**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

	)	
	)	
TECSEC, INCORPORATED,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Civil Action No. 1:10-cv-115--LMB-TCB
	)	
INTERNATIONAL BUSINESS MACHINES	)	
CORPORATION, et al.,	)	
	)	
Defendants.	)	
	)	

**BRIEF IN SUPPORT OF MOVING DEFENDANTS' JOINT
MOTION TO SEVER MISJOINED DEFENDANTS**

At the April 28, 2010 hearing, the Court ordered Plaintiff to provide detailed claim charts

that provide the Court (which was "still thinking about ways of carving this case up") and the

Defendants with a "very clear picture of … where the case is" (April 28, 2010*, Hrg. Tr.* at 19).

Those charts have now been served and establish that International Business Machines

Corporation ("IBM") is the principal defendant. Plaintiff is asserting all eleven patents, and 196

claims against at least 29 IBM accused products—by far the most numerous and diverse set of

accused products and systems (*see* Exhibit A). Plaintiff contends that judicial economy justifies

the permissive joinder of the Moving Defendants to this case. That is not so. Plaintiff fails to

satisfy both prongs of the test for permissive joinder—notwithstanding that it asserts the same

patents against the Moving Defendants. The "overwhelming" majority of cases have held that

joining unrelated defendants in patent infringement litigation fails to meet the "transaction or

occurrence" test for permissive joinder. *Colt Def. LLC v. Heckler & Koch Def., Inc.*, No.

2:04cv258-JBF, 2004 U.S. Dist. LEXIS 28690, *13 (E.D. Va. Oct. 22, 2004) (citing *SB Designs*

v. Reebok Int'l, Ltd., 305 F. Supp. 2d 888, 892 (N.D. Ill. 2004); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D. Del. 1983)). The Moving Defendants have been misjoined, and the proper remedy is to sever the case, allow Plaintiff to proceed at this time against IBM[1] and to stay the case as against the Moving Defendants.

STATEMENT OF THE CASE

The Parties: Plaintiff, TecSec, Incorporated ("TecSec"), is a local company engaged in developing "encryption and security techniques" (Doc. No. 94, *First Amended Complaint* ¶ 20-25) (hereafter, "*FAC*"). TecSec commenced this complex patent infringement action against IBM and ten defendant groups. The other Defendants are SAS Institute Inc. ("SAS"); SAP America, Inc. and SAP AG (together, "SAP"); Cisco Systems, Inc. ("Cisco"); Oracle America, Inc. ("Oracle/Sun"); Sybase, Inc. ("Sybase"); Software AG and Software AG, Inc. (together "Software AG"); Adobe Systems Incorporated ("Adobe"); eBay Inc. ("eBay"); Paypal, Inc. ("Paypal"); and Oracle Corporation ("Oracle") (together, except for eBay, the "Moving Defendants").[2] There is no allegation that Defendants acted in concert in any way regarding TecSec and this technology. Instead, the defendants are ***business competitors***, who offer their own diverse products and services which include encryption technology.

The Pleadings: TecSec asserts its action in eleven counts, one for each patent-in-suit, and joins all Defendants in five of the counts. The other six counts are asserted against IBM, Cisco, and Oracle/Sun. All Defendants have answered the First Amended Complaint, or

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[1]   IBM does not oppose this motion, and plans to file a separate brief stating its positions on case management issues.

[2]   The Moving Defendants do not include eBay which filed a motion to dismiss TecSec's Amended Complaint on May 26, 2010. In the event the Court denies eBay's motion, eBay will be requesting that its case be severed from the case against IBM and stayed until that case is completed.

otherwise responded, and some have asserted declaratory judgment counterclaims regarding the patents-in-suit. TecSec demands a trial by jury on all issues so triable.

The Patents-in-Suit: TecSec asserts eleven patents comprising a total of 380 claims. The patent claims are directed at computer encryption technology in various applications (*FAC* ¶¶ 1-2, and Exh. 1-11). The field of art involved—computer encryption technology, hardware, software, and systems—is quite broad. Within that esoteric field of art, TecSec's claims purport to be directed, *inter alia*, at:

- "Sub-file Encryption" (*i.e*., "encryption of a specific sub-file (including database sub-file) or message portion, as contrasted with an entire file or message");

- "Access Control" (*i.e*., encryption processes "limiting access to a file, sub-file, object or element, or resource, whether such access is limited according to user, group, role, credentials or application");

- "XML Encryption" (*i.e*., "encryption of a specific XML element or specific XML element content, including XML Encryption in accordance with the XML Encryption Syntax and Processing standard dated December 10, 2002, available at www.w3.org;" and more specifically, an "'XML element' is to be understood as defined in Extensible Markup Language (XML) 1.0 (Fifth Edition) W3C Recommendation dated November 26, 2008, available at www.w3.org");

- "Split Key Cryptography" (*i.e*., "any cryptographic operation, including, without limitation, encryption, decryption, cryptographic key storage, cryptographic key transmission, and cryptographic key retrieval, that utilizes a cryptographic key formed by combining at least two distinct data"); and

- "Encryption with Parallel Processors" (*i.e*., "any system, hardware, software or method that performs cryptographic operations, including, without limitation, encryption and decryption, concurrently by more than one processor").[3]

The eleven patents directed at these technologies are grouped in "families" directed at various methods of encryption: The four Distributed Cryptographic Object Method ("DCOM") patents ('702, '452, '755, and '781 patents), are directed at Sub-file Encryption and Access Control. The "XML" patent ('433 patent), is directed at XML Encryption. The five "Split Key"

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[3]   The above definitions are used in TecSec's discovery requests, and reflect the broad allegations made in the *FAC*.

patents ('608, '386, '747, '852, and '632 patents), directed at Split Key Cryptography; and the Parallel Processors patent ('448 patent), directed at Encryption with Parallel Processors. The DCOM and XML patents are asserted against all Defendants, while the Split Key and Parallel Processor patents are asserted only against IBM, Cisco, and Oracle/Sun.

Of the 380 claims in the eleven patents-in-suit, TecSec now asserts in its claim charts a total of 205 unique claims (Exhibit A). As many as 196 claims (against IBM), but no fewer than 68 claims (against SAS), are asserted against each Defendant (*Id.*). The claims within the "families" of patents, which share the same specification, are cumulative. The asserted claims also include both independent claims, as well as numerous dependent claims, which overlap and vary only slightly from the independent ones.

The Accused Products: TecSec has accused 61 products and systems (Exhibit A). The accused products and systems are diverse and unconnected. For example, TecSec accuses IBM's network appliances and mainframes; Oracle/Sun's microprocessors and programming languages; Cisco's router and gateway products; Oracle's database management systems; SAS's platforms; Software AG's firewalls; Sybase's server products; SAP's Business Objects and NetWeaver applications; two features of PayPal's online payment systems; and Adobe's user software (*e.g.*, Adobe Acrobat). No nexus exists among the accused products and systems (such as, for example, a commonly used infringing computer chip). In fact, not only are the accused products and systems different from one defendant to the next, but each defendant's accused products or systems are *proprietary* to that Defendant and *unique*. Simply put, there is *no commonality* among the products and systems accused.

ARGUMENT

TecSec conceives of this form of action as the reverse of a class action, in which a single plaintiff may sue an entire industry *en masse*. No such procedure is provided under the Federal Rules of Civil Procedure, and no fair application of the rules allowing joinder of claims and permissive joinder of defendants support that novel form of action in this case.

By asserting this many patents and claims, by joining this many Defendants, and by accusing this many diverse products and systems, TecSec has tied a Gordian Knot. Having done that, TecSec now contends that it would be too difficult and unfair (to TecSec) to untie the patents, claims, and parties it has intricately knotted together. The Court, however, must consider other factors as it must ensure fairness to the defendants, must provide for orderly administration of this case, must limit the drain on judicial resources, and must minimize the burden on jurors to whom the case would be presented. The Court should untie this Gordian Knot as Alexander the Great did—by severing it.

I.   THE MOVING DEFENDANTS ARE MISJOINED WITH IBM AND SHOULD BE SEVERED.

TecSec's claim charts demonstrate that IBM is the principal Defendant. TecSec asserts all eleven patents, and 196 of the 205 asserted claims against at least 29 IBM accused products. While many of the same claims also are asserted against the Moving Defendants, the IBM accused products are proprietary to IBM and share nothing in common with the Moving Defendants' accused products. Furthermore, TecSec does not allege either that the Defendants use common suppliers or components, or that they acted in concert—in fact, the Defendants are business competitors—and TecSec seeks separate damages from each, not joint and several relief. There is no nexus among the Defendants and their diverse alleged infringing activities.

To be sure, Rules 18 and 20 permit both the joinder of claims and the permissive joinder of defendants. But even a liberal application of those rules "does not provide a plaintiff free license to join multiple defendants into a single lawsuit where the claims against the defendants are unrelated." *Robinson v. Johnson*, No. 3:07cv449-RLW, 2009 U.S. Dist. LEXIS 25988, *3 (E.D. Va. Mar. 26, 2009). Thus, the joinder rules have limits, and "fairness to the parties," jury trial management issues, and orderly judicial administration must be considered, and may, as here, outweigh the plaintiff's self-interest in realizing economies of scale.

For the purposes of this motion, the Moving Defendants assume that TecSec would have been permitted to join all of its claims under the eleven patents against each Defendant individually.[4] The question now presented is whether TecSec should be permitted to join ***all its claims against each Defendant*** in one action that also joins ***all the Defendants***. As is shown below, the irresistible conclusion is that joinder of ***all claims*** and ***all Defendants*** should not be permitted.

A.   PERMISSIVE JOINDER OF DEFENDANTS, MISJOINDER AND SEVERANCE: THE GENERAL FRAMEWORK OF STANDARDS

The issues of permissive joinder of defendants, misjoinder, and severance are committed to the sound discretion of the Court. *See Saval v. BL, Ltd.*, 710 F.2d 1027, 1031 (4th Cir. 1983).[5] The starting point for a misjoinder analysis is the language of Rule 20:

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[4] Under the rules, a party "may join, as independent or alternative claims, as many claims as it has against an opposing party." Fed. R. Civ. P. 18(a). Joinder of claims, of course, is subject to the "separate trial" provisions of Rule 42(b), and joinder of claims issues are addressed in the Defendants' joint response to TecSec's case management motion.

[5] Although this patent action would be appealed to the Federal Circuit, 28 U.S.C. § 1295(a)(1) (2007), that court has ruled that it will generally review procedural matters under regional circuit law. *Panduit Corp. v. All States Plastic Mfg. Co., Inc.*, 744 F.2d 1564, 1574-75 (Fed. Cir. 1984). Thus, procedural matters like joinder and case management over multiple parties and claims is governed by regional circuit law—that of the Fourth Circuit. *Katz v. Lear Siegler, Inc.*, 909 F.2d

There may be permissive joinder of defendants in one action 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; *and*

(B) any question of law or fact common to all defendants will arise in the action.

Fed. R. Civ. P. 20(a)(2)(A) & (B) (emphasis added). The plaintiff must satisfy *both prongs* of

the permissive joinder test. *See Hanna v. Gravett*, 262 F. Supp. 2d 643, 647 (E.D. Va. 2003)

("courts have uniformly held that parties are misjoined when they fail to satisfy either of the

preconditions for permissive joinder of parties set forth in Rule 20(a)"). In addition, a plaintiff's

interest in joinder always must be balanced against the defendants' interests in avoiding expense

or prejudice, as well as the Court's interests in exercising efficient case management, wisely

using of judicial resources, and minimizing jury trial burdens. *See Robinson v. Johnson*, 2009

U.S. Dist. LEXIS 25988, at *5 ("Neither Rule 20(a), nor the interests of judicial economy permit

Plaintiff to pursue his 'mishmash of a complaint' in its current form.") Joinder is not a

"substantive right" of the plaintiff, regardless of the efficiencies the plaintiff contends will result

from the joinder it seeks; instead, joinder is merely a "procedural device" to allow joinder of

multiple "related" claims or parties when appropriate. *See Saval*, 710 F.2d at 1030. TecSec,

therefore, has no substantive right in the joinder it attempts to invoke.

B.   PERMISSIVE JOINDER OF DEFENDANTS, MISJOINDER AND SEVERANCE: AS APPLIED IN PATENT INFRINGEMENT CASES

Joining the Moving Defendants with IBM in this action is improper because TecSec has

not satisfied first prong of the permissive joinder test, *i.e.*, that all Defendants be involved in the

same "transaction, occurrence, or series of transactions or occurrences." Fed. R. Civ. P.

20(a)(2)(A). This prong is analyzed "on a case by case basis," and allows only "***reasonably***

1459, 1461 (Fed. Cir. 1990) (affirming district court orders joining claims and counterclaims in one action and enjoining collateral litigation pending the outcome).

related claims for relief by or against different parties to be tried in a single proceeding." *Saval*, 710 F.2d at 1031 (citations omitted) (emphasis added). While the rule may be construed "to promote trial convenience and expedite the final determination of disputes, thereby preventing multiple lawsuits," *id*., it "does not provide a plaintiff free license to join multiple defendants into a single lawsuit where the claims against the defendants are *unrelated*." *Robinson v. Johnson*, 2009 U.S. Dist. LEXIS 25988, at *3 (emphasis added). The case law interpreting Rule 20(a)(2)(A) makes this important distinction about relatedness: Even if the alleged wrongdoing by each defendant, or the alleged injury of each plaintiff, is "*similar*," that does not make them "*related*" so as to satisfy the transaction or occurrence test. *Saval*, 710 F.2d at 1031 (finding claims merely "similar," affirming dismissal, and suggesting that the only reasonable alternative would have been severance "to keep straight the facts" pertaining to each claim). In this action, the claims of infringement are, at most, *similar*, but they are *not related*.

This sort of reverse-class-action by a patentee against numerous unrelated defendants is a recent phenomenon in this District, but it has been resoundingly rejected. Although TecSec asserts that this sort of litigation is "quite common around the country" (Doc. No. 116, *TecSec Response* at 11-12), "the 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 Def. LLC v. Heckler & Koch Def., Inc.*, 2004 U.S. Dist. LEXIS 28690, at *13. Thus, as this Court has recognized, the trend in the law is towards severance, *not* joinder, in patent cases of this sort.

The decisions that constitute this "overwhelming" majority of cases squarely hold that unrelated defendants who manufacture or sell dissimilar products are not part of the "same

transaction or occurrence," as required by Rule 20(a)(2)(A). *See*, *e.g.*, *Philips Electronics N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415, 417 (D. Del. 2004) (severing and ordering separate trials; "Allegations of infringement against two unrelated parties based on different acts do not arise from the same transaction."); *Pergo, Inc. v. Alloc Inc.*, 262 F. Supp. 2d 122, 128 (S.D.N.Y. 2003) (severing claims for infringement of the same patent made against two unrelated defendants); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998) (finding joinder of defendant companies selling different products in competition with each other impermissible, notwithstanding alleged infringement of the same patents); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 564 F. Supp. 1358, 1371 (D. Del. 1983) ("[a]llegations of infringement against two unrelated parties based on different acts do not arise from the same transaction"); *Magnavox Co. v. APF Elecs., Inc.*, 496 F. Supp. 29, 34 (N.D. Ill. 1980) (joinder denied where the alleged infringement involved the same patent, but there was no indication that the development, marketing or sales efforts concerning the different infringing products were related in any way); *MultiTech Sys., Inc. v. Net2Phone, Inc.*, No. 00-346-ADM/RLE, 2000 U.S. Dist. LEXIS 22683, at *21-25 (D. Minn. Jun. 26, 2000) ("joinder is inappropriate, however, when 'the operative facts of each transaction are distinct and unrelated to any other.' . . . Consequently, where patent infringement claims are brought against multiple, unrelated defendants, courts have held joinder to be inappropriate pursuant to Rule 20."); *New Jersey Machine, Inc. v. Alford Indus. Inc.*, No. 89-1879-JCL, 1991 WL 340196, at *1 (D.N.J. Oct. 7, 1991), *aff'd*, 983 F.2d 1087 (Fed. Cir. 1992) ("[i]nfringement of the same patent by different machines and parties does not constitute the same transaction or occurrence to justify joinder"); *see also Finisar Corp. v. Source Photonics, Inc.*, No. C 10-00032 WHA (N.D. Cal. May 5, 2010) (dismissing without prejudice the non-lead defendants because "the thin

thread tying these four defendants together is the mere allegation that their respective products practice a particular industry standard") (Exhibit B).[6]   The Court should follow this strong current in the law.

Furthermore, the Defendants are **business competitors** and their unrelated products are **proprietary**. In such a case, severance of the misjoined defendants is particularly appropriate. *See Androphy*, 31 F. Supp. 2d at 623. That holding applies here.

This majority rule stands in stark contrast to the patent cases in which joinder has been permitted. Cases permitting joinder of patent claims against multiple defendants typically have arisen in one of two circumstances—neither of which is present here. One line of cases holds that joinder is appropriate (and claims against multiple defendants are "related") if the defendants engaged in concerted infringement activities.[7]   The other line of cases permits joinder of otherwise diverse defendants when they obtain common infringing component parts (like

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[6]   The same result obtains in other intellectual property cases. *See, e.g., Golden Scorpio Corp. v. Steel Horse Bar & Grill*, 596 F. Supp. 2d 1282 (D. Ariz. 2009) (defendants who independently infringed the same trademark are not part of the same transaction or occurrence); *Arista Records, LLC v. Does 1-4*, 589 F. Supp. 2d 151 (D. Conn. 2008) (defendants who independently infringed the same copyright are not part of the same transaction or occurrence); *SB Designs v. Reebok Int'l, Ltd.*, 305 F. Supp. 2d 888, 892 (N.D. Ill. 2004) ("The fact that the defendants allegedly violated the same trademark does not mean that plaintiff's claims against them arise out of the same transaction or occurrence").

[7]   *E.g.*, *Privasys, Inc. v. Visa International*, No. 07-03257-SI, 2007 U.S. Dist. LEXIS 86838, *8 (N.D. Cal. Nov. 14, 2007) ("plaintiff may well be able to put forth facts showing that defendant [Visa] and the [defendant] issuing banks directed or controlled the conduct of other parties, such that infringement may be proven."); *eSpeed, Inc. v. Brokertec USA LLC*, No. 03-612-KAJ, 2004 U.S. Dist. LEXIS 13486, *11 (D. Del. Jan. 15, 2004) (joined defendants had "merged" their interfacing "trading platforms" which together infringed the patent); *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455, 457 (E.D. Tex. 2004) ("UOL defendants" could be joined because they "have utilized shared resources, such as dial-up Internet access numbers, with the other defendants"); *Hoffman v. Wisner Classic Mfg. Co.*, 927 F. Supp. 2d 67 (E.D.N.Y. 1996) (counterclaim defendants alleged to have acted in concert in perpetrating fraud on the PTO); *Naxon Telesign Corp. v. GTE Information Sys., Inc.*, 89 F.R.D. 333 (N.D. Ill. 1980) (patent infringement defendants were manufacturer and customer); *Timely Products Corp. v. Arron*, 303 F. Supp. 713 (D. Conn. 1969) (defendants were a corporation and corporate officers who allegedly induced its infringement).

computer chips) from the same supplier and, as a result, infringe a patent in the same way; in such a case, the claims are "related" even though the common components are installed in widely different products.[8]   In both sorts of cases, the patentee could credibly argue that the claims against the various defendants are "related." Here, however, no such facts are present.

Despite TecSec's assertion that this sort of reverse class action is "quite common," that is the distinct minority view, and only two reported cases support TecSec's contention that it can join in one action numerous defendants who have neither acted in concert nor manufactured products based on common technology.   Both cases involve circumstances that differ significantly from those present in this case.

In the first case, *Innovative Global Systems, LLC v. Turnpike Global Technologies, LLC*, NO. 6:09-cv-157, 2009 U.S. Dist. LEXIS 105929 (E.D. Tex. Oct. 20, 2009), the Eastern District of Texas denied a motion to sever **and** transfer filed by only one of the four defendants. The Court noted that granting the motion would result in multiple suits in multiple jurisdictions, and that plaintiff "asserts the same allegation against each of the defendants." *Id*. at *6. Here, all the Defendants (except IBM and eBay) join in the motion, and they seek a stay, not transfer, and so there will not be a problem of multiple courts handling these cases. Moreover, the allegations against each Defendant are **not the same**.[9]   Thus, the *Innovative Global* case is easily distinguished.

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[8]   *E.g.*, *B&R Plastics, Inc. v. Kikkerland Design, Inc.*, No. 08-cv-02646-REB-MEH, 2009 WL 3698528, *3 (D. Colo. 2009) (defendants purchased the same two infringing products from the same importer); *Adrain v. Genetec, Inc.*, NO. 2:08-cv-423, 2009 U.S. Dist. LEXIS 86855, *7 (E.D. Tex. Sept. 22, 2009) ("each of the defendants sells a license plate recognition system. . . . The similarity of the defendants' products is sufficient . . . defendants' alleged infringement arises out of the same transaction or occurrence.").

[9]   A similar ruling was made by this Court in another case. In *Rembrandt Data Tech., LP v. AOL, LLC, et al.*, No. 1:08cv1009-GBL (E.D. Va. Jan. 9, 2009), severance and transfer as to one of ten defendant was denied because (i) the plaintiff accused all defendants of infringing its

Similarly, in *Sprint Communications Co., L.P. v. TheGlobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006), there were **only two** defendants, both of whom allegedly infringed **all** the asserted patents. In this case, by contrast, there are **ten** defendants (not two) and **only three** are alleged to have infringed **all** of TecSec's patents. The *Sprint* case, therefore, is easily distinguished as well.

Because TecSec has failed to satisfy the first-prong of the permissive joinder test, the motion for misjoinder and severance must be granted.

C.   SEVERING THE DEFENDANTS IS PROPER, AS TECSEC'S JUSTIFICATIONS FOR JOINDER ARE ILLUSORY AND UNSUPPORTED.

When the Court first suggested severance of this action (Doc. No. 104, *Order*), TecSec objected and raised certain purportedly unfair aspects of severance and certain supposed efficiencies from joinder (Doc. No. 116) ("*TecSec Response*"). As shown above, TecSec fails to meet the joinder test, and that failure cannot be overcome even by interests of judicial economy. *See Robinson v. Johnson*, 2009 U.S. Dist. LEXIS 25988, at *5 ("Neither Rule 20(a), nor the interests of judicial economy permit Plaintiff to pursue his 'mishmash of a complaint' in its current form."). Even if judicial economy interests could overcome the limitations of Rule 20, TecSec's arguments are wrong. Below, Defendants respond to two of TecSec's assertions.

Collateral Estoppel Rules: TecSec contends that the "unfair one-way street" created by the collateral estoppel rules justifies the joinder of "all potential infringers in a single action" (Doc. No. 116, *TecSec Response* at 1-2) (citing *Blonder-Tongue Laboratories, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971) and *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979)). TecSec's arguments are exaggerated and erroneously turn those rulings on their heads.

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patents by selling products capable of using specific "modem protocols," **and** (ii) the defendants obtained allegedly infringing protocol-capable modem chips from common suppliers. Although there had been ten defendants at the outset, seven were dropped or quickly settled out, and the case only proceeded to discovery against three, who ultimately were granted summary judgment. *Rembrandt Data Tech., LP v. AOL, LLC, et al.*, No. 1:08cv1009-GBL (E.D. Va. Aug. 21, 2009).

It is true that the federal collateral estoppel rules are asymmetrical (not an "unfair one-way street"), but there is a good reason for that: Defensive non-mutual collateral estoppel is permitted generally because it *decreases* litigation by limiting or eliminating the re-assertion of previously-defeated claim, including—indeed *particularly*—invalid patents. *Blonder-Tongue Laboratories, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971). By contrast, unfettered offensive non-mutual collateral estoppel would "likely *increase* rather than decrease" litigation, and so use of offensive non-mutual collateral estoppel is limited and discretionary. *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329-33 (1979) (emphasis added). Thus, there is nothing "unfair" about these rules or how they apply to patent cases.

The *Blonder-Tongue* case itself refutes TecSec's "unfairness" contentions. In that patent infringement action, the owner of a "much litigated" patent asserted it against two defendants simultaneously in different districts. While the case against defendant Blonder-Tongue Laboratories was pending in the Northern District of Illinois, the patent was found *invalid* by the Southern District of Iowa in the other action against a different defendant, which judgment became final by appeal in the Eighth Circuit, and *certiorari* was denied. Nonetheless, the Northern District of Illinois later found the same patent *valid* and infringed, which the Seventh Circuit affirmed. The Supreme Court vacated the Seventh Circuit's ruling, holding that it would be "anomalous" to allow "holders of invalid patents to exact licensing fees or other settlements from alleged infringers," and that its own cases "encourage authoritative testing of patent validity" in every case. *Blonder-Tongue*, 402 U.S. at 342-43, 344-45. The high court went on to explain that "if the [patent] claims are in fact invalid and are identical to those invalidated in a previous suit against another party" then that would unjustly burden accused infringers and unfairly stifle competition. *Id*. at 343-49. It is the potential for repetitious assertion of an invalid

13

patent that justifies the use of defensive non-mutual collateral estoppel by alleged infringers. The *Blonde-Tongue* decision, therefore, squarely favors Defendants.

Nor does the *Parklane Hosiery* case favor TecSec. TecSec's discussion of *Parklane Hosiery* has distorted its actual holding (Doc. No. 116, *TecSec Response* at 5-7).   TecSec contends that "defensive non-mutual collateral estoppel gives plaintiffs 'a strong incentive to join all potential defendants in a single action *if possible*.' . . . Accordingly, TecSec did exactly what the Supreme Court recommended in the *Parklane Hosiery* case." *Id*. at 5 (quoting *Parklane Hosiery* at 329-30). It is a "strong incentive;" but it does ***not give TecSec the right*** to drag in numerous unrelated Defendants in contravention of Rule 20.

In fact, in *Parklane Hosiery*, the reference to joining "all potential defendants in the first action if possible" appears to refer only to joining other defendants who may have joint, derivative, or vicarious liability for a single injury to the plaintiff. *Id*. at 329 (citing and relying on *Bernard v. Bank of America*, 122 P.2d 892, 895 (Cal. 1942) (Traynor, J.) (in cases involving "a master and servant, principal and agent, and indemnitor and indemnitee," for example, "it would be unjust to permit one who has had his day in court to reopen identical issues by merely switching adversaries")). That mis-cited snippet from *Parklane Hosiery*, therefore, does not justify TecSec's efforts to join unrelated infringers whose liability (if any) is completely independent of one another.

Nor are the collateral estoppel rules an "unfair one-way street." First, not all "adverse rulings" in the IBM case would bind TecSec in subsequent cases, even if those regarding invalidity would—and properly so. Any finding of non-infringement in favor of IBM, for example, would have no effect on TecSec's right to then proceed against any other Defendant's accused products. Second, this Court's rulings on nondispositive issues, like claim construction,

14

may have *stare decisis* effect, thus guiding subsequent cases, and procedural rulings will likely develop some "best practices" to apply in the subsequent cases. The sequential litigation of these cases in one court, therefore, would be both fair and efficient.

TecSec also contends that the Supreme Court's concerns about the "staggering" costs of patent litigation justify joinder (Doc. No. 116, *TecSec Response* at 6) (citing *Blonder-Tongue* and *Parklane Hosiery*). But the "staggering" patent litigation costs referred to are ***not*** those of patentees, but those of alleged infringers: Re-litigation of invalid patents "is particularly wasteful in patent cases because of their ***staggering expense*** and typical length. . . . [Without the availability defensive non-mutual collateral estoppel], an alleged infringer might find it cheaper to pay royalties than to challenge a patent that had been declared invalid in a prior suit. . . ." *Parklane Hosiery*, 439 U.S. at 328 n.10 (citing *Blonder-Tongue*, 402 U.S. at 334, 338 and 348) (emphasis added). Thus, TecSec is obviously distorting the holding in *Parklane Hosiery* as it vainly tries to justify its position.

In short, neither *Parklane Hosiery* nor *Blonder-Tongue* support TecSec. The collateral estoppel rules do not provide a basis either to override the limitations in the joinder rules or to allow the *en masse* joinder of unrelated claims and defendants that TecSec is proposing.

Claim Construction: TecSec erroneously contends that severance will lead to "duplicative" and "inconsistent" claim construction proceedings (Doc. No. 116, *TecSec Response* at 12, 15, 21 & 22). If the case proceeded against IBM on all patents while claims against the other Defendants were stayed, there would be no risk of inconsistent claim constructions or wasteful duplicative proceedings in subsequent cases, as all cases would proceed, in an appropriate sequence, ***in the same court***.

Proceeding through claim construction *en masse* is not appropriate, either, because it unfairly forces the Defendants to compete with each other for the judicial resources necessary to construe the subset of claims asserted against each of them, which while overlapping, are not identical subsets of the 205 claims asserted. Each Defendant must be allowed to fully and independently defend itself, which includes the right to seek claim construction of disputed terms. *See O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351, 1361-63 (Fed. Cir. 2008) (district court must construe all reasonably disputed terms). Proceeding *en masse* (ten defendants and 205 patent claims) will unfairly jeopardize each defendant's due process rights, will increase the overall risk of reversible error during the claim construction phase (either by an erroneous construction or failure to construe a term), and will unduly tax the Court's resources as it struggles to be both fair in the process of reaching those constructions and accurate in its constructions.

II. SEVERING THE DEFENDANTS AND STAYING THE PROCEEDINGS IS APPROPRIATE RELIEF IN THESE CIRCUMSTANCES.

Issues of misjoinder and severance may be raised and corrected at anytime. *See C.L. Ritter Lumber Co. v. Consol. Coal Co.*, 283 F.3d 226, 229 (4th Cir. 2002). When there is misjoinder the Court may simply "drop" misjoined parties under Rule 21. The Court also may sever misjoined defendants and claims, require plaintiff to proceed only against the first-named defendant in this case, and order separate proceedings for the misjoined parties under Rule 20(b). *Robinson v. Johnson*, 2009 U.S. Dist. LEXIS 25988, at *6 ("the appropriate course is to sever from the present action all of Plaintiff's claims except for his claims against the first-named defendant"). Finally, the Court may sever and stay the proceedings against the misjoined defendants, as is argued in the Defendants' joint response on case management issues. This latter course appears to be the most proper.

16

CONCLUSION

For the reasons argued above the Court should sever the Moving Defendants and stay the

action as against them.

Dated: May 27, 2010

Respectfully submitted on behalf of Moving
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CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of May, 2010, the foregoing BRIEF IN SUPPORT

OF MOVING DEFENDANTS' JOINT MOTION TO SEVER MISJOINED DEFENDANTS

was electronically filed with the Clerk of the Court using the CM/ECF system which will issue

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