

# 科技部補助專題研究計畫成果報告 期末報告

美國新專利法中共同訴訟規定之研究：以涉台灣籍被告之  
司法判決為中心

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中文摘要：在美國國會制定 35 U.S.C. § 299 前，少數法院會以侵害同一件專利為由而將不相干的被告合併在同一個訴訟。此吸引非實施個體到該法院進行訴訟。為解決此問題，國會希望透過§ 299(b)以廢除少數法院的實務。美國聯邦巡迴上訴法院在 *In re EMC Corp.* 案中也要求對不同被告的請求權主張間必須有實際的關連，共同訴訟才得以成立。CAFC 提出六個因素供下級法院判斷何時可准許共同訴訟。但是東德州區地方法院主要以「使用同樣來源的零件」為判斷因素，而其他法院卻不准許競爭者的共同訴訟。特別是在手機技術的案件中，東德州區地方法院會因被告產品使用同樣的零件而准許共同訴訟，但其他法院會認為不同的手機因為有不同的作業系統而為不同的產品，進而不准共同訴訟。

中文關鍵詞：美國專利法，共同訴訟，2011 年專利法修正案，美國發明法，非實施個體

英文摘要：Before 35 U.S.C. § 299 was enacted, some minority district courts had permitted joinder of independent defendants only because they infringe the same patents. That gave a great incentive to non-practicing entities to sue as many defendants as possible in one suit. To resolve this problem, Congress created § 299(b) to abrogate the minority view of joinder. The Federal Circuit in *In re EMC Corp.* also created a test requiring finding of “an actual link between the facts underlying each claim of infringement.” The Federal Circuit provides six EMC factors for lower courts to determine permissive joinder. The Eastern District of Texas relies primarily on “the use of identically sourced parts” to find joinder, while other district courts have denied joinder of direct competitors. Particularly, in mobile phone technology cases, the Eastern District of Texas has permitted joinder only because the same hardware component is used, while other courts may find misjoinder only because mobile devices of one manufacturer’s operational system are not the same as mobile devices of another manufacturer’s operational system.

英文關鍵詞：United States patent law, joinder of parties, patent law amendment of 2011, America Invents Act, non-practicing entity



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### 摘要

在美國國會制定 35 U.S.C. § 299 前，少數法院會以侵害同一件專利為由而將不相干的被告合併在同一個訴訟。此吸引非實施個體到該法院進行訴訟。為解決此問題，國會希望透過 § 299(b) 以廢除少數法院的實務。美國聯邦巡迴上訴法院在 *In re EMC Corp.* 案中也要求對不同被告的請求權主張間必須有實際的關連，共同訴訟才得以成立。CAFC 提出六個因素供下級法院判斷何時可准許共同訴訟。但是東德州區地方法院主要以「使用同樣來源的零件」為判斷因素，而其他法院卻不准許競爭者的共同訴訟。特別是在手機技術的案件中，東德州區地方法院會因被告產品使用同樣的零件而准許共同訴訟，但其他法院會認為不同的手機因為有不同的作業系統而為不同的產品，進而不准共同訴訟。

關鍵字：美國專利法，共同訴訟，2011 年專利法修正案，美國發明法，非實施個體

### Abstract

Before 35 U.S.C. § 299 was enacted, some minority district courts had permitted joinder of independent defendants only because they infringe the same patents. That gave a great incentive to non-practicing entities to sue as many defendants as possible in one suit. To resolve this problem, Congress created § 299(b) to abrogate the minority view of joinder. The Federal Circuit in *In re EMC Corp.* also created a test requiring finding of “an actual link between the facts underlying each claim of infringement.” The Federal Circuit provides six *EMC* factors for lower courts to determine permissive joinder. The Eastern District of Texas relies primarily on “the use of identically sourced parts” to find joinder, while other district courts have denied joinder of direct competitors. Particularly, in mobile phone technology cases, the Eastern District of Texas has permitted joinder only because the same hardware component is used, while other courts may find misjoinder only because mobile devices of one manufacturer’s operational system are not the same as mobile devices of another manufacturer’s operational system.

Keywords: United States patent law, joinder of parties, patent law amendment of 2011, America Invents Act, non-practicing entity

## 報告內容

### Application of the Joinder Clause under the America Invents Act

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#### I. Introduction

On September 16, 2011, the Leahy-Smith America Invents Act (“AIA”) became effective after President Obama signed the bill.<sup>1</sup> Among those important tasks was how to minimize the negative effect caused by patent enforcement on small businesses.<sup>2</sup> In recent years, small businesses in the United States have suffered from frivolous patent litigation brought by non-practicing entities (“NPEs”), usually an entity which buys patents and does not sell products or make innovation.<sup>3</sup> This phenomenon results partially from the practice of Rule 20 of Federal Rules of Civil Procedure (“Rule 20”) in some jurisdictions.<sup>4</sup>

Rule 20(a)(2) provides,

Persons ... may be joined in one action as defendants 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>5</sup>

To sue different defendants jointly, a plaintiff has to plead some facts supporting a two-prong test under Rules 20(a)(2)(A) and 20(a)(2)(B).<sup>6</sup> In the patent context, a minority of district courts have applied Rule 20 to consolidate different patent cases only because the same patent is infringed.<sup>7</sup> As a result, NPEs are more likely to file a complaint against irrelevant infringers in those minority courts.<sup>8</sup>

To solve the problem, AIA § 19(d) adds 35 U.S.C. § 299. Basically, the new statute is similar to Rule 20. 35 U.S.C. § 299(a) provides,

With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271 (e)(2) has been pled, parties

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<sup>1</sup> See Tracie L. Bryant, Note, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 HARV. J.L. & TECH. 673, 694 (2012).

<sup>2</sup> See Adam Smith, Notes, *Patent Trolls-An Overview of Proposed Legislation and a Solution That Benefits Small Businesses and Entrepreneurs*, 9 OHIO ST. ENTREPRENEURIAL BUS. L.J. 201, 208-09 (2014).

<sup>3</sup> See David O. Taylor, *Patent Misjoinder*, 88 N.Y.U. L. REV. 652, 660 (2013) (describing patent trolls).

<sup>4</sup> See *id.* at 656.

<sup>5</sup> FED. R. CIV. P. 20(a)(2).

<sup>6</sup> See *Acevedo v. Allsup's Convenience Stores, Inc.*, 600 F.3d 516, 521 (5th Cir. 2010) (“Courts have described Rule 20 as creating a two-prong test, allowing joinder of plaintiffs when (1) their claims arise out of the ‘same transaction, occurrence, or series of transactions or occurrences’ and when (2) there is at least one common question of law or fact linking all claims.” (citations omitted)).

<sup>7</sup> See Xun (Michael) Liu, Note, *Joinder under the AIA: Shifting Non-Practicing Entity Patent Assertions Away from Small Businesses*, 19 MICH. TELECOMM. & TECH. L. REV. 489, 503 (2013) (describing the minority view of Rule 20).

<sup>8</sup> See Dongbiao Shen, *Misjoinder or Mishap? The Consequences of the AIA Joinder Provision*, 29 BERKELEY TECH. L.J. 545, 551-52 (2014).

that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, *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>9</sup>

In addition, § 299(b) mandates that multiple defendants cannot be joined in the same case only because they infringe the same patent(s). § 299(b) provides, “For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based *solely* on allegations that they each have infringed the patent or patents in suit.”<sup>10</sup> Therefore, § 299(b) limits the traditional practice of Rule 20 in some minority district courts.

AIA § 19 (now 35 U.S.C. § 299) became effective right after President Obama signed the bill. But, not all pending cases or newly-filed cases are subject to the new joinder clause. Under AIA § 19(e), 35 U.S.C. § 299 “shall apply to any civil action commenced *on or after* the date of the enactment of [the AIA].”<sup>11</sup> Thus, the joinder clause is not retroactive, and only cases filed on or after September 16, 2011 are governed by 35 U.S.C. § 299.<sup>12</sup>

The legislative history of § 299 shows that Congress intended to abrogate some district court decisions which permit joinder of different defendants only because they infringe the same patent(s).<sup>13</sup> *MyMail, Ltd. v. America Online, Inc.*<sup>14</sup> held by the Eastern District of Texas in 2004 was the beginning of the minority view.<sup>15</sup> The *MyMail* court developed a proposition that “severance could be appropriate if the defendants’ methods or products were *dramatically different*.”<sup>16</sup> Because of no evidence showing any dramatic differences between the accused methods or products, the *MyMail* court permitted joinder.<sup>17</sup> Following *MyMail, Ltd.*, the Eastern District of Texas began to permit joinder only because the same patents were infringed.<sup>18</sup>

Even after the enactment of § 299, the Eastern District of Texas still followed its traditional minority view because the cases were filed prior to the effective date of § 299.<sup>19</sup> Only after *In re*

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<sup>9</sup> 35 U.S.C. § 299(a) (emphasis added).

<sup>10</sup> 35 U.S.C. § 299(b) (emphasis added).

<sup>11</sup> AIA § 19(e) (emphasis added).

<sup>12</sup> See *In re EMC Corp.*, 677 F.3d 1351, 1356 (Fed. Cir. 2012) (explaining why 35 U.S.C. § 299 is not retroactive and holding that “[t]he timing of this petition means that our decision will only govern a number of cases that were filed before the passage of the new joinder provision”).

<sup>13</sup> See H.R. Rep. No. 112-98, pt.1, at 55 n.61 (“Section 299 legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010).”).

<sup>14</sup> *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004).

<sup>15</sup> See Taylor, *supra* note 3, at 678-79 (“On one end of the spectrum lie decisions that allowed practically unlimited joinder of accused infringers. The leading opinion on this end of the spectrum is *MyMail, Ltd. v. America Online, Inc.*, authored by Judge Leonard Davis of the Eastern District of Texas.”).

<sup>16</sup> *MyMail, Ltd.*, 223 F.R.D. at 457 (emphasis added).

<sup>17</sup> See *id.* at 457-58.

<sup>18</sup> See Bryant, *supra* note 1, at 698.

<sup>19</sup> See, e.g., *Ganas, LLC v. Sabre Holdings Corp.*, No. 2:10-CV-320-DF, 2011 WL 8183246, at \*8 (E.D. Tex. Oct. 19, 2011) (adopting *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004) because the AIA’s joinder clause is not retroactive); *Imperium (IP) Holdings, Inc. v. Apple Inc.*, 2012 WL 461775, at \*3 (E.D. Tex. Jan. 20, 2012) (applying *Eolas Tech., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, 2010 WL 3835762 (E.D. Tex. Sept. 28, 2010)).

*EMC Corp.*,<sup>20</sup> a 2012 Federal Circuit case holding that merely infringing the same patent does not support joinder under Rule 20,<sup>21</sup> the Eastern District of Texas started to change its attitude.<sup>22</sup> For example, in *Norman IP Holdings, LLC v. Lexmark Int'l, Inc.*,<sup>23</sup> the Eastern District of Texas applied *EMC* and held, “That the accused products or processes of the defendants are similar is not enough [to support joinder].”<sup>24</sup>

The Federal Circuit in *EMC Corp.* primarily interpreted Rule 20(a)(2)(A) in the context of patent infringement<sup>25</sup> because the case was not subject to the application of the AIA’s joinder clause.<sup>26</sup> In addition, the Federal Circuit briefly addresses the “the same accused product or process” requirement under 35 U.S.C. § 299. Since then, the Federal Circuit has never interpreted § 299. Consequently, the *EMC* decision has guided district courts to determine whether misjoinder exists under § 299.<sup>27</sup>

One government survey has shown the increase of the number of patent law suits in 2011.<sup>28</sup> This phenomenon may reflect an expectation that § 299 will restrict the possibility of permissive joinder, so some NPEs have decided to change their strategies by filing different law suits against multiple defendants. But, the question is whether district courts apply § 299 in a way expected by Congress.

This article is intended to estimate how 35 U.S.C. § 299 should be applied to the cases related to mobile phone technology. Part II discusses the interpretation and application of 35 U.S.C. § 299. This part analyzes *EMC* and its implications on § 299. District court decisions are also reviewed. Part III focuses on the context of mobile phone technology to show the inconsistency among district courts with respect to permissive joinder.

## **II. Interpretation and Application of 35 U.S.C. § 299**

### **A. In re EMC Corp. and Interpretation of Rule 20**

The Federal Circuit in *EMC* primarily interpreted Rule 20(a)(2)(A) and provided several aspects of Rule 20. First, there are two requirements under Rule 20 for proper joinder: “(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.’”<sup>29</sup> Because of the phrase “series of transactions or occurrences” in Rule 20(a)(2)(A), the court recognized that “a single transaction is not necessary.”<sup>30</sup>

Second, there are two categories of possible situations where joinder is proper. In the first category, “defendants are alleged to be jointly liable.”<sup>31</sup> In the second category, “any right to relief

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<sup>20</sup> *In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir. 2012).

<sup>21</sup> *See id.* at 1357.

<sup>22</sup> *See, e.g.*, *Phoenix Licensing, LLC v. Aetna, Inc.*, No. 2:11–CV–285–JRG, 2012 WL 3472973 (E.D.Tex. Aug. 15, 2012); *Oasis Research, LLC v. Carbonite, Inc.*, No. 4:10–CV–435, 2012 WL 3544881 (E.D. Tex. Aug. 15, 2012); *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, No. 6:11–CV–495, 6:12CV508, 2012 WL 3307942 (E.D. Tex. Aug. 10, 2012).

<sup>23</sup> *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, No. 6:11–CV–495, 6:12CV508, 2012 WL 3307942 (E.D. Tex. Aug. 10, 2012) (applying Rule 20 to a pre-AIA law suit).

<sup>24</sup> *Lexmark Int’l, Inc.*, 2012 WL 3307942, at \*2.

<sup>25</sup> *See EMC Corp.*, 677 F.3d at 1355-60.

<sup>26</sup> *See* George D. Medlock Jr. & David Frist, *Joinder: Over a Year after the America Invents Act*, 5 No. 4 LANDSLIDE 44, 44 (2013).

<sup>27</sup> *See* Shen, *supra* note 8, at 575-76.

<sup>28</sup> *See* U.S. GOV’T ACCOUNTABILITY OFFICE, ASSESSING FACTORS THAT AFFECT PATENT INFRINGEMENT LITIGATION COULD HELP IMPROVE PATENT QUALITY 14-15 (2013), available at <http://www.gao.gov/assets/660/657103.pdf>; *see also* *Lighting Ballast Control LLC v. Philips Electronics N. Am. Corp.*, 744 F.3d 1272, 1293 (Fed. Cir. 2014) (“This problem might increasingly exist in light of the AIA’s limits on the number of accused infringers that can be joined as defendants in one lawsuit, thereby creating the possibility of more lawsuits on the same patent, and more inconsistency, than existed in the past.”).

<sup>29</sup> *EMC Corp.*, 677 F.3d at 1356.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

is asserted against [defendants] jointly, *severally*, or *in the alternative*.”<sup>32</sup>

Third, Rule 20 permits joinder of independent defendants “as long as their actions are part of the ‘same transaction, occurrence, or series of transactions or occurrences.’”<sup>33</sup> The ultimate question is “under what circumstances is the joinder of independent actors permissible under Rule 20.”<sup>34</sup>

To resolve the question, the Federal Circuit twisted the transaction-or-occurrence requirement and the requirement of a common question of law or fact by stating that “Rule 20 makes clear that the existence of a single common question of law or fact alone is insufficient to satisfy the transaction-or-occurrence requirement.”<sup>35</sup> The Federal Circuit further held that “the mere fact that infringement of the same claims of the same patent is alleged does not support joinder, even though the claims would raise common questions of claim construction and patent invalidity.”<sup>36</sup> This statement completely overrules the minority view of joinder.<sup>37</sup>

Based on the case law from the Supreme Court and other circuit courts,<sup>38</sup> the Federal Circuit concluded that joinder of independent defendants may be proper “when there is a *logical relationship* between the separate causes of action.”<sup>39</sup> There are two aspects of the logical relationship test. First, “there is substantial evidentiary overlap in the facts giving rise to the cause of action against each defendant.”<sup>40</sup> Second, “the defendants’ allegedly infringing acts, which give rise to the individual claims of infringement, must share an aggregate of operative facts.”<sup>41</sup>

To further apply the logical relationship test in the context of patent infringement, the Federal Circuit transformed the transaction-or-occurrence requirement into a two-part test for determining whether joinder of independent defendants is appropriate under Rule 20 in patent litigation.

Under the two-part test, the first question is whether “the accused products or processes are the same in respects relevant to the patent.”<sup>42</sup> This sameness test mandates a district court to find that “joinder [of independent defendants] is not appropriate where *different* products or processes are involved.”<sup>43</sup> If the sameness test is passed, then the second question is whether “the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts.”<sup>44</sup> To satisfy the transaction-or-occurrence test, a patentee is required to show “shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts.”<sup>45</sup> Alternatively, a patentee must prove that “there is an actual link between the facts underlying each claim of infringement.”<sup>46</sup>

To determine the transaction-or-occurrence test, the Federal Circuit required district courts to consider six factual factors (“*EMC* factors”) including: (1) “whether the alleged acts of infringement occurred during the same time period,” (2) “the existence of some relationship among the defendants,” (3) “the use of identically sourced components,” (4) “licensing or technology agreements between the defendants,” (5) “overlap of the products’ or processes’ development and manufacture,” and (6) “whether the case involves a claim for lost profits.”<sup>47</sup> But, each factor is not

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<sup>32</sup> *Id.* (emphasis original).

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

<sup>34</sup> *Id.* at 1357.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> See Dianne Brown Elderkin & Domingo Manuel Llagostera, *Case Management Issues in Patent Infringement Litigation*, 13 SEDONA CONF. J. 77, 86 (2012).

<sup>38</sup> See *EMC Corp.*, 677 F.3d at 1357-58.

<sup>39</sup> *Id.* at 1358 (emphasis added).

<sup>40</sup> *Id.* (emphasis added).

<sup>41</sup> *Id.* (emphasis added).

<sup>42</sup> *Id.* at 1359.

<sup>43</sup> *Id.* (emphasis added).

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* at 1359-60.

dispositive. The transaction-or-occurrence test is a flexible test because “the district court enjoys considerable discretion in weighing the relevant factors.”<sup>48</sup>

### **B. 35 U.S.C. § 299 and *In re EMC Corp.***

The *EMC* decision helps predict how the Federal Circuit may interpret § 299 because of the similarity between § 299(a) and Rule 20(a)(2). The language of § 299(a) specifically links the transaction-or-occurrence requirement of Rule 20(a)(2) to patent infringement under 35 U.S.C. § 271(a).<sup>49</sup> In 2013, the Federal Circuit in *In re Nintendo Co.*<sup>50</sup> noted that “[t]he AIA’s joinder provision is more stringent than Rule 20, and adds a requirement that the transaction or occurrence must relate to making, using, or selling of the same accused product or process.”<sup>51</sup> Therefore, the interpretation of § 299(a) should include the requirements under Rule 20(a)(2).

While not directly providing clear guidance on the interplay between Rule 20 and § 299, the Federal Circuit imposed a limitation on the applicability of the *EMC* decision to the interpretation of § 299. In footnote 4 of the *EMC* decision, the Federal Circuit cautioned that the decision does “not decide today whether the new joinder provision at 35 U.S.C. § 299 changes the test for joinder of defendants in patent infringement actions.”<sup>52</sup> Therefore, the Federal Circuit declared that it is not bound by the *EMC* decision when interpreting § 299.<sup>53</sup>

In footnote 4, the Federal Circuit also mentioned that “[t]he new statute only allows joinder of independent defendants whose acts of infringement involve ‘the *same* accused product or process.’”<sup>54</sup> The question left was what “same” means. The Federal Circuit in *EMC* established a two-part test which first asks whether “the accused products or processes are the same in respects relevant to the patent.”<sup>55</sup> But, the Federal Circuit refused to “decide whether the sameness test in the new legislation is identical to the sameness test we adopt here for cases not covered by the new legislation.”<sup>56</sup> Thus, the question remains.

Not only is the sameness test under § 299 not predictable, but the sameness test under *EMC* is also ambiguous. Every product is to some extent different from another product even though they are under the same product name. The standard of “same in respects relevant to the patent” does not help because the *EMC* decision does not clarify in what relevant respect accused products or processes are the same. But, there may be some clue in an exclusionary way.

Under the *EMC* sameness test, merely infringing the same patent claims may not be sufficient because the *EMC* decision has rejected the “not dramatically different” standard adopted by the Eastern District of Texas.<sup>57</sup> Under the “not dramatically different” standard, accused products or processes are the same if “some similarity in the allegedly infringing products or processes” exists.<sup>58</sup> “Similarity” can be established simply because accused products or processes are alleged to infringe the same patent claims.<sup>59</sup> For instance, as the Federal Circuit in *EMC* has noticed,<sup>60</sup> in

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<sup>48</sup> *Id.* at 1360.

<sup>49</sup> See 35 U.S.C. § 271(a) (“Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”); see also EDWARD D. MANZO, *THE AMERICA INVENTS ACT: A GUIDE TO PATENT LITIGATION AND PATENT PROCEDURE* 181 (Thomson Reuters 2013).

<sup>50</sup> *In re Nintendo Co.*, 544 F. App’x 934 (Fed. Cir. 2013).

<sup>51</sup> *Id.* at 939.

<sup>52</sup> *EMC Corp.*, 677 F.3d at 1360 n.4.

<sup>53</sup> See *id.* (“[O]ur approach to the new provision is not dictated by this case.”).

<sup>54</sup> *Id.* (emphasis original) (quoting 35 U.S.C. § 299(a)(1)).

<sup>55</sup> *Id.* at 1359.

<sup>56</sup> *Id.* at 1360 n.4.

<sup>57</sup> See *id.* at 1359.

<sup>58</sup> *Id.*

<sup>59</sup> See *id.* (citing *Oasis Research, LLC v. Adrive, LLC*, No. 4:10–CV–435, 2011 WL 3099885, at \*2 (E.D. Tex. May 23, 2011) (“[S]imilarity [sic] would exist simply because the same patent claims are alleged to be infringed.”)).

<sup>60</sup> See *id.* (quoting *Oasis Research, LLC*, 2011 WL 3099885, at \*2).

*Oasis Research, LLC v. Adrive, LLC*,<sup>61</sup> the Eastern District of Texas found that the joinder is appropriate because “each Defendant offers an online backup/storage service to its customers that allegedly infringe Plaintiff’s patents.”<sup>62</sup> Although *Oasis Research* is a pre-AIA case applying Rule 20, the Federal Circuit’s refusal to the *Oasis Research* approach indicates that accused products or processes alleged to merely infringe the same patent claims are unlikely to be found the same under § 299. Furthermore, § 299(b) provides, “For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based *solely* on allegations that they each have infringed the patent or patents in suit.”<sup>63</sup> Therefore, the sameness test under § 299 may require more than merely infringing the same patent claims.

Because of the nature of patent infringement, accused products or processes alleged to infringe the same patent claims alone do not mean that they are the same products or processes. Under 35 U.S.C. §271(a), a patent may be infringed literally<sup>64</sup> or under the doctrine of equivalents (“DOE”).<sup>65</sup> On one hand, claim language can be broad enough to cover different products or processes. For example, if a claim uses “metal,” the term can cover copper, silver, and gold. But, products of different metals may be different in some aspect. For example, a semiconductor chip using aluminum as metal lines is different from that using copper because the latter offers better energy efficiency.<sup>66</sup> On the other hand, when DOE is applied, at least one element of the claim cannot read on the accused product or process.<sup>67</sup> To establish DOE, the accused product or process must have an equivalent which is insubstantially different from the missing element.<sup>68</sup> “Equivalency” can also be found if the asserted equivalent plays substantially the same function in substantially the same way to reach substantially the same result as the missing element does.<sup>69</sup> The application of DOE indicates that each accused product or process is literally different from the patented invention on at least one element. So, it is possible that accused products or processes may have different equivalents with respect to the same missing element or different missing elements. These accused products or processes may be considered different because they have different equivalents.

The “transaction or occurrence” requirement under § 299 may be determined in view of the same accused product or process. The question is how this requirement interacts with the *EMC* decision and Rule 20. District courts have recognized 35 U.S.C. § 299 as governing law for misjoinder. Most of district courts have applied § 299 in light of the *EMC* decision. For example,

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<sup>61</sup> *Oasis Research, LLC v. Adrive, LLC*, No. 4:10–CV–435, 2011 WL 3099885 (E.D. Tex. May 23, 2011).

<sup>62</sup> *Id.* at \*2. But, such finding actually relates to the “transaction or occurrence” requirement. *See Oasis Research, LLC*, 2011 WL 3099885, at \*2 (“The similarity of Defendants’ products is sufficient to satisfy the same transaction or occurrence prong.”).

<sup>63</sup> 35 U.S.C. § 299(b).

<sup>64</sup> *See DeMarini Sports v. Worth*, 239 F.3d 1314, 1331 (Fed. Cir. 2001) (“Literal infringement of a claim occurs when every limitation recited in the claim appears in the accused device, i.e., when ‘the properly construed claim reads on the accused device exactly.’”).

<sup>65</sup> *See* B. Thomas Watson, *Carbons into Bytes: Patented Chemical Compound Protection in the Virtual World*, 12 DUKE L. & TECH. REV. 25, 29-30 (2014).

<sup>66</sup> *See* ANNABELLE PRATT, OVERVIEW OF THE USE OF COPPER INTERCONNECTS IN THE SEMICONDUCTOR INDUSTRY 1-2 (Advanced Energy Industries, Inc. 2004), available at [http://www.advanced-energy.com/upload/File/White\\_Papers/SL-ELECTROPLATING-270-01.pdf](http://www.advanced-energy.com/upload/File/White_Papers/SL-ELECTROPLATING-270-01.pdf) (last visited Dec. 27, 2014).

<sup>67</sup> *See Epos Techs. Ltd. v. Pegasus Techs. Ltd.*, 766 F.3d 1338, 1348 (Fed. Cir. 2014)

<sup>68</sup> *See id.* (“When addressing the doctrine of equivalents, a court must ask whether an asserted equivalent is an ‘insubstantial difference’ from the claimed element, or whether it matches the ‘function, way, and result of the claimed element.’”).

<sup>69</sup> *See EMD Millipore Corp. v. AllPure Techs., Inc.*, 768 F.3d 1196, 1202 (Fed. Cir. 2014) (“Even without literal infringement of a certain claim limitation, a patentee may establish infringement under the doctrine of equivalents if an element of the accused device ‘performs substantially the same function in substantially the same way to obtain the same result as the claim limitation.’”).

the Southern District of Mississippi in *MGT Gaming, Inc. v. WMS Gaming, Inc.*<sup>70</sup> has even recognized that 35 U.S.C. § 299 preserves the transaction-or-occurrence requirement under Rule 20.<sup>71</sup> Therefore, it is necessary to examine district court decisions.

### C. Approaches of the Majority of District Courts

The sameness test is not a significant requirement because most of district courts always address issues under the transaction-or-occurrence test.<sup>72</sup> One exception is *Summit 6 LLC v. HTC Corp.*,<sup>73</sup> where the Northern District of Texas found misjoinder simply because iOS-based mobile phones are not the same products of Android-based mobile phones.<sup>74</sup>

The transaction-or-occurrence test developed by the majority of district courts can be generally categorized into two scenarios: competitor scenario and upstream-and-downstream scenario.<sup>75</sup> The competitor scenario means that independent defendants are competitors. The upstream-and-downstream scenario means that independent defendants are composed of upstream manufacturers and downstream clients (e.g., users, retailers, resellers, distributors).

#### 1. Competitor Scenario

In the competitor scenario, district courts have found misjoinder of competitor defendants. “Direct competitors” are unlikely to be jointly sued as defendants<sup>76</sup> primarily because it is unlikely to find “the facts underlying the claim of infringement asserted against each defendant share an aggregate of operative facts.” In those misjoinder decisions, the competitor relationship between

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<sup>70</sup> *MGT Gaming, Inc. v. WMS Gaming, Inc.*, 978 F. Supp. 2d 647 (S.D. Miss. 2013).

<sup>71</sup> *See id.* at 661 (“Section 299 of the AIA has preserved the requirement in Rule 20 that the claims against the parties must arise out of the ‘same transaction or occurrence.’”).

<sup>72</sup> *See, e.g., IpVenture, Inc. v. Acer, Inc.*, 879 F. Supp. 2d 426, 430 (D. Del. 2012) (“The fact that computers generally have the same components and the same functionalities does not mean that they are ‘the same in respects relevant to the patent.’”); *Mednovus, Inc. v. QinetiQ Group PLC*, No. 2:12-cv-03487-ODW(JCx), 2012 WL 4513539, at \*2-\*3 (C.D. Cal. Oct. 1, 2012) (“Plaintiffs’ allegations that each Defendant infringed on a different set of products fails § 299(a)(1)’s requirement.”).

<sup>73</sup> *Summit 6 LLC v. HTC Corp.*, No. 7:14-cv-0014-O, 2014 WL 4449821 (N.D. Tex. Sept. 10, 2014).

<sup>74</sup> *See id.* at \*16.

<sup>75</sup> *See, e.g., Omega Patents, LLC v. Skypatrol, LLC*, No. 1:11-cv-24201-KMM, 2012 WL 2339320, at \*1-\*2 (S.D. Fla. June 19, 2012); *IpVenture, Inc. v. Acer, Inc.*, 879 F. Supp. 2d 426, 429-30 (D. Del. 2012); *Motorola Mobility, Inc. v. Apple Inc.*, Nos. 1:10-CV-23580-RNS, 1:12-CV-20271-RNS, 2012 WL 3113932, at \*2 (S.D. Fla. Jul 31, 2012); *Net Nav. Sys., LLC v. Cisco Sys., Inc.*, No. 4:11-CV-660, 2012 WL 7827543, at \*2-\*3 (E.D. Tex. Aug. 22, 2012); *Golden Bridge Tech., Inc. v. Apple, Inc.*, No. 2:12-cv-4014, 2012 WL 3999854, at \*1-\*3 (C.D. Cal. Sept. 11, 2012); *Digitech Image Techs., LLC v. Agfaphoto Holding GmbH*, No. 8:12-CV-1153-ODW, 2012 WL 4513805, at \*1-\*4 (C.D. Cal. Oct. 1, 2012); *Mednovus, Inc. v. QinetiQ Group PLC*, No. 2:12-cv-03487-ODW(JCx), 2012 WL 4513539, at \*1-\*3 (C.D. Cal. Oct. 1, 2012); *MGT Gaming, Inc. v. WMS Gaming, Inc.*, 978 F. Supp. 2d 647, 657-63 (S.D. Miss. 2013); *NFC Tech., LLC v. HTC Am.*, No. 2:13-CV-01058-JRG, 2014 WL 3834959, at \*1-\*2 (E.D. Tex. Aug. 1, 2014); *Star CoLED Techs., LLC v. Sharp Corp.*, No. 2:13-CV-416-JRG, 2014 WL 1998051, at \*1-\*3 (E.D. Tex. May 15, 2014); *Richmond v. Lumisol Elec. Ltd.*, Nos. 13-1944 (MLC), 13-1949(MLC), 13-1950(MLC), 13-1951(MLC), 13-1952(MLC), 13-1953(MLC), 13-1954(MLC), 13-1957(MLC), 13-1958(MLC), 13-1959(MLC), 13-1960(MLC), 13-2916(MLC), 2014 WL 1716447, at \*1-\*6 (D.N.J. Apr. 30, 2014) (reversing *Richmond v. Lumisol Elec., Ltd.*, Nos. CIV.A. 13-1944 MLC, CIV.A. 13-1951 MLC, CIV.A. 13-1953 MLC, CIV.A. 13-1954 MLC, CIV.A. 13-1959 MLC, 2014 WL 457661 (D.N.J. Feb. 4, 2014); *Pipeline Techs. Inc. v. Telog Instruments Inc.*, No. CV-13-02104-PHX-SPL, 2014 WL 5241719, at \*1-\*3 (D. Ariz. Oct. 15, 2014); *Broadband iTV, Inc. v. Hawaiian Telcom, Inc.*, No. CIV. 14-00169 ACK, 2014 WL 5580967, at \*5-\*8 (D.Hawai’i Oct. 30, 2014).

<sup>76</sup> *See, e.g., IpVenture, Inc.*, 879 F. Supp. 2d at 430 (“They are all direct competitors, which also significantly counsels against their joinder in the same case.”); *Motorola Mobility, Inc.*, 2012 WL 3113932, at \*4 (“Moreover, HTC and Motorola are competitors, not collaborators, in the smartphone market.”); *Golden Bridge Tech., Inc.*, 2012 WL 3999854, at \*3 (“Defendants are unrelated competitors that design, manufacture, and sell smartphones and other datacommunication devices.”); *MGT Gaming*, 978 F. Supp. 2d at 660 (“As direct competitors with different casino clients, WMS and Aruze’s products never involve the same stream of commerce.”); *Broadband iTV, Inc.*, 2014 WL 5580967, at \*7 (“Additionally, since TWC and HTI are competitors in the cable TV market, joinder may be inappropriate in this case given that ‘sensitive and confidential information’ is ‘likely [to] be revealed in discovery in this matter.’”).

the defendants is the key factual concern.

A plaintiff must assert some link among different claims against different competitor defendants. A common approach is to assert some facts supporting the third *EMC* factor (the use of identically sourced components) or fourth *EMC* factor (licensing or technology agreements between the defendants). But, those misjoinder cases demonstrate that these two *EMC* factors are weak factors.

In three 2012 cases, each plaintiff tried to assert some similarity among the defendants' products. In *IpVenture, Inc. v. Acer, Inc.*,<sup>77</sup> the plaintiff based joinder on the allegation that different accused products use the same components and comply with the same industrial standard.<sup>78</sup> But, the District of Delaware held that the allegation alone is not enough to support joinder.<sup>79</sup> The plaintiff failed to allege any "connection between the industrial standard and alleged infringement."<sup>80</sup> The court also considered that the defendants are all direct competitors, which was recognized by the court as a factor "significantly counsels against their joinder in the same case."<sup>81</sup> Thus, the court held that the infringement claims against the defendants' products do not share an aggregate of operative facts.<sup>82</sup>

In *Motorola Mobility, Inc. v. Apple Inc.*,<sup>83</sup> the plaintiff asserted that the defendants hold a membership of the Open Handset Alliance ("OHA") that is a form of joint development of the Android software.<sup>84</sup> The Southern District of Florida followed a pre-AIA decision of the Northern District of Illinois<sup>85</sup> which held, "Simply being a member of an industry organization does not indicate that Defendants have jointly designed, developed, manufactured, marketed, or sold their Accused Products."<sup>86</sup> Because the OHA was found to be merely an organization promoting products and services based on the Android system,<sup>87</sup> the Southern District of Florida held that the connection based on the OHA is "too tenuous."<sup>88</sup> The court even found that the defendants are "competitors in the smartphone industry and produce different smartphones that run on at least somewhat modified Android software."<sup>89</sup> Eventually, the court held that the plaintiff does not satisfy the AIA joinder clause by merely alleging the "use of the Android platform by these competitors" and the infringement of the same patent.<sup>90</sup>

In *Golden Bridge Tech., Inc. v. Apple, Inc.*,<sup>91</sup> the plaintiff argued that the defendants' products use one of two baseband processors designed and manufactured by two different third-party suppliers.<sup>92</sup> But, the Central District of California found misjoinder because the defendants did not "have any relationship relating to the accused products or infringement of the [patent-in-suit]."<sup>93</sup> The court based its decision on some facts. First, the defendants were "unrelated competitors."<sup>94</sup> Second, no evidence showed that the accused products are identical or that the defendants

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<sup>77</sup> *IpVenture, Inc. v. Acer, Inc.*, 879 F. Supp. 2d 426 (D. Del. 2012).

<sup>78</sup> *See id.* at 430.

<sup>79</sup> *See id.*

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> *See id.* The *IpVenture* plaintiff's approach focuses on the third *EMC* factor: "the use of identically sourced components." *See id.* But, the District of Delaware did not discuss the third *EMC* factor in the reasoning. *See id.*

<sup>83</sup> *Motorola Mobility, Inc. v. Apple Inc.*, Nos. 1:10-CV-23580-RNS, 1:12-CV-20271-RNS, 2012 WL 3113932 (S.D. Fla. Jul 31, 2012).

<sup>84</sup> *See id.* at \*4.

<sup>85</sup> *Body Science LLC v. Boston Scientific Corp.*, 846 F. Supp. 2d 980 (N.D. Ill. 2012) (applying Rule 20 to the pre-AIA law suit).

<sup>86</sup> *Body Science LLC*, 846 F. Supp. 2d at 989; *see also Motorola Mobility, Inc.*, 2012 WL 3113932, at \*4.

<sup>87</sup> *See Motorola Mobility, Inc.*, 2012 WL 3113932, at \*4.

<sup>88</sup> *See id.*

<sup>89</sup> *See id.*

<sup>90</sup> *See id.*

<sup>91</sup> *Golden Bridge Tech., Inc. v. Apple, Inc.*, No. 2:12-cv-4014, 2012 WL 3999854 (C.D. Cal. Sept. 11, 2012).

<sup>92</sup> *See id.* at \*1.

<sup>93</sup> *Id.* at \*3.

<sup>94</sup> *See id.*

“collaborated in any manner to infringe the [patent-in-suit].”<sup>95</sup> Third, Infringement of the patent-in-suit required other components to work with the alleged baseband processor.<sup>96</sup> Last, the plaintiff was a non-practicing entity which cannot theoretically claim lost profits.<sup>97</sup>

After *Golden Bridge Tech., Inc.*, the Central District of California even disregards whether the competition between defendants exists. In 2012, the Central District of California in *Mednovus, Inc. v. QinetiQ Group PLC*<sup>98</sup> found misjoinder of different distributors of the same manufacturer.<sup>99</sup> The court’s analysis began by assuming that the accused products are the same.<sup>100</sup> While admitting that “the only related transactions between these entities are those transactions within the commerce stream,”<sup>101</sup> the court, however, held that “these transactions within the commerce stream do not constitute the same transaction or series of transactions.”<sup>102</sup> Without asking whether those distributors are competitors, the court concluded that a transaction between the manufacturer and one distributor is different from a transaction between the same manufacturer and the other distributor.<sup>103</sup>

In 2013, the Southern District of Mississippi in *MGT Gaming, Inc. v. WMS Gaming, Inc.*<sup>104</sup> found misjoinder of different gaming machine manufacturers, misjoinder of one manufacturer’s different casino clients, and proper joinder of each manufacturer and its casino clients.<sup>105</sup> The court dealt with the competitor scenario and upstream-and-downstream scenario concurrently.<sup>106</sup> Regarding the manufacturer defendants, although the plaintiff did not assert that the defendants relate to the same products,<sup>107</sup> the court did not end its analysis. The court held that the plaintiff did not pass the transaction-or-occurrence test.<sup>108</sup> The court considered the manufacturer defendants as “direct competitors with different casino clients.”<sup>109</sup> When one manufacturer made its gaming machines and licensed the machines to its client, such transaction was not considered by the court as a transaction to which the other manufacturer had any relationship.<sup>110</sup> Therefore, the court held that both manufacturers’ products do not “involve the same stream of commerce.”<sup>111</sup> Regarding the casino defendants, the court found misjoinder because they had “no relationship to each other beyond the allegation that they have infringed the same patent.”<sup>112</sup> The court also recognized the casino defendants as direct competitors, and further commented that “[d]irect competitor may not be joined in the same action because their acts do not arise out of the same transaction or occurrence and they do not share an ‘aggregate of operative fact.’”<sup>113</sup>

In 2014, the District of New Jersey finally provided an operative standard for determining whether joinder of competitors is proper. In *Richmond v. Lumisol Elec. Ltd.*,<sup>114</sup> the court followed

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<sup>95</sup> *See id.*

<sup>96</sup> *See id.*

<sup>97</sup> *See id.* This consideration echoes the sixth *EMC* factor “whether the case involves a claim for lost profits.”

<sup>98</sup> *Mednovus, Inc. v. QinetiQ Group PLC*, No. 2:12-cv-03487-ODW(JCx), 2012 WL 4513539 (C.D. Cal. Oct. 1, 2012).

<sup>99</sup> *See id.* at \*2-\*3.

<sup>100</sup> *See id.* at \*2 (“Even assuming that each Defendant was infringing on the same products, ....”).

<sup>101</sup> *Id.*

<sup>102</sup> *Id.*

<sup>103</sup> *See id.* (“For instance, when Metrasens sells ETS–Lindgren a Ferrogard Ferromagnetic Detection System, that is one transaction. When Metrasens sells Invivo a Ferrogard Entry Control System, that is a second transaction. These two sales have nothing to do with each other—other than involve different products in the Ferrogard line.”).

<sup>104</sup> *MGT Gaming, Inc. v. WMS Gaming, Inc.*, 978 F. Supp. 2d 647 (S.D. Miss. 2013).

<sup>105</sup> *See id.* at 651.

<sup>106</sup> *See id.*

<sup>107</sup> *See id.* at 659 (“MGT’s claims against WMS and Aruze do not relate to the same accused products.”).

<sup>108</sup> *See id.* at 660.

<sup>109</sup> *Id.*

<sup>110</sup> *See id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 662.

<sup>113</sup> *Id.*

<sup>114</sup> *Richmond v. Lumisol Elec. Ltd.*, Nos. 13–1944 (MLC), 13–1949(MLC), 13–1950(MLC), 13–1951(MLC),

the prevailing view of other district courts<sup>115</sup> and held that “direct competitors may not be joined in a patent infringement action pursuant to § 299, absent allegations of concerted action.”<sup>116</sup> Alternatively, the court held that “competitors, absent a conspiracy, are not part of the same transaction.”<sup>117</sup> The court further discussed a manufacturer-importer-retailer scenario and concluded that joinder of different importers is inappropriate, even though the same manufacturer sells the same products to the same retailer through those different importers.<sup>118</sup> Finally, by applying this conspiracy-or-concert test, the court found misjoinder because the competitor defendants were “not alleged to have acted in concert.”<sup>119</sup>

The approach of the District of New Jersey was adopted later in the same year by the District of Hawai’i in *Broadband iTV, Inc. v. Hawaiian Telcom, Inc.*<sup>120</sup> In *Broadband iTV, Inc.*, two cable television operators were sued jointly.<sup>121</sup> While the plaintiff asserted that both operators used the same method and system to operate their television services,<sup>122</sup> the District of Hawai’i did not mention the sameness test but rather focused on the competition relationship between these two defendants.<sup>123</sup> Because of no allegation that the defendants “have acted in concert or conspired together,”<sup>124</sup> the court concluded that the infringement done by these two defendants “does not arise out of the same transaction or occurrence.”<sup>125</sup>

## 2. Upstream-and-Downstream Scenario

In the upstream-and-downstream scenario, some district courts may find proper joinder, while some district courts may not. The ultimate question is whether an upstream defendant and downstream defendant have some relationship beyond mere a sale of accused products.

The Southern District of Florida in *Omega Patents, LLC v. Skypatrol, LLC*<sup>126</sup> found proper joinder of a manufacturer and its client because their infringing acts arose from the same series of transactions or occurrences.<sup>127</sup> The manufacturer sold to the client accused products which then were reconfigured and modified by the client and relabeled as the client’s products.<sup>128</sup> The client was assisted with the information and documentation provided by the manufacturer.<sup>129</sup> Therefore, the court concluded that “[i]nherent in this relationship are common questions of fact, such as the nature of the guidance and modifications [the client] provides its users relative to the asserted claims against [the manufacturer], and the design and functionality of the product [the manufacturer]

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13–1952(MLC), 13–1953(MLC), 13–1954(MLC), 13–1957(MLC), 13–1958(MLC), 13–1959(MLC), 13–1960(MLC), 13–2916(MLC), 2014 WL 1716447 (D.N.J. Apr. 30, 2014).

<sup>115</sup> See *id.* at \*5 (citing *MGT Gaming, Inc.*, 2013 WL 5755247, at \*7-\*8, 10; *Digitech Image Techs., LLC*, 2012 WL 4513805, at \*3; *Omega Patents, LLC*, 2012 WL 2339320, at \*2).

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> See *id.* (“For example, where the same manufacturer sells the same accused product to two importers who then sell to the same retailer, there are multiple streams of commerce and multiple transactions: (1) manufacturer A to importer A to retailer A; and (2) manufacturer A to importer B to retailer A. The two importers—who are competitors—are not part of the ‘same transaction,’ as demonstrated by this example.”).

<sup>119</sup> *Id.* at \*6.

<sup>120</sup> *Broadband iTV, Inc. v. Hawaiian Telcom, Inc.*, No. CIV. 14–00169 ACK, 2014 WL 5580967 (D. Hawai’i Oct. 30, 2014). The District of Hawai’i quoted some propositions of the conspiracy-or-concert test made by the Richmond court before analyzing the joinder issue. See *id.* at \*5-\*6.

<sup>121</sup> See *id.* at \*1.

<sup>122</sup> See *id.* (“Plaintiff also alleges that Defendants ‘utilize the same systems and methods in connection with their use and implementation of the accused systems and they have been, and are, utilizing the same methods and series of transactions in connection [with] their customers’ downloads of VOD content.’”).

<sup>123</sup> See *id.* at \*6.

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> *Omega Patents, LLC v. Skypatrol, LLC*, No. 1:11–cv–24201–KMM, 2012 WL 2339320 (S.D. Fla. June 19, 2012).

<sup>127</sup> See *id.* at \*2.

<sup>128</sup> See *id.*

<sup>129</sup> See *id.*

provides to [the client].”<sup>130</sup>

In *MGT Gaming, Inc.*, the Southern District of Mississippi treated joinder of a manufacturer and its casino client differently from joinder of different manufacturers. The court found that one manufacturer made gaming machines and provided the machines to its casino client under an on-going agreement of revenue sharing and machine maintenance.<sup>131</sup> The manufacturer’s offering for sale and sale of the machines to the casino client constituted a series of transactions, and the use of the machines by the casino client under the on-going agreement constituted a series of related transactions.<sup>132</sup> In addition, the court specified some facts related to several *EMC* factors.<sup>133</sup> First, the infringing acts done by the manufacturer and casino client occurred during the same period and resulted from the mutual agreement.<sup>134</sup> Second, the manufacturer and casino client maintained a manufacturer-and-user or joint-user relationship, when the manufacturer provided a maintenance service to the casino client.<sup>135</sup> Last, the revenue sharing agreement was part of a licensing agreement between the manufacturer and casino client.<sup>136</sup> These facts supporting joinder relate to the first, second and fourth *EMC* factors, respectively. But, the court also discussed the third, fifth, and sixth *EMC* factors in footnote 11 to disfavor the plaintiff’s position.<sup>137</sup> Eventually, the court held that the transaction-or-occurrence test is satisfied.<sup>138</sup>

The Central District of California has taken a restrict view of an upstream-and-downstream relationship. In *Digitech Image Techs., LLC v. Agfaphoto Holding GmbH*,<sup>139</sup> the plaintiff sued forty-five defendants who can be divided into a group of manufacturers and a group of retailers.<sup>140</sup> The infringing products were digital cameras.<sup>141</sup> One manufacturer defendant moved for severance from retailer defendants as well as other manufacturer defendants, and the court agreed.<sup>142</sup> While the court did not separate the reasoning for retailers from the reasoning for manufacturers, it did consider the alleged transactions as different transactions.<sup>143</sup> With respect to the manufacturer-and-retailer scenario, the court observed that “the only instances involving the ‘same accused product’ are the transactions for an individual camera (or camera model) within the

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<sup>130</sup> *See id.*

<sup>131</sup> *See MGT Gaming, Inc.*, 978 F. Supp. 2d at 660-61.

<sup>132</sup> *See id.* at 660.

<sup>133</sup> *See id.* at 661 (“In addition, the Aruze Defendants share various factual considerations outlined in *In re EMC*: ...”).

<sup>134</sup> *See id.* (“In addition, the Aruze Defendants share various factual considerations outlined in *In re EMC*: 1) the alleged acts of infringement took place during the same time period throughout the Aruze Defendants’ relationship.”). This fact relates to the first *EMC* factor: “whether the alleged acts of infringement occurred during the same time period.”

<sup>135</sup> *See id.* (“In addition, the Aruze Defendants share various factual considerations outlined in *In re EMC*: ... 2) Aruze and Penn allegedly have maintained a relationship as manufacturer and user, or joint users, and Aruze has supported the upkeep of the relevant machines.”). This fact relates to the second *EMC* factor: “the existence of some relationship among the defendants.”

<sup>136</sup> *See id.* at 661-62 (“In addition, the Aruze Defendants share various factual considerations outlined in *In re EMC*: ... 3) the alleged revenue sharing agreement that resulted between Aruze and Penn amounts to a licensing agreement.”). This fact relates to the fourth *EMC* factor: “licensing or technology agreements between the defendants.”

<sup>137</sup> *See id.* at 662 n.11 (“As for the other factors, MGT has not directly alleged that the defendants use ‘identically sourced components’ ... The ‘overlap of the products’ or processes’ development and manufacture’ does not apply here because Penn had no involvement in the accused machines’ development or manufacture. The case is also unlikely to involve a claim for lost profits given that MGT is a non-practicing entity.”).

<sup>138</sup> *See id.* at 660. In the case of the other manufacturer, the court found the existence of a revenue sharing agreement between the manufacturer and casino client. So, the court held that the transaction-or-occurrence test is met. *See id.* at 662.

<sup>139</sup> *Digitech Image Techs., LLC v. Agfaphoto Holding GmbH*, No. 8:12-CV-1153-ODW, 2012 WL 4513805 (C.D. Cal. Oct. 1, 2012).

<sup>140</sup> *See id.* at \*1.

<sup>141</sup> *See id.*

<sup>142</sup> *See id.* at \*1, \*5. With respect to the joinder of manufacturer defendants, the court simply held no possible allegation that different manufacturers’ accused products are identical. *See id.* at \*3. So, the moving manufacturer defendant was severed from the case with other manufacturer defendants.

<sup>143</sup> *See id.* at \*3.

commerce stream.”<sup>144</sup> But, the court held that “these transactions within the commerce stream do not constitute the same transaction or series of transactions.”<sup>145</sup> Considering that the patent liability of a manufacturer is different from that of a retailer,<sup>146</sup> the court found that a sale from the manufacturer to one retailer is a transaction different from a sale from such retailer to an end-user.<sup>147</sup> Therefore, the defendants did not share an aggregate of operative facts.<sup>148</sup> The joinder of the manufacturer and its retailers was improper.<sup>149</sup>

While the Central District of California does not consider merely selling accused products from a manufacturer to a retailer as a basis for proper joinder of the manufacturer and retailer, the District of Arizona has disapproved joinder based on a retail contract without actual sales. In *Pipeline Techs. Inc. v. Telog Instruments Inc.*,<sup>150</sup> the plaintiff based joinder on an agreement between the manufacturer defendant and retailer defendant under which the retailer defendant is required to “solicit orders for and promote the sale of the alleged infringing devices offered by [the manufacturer defendant].”<sup>151</sup> But, the court held that such allegation is not enough.<sup>152</sup>

Although adopting a proposition that “one manufacturer defendant (the upstream defendant) and one retailer defendant (the downstream defendant)—can be properly joined pursuant to § 299 where the upstream defendant provides the product to the downstream defendant,”<sup>153</sup> the District of Arizona distinguished the present case from the proposition because the manufacturer here did not provide accused products to the retailer.<sup>154</sup> In addition, the court considered the solicitation and promotion of the accused products by the retailer as a transaction different from the manufacturing and selling of the accused products by the manufacturer.<sup>155</sup> The court even held that the manufacturer’s “sales constitute separate transactions, whether completed with or without the assistance of a sales solicitor or promoter.”<sup>156</sup> Furthermore, the court found that the retailer’s affiliated sales are a fraction of the manufacturer’s total sales of the accused products.<sup>157</sup> Therefore, the court held that the plaintiff fails to meet the transaction-or-occurrence test.<sup>158</sup>

#### **D. Approach of the Eastern District of Texas**

Without clear guidance from the Federal Circuit, district courts are developing the case law for applying 35 U.S.C. § 299. While the legislative history and the *EMC* decision both consider the Eastern District of Texas as a minority view, the Eastern District of Texas continues to permit joinder of independent defendants easily. Thus, this article treats the Eastern District of Texas differently from other district courts.

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<sup>144</sup> *Id.*

<sup>145</sup> *Id.*

<sup>146</sup> *See id.* at \*4 (“[The retailer’s] patent liability arises from its sale (or offer for sale) of the [manufacuter’s] camera to an end-user. This is entirely different from [the manufacturer’s] liability, which arises from its sale (or offer for sale) of its camera to [the retailer] (and others).”). The logic is similar to that of another 2012 case of the Central District of California. *See Mednovus, Inc.*, 2012 WL 4513539, at \*3 (“Taking this analysis further, when Invivo or ETS-Lindgren sells an infringing Ferroguard product from Metrasens (and by extension, QinetiQ) to an end-user (presumably an institution), this is a third transaction. Specifically, Invivo’s and ETSLindgren’s patent liability arises from its sale (or offer for sale) of the Ferroguard products to an end-user. This is entirely different from Metrasens’s liability, which arises from its sale (or offer for sale) of its Ferroguard product to Invivo.”).

<sup>147</sup> *See Digitech Image Techs., LLC*, 2012 WL 4513805, at \*4.

<sup>148</sup> *See id.*

<sup>149</sup> *See id.* at \*5.

<sup>150</sup> *Pipeline Techs. Inc. v. Telog Instruments Inc.*, No. CV–13–02104–PHX–SPL, 2014 WL 5241719 (D. Ariz. Oct. 15, 2014).

<sup>151</sup> *Id.* at \*2 (quotation marks omitted).

<sup>152</sup> *See id.*

<sup>153</sup> *Id.* (quoting *Richmond v. Lumisol Elec. Ltd.*, 2014 WL 1716447 (D.N.J. April 30, 2014)).

<sup>154</sup> *See id.*

<sup>155</sup> *See id.*

<sup>156</sup> *Id.*

<sup>157</sup> *See id.*

<sup>158</sup> *See id.*

The Eastern District of Texas is still more likely to permit joinder. The court has outweighed the third *EMC* factor: “the use of identically sourced components.” This trend started in *Imperium (IP) Holdings, Inc. v. Apple Inc.*,<sup>159</sup> a 2012 decision issued after the enactment of the AIA and before *EMC*. There, the joinder issue was governed by Rule 20 only.<sup>160</sup> However, the court commented that the joinder of different cell phone manufacture defendants is proper even under 35 U.S.C. § 299.<sup>161</sup> In footnote 3, the court found that the transaction-or-occurrence test under § 299 is met because the defendants “are not merely accused of making or selling similar products that infringe the same patents”<sup>162</sup> but rather “make similar products that use the same technology and in many instances the same image sensor or processor.”<sup>163</sup>

The *Apple* court focuses on “the use of an identical image sensor or processor in different [accused] products.”<sup>164</sup> This approach asks whether “the technology at issue is the same.”<sup>165</sup> If so, then the transaction-or-occurrence test is satisfied.<sup>166</sup> Under *Apple*, the use of an identical component in different accused products is sufficient to show that the technology at issue is the same.<sup>167</sup>

After *Apple*, the Eastern District of Texas in *Motorola Mobility, Inc. v. Tivo, Inc.*<sup>168</sup> first applied the AIA joinder clause to an upstream-downstream scenario.<sup>169</sup> There, the counterclaim plaintiff sued a television-signal-transmitter-equipment manufacturer and cable TV provider jointly.<sup>170</sup> The manufacturer’s equipment was accused of infringing the patent, while TV provider was accused of distributing such equipment.<sup>171</sup> When applying 35 U.S.C. § 299, the court did not explain whether the new law has changed its Rule 20 practice.<sup>172</sup> Rather, the court permitted joinder simply because the counterclaim plaintiff alleged that both manufacturer and cable-TV provider “infringe its patents based on their conduct relating to the [equipment].”<sup>173</sup> The *Motorola* court’s approach is similar to the *Apple* court because they focus on whether the technology or product at issue is the same.

After the Federal Circuit in *EMC* limited the scope of joinder under Rule 20, the Eastern District of Texas started to heighten the standard of joinder. In *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*,<sup>174</sup> the court held that asserting that “the accused products or processes of the defendants are similar is not enough” to support joinder.<sup>175</sup> So, the court rejected the plaintiff’s “allegations regarding the common use” of the designs of a particular component as a basis of joinder.<sup>176</sup> But, the court actually did not reject the *Apple* court’s approach. Rather, the court only criticized that the complaint did not explain what “defining characteristic” such particular component possess in each accused product with respect to each defendant’s infringement.<sup>177</sup> Thus, the *Lexmark* court indeed has modified the *Apple* court’s approach to require something more than

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<sup>159</sup> *Imperium (IP) Holdings, Inc. v. Apple Inc.*, No. 4:11–CV–163, 2012 WL 461775 (E.D. Tex. Jan. 20, 2012).

<sup>160</sup> *See id.* at \*2, \*3 n.2.

<sup>161</sup> *See id.* \*3 n.3.

<sup>162</sup> *Id.*

<sup>163</sup> *Id.*

<sup>164</sup> *Id.*

<sup>165</sup> *See id.*

<sup>166</sup> *See id.*

<sup>167</sup> *See id.*

<sup>168</sup> *Motorola Mobility, Inc. v. Tivo, Inc.*, No. 5:11–CV–53–JRG, 2012 WL 2935450 (E.D. Tex. Jul. 18, 2012).

<sup>169</sup> *See id.* at \*1–\*2.

<sup>170</sup> *See id.* at \*1.

<sup>171</sup> *See id.*

<sup>172</sup> *See id.* at \*1–\*2.

<sup>173</sup> *See id.* at \*2.

<sup>174</sup> *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, No. 6:11–CV–495, 6:12CV508, 2012 WL 3307942 (E.D. Tex. Aug. 10, 2012).

<sup>175</sup> *See id.* at \*2 (citing *EMC*, 677 F.3d at 1359).

<sup>176</sup> *See id.* at \*3.

<sup>177</sup> *See id.* (“The complaint did not mention ARM processors as defining characteristic regarding each defendant’s alleged infringement.”).

a list of “non-limiting examples of infringing system components.”<sup>178</sup> Under *Lexmark*, a plaintiff has to “establish that the allegations of infringement against each defendant relate to a common transaction or occurrence for joinder purposes [under Rule 20].”<sup>179</sup>

Five days after *Lexmark*, on August 15, 2012, the Eastern District of Texas heard a case reversed by the Federal Circuit in *EMC*. In *Oasis Research, LLC v. Carbonite, Inc.*,<sup>180</sup> the court applied *EMC*<sup>181</sup> and severed all defendants because the accused products were different and the defendants were unrelated.<sup>182</sup> With respect to two particular defendants, the court found no allegation showing that they “use similarly sourced products, worked in concert, or had any relationship at all.”<sup>183</sup> Although the court did not explain whether such finding relates to the *EMC* factors, the court began to look into something other than technology. In the same month, the Eastern District of Texas issued two cases of misjoinder in the context of an upstream-downstream scenario. In *Net Nav. Sys., LLC v. Cisco Sys., Inc.*<sup>184</sup> The court applied 35 U.S.C. § 299 and considered the *EMC* factors.<sup>185</sup> While the plaintiff asserted that the manufacture defendant and client defendant (or one of the client’s subsidiaries) “are working together in a ‘strategic alliance,’”<sup>186</sup> the court found that “the nature of the relationship” is unknown.<sup>187</sup> The court also found that the plaintiff cannot clarify an appropriate entity of the client defendant or its subsidiaries.<sup>188</sup> Moreover, no allegations were found to support other *EMC* factors.<sup>189</sup> Thus, the court found misjoinder.<sup>190</sup> In *Phoenix Licensing, LLC v. Aetna, Inc.*,<sup>191</sup> the court applied both 35 U.S.C. § 299 and Rule 20 to the joinder issue raised by a supplier defendant.<sup>192</sup> While the *Net Nav. Sys.* court did not analyze the factual allegations by going through all six *EMC* factors,<sup>193</sup> the *Phoenix Licensing* court did so.<sup>194</sup> The *Phoenix Licensing* court only found that the first *EMC* factor is satisfied.<sup>195</sup> Thus, the court severed the supplier defendant from the present case.<sup>196</sup>

A series of 2012 decisions may show that the Eastern District of Texas has begun to unlikely permit joinder. But, that is not the case. In 2014, the Eastern District of Texas started to resume its tendency to grant joinder.

There were two cases where the court allowed some initial discovery to develop evidence for determining whether joinder is proper. In *Contentguard Holdings, Inc. v. Google, Inc.*,<sup>197</sup> the court dealt with mobile device manufacturers as joint defendants who are accused of using infringing

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<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

<sup>180</sup> *Oasis Research, LLC v. Carbonite, Inc.*, No. 4:10-CV-435, 2012 WL 3544881 (E.D. Tex. Aug. 15, 2012).

<sup>181</sup> *See Oasis Research, LLC*, 2012 WL 3544881, at \*4.

<sup>182</sup> *See id.* at \*6.

<sup>183</sup> *Id.* at \*5 (not citing any cases).

<sup>184</sup> *Net Nav. Sys., LLC v. Cisco Sys., Inc.*, No. 4:11-CV-660, 2012 WL 7827543 (E.D. Tex. Aug. 22, 2012) (a recommendation of a magistrate judge).

<sup>185</sup> *See id.* at \*1-3.

<sup>186</sup> *Id.* at \*3.

<sup>187</sup> *See id.*

<sup>188</sup> *See id.*

<sup>189</sup> *See id.*

<sup>190</sup> *See id.*

<sup>191</sup> *Phoenix Licensing, LLC v. Aetna, Inc.*, No. 2:11-CV-285-JRG, 2012 WL 3472973 (E.D. Tex. Aug. 15, 2012).

<sup>192</sup> *See id.* at \*1.

<sup>193</sup> *See id.* at \*3.

<sup>194</sup> *See id.* at \*2.

<sup>195</sup> *See id.* (“Phoenix has not sufficiently shown the presence of the other factors discussed by the Federal Circuit in the *In re EMC* decision. Although not explicitly stated in the complaint, it appears that the alleged infringements occurred during the same time period. However, there is no evidence of any relationship among the defendants, the use of identically sourced components, any licenses or other agreements between the Defendants with regard to Plaintiff’s patents, or any overlap of the products’ or processes’ development and/or manufacture. Additionally, Phoenix does not explicitly include a claim for lost profits in its Complaint.”).

<sup>196</sup> *See id.*

<sup>197</sup> *Contentguard Holdings, Inc. v. Google, Inc.*, Nos. 2:14-cv-00061-JRG, 2:13-cv-01112-JRG, 2014 WL 1477670 (E.D. Tex. Apr. 15, 2014).

software applications in their mobile devices.<sup>198</sup> While recognizing that the infringement claims against different manufacturers depend on each accused device provided by each manufacturer,<sup>199</sup> the court looked into the software side of the infringement claims.<sup>200</sup> The court required some evidence showing “how the accused software-hardware combination corresponds to claims of the asserted patents.”<sup>201</sup> Although the outcome after the court permitted discovery was not clear, the court did provide guidance to predict how the outcome from the discovery will impact its ruling on the joinder issue.<sup>202</sup> The ultimate question was whether the infringement claims are primarily software-based or rely on hardware components of each individual device.<sup>203</sup> That is, if infringement is caused primarily by software applications, the software applications become a feature linking the claims against different accused products.<sup>204</sup> But, if the hardware plays the “dominant role” when the software applications are “used specifically” in each accused device, the claim against each defendant is different because each accused product is different.<sup>205</sup> The court held that if the first case is established, “an actual link” can be found to connect all defendants and to support joinder.<sup>206</sup> In *Star CoLED Techs., LLC v. Sharp Corp.*,<sup>207</sup> the court dealt with a manufacturer-client scenario. The plaintiff asserted that the manufacturer made components for use in the client’s end products under a joint venture between both parties.<sup>208</sup> While the defendants submitted employee declarations to explain the alleged joint venture, the court found that the record is not enough for determining whether joinder is proper.<sup>209</sup> Thus, the court permitted discovery related to the joint venture.<sup>210</sup> The court expected the discovery to help determining “whether this case involves ‘independently developed products using differently sourced parts,’ or if the common facts regarding the accused products constitute ‘an actual link between the facts underlying each claim of infringement.’”<sup>211</sup>

The “actual link” approach under *Contentguard Holdings* and *Star CoLED Techs.* reflects a proposition in *EMC* that “[u]nless 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.”<sup>212</sup> Though, the Eastern District of Texas in those two cases did not mention the six *EMC* factors specifically. However, the *Contentguard Holdings* decision indicates that the court focused on the third *EMC* factor, because the court considered a software component as a potential basis of joinder. On the other hand, the *Star CoLED Techs.* decision indicates that the court focused on the fourth *EMC* factor, because the court specified the joint venture as a potential link between the infringement claims against the

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<sup>198</sup> See *id.* at \*5.

<sup>199</sup> See *id.* (“Despite the existence of a hardware component, the infringement of which may depend on the different devices supplied by individual Manufacturer Defendant, ...”).

<sup>200</sup> See *id.* (“[T]he accused instrumentality in this case—the use of the three common software applications on each Defendant’s device—is not clearly based on ‘independently developed products using differently sourced parts,’ and the common facts regarding the accused software may well constitute ‘an actual link between the facts underlying each claim of infringement.’” (citing *EMC*, 677 F.3d at 1359)).

<sup>201</sup> *Id.*

<sup>202</sup> See *id.*

<sup>203</sup> See *id.* (“If, for instance, ContentGuard’s claims are predominantly software-based, then the common facts underlying such claims may constitute ‘an actual link’ connecting all Defendants sufficient to support joinder in this case. On the other hand, if the hardware component turns out to play the dominant role in determining how the three software applications are used specifically on each Defendant’s device, then the claims against each Defendant may be sufficiently distinguished such that keeping them jointly in one case would be improper.” (citation omitted)).

<sup>204</sup> See *id.*

<sup>205</sup> See *id.*

<sup>206</sup> See *id.*

<sup>207</sup> *Star CoLED Techs., LLC v. Sharp Corp.*, No. 2:13-CV-416-JRG, 2014 WL 1998051 (E.D. Tex. May 15, 2014).

<sup>208</sup> See *id.* at \*2.

<sup>209</sup> See *id.*

<sup>210</sup> See *id.*

<sup>211</sup> *Id.* (citing *EMC*, 677 F.3d at 1359).

<sup>212</sup> *EMC*, 677 F.3d at 1359 (emphasis added).

defendants.

After *Contentguard Holdings* and *Star CoLED Techs.*, the Eastern District of Texas issued another two decisions permitting joinder in 2014. In *NFC Tech., LLC v. HTC Am.*,<sup>213</sup> the court found proper joinder of different manufacturers because they used the same component in the same way to infringe the patent.<sup>214</sup> One defendant argued that the accused products made by the defendants are different.<sup>215</sup> But, the court found that the accused products have the same component which is one of the features in each accused product alleged to cause infringement.<sup>216</sup> The court held that the plaintiff's allegation meets the *EMC* standard that "the product must be 'the same in respects relevant to the patent.'"<sup>217</sup> The court also referred to *Imperium (IP) Holdings, Inc. v. Apple Inc.* and held that "[d]iverse products using identical component parts are often held to meet the joinder standard."<sup>218</sup> Because the court focused primarily on the third *EMC* factor, the court even criticized that the defendant's "different product" approach is too narrow.<sup>219</sup> In *Smartflash LLC v. Apple, Inc.*,<sup>220</sup> the court found proper joinder of a mobile phone provider and some software application developers because the provider offered a software framework to the developers to help them create some function in their software.<sup>221</sup> The provider defendant offered two main arguments which however were rejected by the court. While the defendant asserted that some features in those software applications can show the differences among those applications, the court disagreed because those features were not covered by the claims.<sup>222</sup> Second, the court rejected an argument that joinder is improper even when separate sales of the exact same products are involved.<sup>223</sup> The court considered such reading of the joinder clause as a narrow "interpretation that goes against the very idea of a 'series of transactions or [sic] occurrences' [under 35 U.S.C. § 299(a)(1)]."<sup>224</sup> The court also worried that such narrow interpretation would be conditional only on joint liability.<sup>225</sup>

A series of decisions from 2012 to 2014 demonstrate that the Eastern District of Texas has made the third *EMC* factor as a dispositive factor on whether joinder is proper.<sup>226</sup> The approach is very different from other sister courts. The Eastern District of Texas does not consider the competitor relationship between defendants. The conflicting views between the majority of district courts and Eastern District of Texas may cause inconsistent applications of 35 U.S.C § 299. That is

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<sup>213</sup> *NFC Tech., LLC v. HTC Am.*, No. 2:13-CV-01058-JRG, 2014 WL 3834959 (E.D. Tex. Aug. 1, 2014).

<sup>214</sup> *See id.* at \*2 ("NFCT alleges, in essence, that each of the accused devices infringes the same patents by using the same NFC chipset in the same way.").

<sup>215</sup> *See id.*

<sup>216</sup> *See id.* ("[T]he accused products in this suit all make use of a particular NFC chip, the NXP PN 544, which, in combination with devices supplied by LG and HTC, allegedly infringe NFCT's patents. The defendants thus make use of 'the same accused product' insofar as the relevant infringing feature of the product is the NXP chip's interaction with the Defendants' roughly-equivalent non-NXP hardware and software, e.g., antennas.").

<sup>217</sup> *Id.*

<sup>218</sup> *Id.* (citing *Imperium (IP) Holdings, Inc.*, 2012 WL 461775, at \*2-\*3).

<sup>219</sup> *See id.* ("HTC also reads the 'same transaction or occurrence' standard too narrowly. The Federal Circuit has made clear that this test is a multi-factored, individual analysis of the 'aggregate of operative facts.' That analysis explicitly incorporates consideration of 'the use of identically sourced components.'" (citation omitted)).

<sup>220</sup> *Smartflash LLC v. Apple, Inc.*, No. 6:13-cv-447, 2014 WL 4421657 (E.D. Tex. Sept. 8, 2014).

<sup>221</sup> *See id.* at \*3.

<sup>222</sup> *See id.* ("Apple argued that even though the accused apps relied on the Store Kit framework, the differences in server locations meant each process was not identical. But Plaintiff identified at least one claim that does not have limitations on server location. Judge Mitchell found that Plaintiff's infringement contentions are directed to the implementation of Store Kit's payment functionality." (citations omitted)).

<sup>223</sup> *See id.*

<sup>224</sup> *Id.*

<sup>225</sup> *See id.*

<sup>226</sup> *See cf. Imperium IP Holdings (Cayman), Ltd. v. Samsung Elec. Co.*, No. 4:14-CV-371, 2015 WL 137419, at \*3 (E.D. Tex. Jan. 9, 2015) (finding misjoinder and severing two Samsung-related companies from a defendant group of Samsung-family companies primarily because the plaintiff did not make any factual allegations supporting the *EMC* factors).

significant in the patent cases related to the mobile phone industry.

### III. Joinder Clause and Mobile Phone Technology

#### A. Hardware Issues

In a case where the plaintiff alleges the use of the same hardware component alone to support joinder, the Eastern District of Texas has found joinder while the Central District of California has found misjoinder. The question is whether those conflicting decisions can co-exist.

The Federal Circuit requires a finding of “an actual link between the facts underlying each claim of infringement.”<sup>227</sup> The only one example of “no actual link” under *EMC* is “independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical.”<sup>228</sup> The “no actual link” example implies one possible situation of joinder: independently developed products using the same sourced parts.<sup>229</sup> The situation is justifiable by the third *EMC* factor “the use of identically sourced components.”

In *NFC Tech., LLC v. HTC Am.*, the Eastern District of Texas dealt with HTC-branded and LG-branded mobile devices as the accused products.<sup>230</sup> The patented technology was “Near Field Communication” (“NFC”) technology which allows interactions between mobile devices within a short distance.<sup>231</sup> The joinder of HTC and LG was permitted because the court found not only that both HTC’s and LG’s products use the same chips to implement the NFC technology, but also that the chips are used in HTC’s or LG’s products to infringe the patent.<sup>232</sup> That is, the use of a chip creates an actual link between defendants with respect to their infringing acts. On the other hand, the Central District of California in *Golden Bridge Tech., Inc. v. Apple, Inc.* severed Motorola and Apple from the case because the use of a common component in accused mobile devices was not clearly related to the claims of infringement.<sup>233</sup> There, the patented technology was a multichannel-spread-spectrum system for communicating multiple data-sequence signals from multiple data channels.<sup>234</sup> The alleged common component was a baseband processor.<sup>235</sup> While the use of the same component was alleged, the court held that the use of the baseband processor alone cannot constitute infringement.<sup>236</sup> To hold misjoinder, the court also considered that the plaintiff fails to allege how the baseband processor works with the accused mobile devices to infringe the patent.<sup>237</sup>

While the results of whether joinder is proper were different, the Eastern District of Texas and Central District of California both did consider whether the use of the same component in accused products relates to patent infringement. Therefore, it is not just the use of the same components or identically sourced components as an actual link between defendants. Rather, both district courts do look to the role of those alleged components in patent infringement. The alleged same components must relate to the claims of infringement. Otherwise, there is no “actual link between the facts underlying each claim of infringement.”

*NFC Tech., LLC* and *Golden Bridge Tech., Inc.* can be harmonized as long as the determination of joinder focuses on whether “the use of identically sourced components” creates “an actual link

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<sup>227</sup> *EMC Corp.*, 677 F.3d at 1359.

<sup>228</sup> *Id.*

<sup>229</sup> The “no actual link” example implies another situation of joinder: dependently developed products using differently sourced parts. The second situation is justifiable by several *EMC* factors: “the existence of some relationship among the defendants,” “licensing or technology agreements between the defendants,” and “overlap of the products’ or processes’ development and manufacture.”

<sup>230</sup> See *NFC Tech., LLC*, 2014 WL 3834959, at \*1.

<sup>231</sup> See *id.*

<sup>232</sup> See *id.* at \*2.

<sup>233</sup> See *Golden Bridge Tech., Inc.*, 2012 WL 3999854, at \*1, \*3.

<sup>234</sup> See *id.* at \*1.

<sup>235</sup> See *id.*

<sup>236</sup> See *id.* at \*3.

<sup>237</sup> See *id.*

between the facts underlying each claim of infringement.” If identically sourced components are hardware, courts have to examine the role of the identically sourced components in different accused products and to ask whether the identically sourced components cause infringement. Under this approach, if different mobile devices are incorporated with identically sourced components so as to be able to infringe the patent, the joinder of different defendants is proper.

## B. Software Issues

When software is alleged as “an actual link” between the claims against different defendants,<sup>238</sup> the Eastern District of Texas has permitted joinder or has been willing to allow discovery related to joinder issues, while the Southern District of Florida and Northern District of Texas have rejected joinder. The reconciliation is not easy because a mobile device of one operational system may be considered different from a mobile device of another operational system.

From the perspectives of the Southern District of Florida and Northern District of Texas, different mobile device manufacturers cannot make the same mobile devices simply because they implement different operational systems in their devices. In *Motorola Mobility, Inc. v. Apple Inc.*, the Southern District of Florida severed HTC from Motorola because the Android system of Apple phones was different from that of Motorola phones.<sup>239</sup> The patented technology related to user interfaces and software for use on mobile devices.<sup>240</sup> The plaintiff specified accused software applications (such as Maps and Play Store) and alleged that they are “present in the same form on both HTC’s and Motorola’s accused devices.”<sup>241</sup> But, the court found that the sameness test is not met.<sup>242</sup> The court held that HTC’s Android software and Motorola’s Android software are not the same because they are modified to some extent.<sup>243</sup> In *Summit 6 LLC v. HTC Corp.*, the Northern District of Texas severed Apple from other mobile phone companies.<sup>244</sup> The patented technology related to web-based media submission tools.<sup>245</sup> The plaintiff accused that the messaging technology used by defendants’ mobile phones infringes the patents.<sup>246</sup> The specifically-accused software was Twitter.<sup>247</sup> The court held misjoinder because Apple’s products were not the same as the products of other companies.<sup>248</sup> The sameness test was not satisfied because the claims against Apple related to iOS-based proprietary services while the claims against other companies related to Android-based proprietary services.<sup>249</sup>

On the other hand, the Eastern District of Texas focuses not only on the software part of accused mobile devices but also on the hardware part. In *Contentguard Holdings, Inc. v. Google, Inc.*, the court allowed discovery related to joinder issues even though it could not find that the joinder of Motorola and other mobile device providers is proper.<sup>250</sup> The patented technology related to digital rights management (“DRM”).<sup>251</sup> The plaintiff asserted that Amazon Kindle app, Google Play apps, and UITS (“Unique Identifier Technology Solution”) specification used in accused mobile devices infringe the patents.<sup>252</sup> While finding that the ground of joinder is not clear,

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<sup>238</sup> There may be a question of whether the Federal Circuit refers “identically sourced components” to a physical object only.

<sup>239</sup> See *Motorola Mobility, Inc.*, 2012 WL 3113932, at \*4.

<sup>240</sup> See *id.* at \*1.

<sup>241</sup> See *id.* at \*4.

<sup>242</sup> See *id.*

<sup>243</sup> See *id.* (“HTC and Motorola ... produce different smartphones that run on at least somewhat modified Android software.”).

<sup>244</sup> See *Summit 6 LLC*, 2014 WL 4449821, at \*16.

<sup>245</sup> See *id.* at \*1.

<sup>246</sup> See *id.* at \*2.

<sup>247</sup> See *id.* at \*15.

<sup>248</sup> See *id.* at \*16.

<sup>249</sup> See *id.*

<sup>250</sup> See *Contentguard Holdings, Inc.*, 2014 WL 1477670, at \*5.

<sup>251</sup> See *id.* at \*1.

<sup>252</sup> See *id.* at \*5.

the court permitted some discovery to resolve a question of “how the accused software-hardware combination corresponds to claims of the asserted patents.”<sup>253</sup> The ultimate question was whether the “claims are predominantly software-based.”<sup>254</sup> If so, “the common facts underlying such claims may constitute ‘an actual link’ connecting all Defendants sufficient to support joinder in this case.”<sup>255</sup> But, if the hardware component plays “the dominant role in determining how the three software applications are used specifically on each Defendant’s device,”<sup>256</sup> “the claims against each Defendant may be sufficiently distinguished such that keeping them jointly in one case would be improper.”<sup>257</sup> Therefore, the Eastern District of Texas does not exclude a possibility that software can become “an actual link” between the claims against mobile device manufacturers. Rather, only when the hardware component is a key element which causes each defendant to infringe the patent, the claim against one defendant may be distinguishable from the claim against another defendant.

### C. Unresolved Questions

The application of 35 U.S.C. § 299 by the Eastern District of Texas seems to make the third *EMC* factor “the use of identically sourced parts” dispositive in the context of mobile phone technology. However, the Eastern District of Texas has considered other *EMC* factors. In *Smartflash LLC v. Apple, Inc.*,<sup>258</sup> the court permitted joinder of Apple and app developers and held that “the ‘series of transactions or occurrences’ test is satisfied by Apple’s offering its Store Kit framework to app developers to help them implement in-app payment functionality.”<sup>259</sup> While not mentioning any *EMC* factors, the *Smartflash* court actually applied the fourth *EMC* factor because the offering of the Store Kit framework can be treated as “licensing or technology agreements between the defendants.”

On the other hand, the Southern District of Florida has applied the *EMC* decision too narrowly. The court in *Motorola Mobility, Inc. v. Apple Inc.* disregarded the Open Handset Alliance as a basis of some *EMC* factors, such as “the existence of some relationship among the defendants,” and “overlap of the products’ or processes’ development and manufacture.”<sup>260</sup> The OHA is a group of companies licensed to use Android without charge.<sup>261</sup> Google as the owner of Android requires OHA members to implement Google-developed applications in their mobile devices.<sup>262</sup> Google also requires OHA members not to develop other operational systems for mobile devices to compete against Android.<sup>263</sup> Apparently, the distinct features of the OHA do not amount to a “relationship” qualified as a basis of permissive joinder from the perspective of the Southern District of Florida.

The applications of § 299 by district courts to mobile phone technology cases show that the *EMC* analysis has created inconsistency. The Eastern District of Texas remains a minority and is still more willing to permit joinder of independent defendants.

## IV. Conclusion

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<sup>253</sup> *See id.*

<sup>254</sup> *Id.*

<sup>255</sup> *Id.*

<sup>256</sup> *Id.*

<sup>257</sup> *Id.*

<sup>258</sup> *Smartflash LLC v. Apple, Inc.*, No. 6:13-cv-447, 2014 WL 4421657 (E.D. Tex. Sept. 8, 2014).

<sup>259</sup> *Id.* at \*3.

<sup>260</sup> *See Motorola Mobility, Inc.*, 2012 WL 3113932, at \*4.

<sup>261</sup> *See Thomas W. Hazlett, Modular Confines of Mobile Networks: Are iPhones iPhony?*, 19 SUP. CT. ECON. REV. 67, 91-92 (2011).

<sup>262</sup> *See id.* at 92.

<sup>263</sup> *See Ron Amadeo, Google’s Iron Grip on Android: Controlling Open Source by Any Means Necessary*, ARS TECHNICA, Oct 21, 2013,

<http://arstechnica.com/gadgets/2013/10/googles-iron-grip-on-android-controlling-open-source-by-any-means-necessary/> (last visited Feb. 17, 2015).

To abrogate the minority view of joinder under Rule 20 and to stop joinder of independent defendants based merely on that they infringe the same patents, Congress enacted 35 U.S.C. § 299. The Federal Circuit also created the six *EMC* factors for lower courts to determine whether “an actual link between the facts underlying each claim of infringement” exists. But, all efforts may be deterred by the Eastern District of Texas because its application of 35 U.S.C. § 299 and *EMC* is still patentee-friendly.

Many district courts focus more on some business relationship between independent defendants and some of them ask whether independent defendants have conspired or acted in concert. But, the Eastern District of Texas focuses more on the technology side of the infringement claims against different defendants. The use of identically sourced parts alone may constitute an actual link.

However, the majority of district courts maybe have heightened the *EMC* analysis in a way, especially for the mobile device industry, that there are no the same products because there are somewhat differences of the operational system in each mobile device. The Federal Circuit may have to revisit *EMC* and interpret 35 U.S.C. § 299 to fix the inconsistency among district courts.

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## 科技部補助專題研究計畫出席國際學術會議心得報告

日期：2015年7月17日

計畫編號	MOST 103-2410-H-027-002		
計畫名稱	美國新專利法中共同訴訟規定之研究：以涉台灣籍被告之司法判決為中心		
出國人員姓名	陳秉訓	服務機構及職稱	國立政治大學科技管理與智慧財產研究所助理教授
會議時間	2015年3月7日	會議地點	San Jose, CA, USA
會議名稱	(中文) 無 (英文) Fifth Annual Internet Law Work-in-Progress Conference, Santa Clara University		
發表題目	(中文) 無 (英文) Application of the Joinder Clause under the America Invents Act in the Context of Mobile Phone Technology		

### 一、參加會議經過

本次會議的投稿在去年11月12日獲得接受。雖然會議主題與網路法律議題有關，而和本計畫的主題非直接相關，但為了投稿的目的，我以與手機技術有關的共同訴訟案件為主題撰寫論文。投稿前，我有先徵詢主辦單位的意見，其認為符合會議主題，故著手草寫摘要並完成全文投稿（雖然大會未要求）。

### 二、與會心得

本研討會為 Santa Clara University 法學院和 New York Law School 二者合辦的年度固定會議，以網路相關法律議題為主題。大會主題有涵蓋智慧財產權，因而我才有機會投稿。

會議為一天的會議。出席學者以美國籍學者為主，但有少數外國學者參與。在美國學者中，有知名度的智財法學者如 Mark Lemley 教授，此或許顯示本會議的重要性。會議分三個場地，一天的議題有四個時段，共 12 個主題，包括 Analog to Digital、Cybersecurity、Content Scrubbing、Transborder、Creative Expression、Intermediary Liability、Patents、Cable、及 Consumers。我的發表場次在下午時段的第一場（整天活動第三場），該會議主題為 Patents，會有 Mark Lemley 教授參與。

發表時，時間掌握不佳而未能完整陳述投影片所有內容。我的論文重點在於點出在 2011 年美國專利法修正後，United States District Court for the Eastern District of Texas 仍然傾向願意准許共同訴訟。雖未能完整報告，但該論文重點有得到 Mark

Lemley 教授和部分與會者的回應和交流。

### 三、發表論文全文或摘要

摘要如下：

Before 35 U.S.C. § 299 was enacted, some minority district courts had permitted joinder of independent defendants only because they infringe the same patents. That gave a great incentive to non-practicing entities to sue as many defendants as possible in one suit. To resolve this problem, Congress created § 299(b) to abrogate the minority view of joinder. The Federal Circuit in *In re EMC Corp.* also created a test requiring finding of “an actual link between the facts underlying each claim of infringement.” The Federal Circuit provides six *EMC* factors for lower courts to determine permissive joinder. The Eastern District of Texas relies primarily on “the use of identically sourced parts” to find joinder, while other district courts have denied joinder of direct competitors. Particularly, in mobile phone technology cases, the Eastern District of Texas has permitted joinder only because the same hardware component is used, while other courts may find misjoinder only because mobile devices of one manufacturer’s operational system are not the same as mobile devices of another manufacturer’s operational system.

### 四、建議

此次與會有遇到二位台灣籍的學者，李治安老師和劉靜怡老師，發表中國網路管制的實名登記制度問題。他們也是第一次與會。似乎台灣學者漸漸注意此研討會。由於會議主題會包括智慧財產權，或許科技部在未來可鼓勵國內智財學者參與此會議。

### 五、攜回資料名稱及內容：無。

### 六、其他：無。

# 科技部補助計畫衍生研發成果推廣資料表

日期:2015/07/17

科技部補助計畫	計畫名稱: 美國新專利法中共同訴訟規定之研究: 以涉台灣籍被告之司法判決為中心
	計畫主持人: 陳秉訓
	計畫編號: 103-2410-H-004-214- 學門領域: 商事財經法
無研發成果推廣資料	

103 年度專題研究計畫研究成果彙整表

計畫主持人：陳秉訓		計畫編號：103-2410-H-004-214-				計畫名稱：美國新專利法中共同訴訟規定之研究：以涉台灣籍被告之司法判決為中心	
成果項目		量化			單位	備註（質化說明：如數個計畫共同成果、成果列為該期刊之封面故事...等）	
		實際已達成數（被接受或已發表）	預期總達成數（含實際已達成數）	本計畫實際貢獻百分比			
國內	論文著作	期刊論文	1	1	100%	篇	
		研究報告/技術報告	0	0	100%		
		研討會論文	1	2	100%		
		專書	0	0	100%		
	專利	申請中件數	0	0	100%	件	
		已獲得件數	0	0	100%		
	技術移轉	件數	0	0	100%	件	
		權利金	0	0	100%	千元	
	參與計畫人力（本國籍）	碩士生	0	0	100%	人次	
		博士生	0	0	100%		
		博士後研究員	0	0	100%		
		專任助理	0	0	100%		
國外	論文著作	期刊論文	0	0	100%	篇	
		研究報告/技術報告	0	0	100%		
		研討會論文	0	0	100%		
		專書	0	0	100%	章/本	
	專利	申請中件數	0	0	100%	件	
		已獲得件數	0	0	100%		
	技術移轉	件數	0	0	100%	件	
		權利金	0	0	100%	千元	
	參與計畫人力（外國籍）	碩士生	4	2	100%	人次	因轉換學校任職，而兼任助理必須改為新學校的學生。
		博士生	0	0	100%		
		博士後研究員	0	0	100%		
		專任助理	0	0	100%		

<p>其他成果 (無法以量化表達之成果如辦理學術活動、獲得獎項、重要國際合作、研究成果國際影響力及其他協助產業技術發展之具體效益事項等，請以文字敘述填列。)</p>	<p>無</p>
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	成果項目	量化	名稱或內容性質簡述
科 教 處 計 畫 加 填 項 目	測驗工具(含質性與量性)	0	
	課程/模組	0	
	電腦及網路系統或工具	0	
	教材	0	
	舉辦之活動/競賽	0	
	研討會/工作坊	0	
	電子報、網站	0	
	計畫成果推廣之參與(閱聽)人數	0	

# 科技部補助專題研究計畫成果報告自評表

請就研究內容與原計畫相符程度、達成預期目標情況、研究成果之學術或應用價值（簡要敘述成果所代表之意義、價值、影響或進一步發展之可能性）、是否適合在學術期刊發表或申請專利、主要發現或其他有關價值等，作一綜合評估。

1. 請就研究內容與原計畫相符程度、達成預期目標情況作一綜合評估

達成目標

未達成目標（請說明，以 100 字為限）

實驗失敗

因故實驗中斷

其他原因

說明：

2. 研究成果在學術期刊發表或申請專利等情形：

論文： 已發表  未發表之文稿  撰寫中  無

專利： 已獲得  申請中  無

技轉： 已技轉  洽談中  無

其他：（以 100 字為限）

將刊登在 IDEA: The Intellectual Property Law Review 的 Volume 56 的秋季號，文章為 ' ' Problematic Approaches of the Joinder Clause under the America Invents Act by Federal District Courts' ' 。

3. 請依學術成就、技術創新、社會影響等方面，評估研究成果之學術或應用價值（簡要敘述成果所代表之意義、價值、影響或進一步發展之可能性）（以 500 字為限）

雖已過計畫期間，本研究事實上仍屬進行中。計畫結束前，已初步建構不同聯邦地方法院對於共同訴訟條文的實務見解之差異比較，並投稿成功。另在 2015 年暑假間針對 Eastern District of Texas 的共同訴訟實務進行歷史回顧，並投稿到交通大學科技法律學院的全國科法年會，往後會改寫而投稿期刊。下半年將對涉及臺灣籍當事人的案件做個案研究，而再投稿。預計有至少四篇以上英文期刊論文之產出。另中文文章部分也規劃撰稿，並將投稿至專利師季刊、月旦系列雜誌、法令月刊等等法律實務期刊，以供實務界參考。