



# REFORM LAW AIMS TO PREVENT ABUSE OF JOINDER IN PATENT SUITS

by  
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In the past decade, many high-technology and software companies have each been named in at least one multi-defendant patent lawsuit. A multi-defendant lawsuit occurs when a plaintiff joins several unrelated defendants in an effort to thwart a transfer-of-venue motion, make it more difficult for defendants to present individualized defenses, and coerce settlements. Indeed, some large companies are sued multiple times a year by non-practicing entities, which are sometimes referred to as “patent trolls.” In the last decade, for example, the same twenty-five patent plaintiffs sued over 100 different defendants, and two non-practicing entity plaintiffs sued over 1,000 defendants.

In many of these cases, each defendant sells different products and the plaintiff’s complaint does not allege that the defendants coordinated their activities or were in any way related. Often, none of the parties have any specific connection to the particular district court where they are sued. Yet many judges deny a defendant’s motion to transfer the case because the judge believes that patent validity, claim construction, and the scope of the patents are questions common to all defendants.

The defendants are at a disadvantage in these situations because there simply is not enough time for them each to present individual non-infringement defense or damages theories at trial. Joining so many defendants (each making or using a different device or process) means that each defendant will likely have only a matter of hours to make its case. The defendants must divide up their time or choose to cooperate among themselves, but often the codefendants are unwilling to share confidential information with their competitors, hampering their ability to coordinate trial strategy and present a compelling defense. Meanwhile, a single plaintiff gets an advantage because it gets the same number of hours to put on its case by itself. The barriers to an effective defense inherent in mass joinder create pressure to settle because there is little chance that jurors will appreciate a single defense while simultaneously muddling through all the other defendants’ arguments.

Further, defendants have due process concerns when they are joined in one lawsuit. When over a dozen unrelated defendants are joined in one lawsuit, there is not much opportunity to present individualized defenses on issues such as infringement, willfulness, and damages. Each defendant has only a few hours to present a defense to the jury, and in the context of patent infringement, the issues are often extraordinarily complex. It is already asking a lot of a jury of laypeople to decide if one specific defendant infringed a patent claiming a new method of computer data storage and what damages resulted. Adding twelve other defendants only makes the issues more complicated, and some argue that this effectively converts the lawsuit into a class action. Yet, courts overseeing multi-defendant patent cases usually undertake no inquiry into typical class action safeguards, such as whether the interests of each defendant can be adequately represented in consolidated proceedings. For these reasons and others, these companies have a strong interest in putting

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an end to plaintiffs' abuse of joinder rules in patent-infringement actions.

The Leahy-Smith America Invents Act, which President Obama signed on September 16, 2011, adds a new section to the Patent Act to specifically address joinder of defendants in patent-infringement cases. *See* H.R. 1249, 112th Cong., § 19(d) (2011) (to be codified at 35 U.S.C. § 299). The legislative history of the new statute illustrates that Congress believed that certain district court decisions have misinterpreted Federal Rule of Civil Procedure 20(a)(2) to permit the joinder of unrelated defendants accused of infringing the same patent. Rule 20(a)(2) provides that defendants may be joined 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).

Many courts dealing with non-patent-related legal issues already deny joinder under the existing Rule 20(a)(2) if there are overlapping legal or factual issues, but no common transaction or occurrence. For example, courts have denied joinder of multiple banks where the alleged wrongdoing was identical, but the loans, contracts, or securities involved were different. The House Report explains that the new section “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.” H.R. Rep. No. 112-98, pt. 1, at 54.

Section 19(d) of the Act states that accused infringers may be joined in one action only if two conditions are met. First, the right to relief against all the parties must arise “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*.” Accordingly, defendants with different products should not be joined in one case. Second, “questions of fact common to all defendants or counterclaim defendants will arise in the action.” Common questions of law will not suffice.

Finally, the Act specifically states that it is insufficient for a plaintiff to accuse or for a court to consolidate multiple defendants in a case “based solely on allegations that they each have infringed the patent or patents in suit.” In other words, a plaintiff is barred from suing multiple defendants in a single lawsuit if the only justification for the joinder is that all defendants are alleged to have infringed the same patent.

There are two general exceptions. First, Hatch-Waxman cases are excluded by an exception for cases that allege an act of infringement under 35 U.S.C. § 271(e)(2). Second, an accused infringer can waive limitations on joinder for itself.

The Act's provisions also do not apply to any action filed before it became a law. When it appeared likely that the Act would become law, the plaintiffs' bar scrambled to file patent-infringement complaints against large groups of defendants in the days before the law took effect. For example, on September 15, 2011, the day before the law took effect, at least 54 new patent cases were filed accusing over 804 corporate entities of patent infringement.

The Act's provisions should help to correct joinder abuse in patent litigation, going forward, by creating an additional constraint on plaintiffs who allege that their patents are being infringed by a broad spectrum of corporate defendants. A plaintiff must include in the complaint allegations that each defendant made or used the same product or process, and must include “questions of fact common to *all* defendants,” or the plaintiff must sue the defendants separately.

Separate suits will allow defendants more opportunities to seek transfer to an appropriate venue. The new joinder section also potentially adds some major litigation costs for non-practicing entities. In addition to litigation costs, if a plaintiff sues twenty separate defendants in twenty separate suits, it potentially puts the validity of the patent in suit at stake every time the case is tried.