

**The (Unintended) Consequences of the AIA Joinder Provision**

Maya M. Eckstein<sup>1</sup>  
Elizabeth L. Brooks  
George B. Davis<sup>2</sup>

Hunton & Williams LLP

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<sup>1</sup> Ms. Eckstein is a partner at Hunton & Williams LLP, focusing on patent and intellectual property litigation.

<sup>2</sup> Ms. Brooks and Mr. Davis are associates in the intellectual property practice at Hunton & Williams LLP.

## **I. Introduction**

Patent plaintiffs have long used the procedure of joining multiple defendants in a single lawsuit, thereby allowing plaintiffs to wield the heavy weapon of litigation while incurring reduced costs through the consolidated process. Defendants have long complained that the joinder of multiple defendants -- unrelated save for the fact that all are accused of infringing the same patents -- gives plaintiffs unfair advantages in cost and extracting settlements, and is a key reason for the ever-increasing number of patent suits filed by non-practicing entities (“NPEs”). Defendants also complained that courts in the Eastern District of Texas -- considered by many to be an overly-plaintiff-friendly jurisdiction<sup>3</sup> -- applied different standards than courts in other jurisdictions when addressing mis-joinder and severance motions filed in multi-defendant patent suits and, thus, too frequently denied those motions.

Congress sought to address these concerns with the Leahy-Smith America Invents Act (“AIA”),<sup>4</sup> which was signed into law on September 16, 2011. Among other things, Section 299 of the AIA precludes the joinder of multiple defendants in a single patent suit solely on the basis that all defendants infringe the same patents.<sup>5</sup> As evidenced by its legislative history, Congress enacted Section 299 to address the increasing number of multi-defendant suits filed by NPEs and to address the perception that the Eastern District of Texas applied the joinder and severance rules too leniently.<sup>6</sup>

But is Section 299 of the AIA achieving its intended effect? Or has it resulted in unintended consequences? A review of cases filed and decisions issued since the AIA’s enactment reveals that the statute is achieving a small measure of its intended success, but otherwise harvesting unintended consequences. As further explained below, while fewer patent infringement cases have been filed in the Eastern District of Texas since the AIA’s passage, more cases are being filed elsewhere, particularly in the District of Delaware. Moreover, rather than deterring NPEs from filing patent infringement suits and, thus, reducing their number, NPEs now are simply filing multiple single-defendant lawsuits in the same court, in the hope that judges will consolidate the cases at least for pre-trial purposes. Additionally, some NPEs are employing the vehicle of Multidistrict Litigation (“MDL”) to consolidate multiple single-defendant lawsuits filed in different judicial districts. As a result, it seems that -- at least in the first six months since the AIA’s passage -- Section 299 is not having the primary effect Congress intended: a reduction in patent cases filed by NPEs.

## **II. Joinder of Parties and Consolidation of Proceedings Prior to the AIA**

Joinder is governed by Rule 20(a) of the Federal Rules of Civil Procedure. Rule 20(a) states that multiple persons and entities may be joined in one action as defendants if:

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<sup>3</sup> *But see* Mark Lemley, “Where to File Your Patent Case,” 38 AIPLA Q.J. No. 4, at 1 (Fall 2010).

<sup>4</sup> *See e.g.* Chandran B. Iyer and Ryan M. Corbett, “Joinder Limitations in the America Invents Act: Big Change?” American Bar Association Intellectual Property Litigation, Winter 2012.

<sup>5</sup> 35 U.S.C. § 299.

<sup>6</sup> *See, e.g.*, H.R. Rep. No. 112-98, Pt. 1, at 54.

(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.<sup>7</sup>

Historically, in most patent infringement cases involving joinder motions, courts typically found the second element easily met,<sup>8</sup> as questions concerning validity and claim construction typically were considered common to all defendants. It was the first element -- whether patent infringement claims against multiple defendants arose out of the same transaction or occurrence -- that caused courts and litigants the most consternation.<sup>9</sup>

Courts generally took one of two approaches to the “same transaction or occurrence” test when unrelated defendants were accused of infringing the same patents. On one hand, some district courts found allegations of infringement based on different acts committed by multiple unrelated parties insufficient for joinder under Rule 20.<sup>10</sup> In these cases, the courts found misjoinder even though common patents were asserted against all defendants, the defendants’ products had some similarities,<sup>11</sup> the defendants’ competing products operated in nearly identical but different manners,<sup>12</sup> and defendants’ products allegedly incorporated the same technology.<sup>13</sup> As the Northern District of Illinois noted, these courts “have concluded that a party fails to satisfy Rule 20(a)’s requirement of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent.”<sup>14</sup>

Courts in the Eastern District of Texas, on the other hand, have found joinder proper when unrelated defendants were alleged to have infringed the same patent.<sup>15</sup> For example, the court permitted the joinder of multiple defendants in a single patent infringement lawsuit because the alleged infringement of the same patent leads to a “nucleus of operative facts or law,” that, in turn, give rise to “logical relationships between the various transactions or occurrences,” which

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<sup>7</sup> Fed. R. Civ. P. 20(a) (emphasis added).

<sup>8</sup> 8-21 Donald S. Chisum, Chisum on Patents § 21.03(6)(a) (2011).

<sup>9</sup> *Id.*

<sup>10</sup> See, e.g., *Rudd v. Lux*, No. 09-cv-6957, 2011 WL 148052 at \*3 (N.D. Ill. Jan. 12, 2011) (electing to follow “the prevailing approach of this District and numerous others that have concluded that a party fails to satisfy Rule 20(a)’s requirement of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent.”)

<sup>11</sup> See, e.g., *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 lawsuit pursuant to Rule 20(a).”)

<sup>12</sup> *Rudd v. Lux*, 2011 WL 148052, at \*2.

<sup>13</sup> *One-E-Way Inc. v. Plantronics Inc et al*, no. cv 11-6673 (C.A.C.D. Jan. 19, 2012) (order denying severance and consolidation).

<sup>14</sup> *Rudd v. Lux*, 2011 WL 148052, at \*3.

<sup>15</sup> See, e.g., *Mymail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004) (“Finding a ‘logical relationship’ sufficient for joinder, namely, allegations of infringing the same patent.”)

satisfies the “same transaction or occurrence” requirements of Rule 20.<sup>16</sup> The court further cited pragmatic reasons for allowing joinder, and referred to “the realities of complex” patent litigation and “the goals of Rule 20.”<sup>17</sup> Finally, 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.”<sup>18</sup>

Similarly, the Eastern District of Texas refused to sever multiple defendants in *Eolas Tech., Inc. v. Adobe Systems, Inc.*,<sup>19</sup> explaining that “the products, facts, and issues of law were significantly related and overlapping” and that severance “would not preserve judicial economy.”<sup>20</sup> In denying the defendants’ petition for a writ of mandamus, the Federal Circuit held that the trial court did not abuse its discretion in refusing to sever the defendants because “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.”<sup>21</sup> The Federal Circuit further held that the district court did not abuse its discretion by holding that “adjudicating infringement . . . will involve substantially overlapping questions of law or fact.”<sup>22</sup>

### **III. The AIA Joinder Provision**

#### **A. Section 299**

The AIA Joinder Provision, 35 U.S.C. § 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 defendants 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

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<sup>16</sup> *Id.* at 457.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Eolas Tech*, No. 6:09-cv-446, 2010 WL 3835762 at \*2 (E.D. Tex. Sept. 28, 2010).

<sup>20</sup> *In re Google, Inc.*, 412 F. App’ s 295, 296 (Fed. Cir. 2011).

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

(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.

Subsection (a) of Section 299 draws little attention, as it is virtually identical to the language found in Rule 20. Subsection (b), though, represents Congress's effort to limit the ability of plaintiffs to file multi-defendant patent infringement suits.

### **B. The Policy and Legislative History Behind the AIA Joinder Provision**

Despite its rather slim legislative history, it is clear that Congress enacted Section 299 with NPE's, the Eastern District of Texas, and multi-defendant patent litigation in mind. For example, the House Report for the bill states that "Section 299 legislatively abrogates the construction of Rule 20(a) adopted in [seven enumerated cases, five of which are from Texas, including the *MyMail* case] -- effectively conforming these court's jurisprudence to that followed by a majority of jurisdictions."<sup>23</sup> The Report further states that "[t]he 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."<sup>24</sup> Similarly, the Senate report states that Section 299 "effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas."<sup>25</sup> In discussing the bill, Sen. Charles Schumer noted that "56 percent -- more than half -- of all the business method patent litigation goes to one district, the Eastern District of Texas, which is known to be extremely favorable to plaintiffs."<sup>26</sup> And one witness who testified in favor of Section 299 stated that "Congress should limit a patent plaintiff's ability to join multiple unrelated defendants in a patent lawsuit unless the accused products are so closely related that proof of infringement as to one product will prove infringement of the other or unless the case involves a standard that is accused of violating the patent. This change will limit a NPE's ability to haul dozens of unrelated defendants into an inappropriate jurisdiction."<sup>27</sup>

Commentators repeatedly have spread the word of Congress's intention with respect to Section 299. AIPLA, for example, published an article stating that "the AIA's joinder provision

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<sup>23</sup> H.R. Rep. No. 112-98, at 54-55 (2011).

<sup>24</sup> *Id.*

<sup>25</sup> 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl).

<sup>26</sup> 157 Cong. Rec. S5402, 5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

<sup>27</sup> *Review of Recent Judicial Decisions on Patent Law: Hearing Before the Subcommittee on Intellectual Property, Competition, and the Internet of the House Committee on the Judiciary*, 112<sup>th</sup> Cong. 68-69 (2011) (statement of John Boswell, Senior Vice President and General Counsel, SAS Institute).

was intended to raise the litigation costs of non-practicing entities in an effort to reduce litigation by such entities.”<sup>28</sup> The American Bar Association similarly noted that “prior to passage of the act, Congress heard testimony from multiple witnesses decrying NPEs’ allegedly abusive practice of naming dozens of defendants in a single lawsuit to extort settlements over questionable patents.”<sup>29</sup>

#### **IV. The Consequences of the AIA**

While it appears that the AIA undoubtedly will reduce the number of multi-defendant patent infringement suits, it may result in an increase in the number of patent infringement suits overall, and lead to numerous other unintended consequences that impose burdens on the judicial system and defendants.

##### **A. Suits by the Numbers**

###### **1. Before the AIA’s Passage**

The passage of the AIA occasioned a flood of new litigation, both directly before and after its passage. Before the AIA’s passage became a certainty, 2,694 patent infringement suits had been filed in U.S. courts between January 1, 2011 and September 1, 2011.<sup>30</sup> As the AIA’s enactment became assured, plaintiffs flooded the courts with multi-defendant suits, filing 239 suits in just the two weeks preceding the AIA’s September 16, 2011 signing (September 2-15, 2011). In other words, while an average of approximately 73 patent cases were filed every week up until shortly before the AIA’s passage, an average of approximately 120 patent cases were filed in each of the two weeks directly preceding its passage. Indeed, on September 15, 2011 alone -- the day before the AIA’s passage -- a whopping 59 cases were filed, 48 of which were multi-defendant cases.

The statistics from the Eastern District of Texas are similarly striking. Between January 1, 2011 and September 1, 2011, 392 patent infringement cases were filed in the Eastern District of Texas, for a weekly average of approximately 11. In the two weeks directly preceding the AIA’s passage, though, 69 patent infringement cases were filed in the Eastern District of Texas, for a weekly average of approximately 35. Of the 69, all but 10 were multi-defendant cases.

Moreover, before the AIA’s passage, the Eastern District of Texas clearly was headed toward having more patent infringement cases filed than any other district. Between January 1 and September 15, 2011, 461 patent infringement cases had been filed in the Eastern District of Texas, compared to 279 in the District of Delaware, 273 in the Northern District of California and 226 in the Central District of California. After the AIA’s passage, though, Delaware outpaced the Eastern District of Texas in patent infringement filings, with 208 new cases being

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<sup>28</sup> Challenges to Multi-Defendant Lawsuits Based on the AIA’s Joinder Provision, <http://www.lexology.com/library/detail.aspx?g=85abb03c-f3d8-401a-8536-480befeba3e8>.

<sup>29</sup><http://apps.americanbar.org/litigation/committees/intellectual/articles/winter2012-joinder-limitations-america-invents-act.html>.

<sup>30</sup> All filing information was obtained from <http://docketnavigator.com>, accessed on March 21, 2012.

filed in Delaware between September 16 and December 31, 2011, and only 145 being filed in the Eastern District of Texas during the same time period.<sup>31</sup>

## 2. After the AIA's Passage

An initial look at the number of patent lawsuits suggests an increase in patent litigation filings following the AIA's passage when compared to prior years. According to Docket Navigator, in just the six months since the AIA's passage, 2,466 patent infringement cases have been filed. In the same period the previous year, just 2,196 patent infringement cases were filed.

Chipworks, which tracks U.S. patent litigations on a quarterly basis, recently noted that patent infringement filings reached an all time high of 1100 patent cases in the fourth quarter of 2011.<sup>32</sup> Chipworks suggested a reason for the increase was “[n]on-practicing entities (NPEs), who had routinely filed large multi-defendant cases, took to filing multiple parallel cases against single defendants in the months following the passage of the AIA.”<sup>33</sup> Chipworks noted that “this early data suggests a 25%-30% increase” in patent litigation filings.<sup>34</sup> This trend was confirmed by Ray Niro, a senior partner at Niro, Haller & Niro who represents NPEs, in his statements about the effects of the AIA: “It's not going to affect my decisions about who I sue. I now have to bring five cases instead of one.”<sup>35</sup>

Indeed, many plaintiffs, including NPEs, have been following this strategy. For example:

- Unified Messaging Solutions, LLC filed 14 lawsuits on March 1, 2012, including nine in the Northern District of Illinois;
- NovelPoint Security filed 34 lawsuits on March 9-10, 2012, all in the Eastern District of Texas;
- Maxim Integrated Products, Inc. filed 10 lawsuits between January 6-February 23, 2012, all in the Eastern District of Texas.
- ArrivalStar, S.A. filed 69 lawsuits between September 16, 2011 and March 20, 2012, including 44 in the Southern District of Florida and 18 in the Northern District of Illinois;
- Klausner Technologies, Inc. filed 55 lawsuits between October 1, 2011 and March 20, 2012, all in the Eastern District of Texas;

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<sup>31</sup> See also Pistorino, James C. and Crane, Susan J., *2011 Trends in Patent Case Filings: Eastern District of Texas Continues to Lead Until America Invents Act is Signed*, BNA (2012).

<sup>32</sup> U.S. Patent Litigations Reach an All Time High in 2011, <http://www.chipworks.com/en/technical-competitive-analysis/resources/technology-blog/2012/03/u-s-patent-litigations-reach-all-time-high-in-201> (March 8, 2012). Docket Navigator, which was accessed on March 21, 2012, reports an even higher number of filings: 1,165.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

<sup>35</sup> Sheri Qualters, ‘Trolls’ adapting to limit on multidefendant cases; Nonpracticing entities have filed more than 400 cases against individual defendants since law took effect. 34 Nat’l L. J., available at <http://www.bjciplaw.com/pdf/Trolls.pdf>.

- Data Carriers LLC filed 24 lawsuits on March 16, 2012, all in the District of Delaware;
- Graphics Properties Holdings, Inc. filed 13 lawsuits between November 2011 and February 2012, all in the District of Delaware; and.
- Pi-Net International Inc. filed eight lawsuits in March 2012, all in the District of Delaware.

These examples, coupled with the case filing statistics, indicate that plaintiffs anticipated the effect of the AIA Joinder Provision and have not been deterred by the litigation costs of multiple lawsuits.

### **B. Courts' Post-AIA Treatment of Multi-Defendant Patent Suits Filed Before the AIA's Passage**

As mentioned above, the AIA was enacted on September 16, 2011. While the AIA explicitly provided that certain of its provisions apply retroactively,<sup>36</sup> it did not so provide for the AIA Joinder Provision. The Eastern District of Texas has ruled that the AIA Joinder Provision is not retroactive.<sup>37</sup>

Nonetheless, the rulings of courts addressing motions to sever multi-defendant patent cases since the AIA's passage may be instructive, even if the cases were filed before its passage. The District of Hawaii, for example, granted a defendant's motion to sever because, *inter alia*, "[t]he claims alleged against each defendant are predicated upon allegations that each defendant independently violated GPNE's patent rights. . . ."<sup>38</sup> The court noted that "GPNE accuses the defendants of infringing the asserted patents in the same way, but not as part of the same transaction or series of transactions."<sup>39</sup> Notably, though, even after severing the defendants (and transferring three of them), the court ordered that the scheduling order in the pending case govern all of the other actions pending in that court until further order from the court.<sup>40</sup>

Similarly, in *Brandywine Communications Technologies, LLC v. Verizon Communications, Inc. et al.*,<sup>41</sup> a multi-defendant case filed in the Middle District of Florida, the court found misjoinder because "[t]he mere fact that the same Patent is at issue is not enough to meet the 'same transaction or occurrence' requirement of Rule 20, under the majority view."<sup>42</sup> Moreover, while the court recognized that the AIA did not apply to the case because it was filed

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<sup>36</sup> For example, the AIA explicitly retroactively eliminates certain false marking suits. *See* Leahy-Smith America Invents Act, 125 Stat. 284, §§ 16(b)(2) and (3) (2011) (retroactively eliminating standing for third parties who have not suffered competitive injury as a result of the false marking).

<sup>37</sup> *Ganas LLC v. Sabre Holdings Corp., et al.*, 10-CV-00320, Order at 16 (E.D. Tex. October 19, 2011).

<sup>38</sup> *GPNE Corp. v. Amazon.com, Inc. et al.*, no. 1:11-cv-00426 (D. Hi. March 9, 2012) (order granting severance and transfer).

<sup>39</sup> *Id.* at 7.

<sup>40</sup> *Id.* at 25.

<sup>41</sup> 2012 U.S. Dist. LEXIS 20724 (M.D. Fl. Feb. 17, 2012) (adopting report and recommendation of Magistrate Judge and granting severance).

<sup>42</sup> *Id.* at \*4.

before the AIA's passage, it stated that severance "is in full accord with the [AIA]."<sup>43</sup> Like the *GPNE* court, though, the court then suggested that the individual cases be coordinated or consolidated limited purposes:

While the Court finds joinder to be inappropriate, it acknowledges Plaintiff's concern regarding a unified approach to issues of claim construction and validity of the same Patent. These concerns, however, can be addressed by coordinated case management of the cases with respect to the resolution of truly identical issues, while allowing each Defendant to pursue their defenses as they see fit. The details of such limited consolidation can be examined best through a detailed case management conference with all parties and the Court.<sup>44</sup>

Finally, in *Body Science LLC v. Boston Scientific Corp.*, the court granted a motion to sever, rejecting the plaintiff's efforts to advance the view on joinder evinced by courts in the Eastern District of Texas.<sup>45</sup> The court explained that Congress "abrogated the minority view" by passing the AIA.<sup>46</sup> The court also found misjoinder despite the plaintiff's arguments that the defendants' accused products "share common underlying standards and protocols" and that the defendants "raise[d] nearly-identical defenses."<sup>47</sup> Unlike the *GPNE* and *Brandywine* courts, though, the court refused to consolidate the cases upon severance, explaining:

While the Court recognizes that a common question of law or fact exists, the Court finds that consolidation will not promote judicial economy or efficiency. Defendants are entirely different companies that are accused of infringing the patents-in-suit with over seventy-six Accused Products. . . ranging from medical monitoring devices used in hospitals to equine heart monitors used to track race horses. There will undoubtedly be different documents, technical drawings, and witnesses solicited from each Defendant. Because the Court has already concluded that Defendants were misjoined, and because consolidation will not promote judicial economy or efficiency, it exercises its discretion and declines to consolidate the cases.<sup>48</sup>

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<sup>43</sup> *Id.* at \*5.

<sup>44</sup> *Brandywine Communications Technologies, LLC v. Verizon Communications, Inc. et al*, 2012 U.S. Dist. LEXIS 20725, \*12-\*13 (M.D. Fl. Jan. 24, 2012) (report and recommendation of the Magistrate Judge).

<sup>45</sup> 1-11-cv-03619 (N.D. Ill. March 6, 2012) (order granting Defendants' motions to sever and transfer).

<sup>46</sup> *Id.* at 7-8.

<sup>47</sup> *Id.* at 8.

<sup>48</sup> *Id.* at 12 (internal citations omitted).

### **C. Courts' Post-AIA Treatment of Multi-Defendant Patent Suits Filed After the AIA's Passage**

Since the AIA's passage, it appears that few multi-defendant patent suits have been filed. The majority of those appear to allege a connection between each defendant other than the alleged infringement of the same patent.<sup>49</sup> No rulings have issued yet (as of the date of this paper) in a multi-defendant case filed after the AIA's passage addressing a Section 299 misjoinder argument. Given the clear intention of the AIA to put an end to patent infringement cases involving multiple unrelated defendants, it is not likely that many multi-defendant cases will be filed in the future, absent a substantive connection amongst them, i.e. infringement through the use or sale of the same product.

### **D. Courts' Post-AIA Treatment of Multiple, Single-Defendant Lawsuits**

As explained above, a plethora of multiple, single-defendant patent infringement cases have been filed since the AIA's passage. This has created a burden on the courts and litigants alike. These burdens include:

- the substantial time and effort that different courts will have to spend, simultaneously, on each individual single-defendant case alleging infringement of the same patent;
- the potential for inconsistent claim constructions, and inconsistent rulings on invalidity and unenforceability;
- the need for each individual defendant to monitor activities in every other litigation filed by the same plaintiff and asserting infringement of the same patents; and
- the increased costs faced by each defendant from having to litigate separately instead of along with co-defendants, including the research and drafting of individual (instead of joint) briefs, the individual retention of experts, and the preparation for and appearance at all hearings.

No mention of these burdens is referenced in the AIA's legislative history or much of the commentary that preceded it. Yet, these are real burdens that the judiciary and defendants will face.

Of course, the burden is not one-sided. Rather, expected consequences of the AIA's Joinder Provision include the increased costs faced by plaintiffs in simultaneously prosecuting multiple, single-defendant patent cases. As a result of the AIA, plaintiffs are required to duplicate efforts by, for example, holding negotiations in each case for scheduling and protective orders, and simultaneously responding to discovery in multiple pending litigations. Additionally, plaintiffs may be required to present the same witnesses for deposition on multiple occasions as a result of their multiple filings, and participate in multiple hearings on various matters, including

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<sup>49</sup> See, e.g., *Printex Packaging Corp. v. L'Oreal SA, et al.* Complaint, 1-11-cv-06666 (S.D. N.Y. Sept. 23, 2011); *L'Oreal SA, et al. v. Johnson & Johnson, Inc., et al.*, Complaint, 1-12-cv-00098 (D. Del. Jan. 27, 2012).

claim construction and summary judgment. These burdens will increase if courts refuse to consolidate or MDL the multiple, single-defendant lawsuits.

Courts and litigants have various options in addressing these consequences. The most obvious are coordinating or consolidating proceedings under Fed. R. Civ. P. 42(a) or transferring all matters to Multidistrict Litigation (“MDL”).

## 1. Consolidation

Under Fed. R. Civ. P. 42, multiple matters may be consolidated for multiple reasons:

a) CONSOLIDATION. If actions before the court involve a common question of law or fact, the court may:

(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.

(b) SEPARATE TRIALS. For convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims. When ordering a separate trial, the court must preserve any federal right to a jury trial.<sup>50</sup>

Consolidation “is permitted as a matter of convenience and economy in administration, but does not merge the suits into a single cause, or change the rights of the parties, or make those who are parties in one suit parties in another.”<sup>51</sup> Therefore, while courts may sever misjoined defendants, they nonetheless may consolidate actions, at least for limited purposes.<sup>52</sup>

Consolidation is likely to be attractive to many plaintiffs filing multiple, single-defendant lawsuits in the same district alleging infringement of the same patents. Consolidation could relieve plaintiffs of many of the burdens exacted by the AIA, essentially allowing plaintiffs to prosecute multiple matters together, to allow for a single scheduling and protective order, to present witnesses for deposition only once, rather than in each separately-filed case, and to have consolidated hearings on matters including claim construction and summary judgment.

Consolidation also is likely to be attractive to courts. Most courts already have local rules that result in related cases being assigned to a single judge.<sup>53</sup> Faced with 5, 10, 20 or more

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<sup>50</sup> Fed. Rule Civ. P. 42(a).

<sup>51</sup> Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 2382 (3d ed. 2011) (citing *Johnson v. Manhattan Ry. Co.*, 289 U.S. 479, 496-7 (1933)).

<sup>52</sup> Wright, *supra* § 2382.

<sup>53</sup> See, e.g., L.R. 83-1.3 (local rules for the Central District of California); LR 40.4 (local rules for the Northern District of Illinois).

cases filed by the same plaintiff alleging infringement of the same patents, judges are likely to seek efficiencies for themselves, their clerks, and other court personnel. Notably, though, courts that consolidate multiple, single-defendant cases will be able to do so only for pretrial purposes, as the AIA Joinder Provision strictly precludes “consolidation for trial.”<sup>54</sup>

Defendants, too, may seek at least limited consolidation. While the burdens of multi-defendant patent lawsuits led to the passage of the AIA Joinder Provision, they nonetheless provided defendants with the benefits of being able to work together in a single case, sharing various costs, including the cost of briefing various issues, the retention of experts, and participation in hearings. While defendants may still coordinate their defenses of multiple, single-defendant lawsuits alleging infringement of the same patents, the separate settings may render coordination more difficult. Different case schedules, for example, could cause one case to move more quickly than others, raising concerns for the defendants in the slower cases that rulings from the first case will apply to them even though they did not participate in the proceedings. This will be particularly worrisome for some defendants in relation to claim construction and invalidity rulings. Additionally, in separately-filed, single-defendant lawsuits asserting infringement of the same patents, each defendant will be required to individually retain infringement and invalidity experts, likely resulting in higher costs than if the case were a single, multi-defendant litigation.

Some are likely to consider consolidation an end-run around the AIA Joinder Provision for at least two reasons. First, the standard for consolidation is that actions share “a common question of law or fact,”<sup>55</sup> while Section 299 requires *both* a common question of law or fact *and* that the cases involve the “same transaction or occurrence.”<sup>56</sup> Thus, many will argue that Rule 42 consolidation is merely another way to achieve that which Section 299 precludes. Others, on the other hand, will argue that consolidation does not circumvent the AIA Joinder Provision so long as cases are not consolidated for trial.<sup>57</sup> This interpretation arguably is supported by the legislative history of the statute, which states that “[i]f a court that was barred from joining defendants in one action could instead simply consolidate their cases for trial under rule 42, Section 299’s purpose of allowing unrelated patent defendants to insist on being tried separately would be undermined.”<sup>58</sup>

Second, some will argue that the spirit, if not the letter, of the AIA precludes consolidation, even if only for pretrial purposes. As explained above, Congress passed the AIA Joinder Provision “to raise the litigation costs of non-practicing entities in an effort to reduce litigation by such entities.”<sup>59</sup> Allowing courts to consolidate multiple, single-defendant patent

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<sup>54</sup> 35 U.S.C. § 299.

<sup>55</sup> Fed. R. Civ. P. 42.

<sup>56</sup> 35 U.S.C. § 299(b).

<sup>57</sup> 35 U.S.C. § 299(b) (stating that “accused infringers may not . . . *have their actions consolidated for trial*, based solely on allegations that they each have infringed the patent or patents in suit.” (emphasis added)).

<sup>58</sup> H.R. 1249, 112th Cong., 157 Cong. Rec. S 5402 (2011).

<sup>59</sup> Challenges to Multi-Defendant Lawsuits Based on the AIA’s Joinder Provision, <http://www.lexology.com/library/detail.aspx?g=85abb03c-f3d8-401a-8536-480befeba3e8>.

cases relieves patent plaintiffs of many of the financial impediments that Congress sought to impose upon them.

## 2. MDL

Patent plaintiffs may seek to transfer multiple, single-defendant cases alleging infringement of the same patents to Multidistrict Litigation when the cases are filed in more than one judicial district. Under 28 U.S.C. § 1407, these transfers are made by the Judicial Panel on Multidistrict Litigation (“JPML”), on the basis of the existence of common questions of fact, convenience of parties and witnesses, and the promotion of a just and efficient resolution of the actions.<sup>60</sup>

A number of plaintiffs who filed multiple, single-defendant lawsuits alleging infringement of the same patents already are seeking to transfer and consolidate the cases in a single district under Section 1407. For example, over a two-month span beginning in January 2012, Maxim Integrated Products, Inc. (“Maxim”) filed 10 patent infringement suits against individual defendants, all in the Eastern District of Texas.<sup>61</sup> All 10 lawsuits asserted that the defendants infringed the same four patents.<sup>62</sup> After several other entities filed declaratory judgment actions against Maxim in various judicial districts other than the Eastern District of Texas, Maxim filed a motion for transfer and consolidation of all of the cases in the Eastern District of Texas under §1407.<sup>63</sup> As one would expect, Maxim’s primary contention is that, because all of the lawsuits involve the same four patents, common questions of fact exist as to the issues of infringement and invalidity.<sup>64</sup>

In opposition to Maxim’s MDL motion, several defendants argued that Maxim sought the very result Congress sought to prevent when it enacted Section §299 of the AIA. While Congress intended to “end[] the abusive practice of treating as codefendants parties who make completely different products and have no relation to each other”, transfer and consolidation would “advance the very pernicious tactic the AIA expressly sought to deter.”<sup>65</sup> Indeed, in the Maxim case, the defendants span a diverse range of industries, including banking and finance (PNC, Capital One), food service (Starbucks, Chipotle), and airline travel (Southwest Airlines, Expedia), and all are alleged to have infringed the same patents.<sup>66</sup>

Plaintiffs facing these arguments are likely to respond that Section 299 precludes only the consolidation of actions “for trial,”<sup>67</sup> making no mention of pre-trial matters. However, pre-trial

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<sup>60</sup> 28 U.S.C. § 1407.

<sup>61</sup> See, e.g., *Maxim Integrated Products, Inc. v. Capital One Financial Corporation*, Complaint for Patent Infringement, 4:12-cv-00006 (E.D. Tex. Jan. 6, 2012).

<sup>62</sup> Two of the lawsuits include an additional infringement claim defendant based on a fifth patent.

<sup>63</sup> See Maxim’s Motion for Transfer and Consolidation Pursuant to 28 U.S.C. § 1407 at 10, Case MDL No. 2354 (February 23, 2012).

<sup>64</sup> *Id.* at 10-11.

<sup>65</sup> See Consolidated Brief in Opposition to Maxim’s Motion for Transfer and Consolidation Under 35 U.S.C. § 1407, Case MDL No. 2354 (March 16, 2012).

<sup>66</sup> *Id.*

<sup>67</sup> 35 U.S.C. §299(b).

matters, namely claim construction and patent invalidity claims, often play an outcome-determinative role in patent cases. Forcing multiple defendants to consolidate separate claims compromises each defendant's ability to advance "individualized assaults on questions of non-infringement, invalidity and claim construction."<sup>68</sup> In the past, the Panel has refused to consolidate cases under Section 1407 when the multiple defendants engaged in unrelated businesses.<sup>69</sup> Additionally, transfer and consolidation under Section 1407, even if for pretrial purposes only, seems to directly contravene Congress's intent in passing Section 299, as it provides plaintiffs with the very conveniences Congress sought to refuse them. The Panel has made it clear that it will not allow transfer under Section 1407 if a "plaintiff's request for transfer is not motivated by a desire to achieve the purposes for which Section 1407 was designed, but rather, by a desire to circumvent obstacles . . . which necessitated [the] institution of [] separate actions."<sup>70</sup> The Defendants in the Maxim case have raised this very argument in opposition to Maxim's MDL motion, arguing that transfer and consolidation would result in an end-run around Section 299's joinder provisions.<sup>71</sup> Whether the Panel will agree remains to be seen.

### 3. The Effect on Practicing Entities

As explained above, Congress targeted NPEs in enacting the AIA Joinder Provision. The AIA, though, provides no exception for practicing entities. Thus, practicing entities who seek to sue multiple, unrelated defendants for infringing the same patents face the same constraints now placed on NPEs. Nothing suggests that Congress intended, or even considered, this effect.

### 4. The Standard Required for Joinder Under Rule 20 Remains Uncertain

While the AIA clearly precludes joinder based "solely" on allegations that defendants infringe the same patents, the AIA does not clarify what additional allegations are necessary to avoid its application. Courts evaluating permissive joinder under Rule 20 are likely to continue to rely on the suggestions of prior courts, with the exception of the decisions abrogated by the AIA. But different courts have applied different standards. For example, in *EIT Holdings*, the Northern District of California dismissed certain defendants for misjoinder because it found they were "not alleged to have *acted in concert* to infringe plaintiff's asserted patent."<sup>72</sup> In *Rudd v. Lux*, the Northern District of Illinois granted a defendant's motion to sever because "[p]laintiffs failed to demonstrate how [defendant's] alleged acts of infringement are *in any way related* to [the other defendants'] alleged acts of infringement."<sup>73</sup> While the courts differ in their application of the requirements of Rule 20, it is apparent that a factual inquiry into the

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<sup>68</sup> *WiAV Networks, LLC v. 3Com Corp.*, 2010 U.S. Dist. LEXIS 110957, at \*16 (N.D. Cal. 2010).

<sup>69</sup> See *In re Arrival/Star S.A. Fleet Mgmt. Sys. Patent Litig.*, 802 F. Supp. 2d 1378, 1379 (J.P.M.L. 2011) (denying consolidation because "even if several actions were to proceed to claims construction, the diversity of defendants' businesses may hinder the alleged infringers' ability to adopt common positions regarding the interpretation of common claims of the various patents, which thereby diminishes some of the potential efficiencies created by centralization.").

<sup>70</sup> *In re Highway Accident Near Rockville*, 388 F. Supp. 574 (J.P.M.L. 1975).

<sup>71</sup> See Consolidated Brief in Opposition to Maxim's Motion for Transfer and Consolidation Under 35 U.S.C. § 1407, Case MDL No. 2354 (March 16, 2012).

<sup>72</sup> *EIT Holdings LLC v. YELP!, Inc.*, No. c 10-05623, 2011 U.S. Dist. LEXIS 64034, at \*3 (C.D. Cal. May 12, 2011) (emphasis added).

<sup>73</sup> *Rudd v. Lux*, 2011 WL 148052, at\*3. (emphasis added).

commonality of the defendants and their alleged acts of infringement will be required to determine whether the claims asserted against unrelated defendants arise out of the same transaction, occurrence, or series of transactions or occurrences.

## **V. Conclusion**

While the AIA has achieved some measure of the success Congress sought, it also has reaped unintended consequences. The number of cases filed in the Eastern District of Texas has decreased since the AIA's passage. However, the number of cases filed elsewhere, and particularly the District of Delaware, has increased. Additionally, the AIA does not seem to have deterred NPEs from litigating. Instead of filing single, multi-defendant lawsuits, they are filing multiple, single-defendant lawsuits. While increasing costs for plaintiffs, the AIA also is increasing costs for defendants, who now have to litigate with less reliance on codefendants. Additionally, plaintiffs are likely to seek ways to circumvent the AIA's cost-prohibitive provision by seeking consolidation under Fed. R. Civ. P. 42 or transfer to Multidistrict Litigation. Congress surely did not intend for plaintiffs, particularly NPEs, to find such an easy work-around the AIA Joinder Provision. Nor did it intend the increased burden on the judiciary and defendants. Whether at least a portion of Congress's vision is realized by courts that reject consolidation and the MDL process remains to be seen.