

APPLICATION OF THE JOINDER CLAUSE UNDER THE AMERICA INVENTS ACT IN THE CONTEXT OF MOBILE PHONE TECHNOLOGY

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Non-practicing entities (NPEs), a patentee without manufacturing capability, have become a problem in the patent system.¹ They target not only big companies such as Apple, Samsung, or some other smartphone companies, but also small businesses.² Recently, there have been about eight hundred and thirty reported NPEs.³

The joinder provision under Rule 20 of the Federal Rule of Civil Procedure is a useful legal mechanism for NPEs to easily bring one law suit against different defendants.⁴ The Eastern District of Texas has a history of being more willing to permit joinder of independent defendants than other district courts.⁵ The trend began from the *MyMail, Ltd. v. America Online, Inc.*⁶ case.⁷ There,

¹ See, e.g., David O. Taylor, *Patent Misjoinder*, 88 N.Y.U. L. REV. 652, 660 (2013); Ryan Desisto, *Ermont vs. The Patent Troll: Is State Action a Bridge Too Far?*, 48 SUFFOLK U. L. REV. 109, 115-19 (2015).

² See RPX CORP., 2014 NPE LITIGATION REPORT 2, 3, 29, available at http://www.rpxcorp.com/wp-content/uploads/2014/12/Compressed-RPX_Litigation-Report-2014_FNL_031215.indd_.pdf (last visited Sept. 2, 2015).

³ See <http://wpressutexas.net/cs378h/images/c/c0/PatentFreedom - Largest NPE Patent Holdings PatentFreedom.pdf> (last visited Sept. 2, 2015).

⁴ See Taylor, *supra* note 1, at 656.

⁵ See H.R. Rep. No. 112-98, pt.1, at 55 n. 61 (“Section 299 legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL 3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010).”).

⁶ *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004).

⁷ See Taylor, *supra* note 1, at 678-79 (“On one end of the spectrum lie decisions that allowed practically unlimited joinder of accused infringers. The leading opinion on this end of the spectrum is *MyMail, Ltd. v. America Online, Inc.*, authored by Judge Leonard Davis of the Eastern District of Texas.”).

the Eastern District of Texas held that “severance could be appropriate if the defendants’ methods or products were dramatically different.”⁸ This “dramatically different” standard later became a proposition that joinder of different defendants is proper only because they infringe the same patent.

In 2011, Congress passed the America Invents Act (also known as “AIA”).⁹ One of the objectives is to deter NPEs’ activities. Section 19 of the AIA created 35 U.S.C. § 299 and added one specific requirement to joinder in the context of patent infringement.¹⁰ Under Rule 20(a)(2)(A), “[p]ersons ... may be joined in one action as defendants if: (A) any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences[.]” This requirement is known as the transaction-or-occurrence requirement. Now, the transaction-or-occurrence requirement must relate to patent infringement of “the same accused product or process.”¹¹ The new law also requires that joinder cannot be based only on the infringement of the same patent.¹² The new law only applies to cases filed on or after September 16, 2011.¹³

35 U.S.C. § 299 has never been interpreted by the Federal Circuit. However, in 2012, the Federal Circuit in *In re EMC*¹⁴ has interpreted Rule 20, and the EMC decision is now part of precedents for district courts to apply § 299. In *EMC*, the Federal Circuit held that “the mere fact that infringement of the same claims of the same patent is alleged does not support joinder, even though the claims would raise common questions of claim construction and patent invalidity.”¹⁵ This statement completely abrogates the minority view of the Eastern District of Texas with respect to Rule 20.¹⁶

EMC transformed the transaction-or-occurrence requirement into a two-part

⁸ *MyMail*, 223 F.R.D. at 457 (emphasis added).

⁹ See Tracie L. Bryant, Note, *The America Invents Act: Slaying Trolls, Limiting Joinder*, 25 HARV. J.L. & TECH. 673, 694 (2012).

¹⁰ See Sona Karakashian, *A Software Patent War: The Effects of Patent Trolls on Startup Companies, Innovation, and Entrepreneurship*, 11 HASTINGS BUS. L.J. 119, 123-24 (2015).

¹¹ See 35 U.S.C. § 299(a)(1) (“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[.]”).

¹² See 35 U.S.C. § 299(b).

¹³ See AIA § 19(e).

¹⁴ *In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir. 2012).

¹⁵ *Id.* at 1357.

¹⁶ See Dianne Brown Elderkin & Domingo Manuel LLagostera, *Case Management Issues in Patent Infringement Litigation*, 13 SEDONA CONF. J. 77, 86 (2012).

test. The first step is the sameness test which asks whether “the accused products or processes are the same in respects relevant to the patent.”¹⁷ The Federal Circuit in *EMC* particularly mentioned in footnote 4 that the sameness test under *EMC* is not binding to its future interpretation of the phrase “the same accused product or process” in § 299.¹⁸ The second step under *EMC* requires a patentee to show “shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts.”¹⁹ Alternatively, a patentee must prove that “there is an actual link between the facts underlying each claim of infringement.”²⁰ The Federal Circuit has provided six *EMC* factors for district courts to determine whether an actual link exists: (1) “whether the alleged acts of infringement occurred during the same time period,” (2) “the existence of some relationship among the defendants,” (3) “the use of identically sourced components,” (4) “licensing or technology agreements between the defendants,” (5) “overlap of the products’ or processes’ development and manufacture,” and (6) “whether the case involves a claim for lost profits.”²¹

The applications of the AIA’s joinder clause by different district courts in the context of mobile phone technology indicate the existence of conflicting approaches among them. When a plaintiff alleges the use of the same hardware component alone to support joinder, the Eastern District of Texas has found joinder. But, in the same situation, the Central District of California has found misjoinder.

These two approaches may co-exist if we focus on the third *EMC* factor: “The use of identically sourced components.” In *EMC*, the Federal Circuit mentioned only one example of “no actual link”: “Independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical.”²² This example indicates that “an actual link” may be based on “independently developed products using the same sourced parts.”

In *NFC Tech., LLC v. HTC Am.*,²³ the plaintiff alleged that the defendants use the same chips in their smartphone products. The Eastern District of Texas permitted joinder of HTC and LG. The court found that “the accused products in this suit all make use of a particular NFC chip, the NXP PN 544, which, in combination with devices supplied by LG and HTC, allegedly infringes NFCT’s

¹⁷ *EMC*, 677 F.3d at 1359.

¹⁸ *See id.* at 1360 n.4 (“[O]ur approach to the new provision is not dictated by this case.”).

¹⁹ *Id.* at 1359.

²⁰ *Id.*

²¹ *Id.* at 1359-60.

²² *Id.* at 1359.

²³ *NFC Tech., LLC v. HTC Am.*, No. 2:13-CV-01058-JRG, 2014 WL 3834959 (E.D. Tex. Aug. 1, 2014).

patents.”²⁴

In *Golden Bridge Tech., Inc. v. Apple, Inc.*,²⁵ the plaintiff merely alleged that the defendants use the same Intel or Qualcomm baseband processors in their mobile devices. The Central District of California severed Motorola and Apple from other defendants. The court specifically stated, “Although their products bear some similarity, there is no evidence that their products are identical or that they collaborated in any manner to infringe the ‘793 Patent. Further, the fact that they may use an identical baseband processor—a fact disputed by Defendants—by itself does not establish that joinder is proper. In reviewing the ‘793 Patent claims, the Court is skeptical that a baseband processor alone can infringe; other components are required to form the claimed system.”²⁶

In what aspect, the *NFC* case and *Golden* case can be harmonized? We may focus on whether “the use of identically sourced components” creates “an actual link between the facts underlying each claim of infringement.” Although the Central District of California in *Golden* criticized the allegation of the use of the same baseband processors, the court actually questioned whether the baseband processor alone can infringe the patent. The approach is not different from the Eastern District of Texas because the Eastern District of Texas also considered whether the chip is combined with other components in the accused products to infringe the patent.

Now let’s move on to the software issues. When software is alleged as “an actual link” between the claims against different defendants, the Eastern District of Texas has permitted joinder or has been willing to allow discovery related to joinder issues. But, the Southern District of Florida and Northern District of Texas have rejected joinder. The reconciliation is not easy because the sameness test is applied differently.

In *Motorola Mobility, Inc. v. Apple Inc.*,²⁷ the plaintiff alleged specific accused software applications (such as Maps and Play Store) as some form of an actual link because these software applications are “present in the same form on both HTC’s and Motorola’s accused devices.” The Southern District of Florida severed HTC from Motorola because their smartphones ran “on at least somewhat modified Android software.”

In *Summit 6 LLC v. HTC Corp.*,²⁸ the Northern District of Texas severed

²⁴ *Id.* at *2.

²⁵ *Golden Bridge Tech., Inc. v. Apple, Inc.*, No. 2:12-cv-4014, 2012 WL 3999854 (C.D. Cal. Sept. 11, 2012).

²⁶ *Id.* at *3.

²⁷ *Motorola Mobility, Inc. v. Apple Inc.*, Nos. 1:10-CV-23580-RNS, 1:12-CV-20271-RNS, 2012 WL 3113932 (S.D. Fla. Jul 31, 2012).

²⁸ *Summit 6 LLC v. HTC Corp.*, No. 7:14-cv-0014-O, 2014 WL 4449821 (N.D. Tex. Sept. 10, 2014).

Apple from other mobile phone companies because iphones are different from android smartphones.

In *Contentguard Holdings, Inc. v. Google, Inc.*,²⁹ the Eastern District of Texas took a different approach. The plaintiff alleged three software applications as infringing software in different mobile devices. Although not finding any supporting allegations for joinder, the court allowed discovery regarding the joinder issue. The question was “how the accused software-hardware combination corresponds to claims of the asserted patents.”³⁰ From the perspective of the Eastern District of Texas, if the alleged infringement is “predominantly software-based,”³¹ then “an actual link” can be found. If the hardware component “play[s] the dominant role in determining how the three software applications are used specifically on each Defendant’s device,”³² then joinder may be found improper.

So, the Eastern District of Texas does not exclude that software can become “an actual link” between the claims against mobile device manufacturers. Only when the hardware component is a key element of infringement claims, misjoinder may be found.

The Eastern District of Texas maybe has overemphasized the third *EMC* factor “the use of identically sourced parts” and has transformed the third *EMC* factor into a dispositive factor in the context of mobile phone technology. But, in *Smartflash LLC v. Apple, Inc.*,³³ the Eastern District of Texas permitted joinder of Apple and some app developers because Apple offered “its Store Kit framework to [the] app developers to help them implement in-app payment functionality.”³⁴ The reasoning reflects the fourth *EMC* factor “licensing or technology agreements between the defendants.”

On the other hand, the Southern District of Florida has applied the *EMC* factors too narrowly. In the *Motorola* case, the Southern District of Florida did not consider the Open Handset Alliance as “the existence of some relationship among the defendants” or “overlap of the products’ or processes’ development and manufacture.” The Open Handset Alliance is a group of companies, and they work together to develop or promote Android applications. Google is the owner of Android and license Android to mobile device developers. Google also requires participants not to develop other operational systems for mobile devices. From the perspective of the Southern District of Florida, the business features of the Open Handset Alliance do not meet any *EMC* factors.

²⁹ *Contentguard Holdings, Inc. v. Google, Inc.*, Nos. 2:14-cv-00061-JRG, 2:13-cv-01112-JRG, 2014 WL 1477670 (E.D. Tex. Apr. 15, 2014).

³⁰ *Id.* at *5.

³¹ *Id.*

³² *Id.*

³³ *Smartflash LLC v. Apple, Inc.*, No. 6:13-cv-447, 2014 WL 4421657 (E.D. Tex. Sept. 8, 2014).

³⁴ *Id.* at *3.

After reviewing some cases, there are conflicts among district courts. The Eastern District of Texas remains another minority view. The Federal Circuit has to revisit its *EMC* decision to provide clear guidance of the application of Section 299.

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