, because a separate lawsuit has to be filed for each defendant (unless, for example, multiple defendants are selling the same allegedly infringing product), the venue analysis will have to be done on a defendant-by-defendant basis. This is a significant departure from the past, where in multi-defendant cases, courts determined whether a particular venue was most convenient for the parties collectively.

Second, because each defendant must be given its own trial, the defendants collectively will typically have many more opportunities to challenge the validity of the patent. In the multi-defendant trials that preceded AIA’s non-joinder provision, the group of defendants was typically allocated half (or slightly more than half) of the trial time. The defendants collectively created the strongest invalidity case and presented that case to a single jury. Now, each defendant gets its own trial – and its own invalidity case. The defendants can coordinate to present one invalidity case at a first trial and, if unsuccessful, present a different invalidity case for the next trial, and yet another invalidity case for the trial after that.

## What to expect

Because the venue analysis will be done on a defendant-by-defendant basis, we will inevitably see more instances of a single plaintiff asserting a single patent (or group of patents) against multiple defendants across multiple jurisdictions, either because the plaintiff filed its actions in multiple jurisdictions, or because defendants were successful in transferring actions to multiple jurisdictions. While this is clearly not ideal for the plaintiff, it will in many cases be less than ideal for the defendants also. Defendants

## One-minute read



Section 299 of the America Invents Act has been viewed as a victory for targets of litigation brought by non-practising entities (NPEs). This provision is likely to achieve, to some extent, the desired effect of limiting the number of companies sued by NPEs. But it is also likely to create inefficiencies that may negatively impact practising entities seeking to enforce their patent rights against competitors. The necessity of ensuring efficient use of judicial resources and consistent rulings, especially on claim construction, should lead to litigants taking advantage of procedural mechanisms that have the effect of consolidating what might otherwise be separate matters. Use of multi-district litigation to centralise matters across multiple jurisdictions, use of intra-court pre-trial consolidation prior to trial, and increased filings in the ITC are the mechanisms we are likely to see most often.

**Delaware is not likely to be the catch-all district for NPE litigation that many NPEs hoped it would be**

to patent litigation can – and often do – benefit from co-defendant status by sharing expenses and legal fees, and by developing strategy with broader input. Those efficiencies are more difficult to attain when multiple cases are pending in multiple jurisdictions with varying schedules and trial dates. Therefore, while moving to transfer actions to forums more conveniently located and with a more defendant-friendly history can, and should, be a primary strategy for accused infringers, consideration of such a motion should be part of a larger strategy that considers the increased cost that may result from the transfer and other potential consequences that may result. In any event, the majority of procedural manoeuvring that we are likely to see in response to Section 299 will come from plaintiff patent owners trying to regain ground lost as a result of the provision's limitations.

Plaintiffs – whether NPEs or practising entities bringing claims against competitors – will have no shortage of arguments to keep multiple actions in a single jurisdiction. Many of the same arguments related to judicial economy will still apply. In denying a petition for a writ of mandamus from an Eastern District of Texas order denying a transfer motion, the Federal Circuit recently held:

We also cannot say that the trial court abused its discretion in refusing to sever and transfer the petitioners' claims to the Northern District of California. Courts have consistently held that judicial economy plays a paramount role in trying to maintain an orderly, effective, administration of justice and having one trial court decide all of these claims clearly furthers that objective. *In re Google, Inc et al* (Fed Cir 2011).

While this action was commenced before AIA went into effect, the weight of the argument should not be affected by AIA. The Federal Circuit's reasoning essentially echoes the Eastern District of Texas' reasoning from the 2004 *MyMail* case, where that court found that transfer would result in "duplicative use of scarce judicial resources", as well as the potential for inconsistent claim construction rulings. Judicial economy and the risk of inconsistent claim construction rulings will remain the central themes in patentees' arguments for keeping matters against multiple defendants centralised in one court and consolidating them for pre-trial proceedings, including claim construction.

However, in a recent order, Judge Anderson of the Central District of California seemed to reject these themes. In *One-E-Way, Inc v Plantronics, Inc et al* (CD Cal 2012), the court found that the defendants had been misjoined and dropped four of the five defendants from the action without prejudice to the plaintiff's ability to re-file individual actions. In also rejecting the plaintiff's request that the court simply sever the multiple actions and then consolidate them for pre-trial proceedings, the court indicated that "the defendants – who may have competing interests and strategies – also are entitled to present individualized assaults on questions of non-infringement, invalidity, and claim construction". Potentially, the court will now face five separate actions, on five separate schedules, with five separate sets of claim construction briefing. While perhaps a victory for each of these particular defendants, the potential for inefficiency and inconsistent rulings on claim construction seems significant.

## Section 299

The non-joinder provision, which does not apply to actions under Abbreviated New Drug Application (ANDA) litigation, says that accused infringers may be joined in one action 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.

## New strategies: MDL and ITC

Because of this potential, the themes of judicial economy and consistency in claim construction rulings are likely to dominate the adjudication of venue and case management issues in the long term. One consequence will likely be increased use of multi-district litigation (MDL). Plaintiffs will seek centralisation through use of MDL, as will defendants in some instances. However, a motion to the MDL panel can lead to less than predictable results. A good example is the recent *Webvention* matter taken up by the MDL panel.

The patentee, *Webvention*, filed several cases in the Eastern District of Texas (some before AIA and some after). Three entities (not sued in Texas) filed declaratory judgment actions in Delaware, where *Webvention* is incorporated. With litigation spread between Texas and Delaware, several of the accused infringers moved to have the litigation centralised in Delaware, or some other forum besides the Eastern District of Texas.

*Webvention* opposed the motion, but alternatively requested centralisation in the Eastern District of Texas. The MDL panel granted the motion and ordered that the cases be centralised for pre-trial proceedings – not in Texas and not in Delaware – but in Maryland, a district where no action had been filed by any party to the MDL motion. So while MDL is likely to be used more often to consolidate actions against multiple accused infringers for pre-trial proceedings, many of those consolidated proceedings may end up in courts no party contemplated, or perhaps even wanted.

Because the non-joinder provision is limited in application to "any civil action arising under any Act of Congress relating to patents", we are also likely to see an increase in proceedings in the International Trade Commission (ITC). In these proceedings, the patent owner can join multiple defendants selling different accused products. In the ITC, therefore, a patent owner with claims against multiple accused infringers can achieve some of the efficiencies that were taken away by the non-joinder provision. Of course, to initiate an ITC proceeding, the patent owner must demonstrate a so-called domestic industry and be satisfied with an exclusionary order in lieu of damages upon proof of infringement. While these limitations make the ITC much less practical for NPEs, the ITC can be an ideal forum for a practising entity seeking to eliminate its competitors' infringing products from the US market.

## Vying for venue

Before AIA, where a patent owner sought licensing revenues from, for example, two dozen unrelated entities, that patent owner might bring a single action against all two dozen entities in the Eastern District of Texas or District of Delaware. With AIA's non-joinder provision now in effect, that same patent owner would have to file two dozen lawsuits if it wished to pursue all entities at the same time. The likelihood of patent owners choosing that strategy is limited. To do so would be to risk having two dozen cases spread across multiple jurisdictions, with pre-trial schedules and plaintiff friendliness varying significantly from one jurisdiction to the next. Therefore, we are likely to see patent owners engage in more strategic grouping of targets. For example, a patent owner might file a first round of lawsuits against a few entities in a jurisdiction where venue is most likely to stick. If the patent owner is successful in that lit-

igation, the patent owner may use that success as leverage in licensing discussions with other entities.

The patent owner looking to file that first round of cases in Delaware, however, thinking that holding venue in Delaware is a sure thing if the defendants are incorporated in Delaware, should not take for granted that incorporation in Delaware guaranties that the case will not be transferred. The District of Delaware recently received a harsh rebuke from the Federal Circuit Court of Appeals for refusing to transfer venue when the only connection to Delaware was the defendant's incorporation there. In *In*

culty in meeting the clear and convincing evidence standard to carry the day, the implications of Section 299 might force a change in that strategy. In many instances, patent owners will be better served by eliminating prior art references in advance of trial where possible to limit the combinations of prior art that can be presented in sequential trials. A word of caution to defendants, however: Each time a patent survives a trial, the more bulletproof that patent will be perceived to be. An invalidity argument will be much more difficult to sell to a jury when the patent owner can tell that jury that the patent has survived the initial examination,

perhaps a reexamination, and another trial where the validity of the patent was decided favourably by another jury. So defendants should be looking to present their best invalidity case in the first trial.

What remains to be seen is whether defendants will be limited to presenting

## Each time a patent survives a trial, the more bulletproof that patent will be perceived to be

re *Link\_A\_Media Devices Corp* (D Del 2011), the Federal Circuit granted the Delaware defendant's motion for a writ of mandamus directing the Delaware court to transfer the case against that defendant to the Northern District of California. The only connection to Delaware was the defendant's incorporation there. Most relevant witnesses and documents were in the Northern District of California. While acknowledging the significance of the plaintiff's choice of forum, the Federal Circuit noted that "when a plaintiff brings its charges in a venue that is not its home forum, however, that choice of forum is entitled to less deference". The Federal Circuit also noted that "neither § 1404 nor [relevant case law] list a party's state of incorporation as a factor for a venue inquiry. It is certainly not a dispositive fact in the venue transfer analysis, as the district court in this case seemed to believe". So Delaware is not likely to be the catch-all district for NPE litigation that many NPEs hoped it would be.

### Invalidity after AIA

Since Section 299 requires that each defendant gets its own trial, accused infringers will undoubtedly collaborate to develop a strategy that will take advantage of the multiple opportunities defendants will have to present invalidity cases to juries. As a result, we should expect to see patent owners make more use of summary judgment proceedings to eliminate prior art before trial where possible. Where, in the past, patent owners often chose to take their chances with a jury on validity issues, counting on the diffi-

different invalidity cases to different juries. The Seventh Amendment to the US Constitution provides that "no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law". In a recent opinion denying defendants' motion to sever the defendants into two different groups and try the cases separately (the action was commenced before AIA), Judge Davis of the Eastern District of Texas noted that "a litigant's Seventh Amendment right to 'have only one jury pass on a common issue of fact' limits a court's discretion to bifurcate". *CEATS, Inc v Continental Airlines, Inc* (ED Texas 2012). In fact, the Fifth Circuit Court of Appeals has noted that "if two juries were allowed to pass on an issue involving the same factual and legal elements, the verdicts rendered by those juries could be inconsistent, producing intolerably anomalous results" *McDaniel v Anheuser-Busch, Inc* (5th Cir 1993). Plaintiff patent owners will argue that having separate juries consider the same invalidity arguments violates the Seventh Amendment.

Much debate will take place in the short term about the best way to litigate patent cases within the limitations imposed by Section 299. Constitutional issues related to separate invalidity trials and judicial economy and consistency issues will be part of that debate. No matter what strategies are employed, the non-joinder provision is sure to change the way patent owners plan litigation and the way accused infringers respond to it.



**On managingip.com**  
 How to avoid filing catastrophes under the America Invents Act, January 2012  
 How US patent reform could benefit Chinese companies, November 2011  
 How to litigate under the new US patent law, September 2011



Marla Butler

© Marla Butler 2012. Butler is a partner at Robins Kaplan Miller & Ciresi in New York