

**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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IN RE EMC CORP., DECHO CORP., AND IOMEGA CORP.,

*Petitioners.*

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ON PETITION FOR A WRIT OF MANDAMUS TO THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS (SHERMAN DIVISION) IN CASE NO. 4:10-CV-435, JUDGE MICHAEL H. SCHNEIDER

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**REPLY BRIEF OF PETITIONERS  
EMC CORPORATION, DECHO CORPORATION, AND IOMEGA  
CORPORATION**

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## CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, counsel of record for Petitioners, EMC Corporation, Decho Corporation, and Iomega Corporation certifies as follows:

1. The full name of every party represented by me is:

EMC Corporation  
Decho Corporation  
Iomega Corporation

2. The names of the real parties in interest represented by me are:

See response to number 1.

3. All parent corporations and any publicly held companies that own 10

percent or more of the stock of the parties represented by me are:

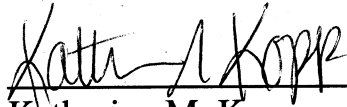
Decho Corporation and Iomega Corporation are wholly owned subsidiaries of EMC Corporation.

4. The names of all law firms and the partners or associates that

appeared for the parties represented by me in the trial court, or are expected to appear in this Court, are:

Chris R. Ottenweller, I. Neel Chatterjee, Mark S. Davies, Stacy B. Margolies, Daniel N. Kassabian, Christopher A. Hivick, Derek F. Knerr, Rachel M. McKenzie, Katherine M. Kopp, and Teri H.P. Nguyen of Orrick, Herrington & Sutcliffe, LLP  
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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Katherine M. Kopp", written over a horizontal line.

Katherine M. Kopp

*Attorney for Petitioners EMC Corp.,  
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Dated: September 29, 2011

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## INTRODUCTION

The District Court committed clear error in allowing Plaintiff Oasis Research LLC to join in a single action unrelated claims against unrelated defendants in violation of Federal Rule of Civil Procedure 20. Oasis attempts to divert attention from that error by raising a host of diversionary issues that have little, if any, bearing on the Rule 20 issue before the Court. First, Oasis misleadingly asserts that the District Court's order "complied with the well-established law in the Fifth Circuit." Oasis cites no Fifth Circuit decision to support that statement. Instead, Oasis cites to the district court decisions, centered around the Eastern District of Texas, that have conspicuously departed from the rest of the federal judiciary in applying Rule 20.

Second, Oasis asserts there is no need for a writ of mandamus because Congress recently adopted the Leahy-Smith America Invents Act ("America Invents Act" or "Act"), which adds a joinder section to the Patent Act. As the legislative history indicates, that section was added to "codif[y] current law as it has been applied everywhere outside the Eastern District of Texas." 157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011). But the misjoinder issue raised by EMC's petition has not gone away. In the weeks and months leading up to adoption of the Act, plaintiffs filed an unprecedented number of multi-defendant infringement actions involving over a thousand misjoined defendants in anticipation that

Congress would put an end to the abuse of joinder in patent cases. There are now hundreds of pending cases in which thousands of defendants have been improperly joined in violation of Rule 20. EMC is one of those defendants whose rights have been abridged. If this Court does not correct the error now, the Eastern District of Texas will preside over this and countless other cases infected by a misapplication of the Federal Rules of Civil Procedure.

Third, Oasis's allegation of a joint AT&T-EMC development effort has nothing to do with the issue before this Court. The District Court committed error in allowing the case to proceed as filed, involving eight different defendant groups with at least fifteen different products. Oasis's attempt to establish joint infringement by AT&T and EMC, which EMC disputes, is irrelevant to the issue presented by EMC's petition, namely whether the District Court properly applied the Rule 20 requirements. The issue is not whether Oasis could have filed a case against AT&T and EMC alone, but whether the case it did file complied with Rule 20.

Fourth, Oasis asserts that Federal Rule of Civil Procedure 42 authorizes district courts to consolidate actions. The point is irrelevant. The issue raised by EMC's petition is whether the District Court misapplied Rule 20 in allowing Oasis to file a single action against unrelated defendants with unrelated products, not whether actions were improperly consolidated.



Rule 20 provides that claims against unrelated defendants cannot be joined in a single lawsuit unless the claims arise from the same transaction or occurrence. The District Court disregarded that requirement, holding that unrelated defendants can be joined in the same action if they are accused of infringing the same patent and their products are not “dramatically different.” That is not, nor has it ever been, a proper construction of Rule 20. In recently reforming the Patent Act through enactment of the America Invents Act, Congress noted that the Eastern District of Texas is out of step with other jurisdictions in its reading of Rule 20. A writ of mandamus should issue to correct the District Court’s erroneous position and ensure that patent lawsuits filed before enactment of the Act will be conducted in compliance with the law, an important step in achieving uniformity among all federal jurisdictions.

## ARGUMENT

### I. THE DISTRICT COURT ERRED IN REFUSING TO DISMISS OR SEVER EMC FROM LITIGATION INVOLVING UNRELATED DEFENDANTS

#### A. The District Court Committed Clear Error In Applying Rule 20

EMC's petition (at 9-12) explained that the text of Rule 20(a) creates a "two-prong test, allowing joinder of plaintiffs when (1) their claims arise out of the 'same transaction, occurrence, or series of transactions or occurrences' and when (2) there is at least one common question of law or fact linking all claims." *Acevedo v. Allsup's Convenience Stores, Inc.*, 600 F.3d 516, 521 (5th Cir. 2010). The District Court, however, conflated the two prongs, reasoning that "as long as Defendants' allegedly infringing products are not dramatically different, then determining Defendants' liability will involve substantially overlapping questions of law and fact." A5. The District Court did not separately consider the "same transaction or occurrence" prong, and thereby ignored the plain language of the rule, not to mention the fairness protections embodied in it. The District Court followed a line of decisions in which the Eastern District of Texas has allowed plaintiffs to sue numerous unrelated defendants in a single case if they are accused of infringing the same patent and generally have similar products. *See MyMail Ltd. v. Am. Online, Inc.*, 223 F.R.D. 455, 457 (E.D. Tex. 2004); *Adrain v. Genetec Inc.*, No. 2:08-CV-423, 2009 WL 3063414, at \*2 (E.D. Tex. Sept. 22, 2009); *Eolas*

*Techs. Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, 2010 WL 3835762, at \*2 (E.D. Tex. Sept. 28, 2010).

Oasis asserts that the District Court’s decision represents “Fifth Circuit law.” Opp. at 14 (“Unlike the application of Rule 20 in other regional circuits, Fifth Circuit law permits joinder of unrelated defendants with similar products that are accused of infringing the same patents.”). But Oasis cites no Fifth Circuit decision in support of that proposition. Instead, Oasis cites to the Eastern District of Texas district court decisions, improperly suggesting they have been endorsed by the Fifth Circuit.<sup>1</sup> Oasis does not and cannot point to a single Fifth Circuit ruling endorsing the Eastern District of Texas approach to joinder in patent cases.

In adopting the America Invents Act, Congress expressed dismay with the isolation of the Eastern District of Texas in its application of Rule 20. The legislative report from the Senate states:

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<sup>1</sup> Oasis’s discussion of district court decisions from other circuits likewise equates Eastern District of Texas cases with Fifth Circuit cases. Oasis claims the district court decisions cited by EMC (at 15-18) “disagree[] with the test applied in the Fifth Circuit.” Opp. at 15. But the cited cases disagree with the Eastern District of Texas approach to Rule 20; the cases do not disagree with the Fifth Circuit. *See, e.g., Rudd v. Lux Prods. Corp.*, No. 09-cv-6957, 2011 WL 148052, at \*3 (N.D. Ill. Jan. 12, 2011) (“After researching the issue, the Court determines that *MyMail’s* approach is in the minority.”); *see also Interval Licensing LLC v. AOL, Inc.*, No. C10-1385, 2011 WL 1655713, at \*2 (W.D. Wash. Apr. 29, 2011) (rejecting plaintiff’s reliance on “only two out of circuit and unpersuasive district court cases,” *MyMail and Mannatech, Inc. v. Country Life, LLC*, No. 3:10-cv-533, 2010 WL 2944574 (N.D. Tex. July 26, 2010)).

Section 19(d) of the present bill adds a new section 299 to title 35. This new section bars joinder of accused infringers as codefendants, or consolidation of their cases for trial, if the only common fact and transaction among the defendants is that they are alleged to have infringed the same patent. **This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas.** See *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011), and the committee report for this bill at pages 54 through 55.

157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Jon Kyl) (emphasis added).

On the House side, the Congressional report expressly criticizes the very decisions on which the District Court relied:

Section 299 **legislatively abrogates the construction of Rule 20(a)** adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010)—**effectively conforming these courts’ jurisprudence to that followed by a majority of jurisdictions.** See generally *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011).

H.R. Rep. No. 112-98, pt. 1, at 55 n.61 (2011) (emphasis added).

EMC’s petition discussed at length Fifth Circuit case law holding that Rule 20 permits joinder only where claims arise out of the “same operative facts.” See EMC Pet. at 12-14 (discussing *Revere Copper and Brass Inc. v. Aetna Cas.*

*and Sur. Co.*, 426 F.2d 709, 715-16 (5th Cir. 1970), *In re Supreme Beef Processors, Inc.*, 391 F.3d 629, 634 (5th Cir. 2004), and *Ormet Primary Aluminum Corp. v. Ballast Techs., Inc.*, No. 10-30710, 2011 WL 2342687, at \*2 (5th Cir. June 14, 2011)). While these are not patent cases, they reflect an interpretation of Rule 20 that is far different than that applied by the District Court. The District Court did not conclude—nor could it on the record before it—that Oasis’s claims of infringement arose out of the “same operative facts.” The District Court did little more than satisfy itself that all defendants were being sued for allegedly infringing the same patent and offering services that were not “dramatically different” from each other. A5. Where as here one judicial district within a circuit is out of step with the text and purpose of a rule and the overwhelming majority of other courts, no deference can possibly be owed to that district.

Oasis cites to this Court’s unpublished decision in *In re Google, Inc.*, 412 F. App’x 295 (Fed. Cir. 2011) for support, but that reliance is misplaced. As EMC noted in its Petition (at 23), *In re Google* was focused on a request by all defendants to transfer the matter to a single forum and did not refer to Rule 20. This Court did not discuss Rule 20 or any severance case law. Moreover, *In re Google* resulted from the district court decision in *Eolas Technologies Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762, the case expressly criticized in the

legislative history of the America Invents Act. *See* H.R. Rep. No. 112-98, pt. 1, at 55 n.61 (2011).

**B. There Remains A Compelling Need To Correct The District Court's Error**

Oasis asserts that there is no need to issue a writ of mandamus in light of enactment of the America Invents Act. To the contrary, there remains a compelling need for this Court to reverse a history of error that now affects hundreds of pending cases. Everyone—from this Court to Congress to the patent bar—has taken note of the disturbing trend of plaintiffs suing scores of defendants in a single case, often in an inappropriate venue and often as a precursor to shakedown settlements. This trend accelerated as the plaintiff's bar anticipated passage of the America Invents Act. By EMC's count, 175 multi-defendant cases filed in 2011 in the Eastern District of Texas remain pending, affecting 1,739 defendants. Of those, 131 cases—involving 1,252 defendants—were filed in the past 5 months alone.<sup>2</sup> After the Act was passed, one leading source on patent litigation wrote:

On Thursday, September 15, 2011, at least 54 new patent cases were filed — accusing over 800 corporate entities of patent infringement. **These numbers represent an all-time-high for a single day filing.**

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<sup>2</sup> Data gathered from Stanford IP Litigation Clearinghouse, operated by Lex Machina, <http://lexmachina.com/>, (follow “Districts” tab; then follow “Eastern District of Texas, 2011” hyperlink) (last visited Sept. 24, 2011, 1:30 AM)).

....

Thursday's highs are not random. On Friday, September 16, 2011, President Obama was scheduled to, and did actually, enact a major patent reform package known as the Leahy-Smith America Invents Act (H.R. 1249). . . .

....

. . . As Kyle Jensen of PriorSMARt wrote: . . . **'That is an all-time record for both statistics by my count.'** . . .

....

The bulk of these new filings are in the usual venues of E.D. Texas (15%), Delaware (13%), C.D. California (9%), N.D. Illinois (8%), and N.D. California (6%).

*See Dennis Crouch, Rush to Judgment: New Dis-Joinder Rules and Non-Practicing Entities*, Patently-O (Sept. 20, 2011, 3:10 PM), available at <http://www.patentlyo.com/patent/2011/09/rush-to-judgment-new-dis-joinder-rules-and-non-practicing-entities.html> (emphasis added).

The amicus brief filed by six leading high-technology and software companies also noted the “cresting wave of patent-infringement lawsuits over the last few years in which plaintiffs have sought to join in one action numerous unrelated defendants, all of whom sell different products accused of infringing the same patent.” AB at 1.

Adoption of the America Invents Act will not cure the error committed by the District Court nor the other violations from the “cresting wave” noted by the amici. The joinder requirements Congress adopted in the Act, which codify the

majority rule, apply prospectively. That is not unusual since Congress normally legislates prospectively. *See, e.g., AT&T Corp. v. Hulteen*, 129 S. Ct. 1962, 1971 (2009) (Congress is *expected* to legislate prospectively rather than retroactively). Contrary to Oasis's speculation, there is no evidence Congress made a policy decision to allow cases filed in violation of the Federal Rules of Civil Procedure to escape scrutiny by the courts.

**C. A Writ Of Mandamus Directing The District Court To Correct Its Error Will Be Timely**

EMC promptly sought relief from the District Court's erroneous order. As Federal Rule of Civil Procedure 21 provides, misjoinder of parties can be corrected "at any time." This matter is still in its early phases, with more than a year to go before the pretrial conference (set for Oct. 1, 2012, A873). This Court has often issued mandamus petitions in cases far closer to trial than this one. *See, e.g., In re Acer Am. Corp.*, 626 F.3d 1252 (Fed. Cir. 2010) (granting mandamus on December 3, 2010 with trial scheduled to begin on January 4, 2011); *see also In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009) and *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) (both granting mandamus less than one year before trial was scheduled to begin).

Oasis professes concern that district courts "will be flooded with renewed motions to sever cases that are already well underway and streamlined for trial." Opp. at 22. As noted, the EMC case is more than a year from trial, allowing plenty



of time to correct the error below. To the extent that granting this petition leads to proper application of Rule 20 in other cases pending in the Eastern District, such a result can only be viewed as a step forward.

## **II. ONLY A WRIT OF MANDAMUS WILL PROTECT EMC'S RIGHTS**

### **A. Misjoinder Undermines EMC's Due Process Rights**

Oasis seeks to minimize the prejudice EMC faces as a result of being improperly joined with other defendants. Oasis argues that EMC has the “benefit” of being forced to defend its product alongside different and competing products, each defendant vying for adequate time and attention to mount an effective defense. Oasis is quick to minimize the prejudice faced by misjoined defendants, arguing that they might be able to overcome impediments through motion practice. Oasis of course faces no impediments presenting its case. What Oasis overlooks is that Rule 20 recognizes that misjoinder is inherently prejudicial to the misjoined defendants. The concerns EMC noted in its petition about being forced to defend itself alongside unrelated entities were voiced decades ago as the motivation for adopting safeguards in Rule 20. *See* EMC Pet. at 10-11. While a misjoined defendant might be able to mitigate some of the prejudice, such mitigation invariably is incomplete and does nothing to justify the underlying misapplication of Rule 20.

It is typical in the Eastern District of Texas for the district courts to limit the claims submitted for construction, a limitation that has a far more disproportionate effect on a group of misjoined defendants than a single plaintiff. It is typical for the district courts to limit trial time, another limitation that disproportionately affects defendants with unrelated products or services. Absent relief here, EMC will be forced to present its case to the jury alongside a cacophony of irrelevant facts about other unrelated services. EMC also faces the risks of juror confusion and guilt by association, risks which exist only in multiple-defendant cases. Oasis argues that EMC may be able to remedy this problem eventually by moving for a separate trial under Rule 42(b). Opp. at 24. But Oasis cites no Eastern District case ever permitting such divided trials on infringement. Patent litigation is complex to begin with; forcing a defendant to defend its products and actions amidst unrelated allegations against competitors is an inherently prejudicial situation that under Rule 20 should never be allowed to occur.

**B. Oasis's Allegation Of A Relationship Between EMC And AT&T Is Not Relevant To The Clear Error Committed By The District Court**

Oasis now asserts that its violation of Rule 20, arising from the joinder of eight unrelated defendant groups with fifteen different products, should be overlooked because it will endeavor to establish that EMC and AT&T have a joint development relationship. There are two fundamental flaws in Oasis's argument.

First, the alleged relationship between AT&T and EMC was not in any respect a factor in the District Court's decision to deny EMC's motion to dismiss for misjoinder. Indeed, much of what Oasis refers to in its opposition was not even in the record before the District Court. The accused EMC Atmos-branded storage service and the accused AT&T Synaptic service are not the same, and there is nothing in the record to show otherwise. Oasis's characterization of the alleged relationship is an afterthought on which the record is both incomplete and disputed, and is designed to obfuscate the misjoinder issue.

Second, Oasis's allegation of an AT&T-EMC relationship (or an AT&T-Carbonite relationship for that matter) has nothing to do with the issue before this Court—whether the District Court committed error in allowing a case with eight different defendant groups and at least fifteen different services to proceed as a single action. The District Court approved the case as filed, not some hypothetical suit against AT&T and EMC alone. Oasis's assertion that it could have sued AT&T and EMC together, a point on which the record is essentially barren, has nothing to do with whether the District Court committed clear error.

**C. The District Court Did Not Consider Rule 42(a) In Its Joinder Analysis, And There Is No Consolidation Issue Before This Court**

Oasis next argues that a district court has the authority under Federal Rule of Civil Procedure 42(a) to consolidate actions. That point is irrelevant to the Rule 20 error committed below. EMC has been improperly joined in a single action, not

consolidated into a single action. Moreover, Oasis's speculation about how the District Court might treat a new action by Oasis against EMC if it were brought in the Eastern District improperly assumes that the Eastern District would be the appropriate venue for both actions. Similarly, if EMC is severed and transferred to the District of Utah (as it requests), those actions would not be before the same court. The hypothetical application of Rule 42(a) by a district court to consolidate separate lawsuits is simply immaterial to whether Oasis can itself join unrelated defendants in a single suit under Rule 20.

### **III. THE WRIT SHOULD ORDER THE DISTRICT COURT TO DISMISS EMC FROM THE ACTION**

Contrary to Oasis's argument, the resolution of this matter is straightforward. The District Court committed error in denying EMC's motion to dismiss for misjoinder. This Court should issue a writ of mandamus directing the District Court to grant EMC's motion. That simple remedy will cure the error committed below. Thereafter, if Oasis wishes to sue EMC, it has the obligation to bring its claims in the appropriate venue, not one it has attempted to manufacture through "sham" offices and misleading allegations. It is now apparent that none of the disparate claims Oasis has filed should be litigated in the Eastern District of Texas, where neither Oasis nor any defendant has any contacts.

Oasis suggests that the District Court could consolidate one severed claim (*Oasis v. EMC*) with another severed claim (*Oasis v. Carbonite*). But this Court

need not engage in that type of micro-management of the District Court's docket. The simple fact is that EMC was improperly joined with other defendants in violation of Rule 20. The correction of that error is a writ of mandamus directing the District Court to grant EMC's motion to dismiss for misjoinder.

### **CONCLUSION**

EMC respectfully requests that the Court grant this petition for a writ of mandamus.

Dated: September 29, 2011

Respectfully submitted,



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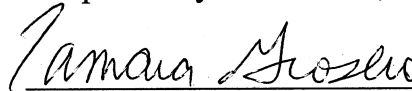
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## DECLARATION OF AUTHORITY

In accordance with Fed. Cir. R. 47.3(d), and 28 U.S.C. § 1746, I, Tamara Grosko, hereby declare under the penalty of perjury that Mark Davies, has authorized me to sign the Reply Brief of Petitioners EMC Corporation, Decho Corporation and Iomega Corporation, on his behalf.

Executed on September 29, 2011

Respectfully Submitted,



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# ADDENDUM



157 Cong. Rec. S5429

the primary goal of the U.S. Patent and Trademark Office.

Mr. KYL, Madam President, I rise today to say a few words about aspects of the present bill that differ from the bill that passed the Senate in March. I commented at length on the Senate bill when that bill was before this body. Since the present bill and the Senate bill are largely identical, I will not repeat what I said previously, but will simply refer to my previous remarks, at 157 Cong. Rec. 1368–80, daily ed. March 8, 2011, which obviously apply to the present bill as well.

As I mentioned earlier, Mr. SMITH negotiated his bill with Senators LEAHY, GRASSLEY, and me as he moved the bill through the House of Representatives. The final House bill thus represents a compromise, one which the Senate supporters of patent reform have agreed to support in the Senate. The provisions that Mr. SMITH has added to the bill are ones that we have all had an opportunity to consider and discuss, and which I fully support.

Section 19(d) of the present bill adds a new section 299 to title 35. This new section bars joinder of accused infringers as codefendants, or consolidation of their cases for trial, if the only common fact and transaction among the defendants is that they are alleged to have infringed the same patent. This provision effectively codifies current law as it has been applied everywhere outside of the Eastern District of Texas. See *Rudd v. Lux Products Corp.*, 2011 WL 148052. (N.D. Ill. January 12, 2011), and the committee report for this bill at pages 54 through 55.

H.R. 1249 as introduced applied only to joinder of defendants in one action. As amended in the mark up and in the floor managers' amendment, the bill extends the limit on joinder to also bar consolidation of trials of separate actions. When this change was first proposed, I was skeptical that it was necessary. A review of legal authority, however, reveals that under current law, even if parties cannot be joined as defendants under rule 20, their cases can still be consolidated for trial under rule 42. For example, as the district court held in *Ohio v. Louis Trauth Dairy, Inc.*, 163 F.R.D. 500, 503 (S.D. Ohio 1995), "[e]ven when actions are improperly joined, it is sometimes proper to consolidate them for trial." The same conclusion was reached by the court in *Kevin v. Newburger, Loeb & Co.*, 37 F.R.D. 473 (S.D.N.Y. 1965), which ordered severance because of misjoinder of parties, concluding that the claims against the defendants did not arise out of single transaction or occurrence, but then suggested the desirability of a joint trial, and expressly made its severance order without prejudice to a subsequent motion for consolidation under rule 42(a). Similarly, in *Stanford v. TVA*, 18 F.R.D. 152 (M.D. Tenn. 1955), a court found that the defendants had been misjoined, since the claims arose out of independent transactions, and ordered them severed. The

court subsequently found, however, that a common question existed and ordered the defendants' cases consolidated for trial.

That these cases are not just outliers is confirmed by Federal Practice and Procedure, which comments as follows at §2382:

Although as a general proposition it is true that Rule 42(a) should be construed in harmony with the other civil rules, it would be a mistake to assume that the standard for consolidation is the same as that governing the original joinder of parties or claims. . . . [M]ore than one party can be joined on a side under Rule 20(a) only if there is asserted on behalf of or against all of them one or more claims for relief arising out of the same transaction or occurrence or series of transactions or occurrences. This is in addition to the requirement that there be some question of law or fact common to all the parties. But the existence of a common question by itself is enough to permit consolidation under Rule 42(a), even if the claims arise out of independent transactions.

If a court that was barred from joining defendants in one action could instead simply consolidate their cases for trial under rule 42, section 299's purpose of allowing unrelated patent defendants to insist on being tried separately would be undermined. Section 299 thus adopts a common standard for both joinder of defendants and consolidation of their cases for trial.

Another set of changes made by the House bill concerns the coordination of inter partes and postgrant review with civil litigation. The Senate bill, at proposed sections 315(a) and 325(a), would have barred a party or his real party in interest from seeking or maintaining an inter partes or postgrant review after he has filed a declaratory-judgment action challenging the validity of the patent. The final bill will still bar seeking IPR or PGR after a declaratory-judgment action has been filed, but will allow a declaratory-judgment action to be filed on the same day or after the petition for IPR or PGR was filed. Such a declaratory-judgment action, however, will be automatically stayed by the court unless the patent owner countersues for infringement. The purpose of allowing the declaratory-judgment action to be filed is to allow the accused infringer to file the first action and thus be presumptively entitled to his choice of venue.

The House bill also extends the deadline for allowing an accused infringer to seek inter partes review after he has been sued for infringement. The Senate bill imposed a 6-month deadline on seeking IPR after the patent owner has filed an action for infringement. The final bill extends this deadline, at proposed section 315(b), to 1 year. High-technology companies, in particular, have noted that they are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant and how those claims are alleged to read on the defendant's products. Current law imposes no deadline on seeking inter

partes reexamination. And in light of the present bill's enhanced estoppels, it is important that the section 315(b) deadline afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation. It is thus appropriate to extend the section 315(b) deadline to one year.

The final bill also extends intervening rights to inter partes and postgrant review. The bill does not allow new matter to be introduced to support claims in IPR and PGR and does not allow broadening of claims in those proceedings. The aspect of intervening rights that is relevant to IPR and PGR is section 252, first paragraph, which provides that damages accrue only from the date of the conclusion of review if claim scope has been substantively altered in the proceeding. This restriction applies even if the amendment only narrowed the scope of the claims. See *Engineered Data Products, Inc. v. GBS Corp.*, 506 F.Supp.2d 461, 467 (D. Colo. 2007), which notes that "the Federal Circuit has routinely applied the intervening rights defense to narrowing amendments." When patent-defeating prior art is discovered, it is often impossible to predict whether that prior art will be found to render the entire invention obvious, or will only require a narrowing amendment. When a challenger has discovered such prior art, and wants to practice the invention, intervening rights protect him against the risk of going forward—provided, of course, that he is correct in his judgment that the prior art at least requires a substantive narrowing of claims.

The final bill also adds a new subsection to proposed section 257, which authorizes supplemental examination of patents. The new subsection provides that the Director shall refer to the U.S. Attorney General any "material fraud" on the Office that is discovered during the course of a Supplemental Examination. Chairman Smith's explanation of this addition, at 157 Cong. Rec. E1182–83 (daily ed. June 23, 2011), clarifies the purpose and effect of this new provision. In light of his remarks, I find the addition unobjectionable. I would simply add to the Chairman's remarks that, in evaluating whether a fraud is "material" for purpose of referral, the Director should look to the Federal Circuit's decision in *Therasense, Inc. v. Becton, Dickinson and Co.*, \_\_\_ F.3d \_\_\_, 2011 WL 2028255 (May 25, 2011). That case holds, in relevant part, that:

[T]he materiality required to establish inequitable conduct is but-for materiality. When an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art. Hence, in assessing the materiality of a withheld reference, the court must determine whether the PTO would have allowed the claim if it had been aware of the undisclosed reference.

Finally, perhaps the most important change that the House of Representatives has made to the America Invents

H.R. Rep. No. 112-98

*Transitional program for covered business method patents*

A number of patent observers believe the issuance of poor business-method patents during the late 1990's through the early 2000's led to the patent "troll" lawsuits that compelled the Committee to launch the patent reform project 6 years ago. At the time, the USPTO lacked a sufficient number of examiners with expertise in the relevant art area. Compounding this problem, there was a dearth of available prior art to assist examiners as they reviewed business method applications. Critics also note that most countries do not grant patents for business methods.

The Act responds to the problem by creating a transitional program 1 year after enactment of the bill to implement a provisional post-grant proceeding for review of the validity of any business method patent. In contrast to the era of the late 1990's-early 2000's, examiners will review the best prior art available. A petition to initiate a review will not be granted unless the petitioner is first sued for infringement or is accused of infringement. The program otherwise generally functions on the same terms as other post-grant proceedings initiated pursuant to the bill. Any party may request a stay of a civil action if a related post-grant proceeding is granted. The program sunsets after 10 years, which ensures that patent holders cannot delay filing a lawsuit over a shorter time period to avoid reevaluation under the transitional program.

*Jurisdictional and procedural matters***a) State court jurisdiction and the US Court of Appeals for the Federal Circuit**

The US district courts area given original jurisdiction to hear patent cases,<sup>57</sup> while the US Court of Appeals for the Federal Circuit adjudicates all patent appeals.<sup>58</sup> The Supreme Court ruled in 2002,<sup>59</sup> however, that patent counterclaims do not give the Federal Circuit appellate jurisdiction over a case.

The Act clarifies the jurisdiction of the US district courts and stipulates that the US Court of Appeals for the Federal Circuit has jurisdiction over appeals involving *compulsory* patent counterclaims. The legislative history of this provision, which we reaffirm and adopt as our own, appears in the Committee Report accompanying H.R. 2955 from the 109th Congress,<sup>60</sup> which the Committee reported favorably to the House on April 5, 2006.

**b) Joinder**

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.

The Act amends chapter 29 of the Patent Act by creating a new § 299 that addresses joinder under Rule 20 and consolidation of trials under Rule 42. Pursuant to the provision, parties who are accused infringers in most patent suits may be joined as defendants

<sup>57</sup> 28 USC § 1338.

<sup>58</sup> 28 USC § 1295.

<sup>59</sup> *Holmes Group, Inc., v. Vornado Air Circulation Systems, Inc.* 535 U.S. 826 (2002).

<sup>60</sup> H. Rep. 109-405.

or counterclaim defendants only if: (1) relief is asserted against the parties, jointly, severally, or in the alternative, arising out of the same transaction regarding the manufacture, use, or importation of the accused product or process; and (2) questions of fact common to all of the defendants will arise in the action. New § 299 also clarifies that joinder will not be available if it based solely on allegations that a defendant has infringed the patent(s) in question.<sup>61</sup>

#### *Technical amendments*

The Act contains technical amendments to improve the organization of the patent statute.

#### *Travel expenses and payment of administrative judges*

The USPTO Director is authorized to conduct programs or exchanges pertaining to intellectual property law and protection “domestically and throughout the world.” The House bill clarifies that this authority includes expending funds to cover the subsistence and travel expenses of non-Federal employees who attend these programs.

The House bill also clarifies that the Director may fix the pay for administrative patent judges and administrative trademark judges under the new Patent Trial and Appeal Board set forth in Section 6 of the bill.

#### *Patent and Trademark Office funding*

The USPTO is a fee-funded agency. The revenue it collects from fees imposed on inventors and trademark filers is deposited in a special USPTO appropriations account in the Treasury. To obtain funding for its operations, the agency must request the revenue back from congressional appropriators. Since the early 1990’s, however, more than \$800 million has been diverted from the agency and spent on non-USPTO initiatives.

The Committee believes the USPTO could operate more efficiently and productively if the agency had full access to all of its fee-generated revenue. The House bill therefore creates a USPTO revolving fund within the Treasury that allows the agency to keep all of the funds it raises until expended.

The provision also requires the Director to submit an annual spending plan as well as an annual year-end report to the House and Senate Appropriations and Judiciary Committees.

#### *Satellite offices*

The USPTO is conducting a pilot to create and operate a new satellite office located in Detroit. The bill requires the Director to establish three other satellite offices within a 3-year window, subject to available resources. The legislation includes criteria that must be invoked when selecting the new sites.

<sup>61</sup> Section 299 legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life, LLC*, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010)—effectively conforming these courts’ jurisprudence to that followed by a majority of jurisdictions. See generally *Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011).

## **CERTIFICATE OF SERVICE**

I hereby certify that on September 29, 2011, I caused an original and four true and correct copies of the REPLY IN SUPPORT OF THE PETITION OF EMC CORP., DECHO CORP., and IOMEGA CORP. to be served on the Clerk of the United States Court of Appeals for the Federal Circuit and I further certify that I caused the following individuals to be served with a true and correct copy of the foregoing via Federal Express.

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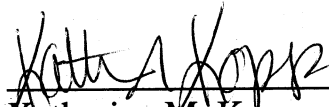
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