



Litigation

BEIJING FRANKFURT HONG KONG LONDON LOS ANGELES MUNICH NEW YORK SÃO PAULO SINGAPORE TOKYO WASHINGTON, DC

FEDERAL CIRCUIT LIMITS JOINDER IN PRE-AIA LAWSUITS

In a lawsuit filed prior to the passage of the Leahy-Smith America Invents Act (AIA), the United States Court of Appeals for the Federal Circuit held on May 4, 2012 that joinder of multiple defendants in a single patent infringement litigation is inappropriate where the plaintiff bases joinder upon “the mere fact that infringement of the same claims of the same patent is alleged” *In re EMC Corp.*, Misc. No. 100, slip op. at 11 (Fed. Cir. May 4, 2012). The Federal Circuit issued a mandamus order directing the federal district court for the Eastern District of Texas to reconsider eight defendants’ motions for severance and to apply the “logical relationship test” to assess the appropriateness of joinder. The logical relationship test is satisfied only if “there is substantial evidentiary overlap in the facts giving rise to the cause of action against each defendant.” *Id.* at 13. The Federal Circuit’s decision appears to significantly limit a patent owner’s ability to maintain multiple-defendant litigation initiated prior to the passage of the AIA.

Background

Oasis Research, LLC, a non-practicing entity, filed patent infringement claims against eighteen defendants in the Eastern District of Texas on August 30, 2010 (more than a year prior to the enactment of the AIA). Oasis asserted U.S. Patent Nos. 5,771,354; 5,901,228; 6,411,943; and 7,080,051, all of which claim “methods for allowing home computer users to remotely connect to an online service system for purposes of external data and program storage and additional processing capacities in exchange for a fee.” *Id.* at 3. Oasis alleged that all defendants offered “services that provide online backup and storage for home or business computer users.” *Id.*

Eight of the eighteen defendants moved to sever and transfer the claims against them to various federal district courts in Utah, Massachusetts, Arizona, and California. The Eastern District of Texas court denied the defendants’ motions, holding that joinder was proper under Federal Rule of Civil Procedure 20 because the defendants’ accused services were “not dramatically different.” *Id.* at 4. The defendants sought a writ of mandamus from the Federal Circuit ordering the Eastern District court to sever and transfer the claims.

Holding

The Federal Circuit first examined the availability of mandamus in the context of motions to sever and transfer. It applied Federal Circuit precedent in conducting its analysis because the joinder inquiry requires courts to look at issues of infringement and

For further information about this Client Alert, please contact:

Mark C. Scarsi
213-892-4580
mscarsi@milbank.com

Caitlin K. Hawks
213-892-4554
chawks@milbank.com

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thus implicates substantive patent law. The Federal Circuit began its analysis by noting that mandamus is available “in extraordinary situations to ‘correct a clear abuse of discretion or usurpation of judicial power.’” *Id.* at 5 (internal citations omitted). The party seeking the writ must establish that (1) “it has no other means of obtaining the relief desired,” and (2) “the right to issuance of the writ is ‘clear and undisputable.’” *Id.* (internal citations omitted).

In examining the first factor, the Federal Circuit held that a party seeking review of a motion to sever and transfer would not have any other means of obtaining relief because it would have no way of demonstrating on appeal from a final judgment “that it would have won the case had it been tried in a convenient [venue].” *Id.* at 6 (internal citations omitted). As to the second factor, the Federal Circuit held that the “clear and undisputable” requirement was met where a district court relied upon an erroneous conclusion of law in issuing its order. *Id.* Further, mandamus in this context was appropriate because

if joinder was improper, the petitioners will not have a meaningful opportunity to present individualized defenses on issues such as infringement, willfulness, and damages because each defendant will have limited opportunities to present its own defense to the jury.

Id. at 7.

Turning to the issue of severance, the Federal Circuit first noted that defendants may only properly be joined if two requirements of Rule 20 are met: (1) the claims against the parties are asserted “with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences,” and (2) there is a “question of law or fact common to all defendants.” *Id.* at 9. The Federal Circuit rejected the district court’s finding that the plaintiff satisfied the transactions or occurrences requirement because the accused services were “not dramatically different.” Rather, the correct test looks to whether there is a “logical relationship” between the separate causes of action. A logical relationship exists where “the defendants’ allegedly infringing acts, which give rise to the individual claims of infringement . . . share an aggregate of operative facts.” *Id.* at 13.

Specifically, the Court held that

joinder is not appropriate where different products or processes are involved. Joinder of independent defendants is only appropriate where the accused products or processes are the same in respects relevant to the patent. But the sameness of the accused products or processes is not sufficient . . . To be part of the ‘same transaction’ requires shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts.

Id. at 15. The Court further indicated that the district court should consider the following pertinent facts on remand:

- whether the alleged acts of infringement occurred during the same time period;
- the existence of some relationship among the defendants;
- the use of identically sourced components;
- licensing or technology agreements between the defendants;
- overlap of the products’ or processes’ development and manufacture; and
- whether the case involves a claim for lost profits.

Id. at 16.

Although this case significantly limits joinder eligibility under Rule 20, the Federal Circuit went on to note that district courts retain considerable discretion to consolidate cases for discovery and/or trial under Rule 42 “where venue is proper and there is only ‘a common question of law or fact.’” *Id.* at 16.

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Conclusion

As a result of this decision, joinder may now be more easily challenged in multiple defendant patent cases initiated before the passage of the AIA. Patent plaintiffs who filed prior to the AIA's enactment in the hope of avoiding its strict joinder limitations may find that their claims are nevertheless subject to severance in light of the Federal Circuit's interpretation of Rule 20's transaction or occurrence requirement.

Please feel free to discuss any aspect of this Client Alert with your regular Milbank contacts or with any member of our Litigation and Arbitration Group listed below.

New York

Wayne M. Aaron	212-530-5284	waaron@milbank.com
Thomas A. Arena	212-530-5328	tarena@milbank.com
Sander Bak	212-530-5125	sbak@milbank.com
James N. Benedict, <i>Chair</i>	212-530-5696	jbenedict@milbank.com
James G. Cavoli	212-530-5172	jcavoli@milbank.com
Christopher E. Chalsen	212-530-5380	cchalsen@milbank.com
Scott A. Edelman, <i>Firm Vice Chairman</i>	212-530-5149	sedelman@milbank.com
Christopher J. Gaspar	212-530-5019	cgaspar@milbank.com
David R. Gelfand	212-530-5520	dgelfand@milbank.com
Douglas W. Henkin	212-530-5393	dhenkin@milbank.com
Michael L. Hirschfeld	212-530-5832	mhirschfeld@milbank.com
Lawrence T. Kass	212-530-5178	lkass@milbank.com
Atara Miller	212-530-5421	amiller@milbank.com
Sean M. Murphy	212-530-5688	smurphy@milbank.com
Daniel Perry	212-530-5083	dperry@milbank.com
Stacey J. Rappaport	212-530-5347	srappaport@milbank.com
Richard Sharp	212-530-5209	rsharp@milbank.com
Alan J. Stone, <i>Practice Group Leader</i>	212-530-5285	astone@milbank.com
Errol B. Taylor	212-530-5545	etaylor@milbank.com
Fredrick M. Zullo	212-530-5533	fzullo@milbank.com

Washington, DC

David S. Cohen	202-835-7517	dcohen2@milbank.com
Robert J. Koch	202-835-7520	rkoch@milbank.com
Andrew M. Leblanc	202-835-7574	aleblanc@milbank.com
Michael D. Nolan	202-835-7524	mnolan@milbank.com

Los Angeles

Linda Dakin-Grimm	213-892-4404	ldakin-grimm@milbank.com
Robert J. Liubicic	213-892-4525	rliubicic@milbank.com
Jerry L. Marks	213-892-4550	jmarks@milbank.com
Mark Scarsi	213-892-4580	mscarsi@milbank.com

London

Tom Canning	44-20-7615-3047	tcanning@milbank.com
Julian Stait	44-20-7615-3005	jstait@milbank.com