

MISJOINDER OR MISHAP? THE CONSEQUENCES OF THE AIA JOINDER PROVISION

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In September 2011, Congress passed the Leahy-Smith America Invents Act (“AIA”), which substantially revised many aspects of U.S. patent law.¹ Among other changes, § 299 of the AIA created a new joinder statute restricting the ability of a patent holder to sue multiple unrelated defendants in the same proceeding.² One of the purported goals of § 299 was to preclude joinder of multiple defendants with only “tenuous connections to” the patent lawsuit.³ Before § 299, some district courts had permitted practically unlimited joinder of accused infringers, allowing patent plaintiffs, especially patent trolls (“trolls”), to limit defendants’ opportunities to present individualized positions.⁴ With the enactment of the AIA and § 299, patent plaintiffs may no longer join multiple defendants in a single litigation based solely on the allegation that the defendants all infringe the same patent.⁵ By eliminating the economies of scale that accompanied suing multiple defendants in one suit, Congress passed § 299 to “end[] the abusive practice of treating [unrelated parties] as codefendants” and reduce the number of meritless infringement suits brought by trolls.⁶

Since patent defendants have long complained that multi-defendant suits afford trolls unfair advantages in seeking favorable forums and extracting nuisance settlements,⁷ § 299 appeared to be a much-needed reform.⁸ Relying

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

2. 35 U.S.C. § 299 (2012).

3. H.R. REP. NO. 112-98, at 54 (2011) (“The Act also addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.”).

4. *See MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *see also infra* Section I.A.

5. 35 U.S.C. § 299(a).

6. 157 CONG. REC. H4426 (daily ed. June 22, 2011) (statement of Rep. Bob Goodlatte); *see also infra* Section I.C.

7. GENERAL ACCOUNTABILITY OFFICE, INTELLECTUAL PROPERTY: ASSESSING FACTORS THAT AFFECT PATENT INFRINGEMENT LITIGATION COULD HELP IMPROVE

on post-AIA case statistics, this Note contends that § 299 has achieved a mixed result, accomplishing some measure of its intended purpose and meanwhile creating unintended consequences.⁹ Post-AIA patent plaintiffs frequently file multiple single-defendant suits instead of filing multi-defendant suits in the same district, and subsequently seek consolidation for pretrial purposes.¹⁰ Additionally, both patent holders and accused infringers are employing multidistrict litigation (“MDL”) to consolidate multiple single-defendant suits pending in different districts.¹¹ The absolute number of patent suits is up dramatically since the passage of the AIA, and there has been no noticeable decrease in patent infringement suits brought by trolls.¹² Therefore, while curbing the practice of joining unrelated defendants, § 299 also imposes inefficiencies and risks¹³ on courts and litigants that may be only partially circumvented by consolidation through known case management tools.¹⁴ These tools largely preserve the pre-AIA status quo leading up to trial for many post-AIA cases, which may explain why trolls are not severely

PATENT QUALITY (August 2013), available at <http://www.gao.gov/assets/660/657103.pdf> [hereinafter GAO REPORT]. The Report states that:

Some legal commentators, technology companies, the Federal Trade Commission (FTC), and Congress, among others, have raised concerns that patent infringement litigation by [non-practicing entities (“NPEs”)] is increasing and that this litigation, in some cases, has imposed high costs on firms that are actually developing and manufacturing products because NPEs generally face lower litigation costs than those they are accusing of infringement, NPEs are likely to use the threat of imposing these costs as leverage in seeking infringement compensation.

Id.; see also Maya M. Eckstein, Elizabeth L. Brooks & George B. Davis, *The (Unintended) Consequences of the ALA Joinder Provision*, AIPLA Spring Meeting (May 2012), available at http://www.hunton.com/files/Publication/c4abf2b5-ac78-4b18-8c65-8e02608284d8/Presentation/PublicationAttachment/0f8412f9-9d41-444d-8b47-90e694a54abe/AIPLA_Joinder_Paper.pdf (“Defendants have long complained that the joinder of multiple defendants . . . gives plaintiffs unfair advantages in cost and extracting settlements, and is a key reason for the ever-increasing number of patent suits filed by non-practicing entities . . .”).

8. “The expectations of this provision are high: many companies often sued for patent infringement by non-practicing entities (NPEs) believe the non-joinder provision will help curb the filing of patent litigation suits against them.” Marla Butler, *Strategies for Dealing with the Non-joinder Provision*, <http://www.rkmc.com/~media/PDFs/Strategies%20for%20dealing%20with%20the%20non%20joinder%20provision.pdf>.

9. See *infra* Part IV.

10. See *infra* Section III.B.1.

11. See *infra* Section III.B.2.

12. See *infra* Sections III.B, IV.A.

13. See *infra* Section IV.B.2.

14. See *infra* Section III.B.

discouraged from filing.¹⁵ However, § 299's restriction on "consolidation for trial" may provide real benefits for defendants, and may dissuade trolls from incurring the cost of multiple trials.¹⁶

This Note is organized into four Parts. Part I reviews the legal landscape that existed prior to the passage of § 299. It analyzes the conflicting interpretations of Rule 20 of the Federal Rules of Civil Procedure ("FRCP") and the rise of multi-defendant suits. It continues by discussing the legislative intent in adopting § 299. Part II explains the substantive standard of § 299 and the limitations to the scope of § 299. Part III examines how courts and litigants adjust to the new rule. It first reviews the impact of § 299 on multi-defendant suits. It then discusses the burden § 299 imposes on courts in judicial case management, and the litigation strategies that plaintiffs and defendants have adopted to deal with § 299, particularly pretrial consolidation through Rule 42(a) of the FRCP and MDL. Part IV discusses the volume and dynamics of patent litigation prior to and after the passage of the AIA. It contends that § 299 has achieved some measures of its success, but meanwhile creates unintended consequences such as raising cost and risks of patent litigation and impairing some defendants' interest in co-defending patent cases. It remains to be seen how § 299 affords defendants real benefits from separate trials.

I. BACKGROUND

Prior to the AIA, federal courts typically applied Rule 20 of the FRCP to determine when permissive joinder was appropriate in patent infringement suits.¹⁷ Section 299 replaced Rule 20 in most patent cases by creating a new statutory provision governing permissive joinder of accused patent infringers.¹⁸ Despite the radical change, Congress passed § 299 with sparse legislative history.¹⁹ Before analyzing § 299, this Note provides some relevant background on the reasons for Congress's enactment of § 299. Section I.A examines the inconsistent interpretations of the standard for permissive joinder in patent cases among district courts. Section I.B discusses the problems of forum shopping and the growth of multi-defendant lawsuits resulting from the inconsistent interpretations and application of Rule 20.

15. *See infra* Section IV.B.

16. *See infra* Section IV.B.1.c.

17. *See e.g.*, *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004); *Rudd v. LUX Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at *1 (N.D. Ill. Jan. 12, 2011).

18. 35 U.S.C. § 299 (2012).

19. *See* David O. Taylor, *Patent Misjoinder*, 88 N.Y.U. L. REV. 652, 656 (2013).

Following this discussion, Section I.C outlines the legislative history and the policy goals of § 299.

A. DISPARATE TREATMENT OF RULE 20

In determining the appropriateness of permissive joinder, Rule 20 requires a two-pronged test. Joinder is appropriate if:

(A) any right to relief is asserted against [the defendants] 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.²⁰

The goal of Rule 20 is to “promote trial convenience and expedite the final determination of disputes, thereby preventing multiple lawsuits.”²¹

Courts typically find the second requirement of Rule 20 satisfied in cases where a patent is asserted against multiple defendants.²² Proper claim construction of the patent is a legal issue common to all defendants allegedly infringing the same patent.²³ Moreover, identical or substantially overlapping issues of fact exist as to the validity of the patent.²⁴ Therefore, common questions of law or fact apply to accused infringers of the same patent.

Courts, however, have split on how to apply the first “same transaction and occurrence” requirement. Most courts have found that merely accusing multiple parties of infringement of the same patent does not constitute the “same transaction or occurrence” under Rule 20; instead, courts read the rule as requiring that defendants engage in related activities or act in concert, or that the accused products are very similar.²⁵ Adopting this view, courts have

20. Fed. R. Civ. P. 20(a)(2).

21. *Mosley v. Gen. Motors Corp.*, 497 F.2d 1330, 1332 (8th Cir. 1974).

22. *See* Eckstein, Brooks & Davis, *supra* note 7, at 3.

23. *See* Jake Holdreith, *IP: The Failure of Venue and Joinder Reform in Patent Litigation*, INSIDE COUNSEL (Apr. 9, 2013), <http://www.insidecounsel.com/2013/04/09/ip-the-failure-of-venue-and-joinder-reform-in-pate?t=ip>.

24. *See id.*

25. *See, e.g.*, *Rudd v. LUX Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at *3 (N.D. Ill. Jan. 12, 2011) (following “the prevailing approach of this District and numerous others that have concluded that a party fails to satisfy Rule 20(a)’s requirement of a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent”); *Interval Licensing LLC v. Am. Online, Inc.*, No. C10–1385, 2011 WL 1655713, at *2 (W.D. Wash. Apr. 29, 2011) (granting motion to sever since each defendant “operates differently and offers products that often compete with those of other Defendants”); *WIAV Networks, LLC v. 3COM Corp.*, No. C 10–03448, 2010 WL

found misjoinder even in instances where the alleged infringement conformed to a common industrial standard,²⁶ possessed similar characteristics,²⁷ or operated in similar manners.²⁸

On the other hand, the Eastern District of Texas had adopted a much more lenient joinder standard that essentially combined the two-pronged test into one requiring only common questions of law.²⁹ In *MyMail, Ltd. v. AOL, Inc.*, the Eastern District of Texas allowed joinder of unrelated defendants who were alleged to have infringed the same patent.³⁰ There, plaintiff MyMail, Ltd. sued multiple defendants for infringing the same patent relating to accessing a computer network.³¹ Certain defendants moved to sever and transfer the actions, arguing that “acts of infringement by separate defendants” did not arise out of the same transaction or occurrence.³² The court rejected the defendants’ argument, finding that the transaction or occurrence requirement is satisfied where “there is some connection or logical relationship between the various transactions or occurrences,” and a logical relationship “exists if there is some nucleus of operative facts or law.”³³ Because the “legal question as to the . . . patent’s scope” leads to a “nucleus of operative facts or law,” the court concluded that joinder was proper.³⁴ The court further cited “the goals of Rule 20” and maintained that severance would “decrease judicial efficiency by requiring duplicitous claim constructions, discovery, and pretrial motions.”³⁵ While acknowledging severance could be appropriate if “[accused infringers’] methods or products were dramatically different,” the court rejected “a rule that requires separate

3895047 (N.D. Cal. Oct. 1, 2010) (dismissing *sua sponte* all but the first named defendant and commenting that each defendant was “simply . . . thrown into a mass pit with others to suit plaintiff’s convenience”).

26. *WLAV Networks LLC*, 2010 WL 3895047, at *2.

27. *Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122, 128 (S.D.N.Y. 2003) (explaining that “the fact that two parties may manufacture or sell similar products, and that these sales or production may have infringed the identical patent owned by the plaintiffs is not sufficient to join unrelated parties as defendants in the same lawsuit pursuant to Rule 20(a)”).

28. *Rudd*, 2011 WL 148052, at *3 (holding that plaintiffs failed to satisfy Rule 20(a)’s requirement based on allegations that “[d]efendants’ alleged infringing thermostats operate in a nearly identical manner as it relates to the asserted patents”).

29. *Id.* at *2 (describing the *MyMail* rule as “eviscerat[ing] the same transaction or occurrence requirement [of Rule 20] and mak[ing] it indistinguishable from the requirement that there be a common question of law or fact”).

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

31. *Id.* at 455.

32. *Id.*

33. *Id.*

34. *Id.*

35. *Id.* at 457–58.

proceedings simply because unrelated defendants are alleged to have infringed the same patent” as a “per se rule that elevates form over substance.”³⁶

Following the *MyMail* decision, a few district courts including the District of Kansas and the Eastern District of Louisiana adopted this lenient interpretation of Rule 20, allowing patent plaintiffs, especially trolls, to join numerous defendants in a single complaint.³⁷ As discussed in Section I.B below, different joinder standards among district courts cause undesirable consequences.

B. FORUM SHOPPING AND THE RISE OF MULTI-DEFENDANT SUITS BEFORE THE AIA

The divergent interpretations and applications of Rule 20 led to forum shopping and the rise of multi-defendant lawsuits filed by trolls.³⁸ Patent plaintiffs favor courts with lenient joinder standards, like the Eastern District of Texas, because multi-defendant suits afforded them many advantages. Multi-defendant suits allow patent plaintiffs to sue a large number of defendants in a single forum without having to bear the burden of managing multiple lawsuits that may otherwise be pending in different jurisdictions.³⁹ Moreover, joining defendants in the same suit allows patent plaintiffs to establish patent validity and claim construction at a single venue, reducing the risk of issue preclusion.⁴⁰ Furthermore, the presence of many defendants in the suit also makes it difficult for defendants to transfer a case to a more convenient venue.⁴¹ Patent plaintiffs will join larger number of geographically diverse defendants in a patent plaintiff-friendly venue, rendering no other venue more convenient for all or most of the defendants; therefore, a court

36. *Id.* at 457.

37. *See, e.g.*, *Sprint Commc'ns Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10-CV-533-O, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10-1319, 2010 WL 3418233 (E.D. La. Aug. 24, 2010).

38. *See Taylor*, *supra* note 19, at 659.

39. *See id.* (“The patent owner benefits by paying only one filing fee; creating economies of scale related to the processing and review of documents produced by accused infringers; avoiding repetitive defensive discovery and briefing; consolidating expert report preparation and discovery; and preparing and bringing fact and expert witnesses to hearings and trials once rather than multiple times.”).

40. The asserted patents will face multiple assessments of validity if the patent plaintiff brings individual patent lawsuits against different accused infringers. Once a patent is declared invalid, the patent plaintiff is estopped from asserting it against other accused infringers. However, if a patent is declared valid, accused infringers in subsequent lawsuits can still challenge the validity of the patent.

41. *See Taylor*, *supra* note 19, at 677–78.

will likely permit the case to remain in its original venue chosen by the plaintiffs.⁴²

Along with forum shopping is a “trend towards an excess number of parties [that] unnecessarily multiplies the complexity of already-complex litigation.”⁴³ Patent plaintiffs named “almost four times more accused infringers” in the Eastern District of Texas,⁴⁴ as compared to those filed in the Northern District of California,⁴⁵ from 2008 to the effective date of § 299 in 2011. Moreover, during that time period, the average number of defendants named in the Eastern District of Texas complaints “steadily increased” while the number in the Northern District of California “remained relatively constant.”⁴⁶

Trolls, a subset of non-practicing entities (“NPEs”),⁴⁷ effectively took advantage of this litigation strategy by trading on the defendants’ litigation cost, anchoring defendants in ill-suited venues, and extracting settlements and inflated license fees.⁴⁸ Trolls exist solely to own and assert patents, and

42. See Holdreith, *supra* note 23 (“The presence of many defendants in the suit (usually including some from the chosen venue) made it hard to transfer the case to a different venue, because no venue would be more convenient for the whole group of joined defendants.”); see also Charles Gorenstein, *America Invents Act Exercises “Con-Troll” Over Patent Litigation*, IP WATCHDOG (Sept. 19, 2011), <http://www.ipwatchdog.com/2011/09/19/control-over-patent-litigation/id=19279/> (“With no individual venue likely being particularly appropriate for all of the collective defendants, the default would often be to permit the action to remain in the ill-suited venue originally chosen by the plaintiff.”).

43. Randall R. Rader, Chief Judge, Court of Appeals for the Federal Circuit, *The State of Patent Litigation*, at 6, Address at the Eastern District Texas Bench Bar Conference (Sept. 27, 2011), available at <http://www.patentlyo.com/files/raderstateofpatentlit.pdf>.

44. Taylor, *supra* note 19, at 690.

45. *Id.* The Northern District of California and the Eastern District of Texas are the top districts in terms of numbers of patent case filing. However, unlike the Eastern District of Texas, the Northern District of California adopted a more restrictive view of Rule 20. See *WIAV Networks, LLC v. 3COM Corp.*, No. C 10–03448, 2010 WL 3895047 (N.D. Cal. Oct. 1, 2010).

46. Taylor, *supra* note 19, at 690.

47. NPEs include individual inventors, universities, failed start-ups, and patent monetization entities (“PMEs”). The criticisms in the press on “patent troll” issues generally apply to PMEs, but not other categories of NPEs. See GAO REPORT, *supra* note 7, at 2–3; see also Christopher A. Cotropia, Jay P. Kesan & David L. Schwartz, *Patent Assertion Entities (PAEs) Under the Microscope: An Empirical Investigation of Patent Holders As Litigants*, at 6 (Nov. 10, 2013) (unpublished draft), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2346381.

48. See Tracie L. Bryant, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 HARV. J.L. & TECH. 687, 691 (2012) (“Patent trolls commonly rely on the litigation strategy of joining multiple, unrelated defendants in the same patent infringement suit . . . to reduce their litigation costs . . . [and] ensure a favorable venue . . .”).

do not use their patents to provide any products or services.⁴⁹ One favored tactic of trolls is to initiate lawsuits against a large number of defendants within an entire industry or across industries where the only commonality among defendants is the alleged infringement of the same patent.⁵⁰ Defendants have complained about these unfair advantages, arguing that they largely contribute to the ever-increasing number of patent suits filed by trolls.⁵¹

C. LEGISLATIVE HISTORY AND POLICY GOAL OF § 299

Although the legislative history of § 299 is sparse, it is clear that Congress passed the statute to address the problems of the disparate standards regarding Rule 20 among district court judges. The House Report for the bill states that “Section 299 legislatively abrogates the construction of Rule 20(a) adopted in [seven cases, five of which are from Texas, including the *MyMail* case]—effectively conforming these courts’ jurisprudence to that followed by a majority of jurisdictions.”⁵² Similarly, Senator Jon Kyl stated that § 299 “effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.”⁵³ By resolving the conflicting interpretations of Rule 20 joinder requirement, § 299 responds to concerns about forum shopping favoring some federal district courts, particularly the Eastern

49. *See id.* at 690 (noting that an NPE is “‘nonpracticing’ because it does not manufacture products or otherwise make use of the invention”; instead, it “acquire[s] patents only to license or enforce them against companies using the invention”); *see also* Mike Masnick, *President Obama Admits that Patent Trolls Just try to ‘Extort’ Money; Reform Needed*, TECHDIRT (Feb. 14, 2013, 2:45 PM), <http://www.techdirt.com/articles/20130214/14351821988/president-obama-admits-that-patent-trolls-just-try-to-extort-moneyreform-needed.shtml> (noting that patent trolls “don’t actually produce anything themselves,” and that they are “just trying to essentially leverage and hijack somebody else’s idea and see if they can extort some money out of them”). Despite many arguments against trolls, some contend that trolls encourage innovation by helping inventors monetize their patents. *See Bryant, supra* note 48, at 693–94.

50. *See* Charles R. Macedo, Michael J. Kasdan & David A. Boag, *ALA’s Impact on Multidefendant Patent Litigation: Part 1*, LAW360 (Oct. 19, 2012, 12:48 PM), *available at* <http://www.law360.com/articles/387456/aia-s-impact-on-multidefendant-patent-litigation-part-1>.

51. *See* Eckstein, Brooks & Davis, *supra* note 7, at 2.

52. H.R. REP. NO. 112-98, at 55 n.61 (2011). In addition to *MyMail, Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455 (2004), other cases cited include: *Sprint Commc’ns Co. v. TheGlobe.com, Inc.*, No. 05–2433, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, No. 2:08–CV–423, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. elnstruction Corp.*, No. 2–08–cv–446, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, No. 3:10–CV–533–O, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Servs., Inc. v. Hot-Hed, Inc.*, No. 10–1319, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Techs, Inc. v. Adobe Sys., Inc.*, No. 6:09–CV–446, 2010 WL 3835762 (E.D. Tex. September 28, 2010).

53. 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl).

District of Texas.⁵⁴ As noted by Senator Charles Schumer, “56 percent—more than half—of all the business method patent litigation goes to one district, the Eastern District of Texas, which is known to be extremely favorable to plaintiffs.”⁵⁵

The legislative history also suggests that another leading rationale for passing the statute was to stem the tide of multi-defendant patent lawsuits. The House Report states that “[t]he Act also addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.”⁵⁶ In discussing the bill, Congressman Goodlatte stated that “one of the driving goals of [the] legislation was to reduce patent litigation abuses,”⁵⁷ and described the bill as ending “the abusive practice of treating as codefendants parties who make completely different products and have no relation to each other.”⁵⁸ During Senate floor debate, Senator Jon Kyl stated that this new section bars joinder of accused infringers “if the only common fact and transaction among the defendants is that they are alleged to have infringed the same patent.”⁵⁹ He further commented on § 299’s bar on consolidation of separate trials, emphasizing that “Section 299’s purpose of allowing unrelated patent defendants to insist on being tried separately would be undermined” if parties could “simply consolidate their cases for trial under Rule 42.”⁶⁰

While not specifically identified in the legislative history, it is reasonable to infer that § 299 meant to reduce the number of meritless NPE lawsuits by curbing the practice of joining multiple defendants in a single lawsuit. The American Bar Association noted that “prior to passage of the act, Congress heard testimony from multiple witnesses decrying NPEs’ allegedly abusive practice of naming dozens of defendants in a single lawsuit to extort settlements over questionable patents.”⁶¹ One witness who testified in favor

54. Taylor, *supra* note 19, at 659.

55. 157 CONG. REC. S5402, 5410 (daily ed. Sept. 8, 2011) (statement of Sen. Charles Schumer).

56. H.R. REP. NO. 112-98, at 54 (2011).

57. *Hearing on H.R. 1249 Before the H. Comm. on the Judiciary*, 112th Cong. 63 (2011) (statement of Rep. Bob Goodlatte, Member, H. Comm. on the Judiciary), available at <http://judiciary.house.gov/hearings/pdf/04142011MarkupTranscript.pdf>.

58. 112 CONG. REC. H4426 (daily ed. June. 22, 2011) (statement of Rep. Bob Goodlatte).

59. 157 CONG. REC. S5429 (daily ed. Sept. 8, 2011) (Statement of Sen. Jon Kyl).

60. *Id.*

61. Chandran B. Iyer & Ryan M. Corbett, *Joinder Limitations in the America Invents Act: Big Change?*, A.B.A. INTEL. PROP. LITIG., Winter 2012, available at <http://apps.americanbar.org/litigation/committees/intellectual/articles/winter2012-joinder-limitations-america-invents-act.html>.

of § 299 stated that “[t]his change will limit a NPE’s ability to haul dozens of unrelated defendants into an inappropriate jurisdiction.”⁶² After enactment of the AIA, commentators trumpeted the laudable goal of § 299, stating that § 299 “was intended to raise the litigation costs of non-practicing entities in an effort to reduce litigation by such entities.”⁶³

II. SECTION 299

After the passage of the AIA, § 299 of the Patent Act states:

(a) Joinder of Accused Infringers.— 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 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.

(b) Allegations Insufficient for Joinder.— 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.

(c) Waiver.— A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.⁶⁴

Subsection (a) of § 299 modified both prongs of Rule 20. Subsection (a)(1) adds the requirement that the same transaction(s) and occurrence(s) “relat[e] to the making, using, importing into the United States, offering for

62. *Review of Recent Judicial Decisions on Patent Law: Hearing Before the Subcommittee on Intellectual Property, Competition, and the Internet of the House Committee on the Judiciary*, 112th Cong. 68–69 (2011) (statement of John Boswell, Senior Vice President and General Counsel, SAS Institute).

63. Katherine Moerke, *Challenges to Multi-Defendant Lawsuits Based on the ALA’s Joinder Provision*, LEXOLOGY (Dec. 15, 2011), <http://www.lexology.com/library/detail.aspx?g=85abb03c-f3d8-401a-8536-480befeba3e8>; see also Bryant, *supra* note 49.

64. 35 U.S.C. § 299 (2012).

sale, or selling of *the same accused product or process*.”⁶⁵ Thus joinder is appropriate under § 299 only if the accused product or process is “the same.”⁶⁶ In addition, although a common question of “law or fact” will suffice for permissive joinder purposes under Rule 20, § 299 requires that “*questions of fact* common to all defendants or counterclaim defendants will arise in the [single] action.”⁶⁷ Suits with only common questions of law but not common questions of fact thus may not be joined under § 299.

Section 299 also qualifies Rule 42(a) governing the consolidation of multiple lawsuits in patent infringement cases. Rule 42(a) broadly states that “[i]f actions before the court involve a common question of law or fact, the court may . . . consolidate the actions.”⁶⁸ In contrast, § 299 replaces the simple test articulated in Rule 42(a) with the two-prong permissive joinder analysis discussed above. The new standard is more difficult to meet. Under § 299, “parties that are accused infringers may . . . have their actions consolidated for trial” only if the “same accused product or process” and common “questions of fact” requirements are satisfied.⁶⁹

Subsection (b) explicitly prohibits joining defendants or consolidating for trial based solely on the alleged infringement of the same patents. This subsection further qualifies the joinder and consolidation standard under Subsection (a), and essentially “abrogates” the interpretation of Rule 20 adopted by *MyMail* courts.⁷⁰

Section 299 also includes a waiver provision in subsection (c) allowing accused infringers to waive the restrictions on permissive joinder and consolidation for trial.⁷¹ However, the Act does not specify the circumstances by which the waiver may be triggered, nor does the Act clarify whether waiver may be implied by the conduct of the alleged infringers.⁷² In any

65. 35 U.S.C. § 299(a)(1) (emphasis added).

66. *Id.*

67. 35 U.S.C. § 299(a)(2) (emphasis added).

68. Fed. R. Civ. P. 42(a) states that “[i]f actions before the court involve a common question of law or fact, the court may: (1) join for hearing or trial any or all matters at issue in the actions; (2) consolidate the actions; or (3) issue any other orders to avoid unnecessary cost or delay.”

69. 35 U.S.C. § 299(a).

70. H.R. REP. No. 112-98, at 55 n.61 (2011).

71. 35 U.S.C. § 299(c).

72. See SCOTT W. BURT, BARRY F. IRWIN, JONATHAN B. TROP, INTELLECTUAL PROP. OWNERS ASS'N, IPO LITIG. COMM., IMPACT OF MISJOINER PROVISION OF THE AMERICA INVENTS ACT 20, available at http://www.ipo.org/wp-content/uploads/2013/03/whitepaper_misjoinder1.pdf.

event, if defendants find there is a strategic advantage to consolidate their actions for trial, they may invoke the waiver provision.⁷³

There are at least three limitations to the scope of § 299.⁷⁴ First, § 299 applies only to “any civil action arising under any Act of Congress relating to patents.”⁷⁵ Proceedings before the International Trade Commission (“ITC”) are not subject to § 299 because ITC investigations are not civil actions under Title 35 of the United State Code.⁷⁶ Secondly, the joinder restriction does not apply to actions alleging infringement under the Hatch-Waxman Act at 35 U.S.C. § 271(e)(2).⁷⁷ Thus, patent holders can sue for infringement based on defendants’ application for pre-marketing regulatory approval of relevant drugs or veterinary biological products without being subject to § 299.⁷⁸ Lastly, although § 299 precludes a patent plaintiff from joining unrelated defendants or from seeking to consolidate multiple actions for trial, § 299 does not prevent consolidation of multiple cases for pretrial purposes.⁷⁹ Thus consolidation of multiple cases in MDL or coordination of multiple cases within a single district for pretrial matters such as claim construction and discovery is still allowed.⁸⁰

III. ADJUSTING TO THE NEW RULE

Section 299 appears to have had a dramatic impact on the filing of multi-defendant patent lawsuits. There was a spike in patent lawsuit filings in the Eastern District of Texas as patent holders rushed to file under the old

73. *See id.* at 21–22.

74. *See id.* at 10–11.

75. 35 U.S.C. § 299(a).

76. *See* Thomas Martin, *The International Trade Commission—A More Desirable Venue for Patent Infringement Actions in the Wake of the America Invents Act*, 10 BAKER BOTTS INTELL. PROP. REP. 2, Feb. 2013, available at http://www.bakerbotts.com/file_upload/IPReport201302-TheInternationalTradeCommission.htm.

77. 35 U.S.C. § 299(a) (applying “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”) (emphasis added).

78. Under 35 U.S.C. § 271(e)(2), submitting an application for regulatory approval is actionable if it is done for the purpose of engaging in commercial activity before expiration of the relevant patent. This provision, however, only applies to allegations of infringement related to drugs and veterinary biological products. 35 U.S.C. § 271(e)(2).

79. Section 299 states “parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated *for trial* . . .” 35 U.S.C. § 299(a) (emphasis added).

80. *See infra* Part IV.

system before § 299 went into effect.⁸¹ Since the AIA took effect, most patent plaintiffs have decided to avoid the issue of joinder, instead filing individual lawsuits against defendants on the same patents.⁸² This Part examines how courts and litigants have adjusted to the new joinder rule. Section III.A discusses the application of § 299 in increasingly rare occasions where a patent plaintiff continued the practice of joining multiple parties. Section III.B discusses the more common practice in which patent plaintiffs file separate suits, then considers emerging litigation strategies that accompany such practice.

A. THE IMPACT OF § 299 ON MULTI-DEFENDANT SUITS

Post-AIA, courts must reject joinder if the plaintiff fails to show that the alleged infringement arises out of the same transaction or occurrence or deals with the “the same accused product or process.”⁸³ For example, in *Net Navigation Systems LLC v. Cisco Systems Inc.*, a court in the Eastern District of Texas granted defendants’ motion to sever, holding that mere “sameness of the accused product,” without a finding of “same transaction or occurrence,” is insufficient to meet the joinder standard.⁸⁴ There, plaintiff Net Navigation Systems filed suit against Cisco and AT&T, alleging that defendants infringe its patents by making, using, or selling the “Cisco Accused Products.”⁸⁵ The court acknowledged that the accused products are the same and there is some relationship between Cisco and AT&T.⁸⁶ However, the court found the joinder improper, reasoning that “the nature of [defendants’] relationship” is unclear and thus there is no “evidence indicating that the claims against [Cisco and AT&T] arise out of the same transaction, occurrence” relating to the accused products.⁸⁷

Similarly, in *Digitech Image Technologies, LLC v. Agfaphoto Holding GmbH*, the Central District of California adopted a restrictive reading of the same product and common transaction standards, and granted defendants’ motion

81. See BURT, IRWIN & TROP, *supra* note 72, at 12 (showing a spike in filings in the two weeks before the AIA effective date, where “the weekly average number of [patent case] filings more than doubled from 43 to 100”).

82. See George D. Medlock Jr. & David Frist, *Joinder: Over a Year after the America Invents Act*, 5 LANDSLIDE, no. 4, Mar.–Apr. 2013, available at http://www.americanbar.org/publications/landslide/2012_13/march_april/joinder_over_year_after_america_invents_act.htm.

83. 35 U.S.C. § 299(a).

84. No. 4:11-CV-660, 2012 WL 7827543, at *3 (E.D. Tex. Aug 22, 2012).

85. *Id.* at *1.

86. *Id.* at *3.

87. *Id.* at *3–4.

to sever for misjoinder.⁸⁸ There, plaintiff Digitech joined forty-five defendants including both manufacturers and retailers of various digital cameras that allegedly infringed Digitech's patent.⁸⁹ One defendant, Leica, moved to dismiss or sever for misjoinder under Section 299.⁹⁰ The court granted Leica's motion and held that mere similarities between the accused infringing products do not satisfy the "same accused product" requirement for joinder.⁹¹ The court went even further by refusing the joinder of manufacturers and retailers who sold identical products in the stream of commerce.⁹² In so holding, the court distinguished between a manufacturer's sale of the accused product to a retailer and a retailer's subsequent downstream sale of the product.⁹³ The court also rejected Digitech's argument that it had no choice but to join all possible infringers in the same action, since claim preclusion might foreclose its opportunity to bring those claims in the future. The court reasoned that, contrary to Digitech's belief, claim preclusion would not apply under those circumstances because Digitech was obligated to proceed against each defendant individually, rather than in groups.⁹⁴

Although multi-defendant suits are more likely to be severed under AIA, some courts have allowed joinder when alleged infringers have a close relationship and the accused products or process are the same. For example, in *Omega Patents, LLC v. Skypatrol, LLC*, the Southern District of Florida denied a motion to sever claims against Skypatrol from claims against codefendant Enfora where Enfora was alleged to have supplied the accused product to Skypatrol.⁹⁵ The court found that joinder was proper under the AIA because Skypatrol "reconfigures, modifies, and rebrands the same product" that was manufactured by Enfora.⁹⁶ The court determined that the "established relationship" between Skypatrol and Enfora weighs in favor of joinder and noted that severance would not promote judicial economy.⁹⁷ Similarly, in *Mednovus, Inc. v. Qinetiq Group PLC*, the Central District of California severed certain defendants who "do not share in the same

88. No. 8:12-cv-1153-ODW, 2012 WL 4513805, at *1 (C.D. Cal. Oct. 1, 2012).

89. *Id.*

90. *Id.*

91. *Id.* at *3.

92. *Id.* at *1.

93. *Id.* at *3-4.

94. *Id.*

95. No. 1:11-cv-24201, 2012 WL 2339320, at *1-2 (S.D. Fla. June 19, 2012).

96. *Id.* at *2.

97. *Id.* at *2 n.3.

transaction” while maintaining two defendants that had a “close relationship” in which one defendant was the other’s spinoff and licensee.⁹⁸

Courts have also allowed joinder of all claims against codefendants even when only some of the claims meet the joinder requirement of § 299. In *Motorola Mobility, Inc. v. TiVo, Inc.*, the Eastern District of Texas held that two counterclaim defendants were properly joined because one counterclaim overlapped.⁹⁹ In so holding, the court reasoned that under the AIA, “complete commonality of all claims i[s] not required as long as at least one claim overlaps among all of the defendants.”¹⁰⁰ Likewise, in *Omega*, the Southern District of Florida interpreted § 299 to state that “so long as joinder is appropriate for one or more claims, misjoinder will not result due to the presence of one or more independent infringement claims against only one of the defendants.”¹⁰¹ The court therefore held that all claims against Skypatrol were properly joined since some of the claims overlapped.¹⁰²

B. CASE MANAGEMENT CHALLENGES AND LITIGATION STRATEGIES UNDER § 299

As discussed in Section III.A, it is increasingly rare (and difficult) for patent plaintiffs to name multiple defendants in the same infringement litigation. Instead, patent plaintiffs are filing multiple single-defendant suits involving the same patents.¹⁰³ For example, the average number of defendants in patent cases in the Eastern District of Texas from September 17, 2011, to October 25, 2011, is 2.5, a sixty-seven percent reduction compared to the 7.6 average number of defendants in cases filed in the same district during the same period in 2010.¹⁰⁴

98. No. 2:12-cv-03487, 2012 WL 4513539, at *3 (C.D. Cal. Oct. 1, 2012). The court also found that two buyers, ETS–Lindgren and Invivo, could not be joined with the supplier Metrasens merely because they purchased the accused product from Metrasens for resale. *Id.* at *3.

99. No. 5:11–CV–53–JRG, 2012 WL 2935450, at *2 (E.D. Tex. July 18, 2012).

100. *Id.*

101. *Omega Patents, LLC v. Skypatrol, LLC*, No. 1:11-cv-24201, 2012 WL 2339320, at *2 (S.D. Fla. June 19, 2012).

102. *Id.*

103. For example, Unified Messaging Solutions, LLC filed fourteen lawsuits on same patents on March 1, 2012, including nine in the Northern District of Illinois; Maxim Integrated Products, Inc. filed ten lawsuits between January 6 and February 23, 2012, all in the Eastern District of Texas; ArrivalStar, S.A. filed sixty-nine lawsuits between September 16, 2011 and March 20, 2012, including forty-four in the Southern District of Florida and eighteen in the Northern District of Illinois. ECKSTEIN, BROOKS & DAVIS, *supra* note 7, at 7.

104. Sasha Rao & Daniel Keese, *Aftershocks From The AIA: A Seismic Shift in Patent Law?*, LAW360 (March 26, 2012, 1:02 PM), available at http://www.ropesgray.com/files/upload/20120403_Aftershocks_From_The_AIA.pdf.

The shift from multi-defendant suits to single-defendant suits has resulted in a dramatic increase in the absolute number of patent suits post-AIA. As shown in Table 1, RPX Corporation, a provider of patent risk management services, reported that patent cases filed in 2012 was up forty percent from 2011 and eighty-seven percent from 2010.¹⁰⁵ Similarly, data collected from Lex Machina shows that plaintiffs filed 5,418 patent infringement cases in 2012, almost double the number of patent cases filed in 2010.¹⁰⁶

Table 1: Total number of patent cases

	2009	2010	2011	2012
RPX	2,304	2,525	3,374	4,731
Lex Machina	2,502	2,714	3,530	5,418

The proliferation of individual lawsuits on the same patents burdens both courts and litigants. To circumvent the cost and inefficiency imposed by the heavier caseload, courts and litigants are increasingly relying on known procedural mechanisms, such as consolidation of pretrial proceedings under Rule 42(a) or MDL, to ease judicial administration and reduce the possibility of inconsistent rulings.¹⁰⁷

105. Data was collected from RPX CORP., 2012 NPE ACTIVITY REPORT (2012), available at <http://www.rpxcorp.com/siteFiles/SiteManager/0BF995E82CFF591EE80EFE8AC69259E7.pdf> [hereinafter RPX REPORT].

106. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 21, 2014) (the number of patent case filings is listed under “cases filed by year” on the homepage) (LEX MACHINA is a secure website without immediate access). The small discrepancy between data from RPX and Lex Machina may be explained by different methodologies employed in these two databases.

107. See *In re EMC Corp.*, 677 F.3d 1351, 1360 (Fed. Cir. 2012). The court in *In re EMC Corp.* stated that:

In exercising its discretion, the district court should keep in mind that even if joinder is not permitted under Rule 20, the district court has considerable discretion to consolidate cases for discovery and for trial under Rule 42 where venue is proper and there is only ‘a common question of law or fact.’ Common pretrial issues of claim construction and patent invalidity may also be adjudicated together through the multidistrict litigation procedures of 28 U.S.C. § 1407.

Id. (citations omitted).

1. *Consolidating Pretrial Proceedings Under Rule 42(a)*

Section 299 imposes limitations on consolidation “for trial.”¹⁰⁸ However, the statute, on its face, does not prevent consolidation of multiple cases for purposes of pretrial activities.¹⁰⁹ Thus, courts in post-AIA patent cases are relying more on Rule 42(a) to consolidate potentially dispositive pretrial issues such as discovery, claim construction, and summary judgments.¹¹⁰ Consolidation “is permitted as a matter of convenience and economy in administration, but does not merge the suits into a single cause, or change the rights of the parties, or make those who are parties in one suit parties in another.”¹¹¹ Typically multiple cases filed by the same plaintiff alleging infringement of the same patents will be assigned to the same judge if cases are filed in the same courts.¹¹² While courts may sever misjoined defendants under § 299, they nonetheless may consolidate actions for pretrial purposes.¹¹³ Once consolidated, the cases will likely proceed just as they would have before the passage of § 299, at least during the pretrial stage.¹¹⁴ However, each case will be tried separately—if the litigation proceeds to that stage—as § 299 strictly precludes “consolidation for trial.”¹¹⁵

For example, in *Norman IP Holdings, LLC*, the Eastern District of Texas initially severed twenty-two defendants that had been misjoined, but soon after it consolidated those cases for pretrial purposes.¹¹⁶ There, Plaintiff Norman IP Holdings filed its complaint the day before the AIA came into effect but subsequently added twenty-three additional defendants over the next few months.¹¹⁷ Thirteen of the newly added defendants brought

108. 35 U.S.C. § 299(a) (2012).

109. *Id.*

110. *See, e.g.,* *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, Nos. 6:12cv508, 6:11-CV-495, 2012 WL 3307942 (E.D. Tex. Aug. 10, 2012).

110. *Id.* at *1.

111. *Johnson v. Manhattan Ry. Co.*, 289 U.S. 479, 496–97 (1933).

112. *See* MANUAL FOR COMPLEX LITIGATION § 20.11 (4th ed. 2004) (providing, in part that “[a]ll related civil cases pending in the same court should initially be assigned to a single judge to determine whether consolidation, or at least coordination of pretrial proceedings, is feasible and is likely to reduce conflicts and duplication”).

113. *See, e.g.,* *Norman IP Holdings*, 2012 WL 3307942, at *4.

114. *See* Charles R. Macedo, Michael J. Kasdan & David A. Boag, *ALA’s Impact on Multidefendant Patent Litigation: Part 2*, LAW360 (Oct. 26, 2012, 12:34 PM), <http://www.law360.com/articles/387458/aia-s-impact-on-multidefendant-patent-litigation-part-2> (“[I]his early run of pretrial consolidations suggests that pretrial life under the AIA for purposes of joinder may closely resemble the pretrial state of affairs before the AIA.”).

115. 35 U.S.C. § 299 (2012).

116. *Norman IP Holdings*, 2012 WL 3307942, at *4.

117. *Id.* at *1.

motions to sever and transfer under § 299.¹¹⁸ The court granted severance, acknowledging that “unrelated defendants in this case were improperly joined and should either be dismissed from the case or severed into their own cases.”¹¹⁹ However, after severing the pertinent defendants into separate cases, the court immediately ordered all “newly severed actions consolidated with the original filed case as to all issues, except venue, through pretrial only.”¹²⁰ The court reasoned that separate discovery proceedings would “waste[] judicial resources by requiring common issues to be addressed individually for each case,” and held the consolidation appropriate under Rule 42.¹²¹

Many jurisdictions have followed the Eastern District of Texas and consolidated separate actions involving common patents for pretrial proceedings.¹²² For example, in *Tammsaura Group, LLC v. NBTY Inc.*, the Central District of California ordered that seventy independent cases be “coordinated” for case management purposes.¹²³ The court noted that it would “issue one protective order and one scheduling order to govern all of the cases,” and carefully pointed out that the order only constituted a determination of consolidation for pretrial proceedings, but not consolidation for trial.¹²⁴

Conversely, courts have refused pretrial consolidation when the defendants are totally unrelated or have competing interests. In *One-E-Way, Inc v. Plantronics, Inc.*, the Central District of California found that the defendants had been misjoined because “[t]he fact that some of the products incorporate the same wireless technology does not alter the fact that Plaintiff brings suit against unrelated defendants for independent acts of infringement”; the court subsequently dropped four of the five defendants.¹²⁵ The court rejected the plaintiff’s request to consolidate cases for pretrial purposes under Rule 42(a).¹²⁶ In so holding the court reasoned “the

118. *Id.*

119. *Id.* at *3.

120. *Id.* at *4.

121. *Id.*

122. *See, e.g.*, *SoftView LLC v. Apple Inc.*, No. 10-389, 2012 WL 3061027, at *11 (D. Del. Jul. 26, 2012) (consolidating newly severed cases for all pre-trial purposes); *Rotatable Techs. LLC v. Nokia*, No. 2:12-CV-265, 2013 WL 3992930 (E.D. Tex. Aug. 2, 2013) (consolidating cases for construction of the disputed claim terms at issue).

123. No. 8:12-cv-1655 at *1 (C.D. Cal. Oct. 5, 2012), *available at* <https://law.lexmachina.com/documents/4000211097> (last visited Feb 21, 2014).

124. *Id.*

125. No. 2:11-cv-06673, at *2 (C.D. Cal. Jan. 19, 2012) *available at* <https://law.lexmachina.com/documents/4000211101> (last visited Feb 21, 2014).

126. *Id.* at *3.

defendants—who may have competing interests and strategies—also are entitled to present individualized assaults on questions of non-infringement, invalidity, and claim construction.”¹²⁷ Similarly, in *Body Science LLC v. Boston Scientific Corp.*, the Northern District of Illinois granted a motion to sever, but refused to consolidate the cases upon severance, reasoning that consolidation “will not promote judicial economy or efficiency” since defendants are “entirely different companies” with different accused products.¹²⁸

Overall, the practice of pretrial consolidation for patent cases under Rule 42(a) has become increasingly common. For example, the Northern District of California issued seventy-six consolidation orders for cases filed in 2012,¹²⁹ and seventy-two consolidation orders for cases filed in 2013¹³⁰—a seventy percent increase compared to the yearly average of forty-three consolidation orders for cases filed from 2009 to 2010.¹³¹ More significantly, the Eastern District of Texas issued 381 consolidation orders for cases filed in 2013,¹³² more than nine times the yearly average of forty-two consolidation orders for cases filed from 2009 to 2010.¹³³ This sharp increase in the number of

127. *Id.*

128. 846 F. Supp. 2d 980, 991 (N.D. Ill. 2012).

129. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “cases” hyperlink; then put “consolidation order” in the search box, choose “patent” under “Case types” tab, choose “from 2012-01-01 to 2012-12-31” under “Filed on” tab, choose “N.D.Cal” under “Courts” tab; then click “search” tab) (LEX MACHINA is a secure website without immediate access).

130. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “cases” hyperlink; then put “consolidation order” in the search box, choose “patent” under “Case types” tab, choose “from 2013-01-01 to 2013-12-31” under “Filed on” tab, choose “N.D.Cal” under “Courts” tab; then click “search” tab) (LEX MACHINA is a secure website without immediate access).

131. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “cases” hyperlink; then put “consolidation order” in the search box, choose “patent” under “Case types” tab, choose “from 2009-01-01 to 2010-12-31” under “Filed on” tab, choose “E.D.Texas” under “Courts” tab; then click “search” tab) (LEX MACHINA is a secure website without immediate access).

132. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “cases” hyperlink; then put “consolidation order” in the search box, choose “patent” under “Case types” tab, choose “from 2013-01-01 to 2013-12-31” under “Filed on” tab, choose “E.D.Texas” under “Courts” tab; then click “search” tab) (LEX MACHINA is a secure website without immediate access).

133. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “cases” hyperlink; then put “consolidation order” in the search box, choose “patent” under “Case types” tab, choose “from 2009-01-01 to 2010-12-31” under “Filed on” tab, choose “E.D.Texas” under “Courts” tab; then click “search” tab) (LEX MACHINA is a secure website without immediate access).

consolidation orders is consistent with the marked increase in caseloads in the Eastern District of Texas post-AIA.¹³⁴

Although defendants in several cases have argued that the AIA precludes consolidation under Rule 42, even for pretrial purposes, courts have generally rejected this argument. In *C. R. Bard, Inc. v. Medical Components, Inc.*, the District of Utah found that “the America Invents Act remains silent on *pre* trial consolidation” and concluded that “the AIA does not affect the authority of a court to order pretrial consolidation of related patent cases” under Rule 42(a).¹³⁵

Therefore, when multiple single-defendant suits on the same patent are pending in a single district, pretrial consolidation under Rule 42(a) illustrates a potential end-run around § 299. On the other hand, when multiple single-defendant suits on the same patent are pending in multiple districts, both plaintiffs and defendants are considering another end-run around § 299: MDL consolidation for “[c]ommon pretrial issues of claim construction and patent invalidity” under 28 U.S.C. § 1407.¹³⁶

2. Consolidating Pretrial Proceedings Under MDL

Parties may also request the Judicial Panel on Multidistrict Litigation (“the Panel”) to transfer the cases pending in multiple districts to a single district court and consolidate them for pretrial purposes. Congress enacted the MDL statute under 28 U.S.C. § 1407 in 1968, which permits “consolidated pretrial proceedings” when “civil actions involving one or more common questions of fact are pending in different districts.”¹³⁷ The statute aims to increase the “convenience of parties and witnesses” and “promote the just and efficient conduct of . . . actions” by eliminating inconsistent rulings and reducing the costs associated with litigating multiple similar suits in different districts.¹³⁸ The Panel is the sole judicial body that determines whether cases ultimately proceed to MDL.¹³⁹ The Panel consists of seven circuit and/or district judges appointed by the Chief Justice of the United States, and meets once every two months to determine whether

134. In 2010, 283 patent cases were filed in the Eastern District of Texas. In 2013, the number of patent cases filed in in the Eastern District of Texas increased to 1,497. *See infra* Table 4.

135. *C.R. Bard, Inc. v. Med. Components, Inc.*, No. 2:12-cv-00032, 2012 WL 3060105, at *1–2 (D. Utah Jul. 25, 2012) (concluding that pretrial consolidation is not “violative of the spirit of the AIA”).

136. *In re EMC Corp.*, 677 F.3d 1351, 1360 (Fed. Cir. 2012).

137. 28 U.S.C. § 1407(a) (2012).

138. *Id.*

139. *Id.*

transfer to MDL is proper by a concurrence of at least four of the seven judges.¹⁴⁰

a) Panel Procedure

Transfer to MDL may be initiated by the Panel *sua sponte* or by motion filed by a party to the action.¹⁴¹ If a party initiated the transfer, the moving party must file a motion for transfer with the Panel and file a copy of the motion in the district court where the action is originally pending.¹⁴² The Panel will send notice to all parties potentially affected by the transferred proceedings, including the time and place of hearing to determine whether transfer is proper.¹⁴³ Parties are able to present their positions in front of the Panel during hearings, which are normally limited to twenty minutes per matter.¹⁴⁴

The standard for pretrial consolidations used in MDLs is lenient compared to the consolidation standard under § 299. The former only requires that the cases involve common questions of fact.¹⁴⁵ Facts relating to the validity or enforceability of an asserted patent will therefore suffice to meet the consolidation standard for MDL.¹⁴⁶ On the other hand, § 299 requires common questions of fact arising out of transactions or occurrences related to “the same accused product or process.”¹⁴⁷

If the Panel approves transfer for MDL, the Panel will select the transferee district court and assign the cases to one or more judges within the transferee district.¹⁴⁸ Therefore, unlike consolidation under Rule 42(a) or § 299, which occurs in the district of the patent plaintiff’s choosing, consolidation in MDLs occurs in a district determined by the Panel to be the most convenient. The transferee judge will then decide how to consolidate or handle the transferred cases.¹⁴⁹

140. *Id.* § 1407(d).

141. *Id.* § 1407(c).

142. *Id.*

143. *Id.*

144. See Paul M. Janicke, *The Judicial Panel on Multidistrict Litigation: Now a Strengthened Traffic Cop for Patent Venue*, 32 REV. LITIG. 497, 510–11 (2013).

145. 28 U.S.C. § 1407(a).

146. See *In re Bear Creek Techs., Inc.*, (‘722) Patent Litig., 858 F. Supp. 2d 1375, 1378–79 (J.P.M.L. 2012).

147. See 35 U.S.C. § 299(a).

148. 28 U.S.C. § 1407(b).

149. See *In re Equity Funding Corp. of Am. Sec. Litig.*, 375 F. Supp. 1378, 1384 (J.P.M.L. 1974) (“It is the province of the transferee judge to determine whether and to what extent the pretrial proceedings should be coordinated or consolidated.”).

A party may appeal the Panel order if transfer is granted. To do so, the party must petition for an extraordinary writ in the United States Circuit Court of Appeals with jurisdiction over the transferee district.¹⁵⁰ However, parties may not appeal any Panel decision denying transfer.¹⁵¹

When the issue is pending before the Panel or after a transfer order has been entered, similar cases may be subsequently filed in different district courts. These new actions are termed “tag-along actions.”¹⁵² If a transfer order has been made, the Panel usually issues a conditional transfer order moving the tag-along actions to the transferee judge as well. But the Panel’s involvement is unnecessary. A party may request “assignment of such action to the Section 1407 transferee judge in accordance with applicable local rules.”¹⁵³ The transferee judge determines how the tag-along actions will be incorporated into the ongoing proceedings.¹⁵⁴

Section 1407 specifies that transfer is for “pretrial proceedings” purposes only.¹⁵⁵ Thus if a trial is needed, each case must go back to its original district.¹⁵⁶ However, trial in the original district does not occur often in patent cases.¹⁵⁷ Most patent cases are resolved while in the transferee district and before trial, as the transferee court is empowered to dismiss cases, to issue consent judgments, and, most importantly, to issue summary judgment rulings.¹⁵⁸ Therefore, most of the action will take place before the MDL court rather than being remanded back to the transferor courts.

150. 28 U.S.C. § 1407(e). Section 1407(e) states:

No proceedings for review of any order of the panel may be permitted except by extraordinary writ pursuant to the provisions of title 28, section 1651, United States Code Petitions for an extraordinary writ to review an order to transfer or orders subsequent to transfer shall be filed only in the court of appeals having jurisdiction over the transferee district. There shall be no appeal or review of an order of the panel denying a motion to transfer for consolidated or coordinated proceedings.

Id.

151. *Id.*

152. R.P. U.S. J.P.M.L. Rule 7.1(a).

153. R.P. U.S. J.P.M.L. Rule 7.2(a).

154. *In re* Equity Funding Corp., 375 F. Supp. 2d. at 1384.

155. 28 U.S.C. § 1407(a).

156. *In re* Bear Creek Techs., Inc., (‘722) Patent Litig., 858 F. Supp. 2d 1375, 1378 (J.P.M.L. 2012) (citing *Lexecon, Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26, 34 (1998)).

157. *See Janicke, supra* note 144, at 513.

158. *See id.*

b) Consolidating Pretrial Proceedings Under MDL

The Panel routinely relies on § 1407 to transfer and consolidate patent infringement cases.¹⁵⁹ Since 1968, the Panel has decided more than 130 motions to consolidate patent infringement cases.¹⁶⁰ The average grant rate is around sixty-seven percent.¹⁶¹

The MDL panel has ruled that the AIA joinder provision does not apply to centralization under § 1407.¹⁶² For instance, in *In re Bear Creek Techs, Inc.*, the panel considered fourteen separate actions filed in three district court jurisdictions, each alleging infringement of the same patent.¹⁶³ Although the *Bear Creek* defendants argued that the MDL proceeding amounted to an “end run” around the AIA, the Panel disagreed, ordering the consolidation of those actions in the Delaware district court.¹⁶⁴ It concluded that even though the AIA prohibits consolidation for trial, it does not forbid consolidation for pretrial purposes.¹⁶⁵ The Panel reasoned that had Congress intended for the AIA to affect MDL, it would have amended § 1407 directly.¹⁶⁶

Table 2: Panel orders on patent litigation cases from 2009 to 2013

	Filed by Defendant (granted)	Filed by Plaintiff (granted)	Percentage (granted /total)
2009-09-16 to 2011-09-15	5 (3)	6 (5)	72.7% (8/11)
2011-09-16 to 2013-09-15	6 (5)	10 (6)	68.7% (11/16)

As Table 2 shows, the Judicial Panel has seen its MDL filing in patent cases increase modestly since the AIA was enacted.¹⁶⁷ In the two years

159. *See, e.g., In re TR Labs Patent Litig.*, 896 F. Supp. 2d 1337 (J.P.M.L. 2012); *In re Body Science LLC Patent Litig.*, 883 F. Supp. 2d 1344 (J.P.M.L. 2012); *In re Maxim Integrated Prods., Inc. Patent Litig.*, 867 F. Supp. 2d 1333 (J.P.M.L. 2012).

160. *See* BURT, IRWIN & TROP, *supra* note 72, at 18.

161. *Id.*

162. *In re Bear Creek Techs., Inc.*, (‘722) Patent Litig., 858 F. Supp. 2d 1375, 1378–79 (J.P.M.L. 2012).

163. *Id.* at 1375.

164. *Id.* at 1379.

165. *Id.* at 1378.

166. *Id.*

167. Panel orders were collected from Bloomberg Law, <https://www.bloomberglaw.com> (follow “Dockets” hyperlink under “Search & Browse” tab; then search “U.S. Judicial Panel on Multidistrict Litigation Dockets” for “Courts,”

preceding the enactment of the AIA, the Panel issued eleven orders on patent cases with an average of approximately 5.5 cases per year.¹⁶⁸ In the two years following the AIA's enactment, the panel issued sixteen orders on patent cases with an average of eight cases per year, which is up about forty-five percent over the pre-AIA average.¹⁶⁹ Interestingly, both patent plaintiffs and defendants have sought to transfer and consolidate cases under § 1407, and the distribution of filings of both parties remain almost unchanged.¹⁷⁰ Of these cases, fifty-five percent (six out of eleven total) of the motions were filed by plaintiffs prior to the AIA, as compared to 62.5 percent (ten out of sixteen total) post-AIA.¹⁷¹ This suggests that both plaintiffs and defendants see a strategic advantage to consolidating pretrial proceedings under certain conditions. Furthermore, the percentage of cases granted transfer post-AIA (68.7 percent) remains almost unchanged as compared to the percentage pre-AIA (72.7 percent).¹⁷²

Two important factors the Panel considers in deciding consolidation are (1) the degree of commonality of issues in the various cases and (2) the stage of the respective litigations.¹⁷³ The Panel is more likely to grant MDL consolidation when there are common issues and when the procedural postures of the various cases are similar.¹⁷⁴ For example, in *In re Maxim Integrated Prods.*, the Panel considered fourteen separate actions in which the plaintiff alleged infringement of the same five patents related to mobile commerce.¹⁷⁵ It ultimately ordered centralization of the actions in the Western District of Pennsylvania after finding that they shared “common questions of fact.”¹⁷⁶ Initially, plaintiff Maxim (“Maxim”) filed ten patent infringement suits against individual defendants in 2012, all in the Eastern District of Texas, alleging that the defendants infringed its patents related to mobile commerce.¹⁷⁷ Maxim later filed a motion for transfer and consolidation of all of the cases in the Eastern District of Texas under § 1407 after several other entities filed declaratory judgment actions against Maxim

search “patent” in “keywords”; then click “search” tab). Collected cases do not include those deemed motion moot or motion withdrawn.

168. *See supra* Table 2.

169. *See id.*

170. *See id.*

171. *See id.*

172. *See id.*

173. *See Janicke, supra* note 144, at 511.

174. *See id.*

175. *In re Maxim Integrated Prods., Inc.*, 867 F. Supp. 2d 1333, 1333 (J.P.M.L. 2012).

176. *Id.* at 1335.

177. *Id.* at 1336–37.

in other judicial districts.¹⁷⁸ The responding parties opposed centralization, arguing that “any common factual issues among the actions are subsumed by unique factual issues presented by each defendant.”¹⁷⁹ The Panel, however, in view of convenience and efficiency, granted Maxim’s motion and transferred all the actions to the Western District of Pennsylvania.¹⁸⁰ In so holding, the Panel emphasized that transfer does not “require a complete identity or even a majority of common factual or legal issues as a prerequisite.”¹⁸¹ Since the actions “involve common factual questions concerning the background of the patents and the subject matter,” the court found that centralization will “reduce the number of potentially inconsistent rulings and create significant efficiencies over respondents’ proposed fragmented approach.”¹⁸²

Conversely, in *Brandywine*, the panel denied patentee’s motion to centralize thirty-four pending infringement actions.¹⁸³ The actions involved similar allegations of infringement of six patents belonging to Brandywine, and the panel acknowledged that there was “undoubtedly factual overlap among these actions.”¹⁸⁴ However, the court noted that the patentee’s trend of quickly settling many of its prior lawsuits weighed against centralization.¹⁸⁵ Moreover, the difference in procedural postures of the various cases also argued against centralization.¹⁸⁶ Specifically, the court noted that it would not favor the patentee’s efforts to “lock in” a single favorable claim construction obtained before MDL consolidation and apply it to each of the defendants via centralization.¹⁸⁷ Accordingly, the panel denied patentee’s motion to centralize, noting: “[c]entralization of these actions is unlikely to result in the just and efficient conduct of the litigation as a whole.”¹⁸⁸

Overall, the Panel will likely rule against centralization if there is significant procedural disparity,¹⁸⁹ if litigation history suggests that many

178. *Id.* at 1333.

179. *Id.* at 1334.

180. *Id.* at 1335–36.

181. *Id.* at 1334.

182. *Id.*

183. *In re Brandywine Commc’ns Techs., LLC, Patent Litig.*, 959 F. Supp. 2d 1377, 1379 (J.P.M.L. 2013).

184. *Id.* at 1378.

185. *Id.* at 1378–79.

186. *Id.* at 1379.

187. *Id.*

188. *Id.*

189. *See, e.g., id.* (noting that “the procedural posture of these actions makes it less likely that they will benefit from centralization” since “two of the actions are quite advanced, with a claim construction order recently issued in the first-filed action in the Middle District of Florida and briefing on claim construction concluded in the action pending in the Northern District of California”); *In re Droplets, Inc., Patent Litig.*, 908 F. Supp. 2d 1377, 1378

actions have been quickly dismissed,¹⁹⁰ if informal coordination is practical among defendants because only a few defendants or districts (i.e., typically fewer than four) are involved,¹⁹¹ or if the benefits for common discovery may be limited.¹⁹² The Panel will also likely rule against centralization if the disputed issues lack commonality, such as terms in dispute are not identical from action to action (although there is some overlap)¹⁹³ or parties have not determined the specific nature of that alleged infringement¹⁹⁴ or certain defendants have idiosyncratic, potentially dispositive defenses that will implicate significant unique facts.¹⁹⁵ The Panel considers all those factors, and none of the above-mentioned factors is dispositive.¹⁹⁶

(J.P.M.L. 2012) (denying transfer due to a finding that “not all actions are in their ‘infancy’” and a *Markman* hearing had been scheduled in one action); *In re Oplus Techs., Ltd.*, Patent Litig., 899 F. Supp. 2d 1373, 1373 (J.P.M.L. 2012) (denying transfer upon finding that “one of the actions is already steadily progressing, with a *Markman* hearing scheduled”); *but see In re Unified Messaging Solutions LLC*, Patent Litig., 883 F. Supp. 2d 1340, 1342 (J.P.M.L. 2012) (granting transfer despite the fact that some actions had already scheduled *Markman* hearing and are more procedurally advanced than the remaining actions).

190. *See, e.g., In re Brandywine Communications*, 2013 WL 4048510, at *1 (noting that “[o]f these seventy actions, more than half already have been dismissed voluntarily by Brandywine as a result of early settlements”); *In re ArrivalStar S.A. Fleet Mgmt. Sys.* Patent Litig., 802 F. Supp. 2d 1378, 1379 (J.P.M.L. 2011) (noting that “the trend of quick dismissals in most actions suggests that the advantages centralization typically affords—i.e., reducing duplicative discovery and motion practice, etc.—may not be relevant to most litigants”); *In re Genetic Techs. Ltd.* Patent Litig., 883 F. Supp. 2d 1337, 1337 (J.P.M.L. 2012) (noting that “most actions that have been filed in the past several years have not required significant judicial attention”).

191. *See, e.g., In re Droplets*, 908 F. Supp. 2d at 1378 (noting that “informal coordination among the three involved courts seems practicable—just as it does among the parties, given that Droplets is represented in all actions by the same law firm”); *In re Oplus Techs.*, 899 F. Supp. 2d at 1373 (“With so few involved defendants and only a limited number of common claims and patents [six defendants allegedly infringing two patents] in dispute, it appears that informal cooperation among the parties and coordination among the involved judges is a feasible alternative to transfer.”).

192. *See, e.g., In re Genetic Techs.*, 883 F. Supp. 2d at 1338 (noting that “the opportunities for common discovery may be more limited here than in other circumstances because the inventor of the common patent” passed away and other major witness was abroad).

193. *See, e.g., In re Charles R. Bobo Patent Litig.*, 829 F. Supp. 2d 1374, 1375 (J.P.M.L. 2011) (noting, in an order denying transfer, that actions in one district court “involve other patents that are not part of the same patent family”).

194. *See, e.g., In re Select Retrieval, LLC*, Patent Litig., 883 F. Supp. 2d 1353, 1354 (J.P.M.L. 2012) (noting, in an order denying transfer, that “the litigation has not progressed to a point that the parties have determined the specific nature of that alleged infringement or to what extent infringement allegations will be common to the defendants across these actions”).

195. *See, e.g., In re Genetic Techs.*, 883 F. Supp. 2d at 1338 (explaining that “weighing in favor of denying centralization is that certain defendants have idiosyncratic potentially dispositive defenses that will implicate significant unique facts”); *In re ArrivalStar*, 802 F.

IV. DISCUSSION

Section 299 significantly restricts the ability of a patent plaintiff to sue multiple unrelated defendants in the same proceeding. A patent plaintiff may join multiple defendants only if each defendant made or used the same product or process and was involved in the “same transaction and occurrence.”¹⁹⁷ Otherwise the plaintiff must sue the defendants separately. The restrictive joinder standard was intended to correct joinder abuse in patent litigation and reduce the number of meritless infringement suits brought by trolls.¹⁹⁸ But is § 299 achieving its intended purpose? This Part answers this question by taking a quantitative approach to analyzing the volume and dynamics of patent litigation prior to and after the enactment of the AIA. It continues by further arguing that § 299 has achieved some measures of success, but also imposes a variety of inefficiencies and risks on courts and litigants that can only be partially addressed by known procedural mechanisms.

A. VOLUME AND DYNAMICS OF PATENT LITIGATION PRE- AND POST-AIA

Table 3 summarizes the patent case filings by NPEs from the databases of Patent Freedom and RPX, both of which advise businesses facing potential or actual NPE litigation.¹⁹⁹ Both Patent Freedom and RPX report that the total number of patent cases filed by NPEs has increased significantly from 2010 to 2012.²⁰⁰ This steep increase appears to be caused by NPEs’ shifting from filing multi-defendant suits to filing multiple single-defendant suits.²⁰¹

A close look at the number of defendants sued by NPEs reveals that § 299 has failed to deter NPEs from filing patent suits. According to Patent Freedom, the number of defendants sued by NPEs did not decrease, but

Supp. 2d at 1379 (noting that “the diversity of defendants’ businesses may hinder the alleged infringers’ ability to adopt common positions regarding the interpretation of common claims of the various patents”).

196. See Janicke, *supra* note 144, at 511.

197. 35 U.S.C. § 299(a) (2012).

198. See *supra* Section I.C.

199. See RPX REPORT, *supra* note 105; see also *Litigations Over Time*, PATENT FREEDOM (Feb. 7, 2014), <https://www.patentfreedom.com/about-npes/litigations/> (containing summary data on NPE assertions).

200. See *infra* Table 3.

201. See *supra* Part III.

instead slightly increased from 2010 to 2013.²⁰² A similar trend is observed in the RPX report, where the number of defendants sued by NPEs in 2012 also increased as compared to the number in 2010.²⁰³

Table 3: Total Cases filed by NPEs and Defendants Sued by NPEs

	Patent Freedom ²⁰⁴				RPX ²⁰⁵			Cotropia ²⁰⁶	
	2010	2011	2012	2013	2010	2011	2012	2010	2012
Cases by NPEs	632	1,252	3,025	3,466	765	1,551	3,054	400	1,959
Number of defendants sued by NPEs	4048	5,378	4,229	4,400	4,170	5,329	4,351	3,179	3,698

Professor Cotropia's article reported a similar trend that more defendants are sued by trolls post-AIA.²⁰⁷ Unlike the Patent Freedom and RPX reports, which do not differentiate among the various types of NPEs,²⁰⁸ the authors of the Cotropia article distinguished various types of NPEs and classified them into different types such as operating companies, patent holding companies, large patent aggregators, and individual inventors.²⁰⁹ The authors found that the number of lawsuits filed by patent holding companies increased most dramatically, rising from 408 in 2010 to 1,959 in 2012.²¹⁰ Yet, the number of unique patent plaintiffs does not change much from 2010 to 2012 (1,610 in 2010 compared to 1,696 patent plaintiffs in 2012), and the distribution amongst the various patent plaintiff types is nearly identical for

202. *See infra* Table 3. The increase in 2011 followed by decline in 2012 resulted from the enactment of the America Invents Act, which prompted a rush to the courthouse among patent plaintiffs to file before the new rules were effective. Arguably, many of the cases filed in September 2011 would have otherwise been filed later in 2011, and some of them may likely have been filed in 2012.

203. *See infra* Table 3; *see also* RPX REPORT, *supra* note 105, at 11.

204. *See Litigations Over Time*, *supra* note 199.

205. *See* RPX REPORT, *supra* note 105, at 11.

206. *See* Cotropia, Kesan & Schwartz, *supra* note 47, at 17–19.

207. *Id.* at 19.

208. For example, the RPX reports consider all the following entities as NPEs: “(1) Patent assertion entities (PAEs): entities believed to earn revenue predominantly through asserting patents; (2) Universities and research institutions; (3) Individual inventors; (4) Non-competing entities (NCEs): operating companies asserting patents outside their areas of products or services.” But it is patent holding companies purchasing patents in order to monetize who are criticized, not other entities such as individual inventors or universities. *See* RPX REPORT, *supra* note 105, at 7.

209. Cotropia, Kesan & Schwartz, *supra* note 47, at 12.

210. *Id.* at 17.

each year.²¹¹ Similarly, the number of defendants stayed constant between 2010 (11,671) and 2012 (11,604).²¹² Among these defendants, the number of parties sued by trolls increased slightly from 3,179 in 2010 to 3,698 in 2012, and the number of parties sued by individuals decreased from 1,320 in 2010 to 927 in 2012.²¹³ These data indicate that although § 299 has indeed forced patent plaintiffs to file multiple single-defendant suits instead of multi-defendant suits, it has failed to deter trolls from filing suits. Nor has it decreased the number of defendants involved in troll suits.

Table 4: Patent Filings in Major District Courts (and Percentages of the Total)²¹⁴

	2010	2011	2012	2013
C.D. California	216 (8%)	308 (9%)	499 (9%)	399 (6.5%)
N.D. California	175 (6.4%)	217 (6%)	260 (5%)	249 (4%)
E.D. Texas	283 (10.4%)	414 (12%)	1,248 (23%)	1,497 (24.5%)
Delaware	253 (9.3%)	484 (14%)	1,002 (18%)	1,336 (21.9%)
N.D. Illinois	172 (6.3%)	215 (6%)	236 (4%)	222 (3.6%)

Another noticeable trend is that patentees are filing more cases in the District of Delaware, although the Eastern District of Texas remains the top district in terms of patent filings.²¹⁵ The move towards Delaware may be partially explained by the opportunity for intra-district coordination of cases as a large number of companies are incorporated in Delaware.²¹⁶ The concern

211. *Id.* at 17–18.

212. *Id.* at 19.

213. *Id.*

214. Data was collected from LEX MACHINA, <https://law.lexmachina.com> (last visited Feb. 14, 2014) (follow “Courts & Judges” tab; then follow individual court under “Top 5 Courts by Case filings”) (LEX MACHINA is a secure website without immediate access).

215. *See supra* Table 4.

216. Patent infringement suits may be brought in the judicial district where the defendant resides. *See* 28 U.S.C. § 1400. Residency is defined in 28 U.S.C §1391:

For all venue purposes . . . (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question

Id. § 1391(c). Besides the opportunity of intra-district coordination, there are other reasons why patent plaintiffs might prefer the Eastern District of Texas and Delaware. For example, cases in the Eastern District of Texas and Delaware are more likely to reach trial compared to those in other district courts; moreover, patent plaintiffs in the Eastern District of Texas

about forum shopping remains salient as patent plaintiffs still rush to file patent cases in the Eastern District of Texas and the District of Delaware.²¹⁷ In 2010, they were the top two district courts handling the most patent cases.²¹⁸ In 2012 and 2013, these two courts remained the most popular courts chosen by patent plaintiffs and handled even greater percentages of patent cases.²¹⁹

B. SECTION 299 ACHIEVED A MIXED RESULT

Relying on the post-AIA case statistics,²²⁰ this section contends that § 299 has achieved a mixed result. Section IV.B.1 describes that § 299 has accomplished some of its intended purposes by stemming the tide of multi-defendant lawsuits, affording defendants higher success rate of transfer of venue, and more trial time to present their cases. Viewed from a different angle, Section IV.B.2 contends that § 299 also created unintended, negative consequences by raising costs of patent litigation, impairing some defendants' interest in co-defending patent cases, negatively impacting patent holders other than trolls, and increasing the likelihood of inconsistent rulings.

1. *Section 299 Has Achieved Some Measure of Success*

Multi-defendant suits provide patent plaintiffs, including trolls, advantages in cost and leverage to extract settlements. Section 299 tilts the playing ground toward defendants by limiting multi-defendant suits, making transfer of venue easier, and tightening the standard of consolidation for trial.

a) The Decline of Multi-Defendant Suits

Section 299 ended the lenient joinder standard adopted by the *MyMail* courts. Shortly after the AIA was enacted, the Federal Circuit also took up the issue of joinder standard in the *In re EMC Corp.* case, which raised the permissive joinder standard under Rule 20 by requiring more than a plaintiff's alleging similar accused products.²²¹

In *In re EMC*, Oasis Research LLC sued eighteen different companies for patent infringement prior to the enactment of the joinder statute.²²²

and Delaware enjoy a higher-than-average plaintiff win rate. See Mark A. Lemley, *Where to File Your Patent Case*, 38 AIPLA Q.J. 401, 410–43 (2010).

217. See *supra* Table 4.

218. See *id.*

219. See *id.*

220. See *supra* Tables 1–4.

221. *In re EMC Corp.*, 677 F.3d 1351, 1360 (Fed. Cir. 2012).

222. *Id.* at 1353.

Defendants moved to sever the cases, arguing that “the claims against them did not arise out of the same transaction or occurrence” as required by Rule 20.²²³ The Eastern District of Texas denied their motions.²²⁴ On appeal, the Federal Circuit vacated the district court’s order and held that “joinder is not appropriate where different products or processes are involved.”²²⁵ In so holding, the Federal Circuit found that “[j]oinder of independent defendants is only appropriate where the accused products or processes are the same in respects relevant to the patent.”²²⁶ The Federal Circuit also held that claims against independent defendants cannot be joined under Rule 20’s transaction-or-occurrence test unless “there is a logical relationship between the separate causes of action.”²²⁷ The Federal Circuit explained that the “logical relationship” exists if defendants “share an aggregate of operative facts” in the allegedly infringing acts.²²⁸ While joinder is always proper when defendants “are alleged to be jointly liable,”²²⁹ in other situations, the Federal Circuit identified several “factual considerations” for determining whether a “logical relationship” is satisfied.²³⁰

Although the *In re EMC* case did not directly address § 299,²³¹ it provides additional guidelines for interpreting the new joinder provisions under the AIA regime.²³² For example, one district court found that “the *In re*

223. *Id.*

224. *Id.*

225. *Id.* at 1359.

226. *Id.*

227. *Id.* at 1358.

228. *Id.*

229. *Id.* at 1356.

230. The Federal Circuit outlined the “factual considerations”:

In addition to finding that the same product or process is involved, to determine whether the joinder test is satisfied, pertinent factual considerations include whether the alleged acts of infringement occurred during the same time period, the existence of some relationship among the defendants, the use of identically sourced components, licensing or technology agreements between the defendants, overlap of the products’ or processes’ development and manufacture, and whether the case involves a claim for lost profits. The district court enjoys considerable discretion in weighing the relevant factors.

Id. at 1359–60.

231. The Federal Circuit noted that because *In re EMC* predated the AIA legislation, the court “need not 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.” *Id.* at 1360 n.4

232. *See, e.g.*, *Swipe Innovations LLC v. Elavon, Inc.*, No. 9:12CV-40 (E.D. Tex. Aug. 14, 2012); *IpVenture, Inc. v. Acer, Inc.*, 879 F. Supp. 2d 426 (D. Del. 2012); *Digittech Image Techs., LLC v. Agfaphoto Holding GmbH*, No. 8:12-cv-1153, 2012 WL 4513805 (C.D. Cal. Oct. 1, 2012).

EMC court's analysis of what constitutes a common transaction or occurrence under Rule 20 is persuasive regarding interpretation of the same language in the AIA.²³³ Another court noted that *In re EMC* "prophesizes the reasoning that the Federal Circuit would likely use in the future to address the new statute."²³⁴ In *IPVenture Inc. v. Acer Inc.*, a post-AIA case, the court applied the *In re EMC* rationale and found that "[t]he fact that [the accused products] generally have the same components and the same functionalities does not mean that they are 'the same in respects relevant to the patent.'"²³⁵ In addition, the court also found that the mere fact that an accused product complied with an industry standard is not sufficient to meet the permissive joinder "sameness" standard, absent a connection between the standard and the alleged infringement.²³⁶

Therefore, § 299, together with the *In re EMC* decision, has succeeded in unifying the joinder standard and largely corrected the abuse of joinder practices in patent cases. Thus far, most patent plaintiffs conform their practices, and the number of multi-defendant suits has declined dramatically.²³⁷

b) Easier for Defendant to Transfer Venue

Another benefit of § 299 is that it severely constrains plaintiffs' ability to lock defendants into an inconvenient venue. Prior to the AIA, the presence of multiple defendants made it difficult to transfer a case to a different venue.²³⁸ Some patent plaintiffs had used this procedural tool in hope of locking unrelated, geographically diverse defendants into a venue friendly to patent plaintiffs and then extracting nuisance settlements.²³⁹

This practice of unfairly locking defendants into inconvenient venues through multiple-defendant suits has received a harsh rebuke from the Federal Circuit. Defendants increasingly sought transfer of venue in the Federal Circuit based on extraordinary writs of mandamus, and the Federal Circuit responded by accepting the writs and ordering the transfer of cases

233. *Swipe Innovations*, No. 9:12CV-40, at 3.

234. *Digitech*, 2012 WL 4513805, at *4.

235. *IPventure*, 879 F. Supp. 2d at 430.

236. *Id.*

237. *See supra* Section III.B.

238. *See Taylor, supra* note 19, at 677–78.

239. *See, e.g., Roger Cheng, NTP Sues Apple, Google, Other Smartphone Makers*, WALL ST. J. (July 10, 2010), <http://online.wsj.com/news/articles/SB10001424052748704075604575356830795911148> (commenting on a suit filed by a patent troll against Apple, Google, HTC, LG, Microsoft, and Motorola over patents related to the wireless delivery of email to cellphones).

from the plaintiff's chosen venue to ones a defendant found more convenient.²⁴⁰ For example, in *In re Link_A_Media Devices Corp.*, the Federal Circuit granted the defendant's motion for a writ of mandamus and directed the Delaware court to transfer the case to the Northern District of California.²⁴¹ There, the defendant's only connection to Delaware was that it was incorporated there,²⁴² and the most relevant witnesses and documents were in the Northern District of California.²⁴³ While acknowledging the significance of the plaintiff's choice of forum, the court stated that "when a plaintiff brings its charges in a venue that is not its home forum, however, that choice of forum is entitled to less deference."²⁴⁴ The Federal Circuit also noted that "neither § 1404 nor [relevant case law] list a party's state of incorporation as a factor for a venue inquiry. It is certainly not a dispositive fact in the venue transfer analysis, as the district court in this case seemed to believe."²⁴⁵

However, this transfer-of-venue route through the Federal Circuit is both time-consuming and expensive. Section 299 makes it less likely for a patent plaintiff to lock multiple defendants into a patent plaintiff-friendly venue since a defendant is far more likely to get its choice of transfer in a single defendant suit. Moreover, § 299 limits the discretionary power of patent plaintiffs in choosing a favorable venue, and patent plaintiffs will likely engage in more strategic grouping of targets. For example, a patent plaintiff might file a first round of lawsuits against a few entities in a jurisdiction the plaintiff "perceives as favorable" and where venue will likely stick.²⁴⁶ The patent plaintiff will then bring a second group of actions against a second group of entities in a second jurisdiction that the patentee also "perceives as favorable" and where venue will likely stick, and so on.²⁴⁷ Thus, even if a defendant ends up being "locked up" in plaintiff's original venue, that venue will likely be more convenient than one in a massive pre-AIA multi-defendant case.

Such a benefit to a defendant, however, should be taken with a grain of salt. Courts, in consideration of efficiency and consistent ruling, will likely

240. See, e.g., *In re TS Tech USA Corp.*, 551 F.3d 1315, 1322–23 (Fed. Cir. 2008) (issuing a writ of mandamus compelling the district judge in the Eastern District of Texas to grant a convenience transfer to the Southern District of Ohio).

241. *In re Link_A_Media Devices Corp.*, 662 F.3d 1221, 1223 (Fed. Cir. 2011).

242. *Id.* at 1221.

243. *Id.*

244. *Id.* at 1223.

245. *Id.* at 1224.

246. See BURT, IRWIN & TROP, *supra* note 72, at 15.

247. *Id.*

retain the case through the *Markman* phase of the proceedings even if a transfer of venue order is granted. For example, in *Norman IP Holdings*, after consolidating pretrial proceedings, the Eastern District of Texas ruled that motions to transfer venue, even if granted, will not become effective until after a *Markman* hearing, so as to “conserve judicial resources” and ensure “consistent claim construction.”²⁴⁸ Therefore, for defendants who desire a different venue, transferring without all pretrial matters is at most a limited success. Furthermore, in cases where a defendant succeeds in transferring venue, patent plaintiffs may use MDL to consolidate pretrial proceedings to a single district court. In such a case, defendants may still face inconvenience, as the venue decided by the Panel will not cover the best interest of every defendant.

c) Separate Trial for Defendant to Present Individualized Position

In addition to the choice of venue, § 299 may also afford defendants real benefits from separate trials. Prior to the AIA, multi-defendant cases sometimes proceeded jointly all the way through trial.²⁴⁹ During such joint trials, each defendant’s attorney must argue her case in a portion of the allotted time during oral argument, while the plaintiff enjoys the whole allotted time.²⁵⁰ This puts defendants at a disadvantage because they may not have enough time at trial to present individualized defense theories, and “often the codefendants are unwilling to share confidential information with their competitors, hampering their ability to coordinate trial strategy and present a compelling defense.”²⁵¹

Significantly, § 299 does not permit consolidation for trial unless the “same product or process” and “common transaction” standards are met.²⁵² Accordingly, § 299 ensures that each defendant will get greater opportunity to put on a defense rather than having to divide limited hours among many other defendants, thereby benefiting from individualized positions in separate trials. Moreover, if the first defendant successfully invalidates the

248. *Norman IP Holdings, LLC v. Lexmark Int’l, Inc.*, No. 6:11-CV-495, 2012 WL 3307942, at *4 (E.D. Tex. 2012).

249. See Macedo, Kasdan & Boag, *ALA’s Impact: Part 2*, *supra* note 114 (noting that “it was not uncommon for multidefendant cases to proceed jointly, all the way through trial”).

250. Beth Shaw, *Reform Law Aims To Prevent Abuse Of Joinder In Patent Suits*, 20 WASH. LEGAL FOUND., no. 24, Nov. 4 2011, available at http://wlf.org/publishing/publication_detail.asp?id=2279 (“Joining so many defendants (each making or using a different device or process) means that each defendant will likely have only a matter of hours to make its case Meanwhile, a single plaintiff gets an advantage because it gets the same number of hours to put on its case by itself.”).

251. *Id.*

252. 35 U.S.C. § 299(a) (2012).

asserted patent claims, this may preclude the need for subsequent trials for remaining defendants, saving both defendants' and courts' resources.²⁵³ Further, the prospect of incurring the costs of multiple trials may work to dissuade plaintiffs from engaging in trial. These benefits to defendants, however, remain to be seen as we have not yet seen how the post-AIA serially filed cases will play out.

2. *Section 299 Has Unintended, Negative Consequences*

Although § 299 has achieved some measures of its intended purpose, it also resulted in unintended consequences. Section 299 was passed to curb the growth of NPE patent filings by eliminating the economies of scale they enjoyed with multiple defendants in one suit. However, as both courts and litigants are increasingly using consolidation of pretrial proceedings under Rule 42(a) or MDL,²⁵⁴ such practices make the pretrial stage of patent cases after the passage of the AIA almost unchanged compared to those prior to the AIA's passage. Given that only a small percentage of patent cases actually end up reaching trial, the economic considerations incentivizing trolls to bring lawsuits against multiple defendants are essentially the same.²⁵⁵ Unsurprisingly, § 299 has failed to deter trolls from filing lawsuits. Nor did it decrease the number of defendants involved in troll suits.²⁵⁶ Instead, the absolute number of patent cases is up dramatically, and an even larger percentage of patent cases are filed in the District of Delaware and the Eastern District of Texas, two district courts considered to be patent-holder friendly.²⁵⁷

The following Section discusses the unintended consequences of § 299 that resulted from these changed dynamics of patent filings. It contends that § 299 raises the costs and risks of patent litigation, impairs some defendants' interests in co-defending patent cases, negatively affects practicing entities

253. See Daniel H. Brean & Lee C. Cheng, *Benefits of a Coordinated Joint Defense in Patent Cases*, LAW360 (Nov. 27, 2012, 1:16 PM), <http://www.law360.com/articles/394657/benefits-of-a-coordinated-joint-defense-in-patent-cases>.

254. See *supra* Part III.

255. See Rader, *supra* note 43, at 19 (noting that "far less than 4% of all patent cases reach the trial stage and many of those trials do not employ a jury").

256. See *supra* Section IV.A

257. See CHRIS BARRY, RONEN ARAD, LANDAN ANSELL & EVAN CLARK, PRICEWATERHOUSECOPPERS, 2013 PATENT LITIGATION STUDY: BIG CASES MAKE HEADLINES, WHILE PATENT CASES PROLIFERATE (2013), available at <http://www.pwc.com/us/en/forensic-services/publications/2013-patent-litigation-study.jhtml> (reporting that Delaware and the Eastern District of Texas rank as top districts that are most favorable to patent holders) [hereinafter 2013 STUDY].

seeking to enforce their patent rights, and may lead to inconsistent patent rulings.

a) Raising the Costs and Risks of Patent Litigation

Section 299 has unintentionally increased the costs of patent litigation for both plaintiffs and defendants. Section 299 intends to discourage trolls by forcing them to pay more filing fees.²⁵⁸ However, the \$350 filing fee is unlikely to severely discourage trolls from filing a patent lawsuit, especially when compared with litigation costs or potential settlement damages.²⁵⁹ Indeed, the data discussed above shows filings by trolls have consistently increased since the passage of § 299.²⁶⁰

On the other hand, both patent plaintiffs and defendants need to pay more fees to file motions to sever or consolidate. Given that courts are generally inclined to grant pretrial consolidation, it is possible that parties will simply end up situating themselves in the same pre-AIA posture, except now having expended significant resources litigating over consolidation and joinder issues. For example, in *In re Body Science LLC Patent Litigation*, the defendants were severed from a single action and were denied pretrial consolidation, but eventually centralized under MDL.²⁶¹ The case was previously brought to the Northern District of Illinois, where the court denied pretrial consolidation for discovery or *Markman* hearing purposes, and transferred all actions to different districts.²⁶² The patent holder then sought centralization of the separated actions under MDL, which was opposed by all defendants.²⁶³ Interestingly, unlike the district court, the MDL Panel granted the transfer order, reasoning that centralization promotes efficiency in “discovery relating to the two patents at issue” and ensures consistent ruling “on challenges to the validity of those patents.”²⁶⁴ Although the case was eventually transferred to a district preferred by some defendants, it hardly seems worth the expense and time invested by all parties into the drawn-out process.²⁶⁵

258. The statutory filing fee for a patent infringement suit is \$350. See 28 U.S.C. § 1914(a) (2012).

259. 2013 STUDY, *supra* note 257 (reporting that median damages awarded to NPEs averages eight million).

260. See *supra* Section V.I.

261. *In re Body Science LLC Patent Litig.*, 883 F. Supp. 2d 1344, 1345–46 (J.P.M.L. 2012).

262. *Id.* at 1345.

263. *Id.*

264. *Id.*

265. *Id.*

Furthermore, § 299 may add uncertainty to already complicated patent litigation. For example, consolidation under MDL will occur in a jurisdiction determined by the Panel as the most convenient, which may or may not be the choice of any of the involved parties.²⁶⁶ *In re Webvention* provides a good illustration.²⁶⁷ There, the patentee, Webvention, sued several defendants in the Eastern District of Texas.²⁶⁸ A few defendants moved to have the litigation centralized in Delaware.²⁶⁹ Webvention opposed defendants' motion, and suggested the Eastern District of Texas as the transferee forum in case the Panel granted defendant's motion.²⁷⁰ To both parties' surprise, the Panel ordered the cases to be centralized in Maryland—not in Texas or in Delaware.²⁷¹ Considering that it was the defendants who moved for centralization in *In re Webvention*, it is thus likely that the increased uncertainty and risk of patent litigation will not only affect patent plaintiffs, including trolls, but also defendants.

b) Impairing Some Defendants' Interests in Co-Defending a Patent Case

Because § 299 forces plaintiffs to file multiple individual suits instead of a massive multi-defendant suit, § 299 appears to allow different defendants to challenge the validity of the asserted patents multiple times. Moreover, it may decrease litigation cost for defendants because they will have to monitor information and activities associated with other accused infringers in order to minimize potential prejudice. However, these two theoretical advantages could be undercut in practice.

Although a defendant can still challenge the validity of a patent if it was not a party in a prior suit, even if the prior suit validates the patent, defendants still may be troubled with having to overcome earlier claim construction rulings and rulings on invalidity defenses.²⁷² In those situations, defendants in a slower-moving case will need to worry about rulings from faster-moving cases, which may adversely affect them if defendants in the faster-moving case failed to effectively challenge the validity of patent.

266. See BURT, IRWIN & TROP, *supra* note 72, at 19.

267. *In re Webvention LLC* ('294) Patent Litig., 831 F. Supp. 2d 1366 (J.P.M.L. 2011).

268. *Id.*

269. *Id.*

270. *Id.*

271. *Id.* at 1367.

272. See Macedo, Kasdan & Boag, *ALA's Impact: Part 2*, *supra* note 114 (“[I]f prior defendants did an ineffective job on these issues, this could have an adverse impact on later defendants, perhaps even limiting their available defenses.”).

Additionally, although multi-defendant suits do disadvantage defendants in many respects, they nonetheless provide defendants the benefit of being able to cooperate with other co-defendants. In single-defendant lawsuits, each defendant will be required to individually brief issues, participate in discovery, and retain infringement and invalidity experts, which will likely result in higher costs for each individual defendant. Smaller defendants with fewer resources to dedicate to litigation are therefore arguably worse off because they have fewer joint-defense options post-AIA. Indeed, a recent survey by Patent Freedom shows that the use of business method patents in litigation by NPEs is growing most rapidly against smaller companies.²⁷³ And even if they are not sued, many small companies are receiving letters demanding license fees.²⁷⁴ For example, Automated Transaction, an NPE, has been sending letters to banks, credit unions, and ISOs, alleging that their ATMs violate their patents and meanwhile offering licenses for a fee less than what it would cost to defend the case alone.²⁷⁵ Some financial institutions in fear of a lawsuit agreed to pay the fee, which ranged from as low as \$1,000 to as high as \$100,000.²⁷⁶ A few accused infringers, however, decided to face the lawsuit and succeeded in centralizing the actions to Delaware through MDL.²⁷⁷ The lawyer for the defendants described the centralization as “a game-changer because it unites the banks against their common enemy.”²⁷⁸ This comment reflects the concern that although defendants may still coordinate their defenses in multiple single-defendant lawsuits alleging infringement of the same patents, the separate settings may render coordination more difficult than it would have been under the pre-AIA regime.²⁷⁹

273. *Investigations into NPE Litigation involving Business Method Patents*, PATENT FREEDOM (Sept. 4, 2013), available at https://www.patentfreedom.com/wp-content/uploads/2013/09/NPE-Litigations-involving-Business-Method-Patents_Sept-4-2013.pdf.

274. Colleen Chien, *Patent Trolls by the Numbers*, PATENTLY-O (March 14, 2013), <http://www.patentlyo.com/patent/2013/03/chien-patent-trolls.html>.

275. David Morrison, *Latest Round of ATM Lawsuits Has Focus on Patents*, CREDIT UNION TIMES (Feb. 20, 2013), available at <http://www.cutimes.com/2013/02/20/latest-round-of-atm-lawsuits-has-focus-on-patents>.

276. *Id.*

277. *In re Automated Transactions LLC Patent Litigation*, MDL No. 2429, 2013 BL 94279 (J.P.M.L. Apr. 1, 2013).

278. David Morrison, *ATM Patent Troll Loses Key Court Ruling*, CREDIT UNION TIMES, (Apr. 2, 2013), <http://www.cutimes.com/2013/04/02/atm-patent-troll-loses-key-court-ruling>.

279. See Brean & Cheng, *supra* note 253.

c) Interfering with Non-Troll Plaintiffs' Enforcement of Their Patent Rights

Section 299 affects not only trolls, but also practicing entities seeking to enforce their patent rights. According to a 2013 GAO report, practicing entities brought most of the patent infringement lawsuits from 2007 to 2011, and a portion of these suits involve multiple defendants in the same proceeding.²⁸⁰ Although it is unclear how many of these multi-defendant suits properly joined the defendants, it is unlikely that all abused the joinder practice. Absent a pretrial consolidation order, practicing entities who did not abuse the joinder practice may lose the benefit of multi-defendant suit where they can prosecute multiple matters together, present witnesses for deposition only once, and have consolidated hearings on matters including claim construction and summary judgment. Moreover, these entities will find trials more burdensome, since they must now face each defendant separately unless defendants waive their rights under § 299.

Similarly, absent the benefits of multi-defendant suits, individual inventors, universities, and failed start-ups are also arguably worse off. Unlike trolls, these entities do not aggregate and enforce patent as their primary income streams, and are generally linked more directly to invention activities.²⁸¹ Individual inventors are most likely to be negatively impacted due to their limited resources; indeed, it has been reported that the number of parties sued by individuals has decreased from 1,320 in 2010 to 927 in 2012.²⁸² Although the decrease cannot be solely explained by the change in joinder practice, there is a legitimate concern that the increased cost to sue multiple defendants may discourage some individual inventors from filing patent infringement claims, even if they have sufficient ground to do so.

d) Increasing the Likelihood of Inconsistent Rulings

As a result of the proliferation of single-defendant suits, it may become increasingly common that overlapping claim construction issues on the same

280. GAO REPORT, *supra* note 7, at 17–18 (noting that from 2007 to 2011, “operating companies and related entities brought an estimated 68 percent of all lawsuits . . . [T]here were about 1.9 defendants on average for suits filed by operating companies . . . [and about 3 percent of operating companies] sued 10 defendants or more in a single lawsuit”).

281. *See e.g.*, Mark A. Lemley, *Are Universities Patent Trolls?*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 611, 630 (2008) (“University patent owners aren’t trolls in my view when they contribute previously unknown technology to society, rather than just imposing costs on others by obtaining and asserting legal rights over inventions independently developed by others.”).

282. Cotropia, Kesan & Schwartz, *supra* note 47, at 19.

patent will be pending in different districts, increasing the likelihood of inconsistent rulings. Whether to consolidate *Markman* hearings is highly case-dependant, and courts have great discretion to approach the issue.²⁸³

There are good arguments for promoting consolidated *Markman* hearings. Holding a single *Markman* hearing can potentially save both parties' and court's time and resources by reducing redundancy.²⁸⁴ Moreover, the intrinsic evidence such as the contextual meaning of the claims, the specification and prosecution history, and the extrinsic evidences such as dictionaries, treatises, and encyclopedias should be the same for interpreting claim terms in the same patent.²⁸⁵

Conversely, some defendants may argue that a consolidated *Markman* hearing requires them to divide limited time with other defendants, making them unable to adequately express their unique positions.²⁸⁶ However, although holding separate proceedings offers individual defendants the greatest opportunity to present their individualized claim construction defenses, courts often defer to the claim construction rulings from earlier cases, even where defendants in a later case raise convincing arguments.²⁸⁷

Post AIA, courts have been able to achieve efficiency and consistent rulings through pretrial consolidation for cases involving the same patent, but have also had to contend with more motions related to severance and consolidation.²⁸⁸ However if pretrial consolidation is not available, different courts may have disparate treatment of the same claim construction issues, which may render the disputes more complex and drag out the process.²⁸⁹ As more cases involving a single patent are filed in different courts and only a portion of them are consolidated for pretrial purpose, the risk of inconsistent rulings will likely become a bigger concern under the AIA regime.

These unintended consequences of § 299 suggest that a categorical rule against joinder might not be a good answer, or at least should not be the *only* answer, to address the troll problem. Although § 299 was passed with trolls in mind, there is no language in § 299 directing the consequences solely to

283. See PETER MENELL ET AL., PATENT CASE MANAGEMENT JUDICIAL GUIDE § 5.1.3.8 (2d ed. 2012), available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2114398.

284. See *id.*

285. See *id.*

286. See Shaw, *supra* note 250.

287. See MENELL ET AL., *supra* note 283, § 5.1.3.8.

288. See *supra* Section.III.B.

289. See, e.g., *American Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1326–27 (Fed. Cir. 2011) (affirming some constructions and reversing others in an appeal over seven underlying cases in several different jurisdictions).

trolls.²⁹⁰ Thus, one way to improve § 299 might be to redefine its scope so as to accurately target the typical culprits who utilize abusive joinder practices. Although it is hard to accurately define “patent trolls,” it may be advisable to use a “negative definition” by defining and exempting certain parties, such as inventors and practicing entities, from the joinder provision.²⁹¹ Alternatively, instead of Congress adopting sweeping legislative change, the judiciary may be able to curb abusive patent litigation “in a more flexible and thus just manner,” by making “liberal use” of summary judgment if a patent plaintiff brings a meritless suit, shifting the prevailing party’s costs of litigation to the losing party for “exceptional” cases, and limiting the scope of discovery.²⁹²

The unintended consequences also call for more “communication and coordination” among codefendants to optimally enjoy the benefit of closely coordinated joint-defense arrangements.²⁹³ Unlike a multi-defendant suit where codefendants were listed together on the complaint, now defendants will likely receive a complaint with only one defendant’s name on it. At the very least, defendants should engage at an early stage in the research process to identify other codefendants, communicate with each other, and decide whether to be represented by the same counsel.²⁹⁴

290. See *supra* Section I.C.

291. See Emily H. Chen, *Making Abusers Pay: Detering Patent Litigation by Shifting Attorneys’ Fees*, 28 BERKELEY TECH. L.J. 351, 376 (2013) (“The SHIELD Act of 2013 approaches this challenge in a novel manner: instead of attempting to positively define a ‘patent troll’ or ‘non-practicing entity,’ the Act of 2013 uses a negative definition, describing three protected categories which typically are not ‘patent trolls’ or ‘non-practicing entities’ and are therefore exempt from the attorney-fee-shifting provision.”).

292. See Ryan Davis, *Fed. Cir. Chief Calls for Caution On Patent Troll Bills*, LAW360 (Nov. 4, 2013, 8:35 PM) http://www.law360.com/ip/articles/486028?nl_pk=23623fbf-a0fb-41bf9627a64da1342be8 (noting that Judge Rader cautioned against sweeping legislative change aimed at solving the troll problem). Davis stated that “Judges already have the authority to reduce abusive litigation tactics and can eliminate the need for new laws passed by Congress if they to make better use of those tools,” such as making “‘liberal use’ of their ability to grant summary judgment if a patent plaintiff brings a suit that is not meritorious” or “mak[ing] more use of the provision of patent law that allows them to order litigants that bring . . . baseless cases to pay their opponents’ litigation costs.” *Id.* At the time of this writing, the U.S. Supreme Court is hearing two patent cases, *Octane Fitness LLC v. ICON Health & Fitness, Inc.* and *Highmark Inc. v. Allcare Health Management Systems*, to decide what makes an “exceptional” patent case justifying fee-shifting.

293. See Brean & Cheng, *supra* note 253 (“More preretention communication and coordination between in-house and outside counsel would afford defendants the opportunity to optimally enjoy the advantages and cost savings achieved by closely coordinated joint defense arrangements.”).

294. *Id.*

V. CONCLUSION

More than two years after the enactment of AIA, it appears that § 299 has achieved some of the results Congress sought, but it has also created unintended consequences. On the one hand, § 299 has stemmed the tide of multi-defendant lawsuits, and will likely afford defendants a higher success rate on transfer of venue. The cost and inefficiency that originated from the proliferation of patent filings are being addressed through known case-management tools such as pretrial consolidation, and there might be real benefits to defendants from separate trials. On the other hand, through pretrial consolidation, the economic considerations that encouraged trolls to bring meritless lawsuits remain largely unchanged, and the number of NPE filings has not declined. The patent system is arguably more costly as both parties may have to incur the additional costs of filing motions to sever or consolidate. Moreover, defendants now need to worry about bad claim construction rulings in parallel cases, and sometimes may find it more difficult to coordinate a joint defense when putting up a defense alone is simply not economically justified.