

**THE AMERICA INVENTS ACT: SLAYING TROLLS,  
LIMITING JOINDER**

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I. INTRODUCTION

September 15, 2011 saw the largest number of patent infringement cases filed in recent history. On that single day, over fifty patent infringement cases were filed against more than 800 defendants.<sup>1</sup> This

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1. Dennis Crouch & Jason Rantanen, *Rush to Judgment: New Dis-Joinder Rules and Non-Practicing Entities*, PATENTLY-O (Sept. 20, 2011, 3:10 PM), <http://www.patentlyo.com/patent/2011/09/rush-to-judgment-new-dis-joinder-rules-and-non->

phenomenon was no coincidence; rather, litigants rushed to file patent infringement claims before certain provisions of the America Invents Act (“AIA”)<sup>2</sup> went into effect.<sup>3</sup> Specifically, plaintiffs sought to avoid a little-discussed provision, buried deep within the AIA’s fifty-nine pages, that would make it more difficult to join defendants in patent infringement suits.

This Note argues that one of the purposes of the AIA, including the joinder provision, is to address the problem of “patent trolls.”<sup>4</sup> Patent trolls, or non-practicing entities (“NPEs”) that hold patents for the sole purpose of licensing or enforcing them,<sup>5</sup> are commonly criticized as exacting a tax on inventors and reducing American innovation.<sup>6</sup> Unlike product-producing companies, patent trolls commonly employ a litigation strategy of initiating infringement suits against large numbers of unrelated, geographically diverse defendants<sup>7</sup> in venues friendly to patent plaintiffs, such as the Eastern District of Texas.<sup>8</sup> This strategy has at least two benefits. First, joining multiple

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practicing-entities.html. The average complaint named sixteen defendants, which is consistent with a trend over the past few years to sue multiple defendants in a single legal action. *Id.*

2. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

3. See Crouch & Rantanen, *supra* note 1.

4. The term “patent troll” is usually used pejoratively, but it carries specific nuances beyond those encompassed in the term “non-practicing entities.” For example, non-practicing entities include universities, which are not usually thought to acquire patents solely to license or enforce them. For this reason, this Note will use the term “patent troll.” See Holly Forsberg, *Diminishing the Attractiveness of Trolling: The Impacts of Recent Judicial Activity on Non-Practicing Entities*, 12 U. PITT. J. TECH. L. & POL’Y 1, 5 (2011).

5. Caroline Coker Coursey, *Battling the Patent Troll: Tips for Defending Patent Infringement Claims by Non-Manufacturing Patentees*, 33 AM. J. TRIAL ADVOC. 237, 237–38 (2010).

6. See, e.g., Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 NOTRE DAME L. REV. 1809, 1837 (2007) (“One response is that trolls already impose a tax on innovation . . .”).

7. See, e.g., Roger Cheng, *NTP Sues Apple, Google, Other Smartphone Makers*, WALL ST. J., July 10, 2010, at B5 (discussing a single suit launched by one patent troll against Apple, Google, HTC, LG, Microsoft, and Motorola). See generally Matthew Fawcett & Jeremiah Chan, *March of the Trolls: Footsteps Getting Louder*, 13 INTELL. PROP. L. BULL. 1, 7–8 (2008) (providing patent troll statistics for the period from 1990 to 2006).

8. The Eastern District is a popular venue for patent litigation for numerous reasons. First, judges often refuse to stay litigation pending the outcome of a reexamination of the patent. See J. Jason Williams et al., *Strategies for Combating Patent Trolls*, 17 J. INTELL. PROP. L. 367, 368 (2010). Second, the jury pool is thought to be plaintiff-friendly. Studies show that plaintiffs are about twenty percent more likely to prevail in patent cases filed in the Eastern District of Texas than elsewhere. See *id.* at 369. Third, the District’s procedures also favor cash-strapped parties. For instance, the District’s all-digital filing system reduces the costs of generating written documents. See Sam Williams, *A Haven for Patent Pirates*, TECH. REV. (Feb. 3, 2006), <http://www.technologyreview.com/communications/16280/page1>. Local rules of civil procedure also expedite cases. *Id.* Critics also point out that the “so-called rocket docket ‘gives defendants little opportunity to engage in discovery that might invalidate weak patents.’” Daniel Fisher, *Plaintiff Paradise*, FORBES, Sept. 7, 2009, at 32, available at <http://www.forbes.com/forbes/2009/0907/outfront-patent-law-texas-plaintiff-paradise.html> (quoting legal scholar Theodore Frank); see also Xuan-Thao Ngu-

defendants reduces litigation costs. Second, the presence of multiple defendants makes it more difficult to transfer the case to a more convenient forum. If the defendants are headquartered and have their primary places of business in different states, no one forum will be more convenient for all or most of the defendants. Thus, a court hearing a motion to transfer would be unlikely to grant the motion. This strategy was particularly effective in districts that interpreted the permissive joinder rule<sup>9</sup> as allowing defendants to be joined based on little more than the plaintiff's claim that the defendants had infringed the same patent.<sup>10</sup>

Section 19(d) of the AIA (amending 35 U.S.C. § 299) sought to end the practice of joining unrelated defendants in the same suit.<sup>11</sup> This provision makes clear that defendants cannot be joined solely on the basis of a claim that they infringed the same patent.<sup>12</sup> Instead, defendants can only be joined if (1) the parties are alleged to be jointly or severally liable or the defendants' alleged infringements arose out of the same transaction or occurrence, and (2) there are common questions of fact.<sup>13</sup>

The legislative history of the provision is confined to two brief paragraphs in the House Judiciary Committee's report, which make clear that the purpose of the provision was to abrogate case law that allowed joinder of defendants simply because the plaintiff claimed that they had infringed the same patent.<sup>14</sup> In the debates leading up to the passage of the AIA, there was no discussion of the reason the provision was added or its likely effects. To assist companies and practitioners operating in a post-AIA world, this Note describes the likely effects of the provision. In addition to limiting the number of defendants per suit, § 299 may have broad effects on patent litigation. First and most importantly, with fewer defendants in the same suit, defendants will probably be better able to transfer suits to a forum where they have greater contacts — such as where the company was organized, where it has its principal place of business, or where the transactions that gave rise to the litigation were principally centered. Second, § 299 will likely increase the number of patent infringement

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yen, *Justice Scalia's "Renegade Jurisdiction": Lessons for Patent Law Reform*, 83 TUL. L. REV. 111, 121 (2008) (discussing the phrase "rocket-docket"). For background on reasons patent plaintiffs choose one forum over another, see generally Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. REV. 889 (2001) and Nguyen, *supra*, at 134–43.

9. FED. R. CIV. P. 20.

10. *See, e.g., MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456–57 (E.D. Tex. 2004).

11. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 19(d), § 299, 125 Stat. 284, 332–33 (2011).

12. *Id.* sec. 19(d), § 299(b), 125 Stat. at 333.

13. *Id.* sec. 19(d), § 299(a), 125 Stat. at 332–33.

14. H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 85.

cases filed by patent trolls because they can no longer join multiple defendants in one suit. Third, the asserted patents will face multiple assessments of validity. Thus, patent trolls will likely be more purposive in their selection of defendants (and in their selection of patents to assert) given that a finding of patent invalidity could be asserted by a later defendant to collaterally estop the patentee. Taken together, the second and third effects will cause patent trolls to file more cases, but those cases will be filed against fewer defendants because patent trolls will not bring individual suits against every defendant they would have sued in a multi-defendant lawsuit. Fourth, defendants will be able to defend patent infringements as they see fit and will not have to coordinate their actions with other, unrelated defendants.

This Note explores and supplements the sparse legislative history of section 19 and suggests a framework that courts should use to apply the provision. Part II defines and describes patent trolls and discusses the arguments commonly presented for and against them. Part III provides a brief summary of the AIA. Part IV discusses joinder and consolidation before the passage of the AIA and describes section 19 of the AIA. It also argues that one of the purposes of the provision was to limit patent troll litigation. Part V considers the likely effects of the provision, such as facilitating the transfer of cases out of plaintiff-friendly venues — thereby undermining one of the main benefits to plaintiffs of joining defendants. Section 299 provides a means to that end by making it more difficult for patent trolls to bring suits against multiple defendants. Thus, the provision curbs patent troll litigation by limiting the trolls' ability to forum shop. In applying the provision, courts should look to the text and purpose of § 299 and interpret the provision in such a way as to address the problem of patent troll litigation. However, courts should not interpret the provision as barring other means to promote judicial efficiency, such as pretrial coordination. Part VI concludes.

## II. PATENT TROLLS

In invoking an image of a mythological creature that lies under a bridge and waits to impose a toll on unsuspecting travelers, the term “patent troll” was popularized in 2001 by Peter Detkin, then Intel's general counsel.<sup>15</sup> While there is no clear definition, most people use the term to refer to NPEs that acquire patents only to license or enforce them against companies using the invention. The entity is “non-practicing” because it does not manufacture products or otherwise make use of the invention.<sup>16</sup> This Part describes patent trolls, discuss-

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15. See Michael Abramowicz & John F. Duffy, *The Inducement Standard of Patentability*, 120 YALE L.J. 1590, 1601 n.24 (2011).

16. See Coursey, *supra* note 5, at 237–39.

es the advantages of their common litigation strategy — joining multiple defendants — and considers both the criticisms and theorized benefits of patent trolls.

Patent trolls often acquire patents from bankrupt firms or independent inventors. When a company files for bankruptcy, its assets — including its patent portfolio — are sold in bankruptcy auctions. Patent trolls attempt to purchase patent rights at these auctions.<sup>17</sup> Patent trolls also buy patents from independent inventors who may not have the time, resources, or desire to market the patented inventions.<sup>18</sup>

As compared to product-producing companies, patent trolls have certain characteristics that make it easier for them to bring suits and that give them greater leverage in those suits. By definition, patent trolls are always plaintiffs in patent infringement suits. As NPEs, patent trolls cannot be countersued for patent infringement. Thus, patent trolls can bring suits without fear of reprisal. Also, since patent trolls do not use patented inventions, settlement cannot include a cross-licensing agreement, which is a popular way to settle patent infringement suits between entities that use patented inventions.

Patent trolls commonly rely on the litigation strategy of joining multiple, unrelated defendants in the same patent infringement suit<sup>19</sup> for at least two reasons. First, patent trolls are able to reduce their litigation costs by litigating common issues, such as the validity and scope of the patent, only once rather than having to put on the same evidence in multiple trials.<sup>20</sup> Second, patent trolls are better able to ensure a favorable venue, such as the Eastern District of Texas, by structuring their suits to reduce the likelihood that a motion to transfer will be successful.<sup>21</sup> A plaintiff can bring a patent infringement suit in any federal judicial district in which the defendant is subject to personal jurisdiction<sup>22</sup> and where venue is proper.<sup>23</sup> Such forums include

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17. See Lisa Lerer, *Going Once?*, CORP. COUNS., Nov. 2005, at 108.

18. Steve Seidenberg, *Troll Control*, 92 A.B.A. J. 51, 51–53 (2006).

19. James Bessen et al., *The Private and Social Costs of Patent Trolls*, 34 REGULATION 26, 29 (2012) (finding that NPEs named a median of five defendants in patent infringement suits filed from 1990 through 2010).

20. As discussed *infra* Part V, a finding of patent invalidity may be used to collaterally estop the patent troll from enforcing the same patent in a later infringement suit.

21. See Erick Robinson, *New Patent Reform Law Could Reduce Lawsuits by Non-Practicing Entities*, OPENSOURCE.COM (Sept. 16, 2011), <http://opensource.com/law/11/9/new-patent-reform-law-could-reduce-lawsuits-non-practicing-entity>.

22. See 28 U.S.C. § 1391(b)–(c) (2006). The Federal Circuit has held that personal jurisdiction is proper where (1) the long arm statute of the state in which the federal court sits would reach the defendant and (2) jurisdiction does not violate federal due process. See *Pennington Seed, Inc. v. Prod. Exch. No. 299*, 457 F.3d 1334, 1343–44 (Fed. Cir. 2006). The exercise of personal jurisdiction does not violate due process rights when the defendant has (1) sufficient minimum contacts with the state and (2) the exercise of jurisdiction “does not offend ‘traditional notions of fair play and substantial justice.’” *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)).

those located in states in which the defendant has an office or principal place of business,<sup>24</sup> or those located in states where the defendant sold the allegedly infringing product.<sup>25</sup> A single contact with a state may be sufficient to establish specific personal jurisdiction.<sup>26</sup> Regardless of where the suit is initially filed, a district court can transfer a case to any other district where the case originally might have been brought “[f]or the convenience of parties and witnesses, in the interest of justice.”<sup>27</sup> Patent trolls often sue a large number of defendants that are geographically diverse, claiming that the defendants each sold infringing products in their chosen judicial district. Therefore, personal jurisdiction and venue are proper. However, any defendant’s motion to transfer the case to a more appropriate venue, such as where the company is organized or where it has its principal place of business, will likely fail because there is no one district that is clearly more convenient for all of the defendants.<sup>28</sup>

Patent trolls are generally viewed as a problem that plagues the patent system and stifles innovation.<sup>29</sup> Even the Supreme Court has intimated that the Constitution may not have intended to grant an exclusive monopoly over inventions to patent trolls.<sup>30</sup>

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23. See 28 U.S.C. § 1400(b) (2006) (“Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”).

24. See *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 414–16 (1984); *LSI Indus., Inc. v. Hubbell Lighting, Inc.*, 232 F.3d 1369, 1375 (Fed. Cir. 2000).

25. See *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102, 112 (1987); *Helicopteros*, 466 U.S. at 411.

26. Nathaniel Bruno, *Assessing Personal Jurisdiction in Patent Litigation Actions*, 19 INTELL. PROP. & TECH. L.J. 10, 11 (2007).

27. 28 U.S.C. § 1404(a) (2006). Any case commenced on or after January 6, 2012, may also be transferred to “any district or division to which all parties have consented” even if the action could not originally have been brought there. Federal Courts Jurisdiction and Venue Clarification Act of 2011, Pub. L. No. 112-63, secs. 204(1), 205, 125 Stat. 758, 764–65 (to be codified at 28 U.S.C. § 1404(a)).

28. See *Review of Recent Judicial Decisions on Patent Law Before the Subcomm. on Intellectual Prop., Competition and the Internet of the H. Comm. on the Judiciary*, 112th Cong. 70 (2011) (statement of John Boswell, Senior Vice President and General Counsel, SAS Institute). For example, assume that Tazjin, Inc., a hypothetical patent troll, files suit against five companies. Company A is based in Alaska, Company B is based in Alabama, Company C is based in California, Company D is based in Delaware, and Company E is based in Nevada. Assume further that each company was organized in the same state as its principal place of business. Tazjin files a patent suit in the Eastern District of Texas and names all five companies. If Company C files a motion to transfer the case to the Northern District of California, a court may not find Company C’s assertions of increased convenience especially compelling because California is no more convenient for Companies A, B, D, and E than the Eastern District of Texas.

29. See, e.g., Haewon Chung, *Lessons from Bilski*, 9 CAN. J.L. & TECH. 179, 180 n.14 (2011) (“[P]atent trolling behaviour stifles innovation . . .”).

30. See *Bilski v. Kappos*, 130 S. Ct. 3218, 3257 (2010) (Stevens, J., concurring); see also Michael Astorino, *Obviously Troublesome: How High Should the Standard Be for Obtaining a Patent*, 89 J. PAT. & TRADEMARK OFF. SOC’Y 239, 248 (2007) (“Patent trolls . . . are abusing the constitutional bargain set forth by the framers of the Constitution.”).

There are also private and social costs of patent troll litigation. One study found that the median decline in common stock value of a defendant in a lawsuit brought by a patent troll is \$20.4 million.<sup>31</sup> Currently, patent trolls account for about half of all patent suits brought in the United States.<sup>32</sup> However, whereas product-producing companies that bring patent infringement suits win forty percent of their cases, patent trolls win only eight percent of their suits.<sup>33</sup> Consequently, patent troll suits exhaust more patent litigation resources but prove to be less successful than suits by product-producing entities. Despite such low success rates, the majority of patent infringement suits brought by both patent trolls and product-producing entities settle.<sup>34</sup> Many defendants settle with patent trolls because they cannot afford to litigate the suit or would be unable to pay the damages if the patent troll won the case.<sup>35</sup> Other companies may be unable to afford the stigma of being involved in litigation.<sup>36</sup>

Although many argue that patent trolls harm American businesses, others contend that patent trolls encourage innovation in several ways.<sup>37</sup> First, by focusing on marketing and enforcing the patent, patent trolls provide a mechanism to separate out the innovation process from the manufacturing process. In this way, patent trolls allow individual inventors — who lack the capacity or desire to commercialize or license their patents — to nonetheless monetize them through a more efficient licensing entity.<sup>38</sup> Second, and relatedly, trolls provide a mechanism to enforce patents against infringers that the individual

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31. Bessen et al., *supra* note 19, at 30 tbl.3. In addition to “direct costs of legal fees,” this estimate also includes “the costs of lost business, management distraction and diversion of productive resources that might result from the lawsuit, possible payments needed to settle the suit, and the reduction in expectations of profits from future opportunities that are fore-stalled or foreclosed because of the suit.” *Id.* at 31.

32. Coursey, *supra* note 5, at 240.

33. John R. Allison, Mark A. Lemley & Joshua Walker, *Patent Quality and Settlement Among Repeat Patent Litigants*, 99 GEO. L.J. 677, 693–94 (2011).

34. *Id.* at 694 (finding that product-producing companies settled 86.6% of their cases and NPEs settled 89.6% of their cases, and noting that the difference between the settlement rates is not statistically significant).

35. See J.P. Mello, *Legal Update: Technology Licensing and Patent Trolls*, 12 B.U. J. SCI. & TECH. L. 388, 392–93 (2006).

36. See *id.* at 392.

37. For an example of the arguments sometimes put forward in defense of patent trolls, see James F. McDonough III, Comment, *The Myth of the Patent Troll: An Alternative View of the Function of Patent Dealers in an Idea Economy*, 56 EMORY L.J. 189 (2006). See also Robert P. Merges, *The Trouble with Trolls: Innovation, Rent-Seeking, and Patent Law Reform*, 24 BERKELEY TECH. L.J. 1583, 1597 (2009) (noting that “many industry players defend today’s patent trolls on the grounds that they are merely (beneficial) ‘market makers’”).

38. See Seidenberg, *supra* note 18, at 51 (internal quotation marks omitted) (explaining that “[o]nly an infinitesimal percentage of small inventors can muster the resources to defend their property — to spend millions of dollars and many years trying to collect through the courts” (quoting Robert Lang, Co-Founder and CEO, Burst.com — a “patent troll,” as defined herein)).

inventor may not have been able to afford.<sup>39</sup> Third, other companies may be better able to use inventions than original inventors, small companies, or companies that hold patents unrelated to their core businesses. By licensing patents, patent trolls are able to create value where the inventor could not have done so.<sup>40</sup> Fourth, inventors may be motivated to innovate by the expectation that they can recoup their losses, or even earn a profit, by selling the invention to a patent troll.<sup>41</sup> Finally, patent trolls are able to help investors in failed businesses recoup some of the capital invested in the research and development of the patented invention.<sup>42</sup>

Despite the arguments in favor of patent trolls, Congress sought in the America Invents Act to curb the frequency of patent troll infringement suits in accord with the prevailing view that patent trolls deter innovation and harm the economy.

### III. THE AMERICA INVENTS ACT

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act.<sup>43</sup> The AIA represents the first major reform of U.S. patent laws in almost sixty years,<sup>44</sup> and is meant to modernize those laws so that they are more in line with current technology.<sup>45</sup> The AIA was also enacted to remove unnecessary barriers to innovation present in the old patent law system. Much of the debate surrounding the bill was about the first-inventor-to-file (“FITF”) system and the post-grant review process. The AIA implemented a major change in switching from a first-to-invent system to an FITF system to establish patent priority.<sup>46</sup> Under the new system, when there is more than one patent application filed for the same invention, the patent application filed first will be given priority. In an FITF system, the most important date is the objective date on which the application was filed, and there is no requirement for corroborating evidence, as would be needed to prove the date of invention (the determinative

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39. See John T. Funk, *In Defense of the Trolls: Part 4 (Final)*, VIEW FROM THE BRIDGE (July 4, 2006, 9:10 PM), [http://evergreenip.typepad.com/view\\_from\\_bridge/2006/07/in\\_defense\\_of\\_t\\_1.html](http://evergreenip.typepad.com/view_from_bridge/2006/07/in_defense_of_t_1.html).

40. See John T. Funk, *In Defense of the Trolls: Part 2*, VIEW FROM THE BRIDGE (June 28, 2006, 10:22 PM), [http://evergreenip.typepad.com/view\\_from\\_bridge/2006/06/in\\_defense\\_of\\_t\\_1.html](http://evergreenip.typepad.com/view_from_bridge/2006/06/in_defense_of_t_1.html).

41. See Funk, *supra* note 39.

42. See Dale B. Halling, *In Defense of Patent Trolls*, STATE OF INNOVATION (Sept. 18, 2009, 11:44 AM), <http://hallingblog.com/in-defense-of-patent-trolls>.

43. Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.).

44. The last comprehensive patent reform law was enacted in 1952. See Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792 (codified as amended in scattered sections of 35 U.S.C.).

45. H.R. REP. NO. 112-98, pt. 1, at 38–39 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 68.

46. Leahy-Smith America Invents Act sec. 3.

date under a first-to-invent system). The FITF system takes effect on March 16, 2013.<sup>47</sup>

The AIA also established, for the first time in the history of the U.S. patent law system, a mechanism for post-grant review of patents for reasons other than prior art.<sup>48</sup> Under the new system, “a person who is not the owner of a patent” can file a petition with the U.S. Patent and Trademark Office to request post-grant review of a patent<sup>49</sup> on any ground related to patent invalidity<sup>50</sup> within nine months of the issuance or reissuance of the patent.<sup>51</sup> The early stage post-grant review process is meant to rid the patent system of invalid patents and increase its efficiency. The post-grant review process takes effect on September 16, 2012.<sup>52</sup>

One provision that received significantly less attention than the FITF system and the post-grant review process during debates about the AIA is section 19(d): Procedural Matters in Patent Cases.<sup>53</sup> This section amends the permissive joinder rule for defendants in patent infringement suits to make more rigorous the requirement that defendants cannot be joined unless their cases arise out of the same facts and transactions.<sup>54</sup> The provision places the same limitation on consolidation of trials.<sup>55</sup> The Chairman of the Intellectual Property Subcommittee of the House Judiciary Committee explained that the provision is meant to “end[] the abusive practice of treating as codefendants parties who make completely different products and have no relation to each other” except that they allegedly infringed the same patent.<sup>56</sup> The provision became effective upon the enactment of the bill on September 16, 2011.<sup>57</sup>

#### IV. JOINDER AND CONSOLIDATION IN PATENT INFRINGEMENT SUITS

Section 19(d) of the AIA abrogates rulings in a minority of district courts that interpreted Federal Rule of Civil Procedure 20 to allow defendants who were tenuously connected to each other to be joined in the same suit.<sup>58</sup> The new provision requires that there be

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47. *Id.* sec. 3(n).

48. *Id.* sec. 6(d), §§ 321–29.

49. *Id.* sec. 6(d), § 321(a).

50. H.R. REP. NO. 112-98, pt. 1, at 47 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 78.

51. Leahy-Smith America Invents Act sec. 6(d), § 321(c).

52. *Id.* sec. 6(f)(2)(A).

53. *Id.* sec. 19(d), § 299.

54. *Id.* sec. 19(d), § 299(a).

55. *Id.*

56. 157 CONG. REC. H4420-06 (daily ed. June 22, 2011) (statement of Mr. Goodlatte).

57. Leahy-Smith America Invents Act sec. 19(e).

58. H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 85.

another basis for joinder beyond an allegation that the defendants have infringed the same patent.<sup>59</sup> Under the AIA, courts cannot consolidate actions for trial unless they meet the same factors required for joinder.<sup>60</sup> This Part provides helpful background to understand section 19(d) by explaining Rule 20 and describing the alternative ways district courts interpreted Rule 20 prior to the AIA. Then, it discusses Rule 42, which governs consolidation of civil actions. Finally, it explores the changes introduced by section 19(d) of the AIA and the purpose of the provision.

### A. Permissive Joinder

#### 1. Rule 20

Prior to the implementation of the AIA, Rule 20 governed permissive joinder of defendants in patent infringement suits. The purpose of permissive joinder is to promote judicial efficiency and trial convenience by reducing the number of suits on the same issue.<sup>61</sup> Rule 20 allows plaintiffs to join defendants in one action<sup>62</sup> 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.”<sup>63</sup> The Supreme Court has stated that joinder is “strongly encouraged” so long as it is “consistent with fairness to the parties.”<sup>64</sup> Thus, courts tend to be fairly generous in their decisions about whether joinder is proper.<sup>65</sup>

#### 2. Joinder in Patent Troll Litigation

District courts were split with respect to how they interpreted Rule 20 in patent infringement litigation prior to the AIA. A majority of district courts interpreted Rule 20’s two prongs as independent re-

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59. Leahy-Smith America Invents Act sec. 19(d), § 299.

60. *Id.*

61. *See* Guedry v. Marino, 164 F.R.D. 181, 184 (E.D. La. 1995) (“The purpose of Rule 20(a) is to promote trial convenience and expedite the final determination of disputes, thereby preventing multiple lawsuits.”); JOHN BOURDEAU ET AL., 25 FEDERAL PROCEDURE, LAWYERS EDITION § 59:177 (2011).

62. Note that only plaintiffs may invoke Rule 20. *See* Bourgeois v. Vanderbilt, 251 F.R.D. 368, 370 (W.D. Ark. 2008) (“[O]nly a person or entity that is already a party may make a motion for joinder [under Rule 20].”); STEVEN S. GENSLER, 1 FEDERAL RULES OF CIVIL PROCEDURE, RULES AND COMMENTARY (2011) (“A defendant cannot invoke Rule 20.”).

63. FED. R. CIV. P. 20(a)(2) (emphasis added).

64. United Mine Workers of Am. v. Gibbs, 383 U.S. 715, 724 (1966).

65. *See, e.g.,* Poster v. Cent. Gulf Steamship Corp., 25 F.R.D. 18, 20 (E.D. Pa. 1960); *see also* GENSLER, *supra* note 62.

quirements, each necessitating separate analysis.<sup>66</sup> However, a few district courts interpreted Rule 20 as allowing defendants to be joined based solely on the claim that the defendants had infringed the same patent (i.e., folding the analysis of the first prong into the second prong).

One of the district courts in the latter category is the Eastern District of Texas, which hears the majority of infringement suits brought by patent trolls.<sup>67</sup> For example, in *MyMail, Ltd. v. America Online, Inc.*, Judge Davis denied a motion by defendants to sever a patent infringement suit and transfer the severed claim to the Central District of California.<sup>68</sup> MyMail owned a patent for a method of accessing computer networks.<sup>69</sup> Alleging infringement, MyMail brought suit against eight of its competitors, including three companies owned by United Online, Inc. (the “UOL Defendants”).<sup>70</sup> The UOL Defendants urged the court to hold that the separate infringement actions did not meet Rule 20’s first prong. As such, they argued, joinder was improper because the claims against the three UOL Defendants did not arise out of the same transaction or occurrence as the claims against the other defendants.<sup>71</sup> Judge Davis, however, disagreed. He reasoned that transactions or occurrences are sufficiently related for the purpose of Rule 20 “if there is some connection or logical relationship between [them].”<sup>72</sup> A “logical relationship” includes a common “nucleus of operative facts or law.”<sup>73</sup> Because there would be common legal issues, such as the scope of the patent and the claim that all of the defendants infringed the patent, Judge Davis held that MyMail had met the first prong of Rule 20.<sup>74</sup> He also implied that this interpretation of Rule 20 furthers the rule’s purpose to increase judicial efficiency.<sup>75</sup> Judge Davis did leave open the possibility that a court may find that defendants have been misjoined where “the products or methods at

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66. H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011), reprinted in 2011 U.S.C.C.A.N. 67, 85.

67. In 2010, more patent cases were filed in the Eastern District of Texas than in any other jurisdiction. James Pistorino, *Concentration of Patent Cases in Eastern District of Texas Increases in 2010*, 81 BNA PAT. TRADEMARK & COPYRIGHT J. 803, 805 tbl.1 (2011). In fact, over a quarter of the absolute number of defendants to patent suits were sued in the Eastern District of Texas that year. *Id.* at 805. In 2010, 647 patent cases were filed in the Eastern District of Texas against 4522 defendants. *Id.* at 805 tbl.1. In the District of Delaware, where the second largest number of patent cases was filed, there were only 259 cases filed against 890 defendants. *Id.* The average number of defendants in a case in the Eastern District of Texas was 7.0. *Id.* The average number of defendants in cases in the next nine jurisdictions with the highest number of patent infringement suits hovered just above 2.9. *Id.*

68. *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004).

69. *Id.* at 456.

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.*

74. *Id.* at 456–57.

75. *Id.* at 457.

issue are so different that determining infringement in one case is less proper or efficient than determining infringement in multiple cases,” but he found that was not the case before the court and held that joinder was proper under Rule 20.<sup>76</sup>

Several other cases in the Eastern District of Texas followed *MyMail* and found that joinder was proper where the defendants had been accused of infringing the same patent.<sup>77</sup> The District of Kansas,<sup>78</sup> the Eastern District of Louisiana,<sup>79</sup> and the Northern District of Texas<sup>80</sup> also interpreted the first prong of Rule 20 as requiring only that the plaintiff allege that the defendants violated the same patent.

A majority of district courts interpreted the first prong of Rule 20 as requiring more.<sup>81</sup> In *Rudd v. Lux Products*, the Northern District of Illinois granted a motion to sever and transfer a claim.<sup>82</sup> Rudd and the University of Central Florida Board of Trustees brought suit against Emerson Electric Company and White-Rodgers claiming patent infringement.<sup>83</sup> Emerson filed a motion to sever under Rule 21 and transfer the case to the Eastern District of Missouri.<sup>84</sup> Judge Norgle began his analysis by laying out the two requirements for permissive joinder, noting that joinder is inappropriate when “either of the requirements” is not met.<sup>85</sup> The plaintiffs argued that joinder was proper because the defendants had infringed the same patent and urged the court to adopt the Eastern District of Texas’s interpretation of Rule 20 as applied in *MyMail*.<sup>86</sup> The court rejected the *MyMail* approach, however, explaining that it “eviscerates the same transaction or occurrence requirement and makes it [i.e., the first prong of Rule 20] indis-

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76. *Id.*

77. *See, e.g.,* Eolas Techs., Inc. v. Adobe Sys., Inc., No. 6:09-CV-446, 2010 WL 3835762, at \*2 (E.D. Tex. Sept. 28, 2010) (relying on *MyMail* to deny a request to sever defendants in a patent infringement suit brought against twenty-three defendants because “[a]ll defendants are accused of infringing the patents in suit”); Better Educ. Inc. v. Einstruction Corp., No. 2:08-cv-446-TJW-CE, 2010 WL 918307, at \*1 (E.D. Tex. Mar. 10, 2010) (citing *MyMail*, 223 F.R.D. at 457, and adopting the magistrate judge’s finding that “joinder was proper because the claims against the multiple defendants involved common questions of law and fact in light of the fact that a common patent is asserted against similar accused products”); Adrain v. Genetec Inc., No. 2:08-CV-423, 2009 WL 3063414, at \*2 (E.D. Tex. Sept. 22, 2009) (finding that, as in *MyMail*, joinder was proper because the defendant was “joined with other unrelated defendants whose products are accused of infringing the same patent”).

78. *Sprint Commc’ns Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615, 617 (D. Kan. 2006).

79. *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233, at \*10 (E.D. La. Aug. 24, 2010).

80. *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574, at \*2 (N.D. Tex. July 26, 2010).

81. *See* *Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011) (citing cases that have adopted this approach).

82. *Id.* at \*8.

83. *Id.* at \*1.

84. *Id.*

85. *Id.* (emphasis added).

86. *Id.* at \*2.

tinguishable from the requirement that there be a common question of law or fact.”<sup>87</sup> Instead, the court adopted the prevailing view that the first prong of Rule 20 is not met when “unrelated defendants, based on different acts, are alleged to have infringed the same patent”; rather, the plaintiff must show that the alleged acts of infringement are related.<sup>88</sup> The court found that the plaintiffs had not met this stricter test, and thus joinder was improper.<sup>89</sup>

### B. Consolidation

Rule 42 allows the court to consolidate actions so long as the “actions before the court involve a common question of law or fact.”<sup>90</sup> Since joinder requires both that there be a common question of law and fact *and* that the claim arise out of the same transaction or occurrence, consolidation may be proper even where joinder is not. Courts have discretion to consolidate cases and often consider the purposes of consolidation — efficiency and the avoidance of inconsistent decisions in similar cases — in making this decision.<sup>91</sup> With respect to patent infringement suits, district court judges could (prior to the AIA) consolidate actions filed in the same federal district against unrelated defendants accused of infringing the same patent for particular segments of litigation, such as discovery or the *Markman* hearing,<sup>92</sup> or for the duration of the trial.<sup>93</sup>

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87. *Id.* (internal quotation marks omitted).

88. *Id.* at \*3.

89. *Id.*

90. FED. R. CIV. P. 42(a).

91. *See, e.g.,* Bristol-Myers Squibb Co. v. Safety Nat’l Cas. Corp., 43 F. Supp. 2d 734, 745 (E.D. Tex. 1999).

92. *See, e.g.,* Kohus v. Toys “R” Us, Inc., Nos. C-1-05-517, C-1-05-671, 2006 WL 1476209, at \*1 (S.D. Ohio May 25, 2006). Following *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff’d*, 517 U.S. 370 (1996), federal district court judges are required to construe the meaning and scope of the words in a patent claim because the language in a patent is a matter of law, rather than one of fact. During the pre-trial *Markman* hearing, the parties present evidence of the appropriate meaning of relevant words to the judge. The jury is later informed of the meaning of the words in the patent claim as determined at the hearing. *See generally* Kenneth R. Adamo, *Get on Your Marks, Get Set, Go: Or “And Just How Are We Going to Effect Markman Construction in This Matter, Counsel?”* in PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY 2001, at 183, 187 (PLI Course Handbook Ser. No. 670, 2001).

93. *See, e.g.,* Magnavox Co. v. APF Elecs., Inc., 496 F. Supp. 29, 32 (N.D. Ill. 1980). In *Magnavox*, the court stated:

The existence of common questions of law and fact is a prerequisite for any consolidation. In these cases, each defendant is charged with infringing a valid patent. Thus, the validity of the patent is an issue relevant to each defendant. Although defendants contend that each device entails an individual determination of infringement, some of them are similar enough that those questions will be the same.

*Id.*

*C. Section 19 of the America Invents Act*

Section 19 of the AIA effectively amends Rule 20 and Rule 42 for patent cases to require a basis for joinder or consolidation beyond an allegation that the defendants infringed the same patent. Specifically, the AIA amends 35 U.S.C. § 299 as follows:

[P]arties 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

(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.<sup>94</sup>

The statute clarifies that joinder cannot be “based solely on allegations that [the defendants] each have infringed the patent or patents in suit.”<sup>95</sup> The statute does allow defendants to waive the requirements if they want their actions to be joined or consolidated.<sup>96</sup>

Section 299 resembles Rule 20’s traditional two-prong test for permissive joinder. However, it adds a requirement to the first prong that the transaction or occurrence relate to the making, using, or selling of the same patented product or process. It also omits “questions of law” from the second prong, though this omission was likely an error.<sup>97</sup> It then expands the scope of the new rule by making clear that

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94. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 19(d), § 299, 125 Stat. 284, 332–33 (2011). By its terms, § 299 as amended does not apply to infringement under 35 U.S.C. § 271(e)(2) (relating to abbreviated new drug applications). *Id.* at 332.

95. *Id.* sec. 19(d), § 299(b).

96. *Id.* sec. 19(d), § 299(c).

97. Courts give Rule 20 expansive definition and will therefore likely construe “questions of fact” to include both pure questions of fact and factual questions that underlie questions of law. *See supra* notes 64–65 and accompanying text. Most determinations in patent law cases have been held by some courts to be questions of fact, see, for example, *Falko-Gunter Falkner v. Inglis*, 448 F.3d 1357, 1363 (Fed. Cir. 2006) (written description); *Brown v. 3M*, 265 F.3d 1349, 1351 (Fed. Cir. 2001) (novelty); *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, 956 (Fed. Cir. 1983) (utility), or questions of law that are based on underlying findings of fact, see, for example, *Falko-Gunter Falkner*, 448 F.3d at 1363 (enablement); *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000) (obviousness); *Intel Corp. v. U.S. Int’l Trade Comm’n*, 946 F.2d 821, 829 (Fed. Cir. 1991) (on-sale bar). In comparison to questions of

a claim that unrelated defendants allegedly infringed the same patent is an insufficient basis to join those defendants or consolidate their cases for trial.<sup>98</sup>

The purpose of section 19 is not made explicit in the AIA, but the legislative history, albeit sparse, is elucidating. The House Judiciary Committee's Report states that section 19 was intended to abrogate the *MyMail* line of cases and interpret Rule 20 in line with the majority of district courts as exemplified in *Rudd v. Lux*.<sup>99</sup>

However, the impetus for the provision is less clear. The House Judiciary Committee's Report states simply that the section was meant to address "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>100</sup> Chairman Smith and other key stakeholders recognized the need for the AIA to reduce frivolous lawsuits by patent trolls.<sup>101</sup> In a prepared statement submitted to the Subcommittee on Intellectual Property, one interested party vigorously opposed "lawsuits brought by certain non-practicing entities (NPEs) solely to enforce questionable patents they have pur-

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fact and mixed questions of law and fact, pure questions of law are rare. *Cf.* *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384 (1996) (internal quotation marks and citation omitted) (stating that claim construction, or "construing the letters-patent, and the description of the invention and specification of claim annexed to them" is a question of law). Thus, it is unlikely that excluding common questions of law as a ground for joinder will act as a true limit because those cases will probably have common questions of fact and thus still meet the second prong. If, as this Note posits, the omission of "questions of law" does no work, it may be that the exclusion was no more than a drafting error. As of the writing of this Note, the technical amendments bill to the AIA has not been introduced so it is unknown whether Congress will correct this "error."

98. Leahy-Smith America Invents Act sec. 19(d), § 299(b).

99. H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 85.

100. *Id.* at 54.

101. *See, e.g., America Invents Act: Hearing on H.R. 1249 Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary*, 112th Cong. 56 (2011) (statement of Hon. Steve Bartlett, President and Chief Executive Officer, The Financial Services Roundtable) (noting the importance of the AIA to "address this problem of nonpracticing entities that we believe exploit flaws in the current patent system").

Chairman Smith also explained that he believed patent reform was needed to address the problem of patent trolls:

In 2005 I wrote the initial patent reform bill to address the problem of 'trolls' who sue both large and small companies to extract patent licenses or large jury awards. Trolls typically own weak patents that they will never commercialize. Their goal is to get rich the old-fashion way — by suing. Our founding fathers would be appalled to see how our patent system is being misused. Our nation's patent system should not be designed to promote legal gamesmanship and facilitate or protect the issuance of weak or overly broad patents. The America Invents Act has been expressly designed to correct these problems and encourage innovation and promote job creation.

Letter from Lamar Smith, Chairman, House Judiciary Comm. (May 23, 2011), *available at* <http://judiciary.house.gov/issues/Dear%20Colleague%2005232011.html>.

chased from other, defunct enterprises.”<sup>102</sup> He argued that to limit these “destructive patent lawsuits”<sup>103</sup>:

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>104</sup>

Thus, it is reasonable to infer that Congress was legislating with these concerns in mind. This conclusion is buttressed by the fact that patent trolls are often defined in part by the relatively large number of unrelated defendants they join in a single suit,<sup>105</sup> a characteristic that may distinguish them from product-producing entities.

## V. ANALYSIS

As the legislative history of section 19(d) of the AIA is almost non-existent, it is no surprise that it does not contain a discussion of the probable effects of the statute. Likewise, contemporaneous news coverage and debates about the AIA did not mention the provision. To fill this void, this Part considers the possible effects of 35 U.S.C. § 299 as amended by section 19(d) of the AIA. It then suggests a framework courts should use when interpreting the new provision.

### *A. Effects of 35 U.S.C. § 299 on Patent Litigation*

Section 299 will likely have broad effects on patent litigation. Most clearly, the provision will reduce the number of defendants per suit. It will also affect patent troll infringement suits in at least four other ways.

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102. *Review of Recent Judicial Decisions on Patent Law Before the Subcomm. on Intellectual Prop., Competition and the Internet of the H. Comm. on the Judiciary*, 112th Cong. 68 (2011) (statement of John Boswell, Senior Vice President and General Counsel, SAS Institute).

103. *Id.*

104. *Id.* at 69 (emphasis added).

105. See, e.g., Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. REV. 1571, 1572 (2009) (“NPEs often name multiple defendants . . .”); John Cronin, *AIA’s Effect on NPE Assertion Tactics*, IPCAPITAL GROUP (Dec. 2, 2011, 10:00 AM), [http://www.ipcg.com/?file=AIA\\_Effect\\_on\\_NPE\\_Tactics](http://www.ipcg.com/?file=AIA_Effect_on_NPE_Tactics) (blaming patent trolls for the increased prevalence of multiple-defendant patent infringement suits).

## 1. Transfer

The provision may make it easier for defendants to transfer cases out of plaintiff-friendly venues like the Eastern District of Texas.<sup>106</sup> As described in Part II, *supra*, patent trolls are often able to secure hospitable venues by making it difficult to transfer cases, on the basis that there is no single venue that is convenient for all of the defendants joined in a case. Now that the rule for joining multiple defendants is more stringent, there will likely be, on average, fewer defendants per case. Each defendant is therefore more likely to be able to transfer the case to a venue where the company is organized or has its principal place of business, if the case was not filed there in the first instance.<sup>107</sup>

## 2. Number of Cases Brought by Patent Trolls and Number of Defendants Sued

Since the provision will reduce the number of defendants per suit, the number of cases filed by patent trolls will likely increase significantly<sup>108</sup> because patent trolls will have to file as many suits as there are defendants, unless the actions meet § 299's two-prong test for joinder.

However, the provision may also result in fewer defendants being sued because the new rule increases patent trolls' litigation costs.<sup>109</sup> For instance, patent trolls will have to pay separate filing fees for each defendant.<sup>110</sup> Additionally, patent trolls will be limited in their ability to take advantage of economies of scale, as they will have to try cases against each defendant separately.<sup>111</sup> Moreover, it will be difficult to litigate separate cases if the suits are transferred to different venues. If

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106. See Dave Donoghue, *What Patent Reform Means for Retailers: 4 Key Provisions of the America Invent Act*, RETAIL PAT. LITIG. (Sept. 8, 2011), <http://www.retailpatentlitigation.com/2011/09/08/what-patent-reform-means-for-retailers-4-key-provisions-of-the-america-invent-act>. *But see* Zahra Hayat et al., *How the America Invents Act Will Change Patent Litigation*, THOMSON REUTERS: NEWS & INSIGHT (Nov. 18, 2011), [http://newsandinsight.thomsonreuters.com/Legal/Insight/2011/11\\_-\\_November/How\\_the\\_America\\_Invents\\_Act\\_will\\_change\\_patent\\_litigation](http://newsandinsight.thomsonreuters.com/Legal/Insight/2011/11_-_November/How_the_America_Invents_Act_will_change_patent_litigation) ("In exercising its discretion on a motion to transfer, can a court take into account the efficiencies that may result from keeping the multiple cases in a single court for claim construction and invalidity summary judgment motions?").

107. Robinson, *supra* note 21.

108. Mark A. Lemley, *Things You Should Care About in the New Patent Statute* ¶ 7 (Stanford Law Sch. Pub. Law & Legal Theory Research Paper Series, Working Paper No. 1929044, 2011), available at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1929044](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1929044).

109. *Id.*

110. Currently, the statutory filing fee for a patent infringement suit is \$350. 28 U.S.C. § 1914(a) (2006).

111. As will be discussed *infra* Part V, courts may still seek to gain efficiency when adjudicating multiple suits claiming infringement of the same patent through multi-district litigation or pretrial coordination of discovery, for example.

patent trolls' costs multiply with each defendant, a patent troll will be less likely to bring suit against a smaller company that can only afford to spend a modest amount to settle the case. Since the provision makes litigation more expensive, the likely result will be more cases but fewer defendants than before the enactment of the AIA.

### 3. Multiple Assessments of Patent Validity

The provision may also result in multiple assessments of a patent's validity.<sup>112</sup> If a patent troll files separate suits against multiple defendants claiming infringement of the same patent, one of the defenses that many, if not all, of the defendants will raise is that the patent is invalid. As follows from the Due Process Clause, a later defendant is not precluded from arguing that a patent is invalid, notwithstanding a prior finding, involving an unrelated defendant, that a patent is valid.<sup>113</sup> However, *patent holders* may be estopped based upon prior patent *invalidity* judgments. In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*,<sup>114</sup> the Supreme Court held that defensive nonmutual collateral estoppel may be asserted against patent holders, following judgments of patent invalidity.<sup>115</sup> Thus, if a patent is found invalid, the patentee may be estopped from claiming that the patent is valid in a later suit against a different defendant so long as the patentee had a full and fair opportunity to litigate the claim in the earlier suit<sup>116</sup> and collateral estoppel is fair given the circumstances.<sup>117</sup>

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112. See Lemley, *supra* note 108. *But see* Williams Mullen PLLC (Robert C. Van Arnam, ed.), *The Joinder Provision in the Patent Reform Act: Leveling the Playing Field Against Multi-Defendant NPE Suits*, LEXISNEXIS CMTYS.: PAT. L. CMTY. (Sept. 19, 2011, 7:01 AM), <http://www.lexisnexis.com/community/patentlaw/blogs/patentreform/archive/2011/09/19/williams-mullen-the-joinder-provision-in-the-patent-reform-act-leveling-the-playing-field-against-multi-defendant-npe-suits.aspx>. According to Mullen:

It is unclear how courts will consolidate separate cases litigating infringement on the same patent, as the Act should not alter Multi-District Litigation, at least for purposes of managing discovery. Courts, for example, could conclude that issues concerning claim construction and the validity of a patent are best handled by one court.

*Id.*

113. See Ernest H. Schopler, Annotation, *Modern Status of Federal Rules of Res Judicata in Patent Litigation*, 4 A.L.R. FED. 181, § 5(b) (1970).

114. 402 U.S. 313 (1971).

115. *Id.* at 350.

116. See *id.* at 329.

117. In *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979), the Supreme Court articulated three circumstances in which nonmutual collateral estoppel may be unfair. First, such estoppel may be unfair where the case on which estoppel is to be based was not sufficiently serious, or where future cases were not sufficiently foreseeable, such that the party against whom estoppel is being asserted did not have adequate incentive to vigorously litigate the first action. *Id.* at 330. Second, estoppel may be unfair where "the judgment relied upon as a basis for the estoppel is itself inconsistent with one or more previous judgments." *Id.* Final-

For example, assume again that Tazjin, Inc. sues Company A and Company B in separate trials for infringing the same patent. Both Company A and Company B claim that the patent is invalid. Company A's case comes to judgment first. If the district court hearing the suit against Company A finds that the patent is *valid*, that decision does not preclude Company B from claiming that the patent is invalid. (However, a finding that the patent is valid may still be given weight by the court hearing the suit against Company B under the doctrine of comity.<sup>118</sup>) If the first court finds that the patent is *invalid*, then Company B can use that decision to estop Tazjin, Inc. from arguing that the patent is valid. Thus, before bringing a suit, patent trolls must now consider the likelihood that a court will hold the patent invalid, taking into account factors such as the strength of the patent, the vigor with which the company will defend the suit, procedural peculiarities, and the chance the case will settle prior to a validity determination. These new considerations will lead to patent trolls altering their litigation strategies and ordering their cases in a way to minimize risks.<sup>119</sup>

#### 4. Defendant Autonomy

Defendants will be able to defend patent infringement suits as they see fit and will not be required to act in concert with other unrelated defendants. Patent trolls “have been leveraging [multi-defendant] lawsuits against defendants by forcing competitors and other unfriendly parties to either [(a)] cooperate by sharing confidential documents, expenses, attorneys, and strategy or [(b)] to spend even more money and resources in defending the case.”<sup>120</sup> Also, coordination complicates even simple tasks like finding time to schedule a deposition and agreeing on which expert witnesses to put on at trial.<sup>121</sup> With the number of defendants per suit reduced, patent trolls will be less able to force defendants into this no-win situation.

However, defendants did realize some benefits from being joined or consolidated for trial. Defendants were able to pool their resources

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ly, estoppel may be unfair where the second action affords “procedural opportunities unavailable in the first action that could readily cause a different result.” *Id.* at 330–31.

118. See Schopler, *supra* note 113, § 2(b); see also *id.* § 2(b) (internal citations omitted) (“[T]he usual presumption of validity of a patent has been held entitled to greater weight where the patent has been held valid by Courts of Appeals, even in other circuits . . . or by a court in another suit involving the same patent . . .”).

119. For instance, patent trolls may delay filing complaints against large companies with sufficient resources to defend an infringement claim, and instead file suit first against cash-strapped, smaller companies that are more likely to settle.

120. Robinson, *supra* note 21.

121. See BRIAN M. BUROKER & MAYA M. ECKSTEIN, MULTIPLE DEFENDANT PATENT INFRINGEMENT CASES: COMPLEXITIES, COMPLICATIONS AND ADVANTAGES 1, available at [http://www.hunton.com/files/Publication/e7e49e13-2327-4d36-a04c-1dcc301527c4/Presentation/PublicationAttachment/b2cc8f60-eb07-41f7-8949-787a644f1cff/Multiple\\_Defendant\\_Paper\\_AIPLA.pdf](http://www.hunton.com/files/Publication/e7e49e13-2327-4d36-a04c-1dcc301527c4/Presentation/PublicationAttachment/b2cc8f60-eb07-41f7-8949-787a644f1cff/Multiple_Defendant_Paper_AIPLA.pdf).

by cooperating in joint defense groups. Defendants were also able to benefit from their co-defendants' experiences and expertise, and there was some safety in numbers in that the plaintiff's heavy workload in managing so many defendants could work to the advantage of the co-defendants.<sup>122</sup> Of course, the provision does not completely do away with these benefits. Instead, by allowing defendants to waive the provision,<sup>123</sup> defendants can weigh the benefits and detriments of joinder and decide whether they want to be joined for a particular action.

### B. Judicial Interpretation of the Provision

The true impact of § 299 will be determined by how courts interpret both the meaning and the scope of the new provision. Importantly, courts must define "same" as used in the first prong of the new rule and determine what additional element(s), beyond alleged infringement of a common patent, is required for joinder to be proper.

#### 1. "Same Accused Product or Process"

Section 299(a)(1) requires that joined actions relate to the "same accused product or process,"<sup>124</sup> but does not define "same." Courts should interpret "same accused product or process" to require that joined defendants made or used the patented invention in "identical" products. This interpretation is consistent with the plain meaning of "same," which the Oxford English Dictionary defines as "identical."<sup>125</sup> The opinion of the *Rudd v. Lux* court, whose application of Rule 20 Congress sought to adopt in passing § 299,<sup>126</sup> also supports this interpretation. In rejecting the *MyMail* interpretation of Rule 20, the court held that "[s]imply alleging that Defendants manufacture or sell *similar* products does not support joinder under Rule 20."<sup>127</sup>

Defining "same" as "identical" is also supported by the stated purpose of the provision to abrogate the minority interpretation of the joinder rule.<sup>128</sup> Prior to the AIA, a minority of courts allowed plaintiffs to join multiple defendants primarily on the basis that they allegedly used the same patented invention in different products, in

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122. *Id.* at 13.

123. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 19(d), § 299(c), 125 Stat. 284, 333 (2011).

124. *Id.* sec. 19(d), § 299(a)(1) (emphasis added).

125. *Same* Definition, OXFORD ENGLISH DICTIONARY, <http://oed.com/view/Entry/170362?redirectedFrom=same#eid> (last visited May 3, 2012) ("Not numerically different from an object indicated or implied; identical.").

126. See H.R. REP. NO. 112-98, pt. 1, at 55 n.61 (2011), reprinted in 2011 U.S.C.A.N. 67, 85.

127. *Rudd v. Lux Prods. Corp.*, No. 09-CV-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011) (emphasis added).

128. See *supra* Part IV.

competing products, or in products that were related in some technical aspect.<sup>129</sup> If courts interpreted the new rule to allow joinder when defendants made similar but not identical products, then the provision would maintain the status quo in patent litigation.<sup>130</sup> But such an interpretation would be against the “general presumption” that “when Congress alters the words of a statute, it must intend to change the statute’s meaning.”<sup>131</sup> Thus, since Congress effectively amended Rule 20 by adding the requirement that joined actions relate to the “same accused product or process,” courts should assume that Congress did not intend to maintain the rule as it existed prior to the passage of the AIA. Courts should therefore interpret “same” to allow joinder only when the patentee claims that the defendants used the patented invention in identical products.

## 2. Nature of the Additional Element Now Required for Proper Joinder

Section 299(b) states that joinder cannot be “based solely on allegations that [the defendants] each have infringed the patent or patents in suit,”<sup>132</sup> as a minority of courts had previously held.<sup>133</sup> However, the statute is silent with respect to the nature or extent of the addition-

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129. See, e.g., *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456–57 (E.D. Tex. 2004).

130. For example, interpreting the first prong as allowing joinder when defendants allegedly infringed the same patent in similar products would make joinder proper in a recent case filed by Klausner Technologies. On October 25, 2011, Klausner filed a patent infringement suit against thirty-one technology companies in the Eastern District of Texas. Complaint for Patent Infringement at 1–2, *Klausner Techs., Inc. v. Oracle Corp.*, No. 6:11-cv-00556-LED (E.D. Tex. Oct. 25, 2011), available at [http://newsandinsight.thomsonreuters.com/uploadedFiles/Reuters\\_Content/2011/10\\_-\\_October/klausnervoracle.pdf](http://newsandinsight.thomsonreuters.com/uploadedFiles/Reuters_Content/2011/10_-_October/klausnervoracle.pdf). The complaint asserts that the defendants infringed the same patented invention: a “Telephone Answering Device Linking Displayed Data with Recorded Audio Message.” *Id.* ¶ 1. The complaint was filed after the new § 299 went into effect; however, the complaint alleges only tenuous connections between the defendants. Klausner asserted that “there are questions of fact common to all Defendants” because “Defendants each provide a Voice over Internet Protocol (VOIP) messaging service having some common or similar visual voicemail capabilities as those of other defendants.” *Id.* ¶ 41. Moreover, Klausner continued, “[t]he claims against all Defendants similarly involve common questions of fact that relate to the infringement and/or validity due to the fact that it is the same patent being asserted against all defendants.” *Id.* ¶ 42. If the Eastern District of Texas were to find that the defendants were properly joined in this case, it would strip § 299 of any meaning. Under the interpretation proposed in this Note, the court would find that, based on the complaint, joinder is improper because the defendants used the patented invention in different, distinguishable products. With infringement of the same patent as the only remaining basis for joinder, the cases would be severed. On November 7, 2011, the court considered Klausner’s Notice of Voluntary Dismissal Without Prejudice, and ordered that thirty of the thirty-one original defendants be dismissed without prejudice. See Order of Dismissal Without Prejudice at 1, *Klausner Techs.*, No. 6:11-cv-00556-LED. Thus, the court was never able to consider whether joinder was improper under § 299.

131. *United States v. Wilson*, 503 U.S. 329, 336 (1992).

132. Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 19(d), § 299(b), 125 Stat. 284, 333 (2011).

133. See *supra* Part IV.C.

al element that is required for joinder to be proper. The first prong's requirement that any right to relief arise out of the same transaction or occurrence provides some guidance. Rather than merging the analyses of the first and second joinder requirements as the court did in *MyMail*, courts applying § 299 should view the "same transaction or occurrence" requirement as independent from the requirement in the second prong. As such, the clear meaning of the statute is that defendants cannot be joined unless the plaintiff's *claim* against them arises from the same transaction or occurrence.<sup>134</sup> For example, assume that Company A and Company B together make one widget, which allegedly infringes Tazjin's patent. Company Y and Company Z make two separate but similar widgets, both of which allegedly infringe Tazjin's patent. All four companies assert that Tazjin's patent is invalid. If Tazjin wants to sue all four companies, it must file three suits: (1) against Company A and B as joined defendants, (2) against Company Y, and (3) against Company Z. Thus, the plaintiff cannot rely on similarities that arise as a consequence of litigation, such as defendants pleading the same defenses, to join unrelated defendants in the same patent infringement suit.

By making it more difficult to join defendants and consolidate actions for trial, the provision may make patent litigation less efficient. Fortunately, courts are still free to use other means to coordinate cases and promote efficiency. Section 299 sets limitations on joinder and consolidation for trial. However, it is unclear whether courts should apply the provision when coordinating cases at other stages of litigation. When Congress amends a statute, courts should assume that all major issues were addressed.<sup>135</sup> As such, courts should interpret statutory silence with respect to coordination, other than joinder and consolidation for trial, to mean that Congress did not intend that the provision apply to these areas. Thus, courts should look for other opportunities to promote efficiency. For instance, judges should seek opportunities to promote efficiency through pretrial coordination as allowed by Rule 16.<sup>136</sup> In this way, cases against unrelated defendants would still be joined for discovery purposes. Also, courts should not apply § 299 to multidistrict litigation.<sup>137</sup> Thus, the judicial panel on

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134. See *Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*4 (N.D. Ill. Jan. 12, 2011). The court held just the opposite in *MyMail*: that joinder *can* be based solely on allegations that the defendants each infringed the patent or patents in suit. See *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004).

135. See *Whitman v. Am. Trucking Ass'ns, Inc.*, 531 U.S. 457, 468 (2001) ("Congress, we have held, does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions — it does not, one might say, hide elephants in mouseholes.")

136. See FED. R. CIV. P. 16 (authorizing courts to manage the pretrial phase, including discovery and motions).

137. The multidistrict litigation statute allows "civil actions involving one or more common questions of fact [that] are pending in different districts . . . [to] be transferred to any

multidistrict litigation should not consider whether joinder or consolidation would be proper under § 299 to consolidate or coordinate actions for pretrial proceedings.

## VI. CONCLUSION

Only time will tell how § 299 will actually impact patent infringement suits brought by patent trolls. This Note suggests that in section 19(d) of the AIA, Congress intended to limit one strategy commonly used by patent trolls: joining a large number of unrelated defendants in the same suit to secure the plaintiffs' choice of forum.

The provision may have broad effects on patent litigation, including making it easier to transfer cases, increasing the number of cases brought by patent trolls, subjecting patent trolls' patents to multiple assessments of validity, and giving defendants more autonomy to try their own cases. To achieve these effects, courts should find that joinder and consolidation are improper under § 299(a)(1) unless a plaintiff's claims against multiple defendants arise from the same transaction or occurrence relating to identical products that allegedly infringe the same patent. However, courts should not interpret the provision as limiting other efficiency-creating measures such as coordination for pretrial matters.

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district for coordinated or consolidated *pretrial* proceedings." 28 U.S.C. § 1407 (2006) (emphasis added).