***In re EMC Corporation*, Misc. Dkt. No. 100 (Fed. Cir. May 4, 2012)**

On May 4, 2012, a Federal Circuit panel decided the circumstances when a plaintiff may join multiple defendants with unrelated products in a patent infringement suit. The court concluded that independent defendants satisfy the same transaction-or-occurrence test required for joinder when there is a logical relationship between the separate causes of action. This occurs "if there is substantial evidentiary overlap in the facts giving rise to the cause of action." That is, "the defendants' allegedly infringing acts, which give rise to the individual claims of infringement, must *share* an aggregate of operative facts." However, "[t]he sameness of the accused products is not enough to establish that claims of infringement arise from the 'same transaction.' Unless there is an actual link between the facts underlying each claim of infringement, independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical."

The case was decided under the rules in place before Congress enacted the new joinder provision in the Leahy-Smith America Invents Act ("AIA") and applies to cases filed before its effective date.

Background of the Case

Oasis Research brought a single suit against eighteen companies in the Eastern District of Texas. The complaint alleged infringement of the method claims of four patents relating to off-site computer data storage and stated that all of the defendants provided online backup and storage for home and business users. Eight of the eighteen defendants moved to sever and transfer the claims against them to more appropriate venues. They argued that because there was no concert of action, the claims against them did not arise out of the same transaction or occurrence, as required by Federal Rule of Civil Procedure 20, which governs permissive joinder of parties.

Oasis Research opposed, arguing that because the accused infringement was limited only to online backup/storage, each defendant offered a similar online backup/storage service, and the steps taken to provide those services were all alleged to infringe, the claims arose out of the same transaction or occurrence. Applying the standard used by the Eastern District of Texas, the district court concluded the claims arose out of the same transaction, occurrence, or series of transactions or occurrences because the defendants' accused services were "not dramatically different." The defendants sought review of the district court's decision via a petition for writ of mandamus.

The Federal Circuit's Decision

Applying its own law to the issue of whether the motion to server should be granted, the Federal Circuit held that the district court applied the wrong standard in determining whether joinder of the multiple defendants was appropriate. The decision explained that Rule 20 allows joinder of multiple defendants if two independent requirements are satisfied: 1) the claims against them must be asserted "with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences," and (2) there must be a "question of law or fact common to all defendants."

After analyzing the text and history of Rule 20, the Federal Circuit explained that the rule is not limited only to joint liability situations, but also can apply in cases involving defendants who are independent actors. In such situations, Rule 20's same transaction-or-occurrence requirement is satisfied when there is a "logical relationship" between the separate causes of action, which the Federal Circuit described as a "substantial evidentiary overlap in the facts giving rise to the cause of action against each defendant." That is, the defendants' allegedly infringing acts "must *share* an aggregate of operative facts." The Federal Circuit rejected the district court's "not dramatically different" standard

as inconsistent, explaining that it would "require little more than the existence of some similarity in the allegedly infringing products or processes, similarity which would exist simply because the same patent claims are alleged to be infringed."

Applying the proper logical relationship test, the Federal Circuit held that joinder in patent cases "is not appropriate where different products or processes are involved." However, simply showing that the accused products are the same is not enough. As the Federal Circuit explained:

> 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. The sameness of the accused products is not enough to establish that claims of infringement arise from the "same transaction." Unless there is an actual link between the facts underlying each claim of infringement, independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical.

To assist district courts in determining whether the joinder test is satisfied, the Federal Circuit identified multiple factors to be considered:

- 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.

Since the district court applied the incorrect test, the Federal Circuit vacated the district court's decision and directed the district court to reconsider the issues of severance and joinder under the proper standard.

Implications

Prior to *In re EMC*, district courts had split on the issue of when multiple unrelated defendants could be joined in single patent infringement case. The Eastern District of Texas, from which *In re EMC* arose, used a standard that, as applied, ordinarily would permit joining any number of defendants accused of infringing the same patent. The practical effects of this touched on many aspects of patent litigation, particularly under the general practice of that district where multiple unrelated defendants often had to undertake a single coordinated defense for purposes of discovery, claim construction, motions for summary judgment, and even trial. *In re EMC* has implications for those aspects and others. Those defending a multi-defendant case in the Eastern District filed before the effective date of the AIA may want to evaluate options for severing the claims against them.

Additionally, as discussed below, the cases to which this holding specifically applies likely are limited to those cases filed before the AIA; however, the Federal Circuit's holding that it will apply its own law to the issue of severance (and its reasoning here) likely has implications for how the joinder provisions of the AIA will be interpreted. Furthermore, many of the implications of *In re EMC* are similar to those that the joinder provision of the AIA have created.

As the Federal Circuit notes, being forced to defend claims alongside unrelated parties with different products or services and possibly different strategies may create prejudice and confusion, which severing claims can mitigate. For example, separate actions tend to allow defendants to present individualized arguments on non-infringement, invalidity, and claim construction. On the other hand, for plaintiffs, maintaining multiple separate actions adds a layer of complication when plaintiffs accuse multiple defendants of infringement. Thus, one implication is for case management by the courts of separated cases.

For cases that previously could have been brought as a multi-defendant case, having them filed and litigated as separate actions will give the courts an opportunity to explore options for case management that are efficient and just. The Federal Circuit identified existing mechanisms for case management, such as consolidation under Rule 42 or multidistrict litigation ("MDL") procedures under 28 U.S.C. § 1407, which do not necessarily have the same effect of maintaining a single case in a single forum. For example, the MDL procedures allow pretrial issues to be adjudicated together in one district court, but cases must be transferred back to their home districts for purposes of trial.

Another implication is the impact on venue and transfer determinations in cases filed both before and after the enactment of the AIA. Under the existing law governing venue and transfer, a defendant in a separate case may be better positioned to change venue than in a multi-defendant case. If separate cases are brought in the same jurisdiction, the impact of the Rule 42 consolidation mechanism noted above, and the change of venue jurisprudence will be a topic to watch. Similarly, when plaintiffs sue defendants in multiple venues or as the result of transfer at the request of defendants, the MDL procedure noted above likely will take on increased importance. For both procedures, it remains to be seen how courts will balance the interplay of separately-filed cases, transfer and venue jurisprudence applicable to each of them, and the case management options consolidation provides.

Impact of the AIA Joinder Provision

The recently enacted AIA provision on joinder provides that accused infringers may be joined in one action as defendants or have their actions consolidated for trial only if the allegations of infringement "aris[e] 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." Since the AIA joinder provision is not retroactive and applies only to cases filed on or after the effective date of the AIA (September 16, 2011), the Federal Circuit declined to rule on whether the new provision changes the test for joinder. However, since the new AIA joinder provision focuses the same transaction-or-occurrence requirement on acts of infringement similar to those considered in *In re EMC*, the decision may be instructive for cases subject to the AIA.

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