

TABLE OF CONTENTS

	<u>Page</u>
I. DEFENDANTS’ MOTION TO SEVER CLAIMS	1
II. STATEMENT OF FACTS	1
III. ARGUMENT	2
A. Rule 20(a) Limits Joinder of Defendants to Transactionally Related Claims	2
B. Joinder of Unrelated Defendants with Distinct Accused Products Is Improper.....	4
1. Transaction Test Not Met by Mere Allegation of Infringement By Unrelated Defendants.....	4
2. The Western District of Texas Has Ruled That Joinder of Unrelated Defendants with Distinct Accused Products Is Improper	6
3. The Claims Against HTC Are Not Transactionally Related to the Claims Against the Other Defendants.....	6
C. Joinder is Improper under either Federal Circuit Patent Law Standards or Fifth Circuit (and other regional circuit) General Joinder Standards.	7
1. The Claims Against HTC Would Not Arise Out of the Same Transaction, Occurrence, or Series of Transactions or Occurrences Under Fifth Circuit Standards.....	7
2. Severance is Appropriate Even Under the MyMail Decision.....	9
3. Wi-LAN’s Infringement Claims Against HTC and Unrelated Defendants Are Not Transactionally Related Under Existing Federal Circuit Case Law.....	10
a. Federal Circuit Law Should Control When Patents Infringement Claims Are Transactionally Related Under Rule 20(a).....	10
b. Under Federal Circuit tests for “transactionally related,” the claims against HTC and unrelated defendants are not “transactionally related.”.....	10
D. Elimination of the Transactional Prong, Eliminates Fairness Protections Afforded by Rule 20(a) Resulting in Fundamental Unfairness to HTC	12

E.	Even if Wi-LAN Can Meet the Requirements for Joinder, This Court Should Use Its Discretion to Sever the Claims Against HTC	13
IV.	CONCLUSION.....	14

TABLE OF AUTHORITIES

	PAGE(S)
<u>Cases</u>	
<i>Acevedo v. Allsup’s Convenience Stores Inc.</i> 600 F.3d 516 (5th Cir. 2010)	3, 13, 14
<i>Acumed LLC v. Stryker Corp.</i> 525 F.3d 1319 (Fed. Cir. 2008).....	5, 10, 11
<i>Alford Safety Services, Inc. v. Hot-Hed, Inc.</i> 2010 U.S. Dist. LEXIS 98152 (E.D. La. Aug. 23, 2010)	8
<i>Biodex Corp. v. Loredan Biomedical, Inc.</i> 946 F.2d 850 (Fed. Cir. 1991).....	10
<i>Colt Defense LLC v. Heckler & Koch Defense, Inc.</i> No. 2:04cv258, 2004 U.S. Dist. LEXIS 28690 (E.D. Va. October 22, 2004)	5
<i>Crockett v. R.J. Reynolds Tobacco Co.</i> 436 F.3d 529 (5th Cir. 2006)	3
<i>Mannatech, Inc. v. Country Life, LLC</i> 2010 U.S. Dist. LEXIS 75353 (N.D. Tex. July 26, 2010)	7
<i>MyMail, Ltd. v. America Online, Inc.</i> 223 F.R.D. 455 (E.D. Tex. 2004)	7, 8, 9
<i>Nasalok Coating Corp. v. Nylok Corp.</i> 522 F.3d 1320 (Fed. Cir. 2008).....	6
<i>Norwood v. Raytheon Co.</i> 2007 U.S. Dist. LEXIS 61423 (W.D. Tex. 2007).....	6
<i>Pergo, Inc. v. Alloc., Inc.</i> 262 F. Supp.2d 122 (S.D.N.Y. 2003).....	4
<i>Quarles v. St. Clair</i> 711 F.2d 691 (5th Cir. 1983)	8
<i>United Mine Workers v. Gibbs</i> 383 U.S. 715 (1966).....	3
<i>Verve L.L.C. v. Hypercom Corp.</i> No. -04-CA-062-LY, slip op. (W.D. Tex. December 29, 2004) (Yeakel, J.)	4, 6, 7, 8, 12
<i>WiAV Networks, LLC v. 3Com Corp.</i> 2010 U.S. Dist. LEXIS 110957 (N.D. Cal. Oct. 1, 2010).....	4, 9, 12, 13

<i>Wynn v. National Broadcasting Co.</i> 234 F. Supp. 2d 1067 (C.D. Cal. 2002)	13
---	----

Other Authorities

4 James Wm. Moore, <i>Moore’s Federal Practice</i> §§ 20.04[2], 20.05[3] (3d ed. 2010).....	3
Federal Rule of Civil Procedure 13(a)	6
Federal Rule of Civil Procedure 20(a)	2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13 14
Federal Rule of Civil Procedure 20(a)(b)	2
Federal Rule of Civil Procedure 20(a)(2)	1, 3, 5, 7, 13
Federal Rule of Civil Procedure 21	13, 14
Federal Rule of Civil Procedure Federal Rule of Civil Procedure 42(a)	14
Federal Rule of Civil Procedure 42(b).....	8, 13
Local Rule CV-7(g)	14, 16
<i>Moore’s Federal Practice</i> § 20.05[2]	11

I. DEFENDANTS' MOTION TO SEVER CLAIMS

Defendants HTC Corporation ("HTC Corp."), HTC America, Inc. ("HTC America"), and Exedeia, Inc. ("Exedeia") (collectively "HTC"), respectfully move this Court to sever claims against HTC asserted in this action by Plaintiff Wi-LAN, Inc. ("Wi-LAN") on the grounds that HTC cannot be properly joined with the other defendants under Rule 20(a)(2) of the Federal Rules of Civil Procedure. In the Motion to Transfer, filed concurrently herewith, HTC requests that this Court transfer the HTC claims to the Southern District of California.

II. STATEMENT OF FACTS

Plaintiff Wi-LAN is a patent-holding and licensing company based in Ottawa, Ontario, Canada. Wi-LAN filed this patent lawsuit in this Court on October 5, 2010. Wi-LAN joined a total of eleven defendants alleging infringement of one or more of four United States patents, United States Patent Nos. 6,088,326 (the "'326 patent'"), 6,195,327 (the "'327 patent'"), 6,222,819 (the "'819 patent'"), and 6,381,211 (the "'211 patent") (collectively, the "patents-in-suit"). Wi-LAN has only asserted the '819 and '211 patents against HTC accused products, which are all handsets. In addition to HTC Corporation, HTC America, and Exedeia, Wi-LAN has also accused Defendants Alcatel-Lucent USA, Inc., Sony-Ericsson Mobile Communications AB & USA, LG Electronics, Inc. & LG Electronics Mobilecomm U.S.A., Inc. LG Electronics U.S.A., Inc. and Telefonaktiebolaget LM Ericsson and Ericsson, Inc. of infringement, although the LG defendants have been dismissed. Wi-LAN's allegations of infringement for the remaining defendants include a few handsets, but primarily accuse base station products. This case is still in the initial pleading stage, HTC has only recently answered, and no discovery has occurred.

Because the patent infringement claims against Defendant HTC do not arise out of the "same transaction, occurrence, or series of transactions or occurrences" as the infringement

claims against the other defendants, the joinder requirements of Federal Rule of Civil Procedure 20(a)(b) are not satisfied. None of the defendants in this case are related to HTC. Maron Decl. ¶

3. Wi-LAN has not pled any connection amongst the defendants.¹

Moreover, of the four patents-in-suit, Wi-LAN alleges that HTC infringes only two, the ‘819 and ‘211 patents. Further, Wi-LAN does not allege that all of the remaining defendants infringe even the ‘819 and ‘211 patents of which it accuses HTC of infringement. For example, Wi-LAN does not allege that Ericsson Inc., Telefonaktiebolaget LM Ericsson, or Alcatel-Lucent infringe the ‘211 patent. Additionally, the infringement claims asserted by Plaintiff do not arise out of related activities or concerted actions between HTC and the other defendants. HTC’s products and methods accused of infringement were developed independently of the other defendants, and the respective accused products and methods are unrelated. *Id.* ¶ 4. The other defendants are competitors of HTC. *Id.* ¶ 4.

Where, as here, there are multiple patent claims, relating to different patents and different accused technologies, it would be confusing to a jury to distinguish the various claims and defendants. It would be prejudicial to HTC to undergo trial with two patents of which it is not accused of infringing and multiple co-defendants whose accused products are different.

III. ARGUMENT

A. Rule 20(a) Limits Joinder of Defendants to Transactionally Related Claims

¹ Wi-LAN’s allegations regarding practicing the 3GPP standard are insufficient to establish relatedness as by that rationale all potential defendants with products allegedly practicing a standard could be joined irrespective of how unrelated the products, claims or patents may be. Moreover, there are different ways of implementing standards, making practicing the standard insufficient to prove infringement, and the standard, therefore should not be used for a basis for relatedness. *See e.g., Fujitsu Ltd., v. Netgear*, 620 F.3d 1321, 1327-28 (Fed. Cir. 2010) (practice of standard insufficient to prove infringement).

Although the Federal Rules of Civil Procedure encourage “joinder of claims, parties and remedies,” a plaintiff does not have an unlimited right to join claims against unrelated defendants. *See United Mine Workers v. Gibbs*, 383 U.S. 715, 724 (1966). The Federal Rules only permit “the broadest possible scope of action *consistent with fairness to the parties.*” *Id.* (emphasis added).

FRCP 20(a)(2) allows multiple defendants to be joined in the same action only if a “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” and there are common questions of law or fact. Thus, Rule 20(a) “creat[es] a two-prong test” and requires that “both prongs of the test are met” to permit joinder. *Acevedo v. Allsup’s Convenience Stores Inc.*, 600 F.3d 516, 520, 521 (5th Cir. 2010).

These two prongs protect the two objectives of joinder under the Federal Rules – efficiency and fairness. The transactional relatedness prong determines whether “the claims involve enough related operative facts to make joinder in a single case fair,” while the common question prong “helps ensure that the multiple parties either assert or defend against claims that can be tried together conveniently.” 4 James Wm. Moore, *Moore’s Federal Practice* §§ 20.04[2], 20.05[3] (3d ed. 2010). “If these requirements are not met, joinder is improper . . .”² *Crockett v. R.J. Reynolds Tobacco Co.*, 436 F.3d 529, 533 (5th Cir. 2006).

The claims against HTC do not arise out of “the same transaction, occurrence, or series of transactions or occurrences” as the claims against the other defendants. Plaintiff has not alleged that HTC engaged in related infringing activities or otherwise acted in concert with the other

² A district court has discretion to sever parties even if the requirements of Rule 20(a) are satisfied. *See Acevedo*, 600 F.3d at 521. However, there is no discretion to permit joinder if the threshold requirements of Rule 20(a) are not satisfied. *See id.*

defendants. *WiAV Networks, LLC v. 3Com Corp.*, 2010 U.S. Dist. LEXIS 110957, at *16 (N.D. Cal. Oct. 1, 2010) (“Each defendant has simply been thrown into a mass pit with others to suit plaintiff’s convenience.”).

B. Joinder of Unrelated Defendants with Distinct Accused Products Is Improper.

1. Transaction Test Not Met by Mere Allegation of Infringement By Unrelated Defendants.

The vast majority of courts that have faced the issue of joinder of non-related defendants in patent cases, including the Western District of Texas, have followed the rule 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).” *See Pergo, Inc. v. Alloc., Inc.*, 262 F. Supp.2d 122, 128 (S.D.N.Y. 2003); *see also Verve L.L.C. v. Hypercom Corp.*, No. -04-CA-062-LY, slip op. at 3-4 (W.D. Tex. December 29, 2004) (Yeakel, J.) (“Defendants who have merely committed similar acts of infringement do not meet” the “transaction test” set out in Rule 20(a)) (Larish Decl., Ex. A).³ As a district court in the Fourth Circuit observed: “the

³ *See also New Jersey Machine, Inc. v. Alford Industries, Inc.*, 1991 U.S. Dist. LEXIS 20376, at *4 (D.N.J. Oct. 7, 1991) (“Infringement of the same patent by different machines and parties does not constitute the same transaction or occurrence to justify joinder of the new defendants.”), *aff’d*, 983 F.2d 1087 (Fed. Cir. 1992); *Golden Scorpio Corp. v. Steel Horse Bar & Grill*, 596 F. Supp.2d 1282, 1285 (D. Ariz. 2009) (“Allegations against multiple and unrelated defendants for acts of patent, trademark, and copyright infringement do not support joinder under Rule 20(a).”); *Philips Electronics North America Corp. v. Contec Corp.*, 220 F.R.D. 415, 417 (D. Del. 2004) (“Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction.”); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp.2d 620, 623 (N.D. Ill. 1998) (Joinder of companies selling different competing products impermissible, notwithstanding alleged infringement of the same patents); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1370-71 (D. Del. 1983) (“Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction.”); *Spread Spectrum Screening, LLC v. Eastman Kodak Co.*, 2010 U.S. Dist. LEXIS 90549, at *6 (N.D. Ill. September 1, 2010) (“[J]oinder is often improper where (footnote continued)

overwhelming authority from other jurisdictions indicates that allegations against multiple and unrelated defendants for independent acts of patent, copyright, and/or trademark infringement do not set forth claims arising from the same transaction or occurrence within the meaning of Rule 20(a).” *Colt Defense LLC v. Heckler & Koch Defense, Inc.*, No. 2:04cv258, 2004 U.S. Dist. LEXIS 28690, at * 13 (E.D. Va. October 22, 2004). Consistent with this “overwhelming authority,” dozens of district courts across the country have found that patent infringement claims against unrelated defendants independently selling distinct products do not satisfy the transactional relatedness requirement of Rule 20(a)(2).⁴

“Joinder is inappropriate . . . when the operative facts of each transaction are distinct and unrelated to any other.” *See Multi-Tech Sys.*, 2000 U.S. Dist. LEXIS 22683, at *22 (internal quotations omitted). The operative facts of a patent infringement claim are generally those surrounding the alleged act of infringement, i.e., the design, manufacture, and sale of the allegedly infringing products. *Id.*; *see also Acumed*, 525 F.3d at 1324 (when defendants “are separate companies that independently design, manufacture and sell different products in

[multiple] competing businesses have allegedly infringed the same patent by selling different products”); *Verve L.L.C. v. Verifone, Inc.*, 2:03-cv-73481, slip op. at 6 (E.D. Mich. May 11, 2004) (“[Plaintiff’s] claims alleged against defendant [] do not arise out of the same transactions or occurrences of the remaining [] defendants simply because all of the defendants’ devices may have infringed the same [] Patent.”) (Larish Decl., Ex. B); *WiAV Networks, LLC v. 3Com Corp.*, 2010 U.S. Dist. LEXIS 110957, at *19 (N.D. Cal. Oct. 1, 2010) (Dropping 39 of the 40, finding that “plaintiff cannot escape the fact that it is suing unrelated and competing defendants for their own independent acts of patent infringement.”).

⁴ For additional cases, see e.g., *Reid v. General Motors Corp.*, 240 F.R.D. 260, 263 (E.D. Tex. 2007); *MLR, LLC v. U.S. Robotics Corp.*, No. 02-C-2898, 2003 U.S. Dist. LEXIS 2827, at *8-9 (N.D. Ill. Feb. 26, 2003); *Multi-Tech Sys., Inc. v. Net2Phone, Inc.*, No. 00-346, 2000 U.S. Dist. LEXIS 22683, at *22 (D. Minn. June 26, 2006); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998); *New Jersey Machine Inc. v. Alford Industries Inc.*, No. 89-1879, 1991 U.S. Dist. LEXIS 20376, at *4 (D. N.J. Oct. 7, 1991), *aff’d* 983 F.2d 1087 (Fed. Cir. 1992); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D. Del. 1983).

competition with each other . . . [c]learly, the common transaction requirement has not been met . . .” *Androphy*, 31 F. Supp. 2d at 623. Nor do the defendants’ assertions of defenses, such as invalidity defenses, meet the Rule 20(a) test because Rule 20(a) “requires that a *claim* asserted against the Defendants arise out of the same transaction or occurrence.” *See MLR*, 2003 U.S. Dist. LEXIS 2827, at *9; *see also Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1326 (Fed. Cir. 2008) (holding that Rule 13(a)’s “transaction or occurrence” test for compulsory counterclaims looks to “the extent of factual overlap” of what the party “must establish to prove its claim,” not potential factual overlap “as a result of affirmative defenses”).

2. The Western District of Texas Has Ruled That Joinder of Unrelated Defendants with Distinct Accused Products Is Improper

In the *Verve* case, Judge Yeakel in the Western District of Texas held that “Defendants who have merely committed similar acts of infringement do not meet” the “transaction test” set out in Rule 20(a). *Verve L.L.C v. Hypercom Corp., supra.*, slip op. at 3-4 (Ex. A). The plaintiff argued that joinder of multiple defendants was proper because the defendants allegedly infringed the same patent. *Id.* at slip op. 4. The court rejected this argument, finding that defendants were competitors of each other and plaintiff did not allege that the defendants acted in concert in infringing plaintiff’s patent. *Id.* Based on those findings, the court held that the mere fact that there may be common issues of law between the defendants is insufficient alone to justify the joinder of competitors in the same patent infringement lawsuit. Ex. A, slip op. at 4. Other non-patent cases have reached similar results. *See Norwood v. Raytheon Co.*, 2007 U.S. Dist. LEXIS 61423, at *14 (W.D. Tex. 2007) (“The Court does not believe that joinder of claims against different manufacturers of similar products is appropriate, even when, as here, the plaintiffs allege a similar defect and similar types of injuries.”).

3. The Claims Against HTC Are Not Transactionally Related to the Claims Against the Other Defendants.

To the extent that the rule in the above-cited decisions is applied, the claims against HTC do not arise out of the same transaction or occurrences of the remaining unrelated defendants simply because Wi-LAN asserts some of the defendants' devices allegedly have infringed some of the same patents. This is particularly the case here, where plaintiff has not accused all of the defendants of infringing the same patents, the defendants are unrelated to and are actually competitors of HTC, and many of the accused devices are likely to be substantially different from HTC's. Maron Decl. ¶ 4.

C. Joinder is Improper under either Federal Circuit Patent Law Standards or Fifth Circuit (and other regional circuit) General Joinder Standards.

1. The Claims Against HTC Would Not Arise Out of the Same Transaction, Occurrence, or Series of Transactions or Occurrences Under Fifth Circuit Standards

“[T]he Fifth Circuit has yet to endorse a specific test with regard to the first requirement of Rule 20(a)(2).” *Mannatech, Inc. v. Country Life, LLC*, 2010 U.S. Dist. LEXIS 75353, at *4 (N.D. Tex. July 26, 2010). Judge Yeakel reached a result in the case of *Verve L.L.C. v. Hypercom Corp.*, No. A-04-CA-062-LY, slip op. at 3-4 (W.D. Tex. December 29, 2004) (Yeakel, J.) Ex. A, that is different from the result reached in decisions of this Court following a broad interpretation of Rule 20(a) based on the “logical relationship” test in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004), *aff’d on other grounds*, 476 F.3d 1372 (Fed. Cir. 2007).⁵

⁵ Other cases following *MyMail* include: *Adrain v. Genetec, Inc.*, 2009 U.S. Dist. LEXIS 86855, at *8-10 (E.D. Tex. Sept. 22, 2009); *Centre One v. Vonage Holdings Corp.*, 2009 U.S. Dist. LEXIS 69683, at *22-24 (E.D. Tex. Aug. 10, 2009); *Innovative Global Systems LLC v. Turnpike Global Technologies L.L.C.*, 2009 U.S. Dist. LEXIS 105929, at *6-7 (E.D. Tex. Oct. 20, 2009); *Data Treasury v. First Data Corp.*, 243 F. Supp.2d 591 (N.D. Tex. 2003); *Invitrogen Corp. v. General Electric Co.*, 2009 U.S. Dist. LEXIS 9127 (E.D. Tex. Feb. 9, 2009); *Sprint Communication Co. v. TheGlobe.com, Inc.*, 233 F.R.D. 615, 616-18 (D. Kan. 2006). Other than the District of Kansas, no case has been found outside this circuit following *MyMail*. As (footnote continued)

While in *Verve*, the court held that the mere fact that there may be common issues of law between the defendants is insufficient alone to justify the joinder of competitors in the same patent infringement lawsuit, in the *MyMail* case, this Court said there must be some connection or logical relationship between the defendants. 223 F.R.D. at 456 (“Transactions or occurrences satisfy the series of transactions or occurrences requirement of Rule 20(a) if there is some connection or logical relationship between the various transactions or occurrences.”). However, this Court interpreted the connection or logical relationship broadly, explaining that “[a] logical relationship exists if there is some nucleus of operative facts or law.” *Id.* This Court refused to sever the claims prior to fact discovery, finding that there was “a nucleus of operative facts or law in the claims against all the defendants,” and suggesting that when discovery was complete a defendant could make a motion for a separate trial if its products or methods were substantially dissimilar to the other defendants' products or methods. *Id.* at 457; *see also Alford Safety Services, Inc. v. Hot-Hed, Inc.*, 2010 U.S. Dist. LEXIS 98152, at *26 (E.D. La. Aug. 23, 2010)(“[A]fter all discovery is complete, this court has the discretion to consider severance at that point”).

If the question of whether defendants were properly joined is postponed until after the completion of discovery, however, Rule 20(a) serves little purpose, and it is effectively read out of the federal rules and becomes superfluous to Rule 42(b). *See Quarles v. St. Clair*, 711 F.2d 691, 701 n.32 (5th Cir. 1983) (quoting *Duke v. University of Texas*, 663 F.2d 522, 526 (5th Cir. 1981)) (holding that a statute should be construed to give “full effect” to “each of its provisions” and avoid rendering provisions “inoperative or superfluous”).

discussed above, the majority of cases follow the view that joinder is not appropriate based merely on unrelated defendants being accused of infringing a particular patent.

In this case, proof of infringement against each defendant will require proof of facts specific to each individual defendant and to each accused product. This will lead to differing damage issues, willfulness issues, time frames, accused conduct, and discovery issues. In this case, there are 42 claims in the two patents asserted against HTC, and a total of 85 claims asserted including all four patents at issue across all defendants. With eleven different defendants, who will be defending against different claims and different patents depending on the different products, any argument in favor of judicial economy will be offset by the type of “monumental mess” noted by the court in the *WiAV Networks* case. 2010 U.S. Dist. LEXIS 110957, at *22-23 n.3.

2. Severance is Appropriate Even Under the MyMail Decision

This case is distinguishable from *MyMail* because there is no alleged or actual connection between HTC’s products and the other defendants’ products. 223 F.R.D. at 457. Moreover, there is no evidence or allegation that the defendants share resources, products, marketing or sales efforts for the allegedly infringing products. *Id.* at 457. *Mymail* also involved seven defendants (versus eleven), and identical patents asserted against all seven defendants.

Significantly, here, not all defendants are accused of infringing the same patents. HTC is accused of infringing only two of the four asserted patents. Similarly, all the defendants have not been accused of infringing the same claims out of the 84 possible claims across the four patents. Indeed, it is not clear from the complaint that there is any overlap among claims across defendants and claims. Finally, trying the claims against the unrelated defendants here it is likely that the claims and proof of infringement against the defendants with base station products will differ that those whose handsets are accused. Wi-LAN has only asserted HTC *handsets* allegedly infringe the ‘819 and ‘211 patents but has separately asserted that other defendants’ *base stations* allegedly infringe the ‘819 and the remaining patents-in-suit not asserted against

HTC, providing further support that Wi-LAN's claims against HTC are unrelated to the infringement claims against other unrelated defendants.

3. Wi-LAN's Infringement Claims Against HTC and Unrelated Defendants Are Not Transactionally Related Under Existing Federal Circuit Case Law

a. Federal Circuit Law Should Control When Patents Infringement Claims Are Transactionally Related Under Rule 20(a)

The Federal Circuit generally “applies the law of the regional circuit in which the district court sits,” here the Fifth Circuit, to general issues of joinder and severance,” as opposed to a rule of law having special application to patent cases.” *See Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008) (claim preclusion). However, the specific question of whether two patent infringement claims are transactionally related is “particular to patent law,” and is therefore analyzed under Federal Circuit law. *See id.* (applying Federal Circuit law to determine whether claims arise out of the same “transactional facts” for purposes of claim preclusion); *see also Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 856 (Fed. Cir. 1991) (“[W]e have looked to whether the procedural issue may be related to substantive matters unique to the Federal Circuit and thus committed to our law.”)(internal quotes and citation omitted). Further, the question of whether unrelated defendants can be joined together in a patent infringement suit is an issue that needs a uniform rule that applies nationwide, and falls within the Federal Circuit’s “mandate ... to eliminate conflicts and uncertainties in the area of patent law.” *Biodex*, 946 F.2d at 856-858.

b. Under Federal Circuit tests for “transactionally related,” the claims against HTC and unrelated defendants are not “transactionally related.”

The Federal Circuit has not directly addressed when patent infringement claims are transactionally related under Rule 20(a). But the Court has held in a similar procedural context

that patent infringement claims involving distinct products are not transactionally related. *See Moore's Federal Practice* § 20.05[2] (noting that cases involving "transaction or occurrence" tests in other procedural contexts "provide appropriate guidance for interpreting the scope of Rule 20" (notes omitted)).

In *Acumed*, the Federal Circuit held that claim preclusion did not bar Acumed's second suit against Stryker for infringement by the T2 Long product, even though that product existed during Acumed's prior suit against Stryker's T2 PHN product for infringement of the same patent. 525 F.3d at 1322. The Court concluded that "a claim for patent infringement can only be barred by claim preclusion if that claim *arises from the same transactional facts* as a prior action." *Id.* at 1326 (emphasis added). The Court further explained that "one of the essential transactional facts giving rise to a patent infringement claim is 'the structure of the device or devices in issue.'" *Id.* (quoting *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479 (Fed. Cir. 1991)). As a result, "two claims for patent infringement do not arise from the same transactional facts *unless the accused devices in each claim are 'essentially the same.'*" *Id.* (quoting *Foster*, 947 F.2d at 479-80) (emphasis added).

If infringement claims against different devices of the *same* defendant do not arise "from the same transactional facts," then neither do infringement claims against different devices of *different* defendants. Products independently designed, developed, and manufactured by direct competitors in the marketplace would not be "essentially the same." Wi-LAN's complaint does not allege that all of the defendants' accused devices are essentially the same. Thus, under the Federal Circuit's existing case law, Wi-LAN's claims against HTC do not arise from the same transactional facts as its claims against the other defendants and must be severed.

HTC respectfully submits that the decision in the *Verve* case, and those in other circuits, is in accord with Federal Circuit case law defining “transactional relatedness,” and should therefore be the standard applied by this Court. Equally persuasive is the court’s analysis in the recent decision in *WiAV Networks, LLC v. 3Com Corp.*, 2010 U.S. Dist. LEXIS 110957 (N.D. Cal. Oct. 1, 2010) (severing and dismissing defendants where plaintiff had “not alleged that the named defendants in [the] action ha[d] engaged in related activities or ha[d] otherwise acted in concert.”).

D. Elimination of the Transactional Prong, Eliminates Fairness Protections Afforded by Rule 20(a) Resulting in Fundamental Unfairness to HTC

In this case, the consequence of failing to give full consideration to the fairness protections afforded by Rule 20(a)’s transactional relatedness prong would likely result in unfairness to HTC and other unrelated defendants. HTC will be prejudiced from distinguishing its non-infringement positions for its devices amid the myriad of positions and evidence by unrelated defendants on unrelated parties collectively submitted to a jury that is likely already challenged by both the complexities of the multiple patents-in-suit, multiple claims, the complexities of patent law itself, and the multiple technologies of the unrelated defendants. Defendants may need to take differing claim construction positions. Finally, this district’s customary time constraints for trial generally limiting time for trial to ten days may also prejudice HTC’s defense to the extent it is forced to argue its defenses within a shortened time necessarily shared by other unrelated defendants in this Court’s effort to accommodate the other unrelated defendants and their unrelated devices.

The mere fact that Wi-LAN has asserted one or more patents against unrelated defendants will do nothing to obviate the crushing burden of individualized methods of proof unique to each product. There is no claim of conspiracy. There is no claim that any defendant

induced HTC to infringe. HTC and the other defendants have simply been thrown into “a mass pit with others to suit plaintiff’s convenience.” See *WIAV Networks*, 2010 U.S. Dist. LEXIS 110957, at *16 (“The mere fact that twelve defendants all manufacture, sell, or distribute their own laptop computers does nothing to obviate the bone-crushing burden of individualized methods of proof unique to each product.”). It is fundamentally unfair for HTC to be lumped together with its competitors under these circumstances.

E. Even if Wi-LAN Can Meet the Requirements for Joinder, This Court Should Use Its Discretion to Sever the Claims Against HTC

Even if the requirements of Rule 20(a)(2) were met here, discretionary severance under Rules 21 and 42(b) would be appropriate, because allowing the case to proceed against the numerous unrelated defendants would result in jury confusion, judicial inefficiency, and unfair prejudice. See *Acevedo v. Allsup’s Convenience Stores, Inc.*, 600 F.3d 516, 521 (5th Cir. 2010) (“[E]ven if [test of joinder] is satisfied, district courts have the discretion to refuse joinder in the interest of avoiding prejudice and delay, ensuring judicial economy, or safeguarding principles of fundamental fairness.”); see *Wynn v. National Broadcasting Co.*, 234 F. Supp. 2d 1067, 1088-89 (C.D. Cal. 2002) (even if plaintiffs could meet Rule 20 joinder requirements, court would exercise discretion under Rules 21 and 42(b) to sever to prevent jury confusion and inefficiency and unfair prejudice to defendants); see also *WIAV Networks*, 2010 U.S. Dist. LEXIS 110957, at*16 (“In situations of misjoinder and nonjoinder of parties, FRCP 21 provides that ‘[o]n motion or on its own, the court may at any time, on just terms, add or drop a party.’”).

Here, joinder would be equally prejudicial for HTC to defend against infringement amid the myriad of individualized methods of proof, numerous unrelated patents, products, and methods. Similarly, joinder would be prejudicial because a jury would find it difficult and confusing to recall the salient facts concerning different defendants, with different products, on

different patents, who have little in common. This creates a risk at trial that innocent defendants will be prejudiced by being grouped in with possibly infringing defendants, or confusion given the number of patents irrelevant to Wi-LAN's claims against HTC in suit. In addition, different witnesses and documentary proof would be required for plaintiff's claims against the numerous defendants. *Id.*; *see also Acevedo*, 600 F.3d at 522 (district courts may deny joinder "when different witnesses and documentary proof would be required for plaintiffs' claims").

A district court has many tools to achieve legitimate efficiency goals without tolerating the unfairness of misjoinder, such as consolidation under Rule 42(a), joining the cases for claim construction purposes, or inherent docket management powers to stay a case, or delay claim construction, pending the outcome or rulings in another case.

Thus, even if it finds the technical requirements for joinder met under Rule 20(a), this Court should exercise its discretion under Rule 21 to drop HTC as a defendant.

IV. CONCLUSION

For the foregoing reasons, the claims against HTC should be severed.

Pursuant to Local Rule CV-7(g), an oral hearing is respectfully requested.

Dated: January 26, 2011

Respectfully submitted,

By: /s/ Eric H. Findlay

Eric H. Findlay

State Bar No. 00789886

Findlay Craft LLP

6760 Old Jacksonville Highway, Suite 101

Tyler, Texas 75703

Telephone: (903) 534-1100

Facsimile: (903) 534-1137

Email: efindlay@findlaycraft.com

Stephen S. Korniczky (*Admitted Pro Hac Vice*)

Sheppard Mullin Richter & Hampton LLP

12275 El Camino Real, Suite 200

San Diego, California 92130

Telephone: (858) 720-8900

Facsimile: (858) 509-3691

skorniczky@sheppardmullin.com

Attorneys for Defendants

HTC CORPORATION, HTC AMERICA, INC.,

EXEDEA, INC.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that counsel of record who are deemed to have consented to electronic service are being served with a copy of this **HTC CORPORATION, HTC AMERICA, INC. AND EXEDEA'S MOTION TO SEVER CLAIMS**, *via* the Court's CM/ECF system per Local Rule CV-5(a)(3) on this the 26th day of January 2011.

/s/ Eric H. Findlay _____

Eric H. Findlay

CERTIFICATE OF CONFERENCE

The undersigned certifies that the parties complied with Local Rule CV-7(g)'s meet and confer requirement. On January 10, 2011, Inge Larish, counsel for Defendants, conducted a telephonic conference with David Weaver, counsel for Wi-LAN, Inc. The parties attempted to resolve the issue in this motion but reached an impasse.

/s/ Inge Larish _____