UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ROSETTA-WIRELESS CORP.,	§	
	§	
Plaintiff,	§	
v.	§	Case No. 1:15-cv-00799
	§	
APPLE INC., et al.,	§	Judge Joan H. Lefkow
	§	
Defendants.	§	
	§	
	§	

DEFENDANTS' MEMORANDUM IN SUPPORT OF THEIR MOTION TO SEVER THE PROCEEDINGS PURSUANT TO 35 U.S.C. § 299

I. BACKGROUND

The Amended Complaint filed by Plaintiff Rosetta-Wireless Corp. ("Rosetta") names groups of distinct and unrelated parties in a single action and collectively accuses these parties of patent infringement based on different and unrelated products. Because such joinder of parties is not permissible under 35 U.S.C. § 299, Defendants move this Court to sever the claims against them to separate actions.[1] Defendants have asked whether Rosetta would agree to severance, but Rosetta would not agree to severance without seeking certain conditions such as each Defendant agreeing to not file a motion to transfer venue. Defendants do not believe that it is proper for Rosetta to insist on such conditions in exchange for Rosetta complying with 35 U.S.C. § 299.

Rosetta filed its Amended Complaint on June 1, 2015 naming as defendants: Apple Inc. ("Apple"); Samsung Electronics Co. Ltd. and Samsung Electronics America, Inc. (collectively, "Samsung"); Motorola Mobility LLC (collectively, "Motorola"); LG Electronics Co. and LG Electronics U.S.A., Inc. (collectively, "LG"); and High Tech Computer Corp. and HTC America Inc. (collectively, "HTC"), (collectively, "Defendant Groups").[2] Dkt. 82 at ¶¶ 2-12. Rosetta's Amended Complaint alleges that the Defendant Groups infringe its U.S. Patent No. 7,149,511 ("the '511 Patent"), entitled "Wireless Intelligent Personal Server." *Id.* at ¶¶ 14-15.

The Amended Complaint does not allege that the five Defendant Groups are related entities, that they acted in concert with one another, or that they cooperated in any way with

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[1] If Defendants' motion to sever is granted, HTC believes that the appropriate remedy, pursuant to Federal Rule of Civil Procedure 21, is for the HTC Defendants to be dismissed. *See Golden Bridge Technology, Inc. v. Apple Inc.*, No. 2:12-cv-4014, 2012 WL 3999854, *5 (C.D. Cal. Sep. 11, 2012) ("Upon severance, the Court may dismiss the severed parties.").

[2] Rosetta voluntarily dismissed Motorola, Inc. and Samsung Telecommunications America, LLC from this action prior to filing its Amended Complaint. *See* Dkts. 1, 9, 37. It should additionally be noted that several of the aforementioned Defendants were misnamed. For example, LG Electronics Co. should be LG Electronics, Inc.

respect to the purported infringement. Nor does the Complaint allege joint or several liability. Instead, the Complaint merely asserts that each Defendant has done business in the Northern District of Illinois and has committed and continues to commit separate acts of infringement in this District. *Id.* at ¶ 13. As to what constitutes the alleged infringement, Rosetta's allegations are set forth in a single paragraph:

> 15. Upon information and belief, Defendants have infringed directly and continue to infringe directly the '511 Patent. The infringing acts include, but are not limited to, the manufacture, use, sale, or offer for sale within the United States, or the importation into the United States of products that embody the patented invention, including the products listed for each Defendant in the attached Exhibit B. Defendants are liable for infringement of the '511 Patent pursuant to 35 U.S.C. § 271.

Dkt. 82 at ¶ 15. Further, included as a list in Exhibit B to the Complaint, Rosetta accuses nearly 300 different products of infringing the '511 Patent, none of which overlap across multiple Defendant Groups. Dkt. 1-2.

II. LEGAL STANDARD

While Rule 20 of the Federal Rules of Civil Procedure normally governs joinder in district court actions, on September 16, 2011, Congress enacted the Leahy-Smith America Invents Act, Pub. L. 112-29 ("AIA"), which, *inter alia*, altered the standard for joinder in actions involving patents. Specifically, section 19(d) of the AIA, codified at 35 U.S.C. § 299, expressly prohibits joining multiple defendants "based solely on allegations that they each have infringed the patent or patents in suit." 35 U.S.C. § 299(b). Instead, accused infringers can be joined in the same action only if:

> 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.

35 U.S.C. § 299(a)(1). Section 299 also requires that "questions of fact common to all defendants or counterclaim defendants will arise in the action." 35 U.S.C. § 299(a)(2). Thus, the AIA sets a more stringent standard for joinder than required by Rule 20, and in the absence of joint or several liability, prohibits joinder unless the alleged infringement by each defendant arises out of the same transactions relating to infringement of the patent-in-suit by the same accused product or process. *See In re Nintendo Co., Ltd.*, 544 F. App'x 934, 939 (Fed. Cir. 2013) (characterizing "[t]he AIA's joinder provision [as] more stringent than Rule 20"); *see also Atlas IP, LLC v. Medtronic, Inc.*, No. 13-23309, 2014 U.S. Dist. LEXIS 48802, at *4 (S.D. Fla. Mar. 17, 2014) ("Section 299's language makes joinder in patent cases more difficult than traditional joinder under Rule 20.") (citation and internal quotations omitted); *Reese v. Sprint Nextel Corp.*, No. 2:13-cv-3811, 2013 U.S. Dist. LEXIS 98635, at *1 (C.D. Cal. Jul. 15, 2013) (describing 35 U.S.C. § 299 as requiring "a higher standard for joinder").

While courts in this District have not yet opined on a post-AIA motion to sever, Congress expressly cited this District's jurisprudence of Rule 20 when enacting Section 299. *See* H.R. Rep. 112-98, pt. 1 at 55 n.61 (2011) (explaining that "Section 299 legislatively abrogates the construction of Rule 20(a) adopted [by a minority of jurisdictions]—effectively conforming these courts' jurisprudence" to the majority view followed in *Rudd v. Lux Products Corp.*, No. 09-6957, 2011 WL 148052 (N.D. Ill. Jan. 12, 2011)). And courts in this District have found that a party fails to satisfy the requirement for "'a common transaction or occurrence where unrelated defendants, based on different acts, are alleged to have infringed the same patent.'" *Body Science LLC v. Boston Scientific Corp.*, 846 F. Supp. 2d 980, 987 (N.D. Ill. 2012) (quoting *Rudd*, 2011WL 148052, at *3); *see also Pinpoint Inc. v. Groupon, Inc.*, No. 11-C-5597, 2011 U.S. Dist. LEXIS 139183, at *4 n.1 (explaining that this Court's view that joinder is improper where a

"plaintiff merely accuses unrelated defendants of independently infringing the same patent . . . is in accord with the Leahy-Smith America Invents Act"); *ThermaPure, Inc. v. Temp-Air, Inc.*, No. 10-cv-4724, 2010 U.S. Dist. LEXIS 136262, at *16-17 (N.D. Ill. Dec. 22, 2010) (finding plaintiff's allegations against the defendants were not sufficient to justify joinder "absent additional commonalities regarding their method of infringement" because this District's "requirement for a common transaction or occurrence is not satisfied where multiple defendants are merely alleged to have infringed the same patent or trademark"). Accordingly, where direct competitors are alleged to have infringed the same patent, the prevailing view among district courts is that joinder is improper absent allegations of concerted action or conspiracy. *See, e.g.*, *Broadband iTV, Inc. v. Hawaiian Telcom, Inc.*, No. 14-00169, 2014 U.S. Dist. LEXIS 154897, at *17-20 (D. Haw. Oct. 30, 2014) (granting a motion to sever on the basis "that competitors cannot be joined in a patent infringement suit under § 299 where they are not alleged to have conspired or acted in concert"); *see also Richmond v. Lumisol Elec. Ltd.*, No. 13-1944 (MCL), 2014 U.S. Dist. LEXIS 59939, at *30-31 (D.N.J. Apr. 30, 2014) (finding that "[l]ogically, competitors, absent a conspiracy, are not part of the same transaction" and may not be joined pursuant to Section 299); *MGT Gaming, Inc. v. WMS Gaming, Inc.*, 978 F. Supp. 2d 647, 659-60 (S.D. Miss. 2013) (granting a motion to sever on the basis that defendants were competitors, who were also not acting in concert).

If parties are improperly joined in violation of Section 299, Federal Rule of Civil Procedure 21 provides the remedy of severance. Fed. R. Civ. P. 21. Pursuant to Rule 21, "[o]n motion or on its own, the court may at any time, on just terms, add or drop a party [or] may also sever any claim against a party." *Id.*

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