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Patent bar split on impact of new law

Sets restrictions on multi-defendant suits

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By Al Turco

News that President Obama was set to sign a bill restricting how defendants are joined in patent litigation recently sent plaintiffs' lawyers in Massachusetts and beyond scrambling to file infringement suits on behalf of their clients.

The Leahy-Smith America Invents Act was signed by the president on Sept. 16, but not before 79 multi-defendant infringement suits were filed in federal district courts around the country during the preceding five business days. Thirty-six of those suits included more than 10 defendants, according to Cambridge patent attorney Craig R. Smith.

Typically, the courts receive 15 to 20 such filings over a five-day period, with few cases including more than 10 defendants, Smith added.

In cases filed prior to Sept. 16, plaintiffs were allowed to join multiple defendants, often competitors, whose only connection was the alleged infringement of a patent. The ability to file just one complaint against an entire group of defendants could save plaintiffs potentially tens of thousands of dollars in filing fees.

Under the new law, defendants cannot be joined "solely on allegations that they each have infringed the patent or patents in suit," requiring plaintiffs to show more involved connections to satisfy the similar transactions and occurrences test of Rule 20 of the Federal Rules of Civil Procedure.

[Click here for the full text of the act.](#)

How to join the party

Smith, an attorney at Lando & Anastasi, said the new rule could reduce litigation by entities whose business model is to build up a

portfolio of patents and sue a large number of defendants who refuse to sign licensing agreements.

Under the old rule, those companies, known as non-practicing entities or NPEs, would bring multi-defendant patent suits against everyone from the manufacturer to the retailer, Smith said.

For example, he said, one of the suits filed three days before the bill was signed into law involved a plaintiff who is suing "Dell Computers, Dick's Sporting Goods and everybody in between."

The case, *Select Retrieval LLC v. Amerimark Direct LLC, et al.*, joins 80 defendants.

The right to bring any number of separate complaints remains, but Smith said the costs of maintaining separate suits in different jurisdictions with varying schedules could be a deterrent to "suing everybody."

Those who rushed to file before Obama signed the bill hoped to avoid those costs, said Smith, who believes there will be "a lot of debate and motions to apply the new rule to cases filed before Sept. 16 as well."

John T. Gutkoski, a patent attorney at Nixon Peabody in Boston, agreed that defendants will have an easier time transferring cases out of potentially unfriendly jurisdictions under the America Invents Act, but he was skeptical about an overall decline in litigation.

"I think NPEs will have to become more selective," he said. "But I see this as more of a strategic change, limiting certain advantages [but] not eliminating any suits."

Nevertheless, Gutkoski said, the act improves patent law in that there will be one rule for all the federal trial courts.

According to Leigh J. Martinson, who practices patent law at McDermott, Will & Emery in Boston, the act was prompted by an increase in multiple-defendant suits brought in recent years.

The new rule will result in "fewer defendants in each multiple-defendant case but won't slow down the pace of filing," Martinson predicted.

He said the rule may also slow down the licensing revenue of NPEs because "it messes with their strategy."

Martinson, Gutkoski and Smith, who primarily represent defendants in infringement litigation, agreed that the courts will retain discretion to consolidate patent cases to address issues most efficiently handled en masse, such as claim construction and discovery.

The little guys

Lee T. Gesmer, whose Boston law firm Gesmer Updegrave represents non-practicing entities, said the new joinder rule will have a "trivial effect" on NPEs and their efforts to license and enforce patents.

NPEs will simply file more suits, he said, which will prompt the courts to consolidate proceedings in an effort to "make things more efficient."

Gesmer said the rule change represents a minor point in what could amount to major change in patent law and the creative economy as the entirety of the America Invents Act takes effect.

"But if it was about hurting NPEs, the statute is a bust," he said, registering his "irritation" with the perception put forth by the defense bar that non-practicing entities may be undermining innovation.

"NPEs encourage small inventors to invent by providing them an outlet to commercialize their inventions," Gesmer said.

Richard C. Weinblatt of Wilmington, Del., filed suit on Sept. 13 on behalf of client Select Retrieval, the non-practicing entity that is suing Dell, Dick's Sporting Goods and 78 others.

The filing fee for Select Retrieval was \$350. Weinblatt said after Sept. 16, he would have had to file 80 separate complaints, with fees totaling \$28,000.

Plaintiffs may not be the only ones who feel the pinch, he said.

"Potentially, the new rule will drive up the costs for both sides because it will also be harder for defendants to form joint defense groups to share costs," Weinblatt said.

But regardless of the increasing costs, he said he anticipates more litigation, not less.

"And the courts already have full dockets," he said.