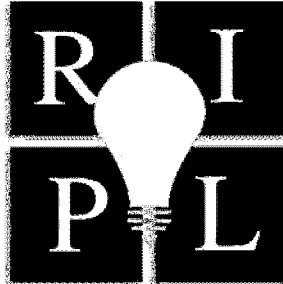


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THE METES AND BOUNDS OF THE DEFENDANT CLASS ACTION IN PATENT CASES

DONALD E. BURTON

ABSTRACT

Despite significant hurdles, the defendant class action in a patent infringement case is a potentially useful alternative to multiple lawsuits in many jurisdictions because a patentee who emerges from the class action proceeding with a favorable Markman ruling and a declaration of validity should normally be in a very strong position to collect damages. While nothing on the face of Federal Rule of Civil Procedure 23 precludes its application to defendant classes in patent infringement cases, the 23(b) requirements will be a major obstacle in convincing a court to certify a class of alleged infringers. Other practical considerations include personal jurisdiction, venue, due process, collateral estoppel, and substantive patent law. The trick however, given the current state of the case law, will still be getting a class certified in the first place.

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THE METES AND BOUNDS OF THE DEFENDANT CLASS ACTION IN PATENT CASES

DONALD E. BURTON*

INTRODUCTION

Until a colleague suggested a class action as a possible solution for the problem of how a client could best pursue litigation against numerous infringers located in various jurisdictions across the United States, I had not thought much about the applicability of a class action to patent cases. Judging from the reported case law, such applicability has not appeared on the radar of other patent practitioners in recent years either.¹ This apparent lapse into disuse is understandable; while Federal Rule of Civil Procedure 23 (“F.R.C.P.”) by its terms not only permits actions on behalf of a class but also against a class, i.e., a defendant class,² and while there is nothing on the face of Rule 23 precluding its application to patent infringement cases, a defendant class action in a patent case faces many obstacles and is subject to challenge on numerous grounds. The attorney contemplating a defendant class action in a patent case must navigate a maze of issues relating to personal jurisdiction, venue, due process, and collateral estoppel as well as substantive patent law and the requirements of Rule 23. Moreover, the relevant case law on these issues tends to be either sparse or conflicting.³

Nevertheless, the defendant class action is a potentially useful alternative to multiple lawsuits in many jurisdictions. This article first addresses the advantages of a class action. It then surveys the issues (many of which could be the subject of a full-length article on their own) that arise from a proposed defendant class action in a patent infringement case: (a) whether venue rules permit a patent class action; (b) whether the patentee can meet the requirements of Rule 23(a); (c) which provisions of Rule 23(b)—if any—can be invoked to justify certification of a class of patent infringers; and (d) due process concerns that exist when the patentee sues a class for damages. This article concludes with a summary of significant points.

I. THE USEFULNESS OF A CLASS ACTION IN A PATENT CASE: AVOIDANCE OF INCONSISTENT RULINGS

Besides the obvious factors of cost and convenience (and perhaps maximum settlement pressure), the primary reason that the patentee should want to pursue a defendant class action instead of multiple lawsuits in many jurisdictions is to ensure

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¹ See 8 DONALD S. CHISUM, CHISUM ON PATENTS § 21.03(7) (2002). “Not surprisingly, there have been few class actions in patent litigation.” *Id.*

² The rule’s first sentence begins as follows: “One or more members of a class may sue *or be sued* as representative parties on behalf of all” FED. R. CIV. P. 23(a) (emphasis added).

³ CHISUM, *supra* note 1.

consistency in crucial legal rulings, or, more precisely, to ensure that there is no opportunity for later courts to reach decisions inconsistent with earlier rulings favorable to the patentee.⁴ There are at least two unique aspects of patent law that heighten the importance of this type of consistency in patent infringement cases: the *Markman* hearing and the *Blonder-Tongue* collateral estoppel doctrine.⁵

First, the infringement determination often hinges on the *Markman* ruling, i.e., the court's determination of the meaning of terminology in claims of the patent. Once the claims have been construed by the court,⁶ in theory there is a second step in which the fact-finder applies the properly-construed claims to the accused device, i.e., the allegedly infringing product,⁷ but, in practice, the court's claim construction is often dispositive because each party will have argued for a construction of the patent claims supporting his position on the issue of infringement.⁸

In multiple suits involving the same patent, this crucial ruling could differ from court to court. Collateral estoppel would not preclude defendants in later cases from re-arguing a claim construction rejected by the first court, assuming they lack privity with the defendant in the first case.⁹ Furthermore, despite the strong preference of

⁴ Another alternative to simply filing lawsuits against the infringers wherever they may be located would be to file multiple suits and then invoke the provisions of federal law on multi-district litigation. Under 28 U.S.C. § 1407(a), a party may request that multi-district litigation involving "one or more common questions of fact" be consolidated in one jurisdiction. 28 U.S.C. § 1407(a) (2000). The consolidation pursuant to that section, however, is only for the purpose of pre-trial proceedings: for trial, each case is returned to the district in which it was originally filed, so multi-district practice under § 1407 would still leave the patentee with the problem of trying cases in multiple districts. *Id.* Section 1407 consolidation would therefore not be a satisfactory alternative where there is a good chance that many of the cases will not be resolved before trial.

⁵ See C. Joel Van Over, *Collateral Estoppel and Markman Rulings: The Call for Uniformity*, 45 ST. LOUIS U. L.J. 1151 (2001) (discussing the importance of the *Markman* and *Blonder-Tongue* cases).

⁶ The Supreme Court has held that claim construction is an issue for the judge, rather than the jury, *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391, and the Federal Circuit has further held that claim construction, just like statutory construction, is a legal determination with no fact-finding component whatsoever, *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc) (holding that claim construction is "a purely legal question"); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 987 (Fed. Cir. 1995) (en banc) (drawing analogy to statutory construction), *aff'd*, 517 U.S. 370 (1996).

⁷ *Cybor Corp.*, 138 F.3d at 1454 ("First the court determines the scope and meaning of the patent claims asserted and then the properly construed claims are compared to the allegedly infringing device.") (citation omitted).

⁸ *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 540 (Fed. Cir. 1998) ("In this case, as so often occurs, the question of literal infringement was resolved upon the court's construction of the claims."); *Markman*, 52 F.3d at 989 (Mayer, J., concurring) ("[T]o decide what the claims mean is nearly always to decide the case."); *id.* at 999 (Newman, J., dissenting) ("Deciding the meaning of the words in the patent is often dispositive of the question of infringement."); *Lucas Aerospace, Ltd. v. Unison Indus., L.P.*, 890 F. Supp. 329, 332 n.3 (D. Del. 1995) ("[C]laim construction more often than not determines the outcome on infringement."); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 HARVARD J. L. & TECH. 1, 3 (2000) ("[T]he patent claim defines the proprietary boundaries of the invention, and determining where exactly these boundaries reside is often dispositive of such crucial issues as patent validity and infringement.") (footnote omitted).

⁹ *Markman*, 517 U.S. at 391 ("[I]ssue preclusion could not be asserted against new and independent infringement defendants even within a given jurisdiction."); see also *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.7 (1979) ("It is a violation of due process for a judgment to be binding on a litigant who was not a party or a privy and therefore has never had an opportunity to

both the Supreme Court and Federal Circuit for uniformity in claim construction rulings,¹⁰ and despite *stare decisis*,¹¹ it is not unrealistic to foresee a subsequent court reaching a conclusion different from the first court's, if the claim language at issue is subject to more than one reasonable interpretation, and if the first case was, in the words of the Duke of Wellington after the battle of Waterloo, "a near-run thing."¹² District court judges have in fact expressly stated that their *Markman* rulings could reach interpretations different from previous *Markman* rulings on the same patent.¹³ The patentee faces the prospect of persuading each judge in each of

be heard." (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971); *Hansberry v. Lee*, 311 U.S. 32, 40 (1940)).

¹⁰ *Markman*, 517 U.S. at 390 ("[W]e see the importance of uniformity in the treatment of a given patent as an independent reason to allocate all issues of construction to the court."); *Cybor*, 138 F.3d at 1455 (reasoning that "this court's role in providing national uniformity to the construction of a patent claim . . . would be impeded" if claim construction were viewed as a mixed fact-legal question).

¹¹ *Stare decisis* comes into play here because of the Federal Circuit's insistence that claim construction is a purely legal question, like statutory construction. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc) (holding that claim construction is "a purely legal question"); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 987 (Fed. Cir. 1995) (en banc) (drawing analogy to statutory construction), *aff'd*, 517 U.S. 370 (1996). Also, the Supreme Court in *Markman* noted that "treating interpretive issues as purely legal will promote (though it will not guarantee) intrajudicial certainty through the application of *stare decisis*." 517 U.S. at 391.

¹² See DAVID HOWARTH, *WATERLOO: A NEAR RUN THING* (Phoenix Press 2003).

¹³ See *Bus. Objects, S.A. v. Microstrategy, Inc.*, No. Col-3908CRB, 2003 U.S. Dist. LEXIS 26206, at *8-9 (N.D. Cal. May 1, 2003).

[W]hile courts *may* defer to previous claim constructions . . . , such decisions are made on a case by case basis, at the discretion of the court. . . . [W]hile the Court is respectful of Judge Heartfield's ruling construing some of the claims in the 674 and 613 Patents, it finds no authority, either binding or persuasive, that instructs that it must utilize the claims construction reached by the court [in the prior case].

Tex. Instruments, Inc. v. Linear Techs. Corp., 182 F. Supp. 2d 580, 589 (E.D. Tex. 2002) (emphasis in original).

Surely no judicial scholar would argue the Supreme Court's interests in uniformity is mutually exclusive to an interest in a proper patent claim construction. . . . [T]his Court believes *Markman* supports the promotion of uniformity, yet it does not stand for the blanket adoption of patent constructions without first undergoing the Federal Circuit's rigorous review.

Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464, 468 (W.D. Va. 2001); see also *Nilssen v. Motorola Inc.*, 80 F. Supp. 2d 921, 924 n.4 (N.D. Ill. 2000) ("[A]s to two of the patents in suit . . . , while the Court is respectful of Judge Kennelly's ruling construing some of the claims in [a prior case] and of the 'importance of uniformity in the treatment of a given patent', it is not compelled to reach the same conclusions.") (citation omitted); see also *Kim v. Earthgrains Co.*, No. OIC 3895, 2005 U.S. Dist. LEXIS 342, at *30 (N.D. Ill. Jan. 10, 2005) ("While stopping short of according a preclusive effect to Judge Hart's claim construction, the court will bear his interpretations in mind as instructive while rendering its own construction of the claims at issue here."); *Verizon Cal. Inc. v. Ronald A. Katz Tech. Licensing, L.P.*, 326 F. Supp. 2d 1060, 1069 (C.D. Cal. 2003) ("[T]o the extent that the AT&T Order addresses identical or similar issues of claims construction, it can be viewed as persuasive and highly relevant, rather than binding authority.").

As further empirical evidence that different judges can often reach different conclusions on the correct interpretation of claims, note that the reversal rate by the Federal Circuit on claim construction is over 40%, according to one study. *Cybor*, 138 F.3d at 1476 (Rader, J., dissenting). Reasonable judicial minds may differ on claim construction matters even at the appellate level: in the recent en banc decision of the Federal Circuit in *Phillips*, in which the court attempted to clarify

the other cases of the rightness of the patentee's interpretation, and, with enough individual cases and enough disputes over terminology, eventually the chances of a rogue *Markman* ruling would approach certainty. Moreover, once any court has construed a claim in a manner unfavorable to the patentee, that court's construction is, according to a number of district courts, conclusive in later cases; it collaterally estops the patentee from advancing the same unsuccessful claim interpretation.¹⁴

The second unique aspect of patent law relevant to the attractiveness of a defendant class action is the collateral estoppel effect of a ruling that a patent is invalid.¹⁵ The Supreme Court, in the memorably named *Blonder-Tongue* decision, held that an alleged infringer may invoke collateral estoppel as a defense where the patent at issue "has once been declared invalid" in previous litigation.¹⁶ One ruling of invalidity is therefore enough for the patent to be invalid as to any and all infringers.¹⁷

However, the converse is not true: a holding that a patent is valid, while perhaps entitled to some persuasive effect, does not preclude a later alleged infringer

the criteria for *Markman* rulings, two judges on the twelve-judge en banc panel disagreed with the majority's construction of the term "baffle." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1328–30 (Fed. Cir. 2005) (Lourie, J., dissenting).

¹⁴ See *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 243 F. Supp. 2d 31, 35–36 (S.D.N.Y. 2003), *aff'd*, 363 F.3d 1263 (Fed. Cir. 2004); *Louisville Bedding Co. v. Perfect Fit Indus.*, 186 F. Supp. 2d 752, 757 (W.D. Ky. 2001); *Abbott Labs. v. Dey, L.P.*, 110 F. Supp. 2d 667, 671 (N.D. Ill. 2000); *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 377 (S.D.N.Y. 1999) ("[I]t is inconceivable that a fully-litigated determination after a first *Markman* hearing would not be preclusive in subsequent actions involving the same disputed claims under the same patent."). Cf. *Graco Children's Prods., Inc. v. Regalo Int'l LLC*, 77 F. Supp. 2d 660, 664 (E.D. Pa. 1999) (collateral estoppel defense to patentee's claim construction argument rejected on the ground that in this instance the court's claim construction in the previous case was "not essential to the final judgment in that case"); *Kollmorgen*, 147 F. Supp. 2d at 466–68 (suggesting that a *Markman* ruling in a prior case could estop the patentee if not for a settlement of the earlier case before appellate review could take place). If followed generally, this line of cases would create a dichotomy—in which an anti-patentee *Markman* ruling is preclusive but a pro-patentee ruling is not—similar to the contrasting effect of favorable and unfavorable rulings on the patent's validity. See *infra* notes 18–24 and accompanying text.

The Federal Circuit declined to take a position on the collateral estoppel effect of "the first claim construction of a patent litigated to final judgment" in *Foster v. Hallco Mfg. Co.*, No. 96-1399, 1997 U.S. App. LEXIS 18989, at *11 (Fed. Cir. July 14, 1997). Subsequently, it ruled that there was no collateral estoppel effect from interlocutory rulings (on summary judgment motions) in a case that settled prior to trial and in which there was no "evidentiary hearing . . . conducted to construe the claims" at issue, *RF Delaware, Inc. v. Pacific Keystone Techs., Inc.*, 326 F.3d 1255, 1261–62 (Fed. Cir. 2003), still leaving open the question of how the court would handle a claim construction ruling that was the product of a *Markman* hearing in a case that *did* proceed to a judgment that depended on the *Markman* ruling, i.e., a case-dispositive *Markman* ruling.

¹⁵ *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994), *amended by* Nos. 91-1109, 91-1131, 91-1317, 92-1244, 1994 U.S. App. LEXIS 26588 (Fed. Cir. Sept. 14, 1994).

In *Blonder-Tongue*, *supra*, the Supreme Court ruled that once the claims of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of those claims may reap the benefit of the invalidity decision under principles of collateral estoppel. Mutuality of estoppel is no longer required.

Id.

¹⁶ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971).

¹⁷ *Mendenhall*, 26 F.3d at 1577.

from arguing the patent is invalid.¹⁸ “As a matter of due process, each new defendant in a patent suit is entitled to make its own defense. There can be no collateral estoppel against a defendant who has not previously had ‘a full and fair opportunity to litigate the claim’ at issue.”¹⁹

The result is that, as to patent validity, “the plaintiff’s loss is generalized while his victory cannot be,”²⁰ or, more simply, the patentee has to win on validity every time, the defendants only once. This contrasting treatment of the preclusive effect between pro-patentee and pro-infringer validity rulings is not a result of the court intentionally stacking the deck against the patentee. Rather, it is caused by the combination of (a) the rule that, as a matter of due process, a defendant in a patent case may not be precluded on an issue or defense by a ruling in a previous case against another defendant (except through such doctrines as *stare decisis* and comity)²¹ with (b) the policy that there is no purpose in requiring subsequent defendants to re-try the validity issue once a patent claim is ruled invalid after the patentee has received a full and fair hearing.²² The practical consequence for the patent owner, though, is that the law of collateral estoppel as it pertains to validity “gives a plaintiff a strong incentive to join all potential defendants in the first action if possible,”²³ such as in a class action under Rule 23.²⁴

¹⁸ *Mendenhall v. Cedarapids, Inc.*, 5 F.3d 1557, 1569–70 (Fed. Cir. 1993).

¹⁹ *Id.* at 1571 (quoting *Blonder-Tongue*, 402 U.S. at 329). Unlike claim construction, which according to the Federal Circuit is a legal ruling with no factual component, invalidity usually depends on resolution of factual issues, so even an appellate affirmance of an earlier validity decision would not suffice to make the earlier decision precedent for purposes of *stare decisis* unless “the same controlling facts are found [by the jury] in each case.” *Mendenhall*, 5 F.3d at 1571. A patentee who expects serial litigation on his patent’s validity should therefore try to persuade the trial court to use with the jury a special verdict with written findings of fact pursuant to Federal Rule of Civil Procedure 49(a), in order to make it possible to determine in later cases what the first jury found to be the “controlling facts.”

²⁰ Notes, *Defendant Class Actions*, 91 HARVARD L. REV. 630, 632 n.10 (1978); see also *In re Yarn Processing Litig.*, 56 F.R.D. 648, 654 (S.D. Fla. 1972) (“The one-way street of *Blonder-Tongue*, *supra*, means that if the patentee loses, the other putative class members win by collateral estoppel default. If the patentee prevails in one suit, that does not control any subsequent adjudication. A new defendant is allowed to retry the validity of the patent anew.”).

²¹ *Markman*, 517 U.S. at 391 (“[I]ssue preclusion could not be asserted against new and independent infringement defendants even within a given jurisdiction.”); see also *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 327 n.7 (1979) (“It is a violation of due process for a judgment to be binding on a litigant who was not a party or a privy and therefore has never had an opportunity to be heard.” (citing *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971); *Hansberry v. Lee*, 311 U.S. 32, 40 (1940))).

²² *Blonder-Tongue*, 402 U.S. at 329 (“Permitting repeated litigation of the same issue as long as the supply of unrelated defendants holds out reflects either the aura of the gaming table or ‘a lack of discipline and of disinterestedness on the part of the lower courts’” (quoting *Kerotest Mfg. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185 (1952))). Of course, the rule that a patentee must win on validity in every case, while the patent is “out” for good with only one invalidity ruling, may, from the patentee’s perspective, “reflect the aura” of a TV game show. *Id.*

²³ *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329–30 (1979).

²⁴ 8 CHISUM, *supra* note 1, § 21.03(7)(a). Chisum notes the utility of the class action device to avoid the risk of losing on validity due to one bad result out of many trials. *Id.* The class action’s usefulness will be even greater to the extent courts accept the principle that a claim construction adverse to the patentee is also entitled to collateral estoppel effect, which, since under current case law *Markman* rulings favorable to the patentee cannot preclude subsequent defendants, would introduce into the preclusive effect of claim construction rulings the same asymmetry that exists as

II. VENUE—A POSSIBLE STICKING POINT

In theory, the above-discussed problems of inconsistent claim construction and a one-bad-apple-spoils-the-bunch validity ruling could be avoided by joining all the defendants in one action—not a class action, but simply an action with many named defendants, as permitted by F.R.C.P. 20(a) (permissive joinder).²⁵ The difficulty with this approach arises if there is no single forum with both jurisdiction and venue over all of the potential defendants, for example, when infringers' markets or activities are limited to specific regions rather than being nationwide. In such an instance, all of the defendants could not be joined in one action.²⁶ A class action would seemingly circumvent that problem: class actions are filed against one or more named class representatives, and the patentee can draft the complaint (a) to define the class broadly so as to encompass all of the alleged infringers of the patent²⁷ but (b) to name as class representatives only those defendants over whom the court in the forum in which the patentee chooses to file clearly has jurisdiction and venue. The named class representatives thus could not challenge the court's jurisdiction and venue over themselves.²⁸

However, the named class representative defendants may nevertheless argue that the class action allegations must be dismissed unless the patentee can show that the court has jurisdiction and venue over all the *unnamed* defendant class members. Logic and the express provision in Rule 23 for defendant class actions cut against that argument because “[i]f personal jurisdiction over every member of a defendant class were required, the maintenance of defendant class actions would be virtually impossible.”²⁹ Case law on this issue, though, is unclear.³⁰

In the few defendant class action cases not involving patents in which the venue issue was raised, courts have held that the court need only obtain personal jurisdiction over the named class representatives,³¹ but the answer may be different

to the preclusive effect of validity rulings, and the same incentive to join all potential infringers in one action.

²⁵ FED. R. CIV. P. 20(a) (joinder of defendants is permitted if the claims against them whether joint or several arise from the same transaction or occurrence or if all common issues of law or fact).

²⁶ FED. R. CIV. P. 12(b)(2).

²⁷ For example, the class could be defined as any manufacturers or distributors of the specific, allegedly infringing product(s) identified in the complaint.

²⁸ 2 ALBA CONTE & HERBERT B. NEWBERG, *NEWBERG ON CLASS ACTIONS* § 4:52 (2002).

²⁹ *Id.*

³⁰ See *Webcraft Techs., Inc. v. Alden Press, Inc.*, No. 85 C 3369, 1985 U.S. Dist. LEXIS 16966, at *2 (N.D. Ill. Aug. 9, 1985) (noting that “[t]he cases at the district court level are evenly split” and collecting both cases “holding that the special patent venue statute applies only to the named members of the class” and cases holding that the statute “applies to all members of the class;” the court in *Webcraft* followed the former line of cases, based on the Seventh Circuit’s comments in *Appleton Elec. Co. v. Advance United Expressways*, 494 F.2d 126, 140 (7th Cir. 1974)).

³¹ *Appleton Elec. Co. v. Advance United Expressways*, 494 F.2d 126, 140 (7th Cir. 1974) (in dicta); *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 292 n.6 (N.D. Cal. 1978) (“As with plaintiff class actions courts will look to the residence of the named parties for determining whether venue is proper since the utility of class actions might otherwise be seriously impaired.”); see also *Shell v. Shell Oil Co.*, 165 F. Supp. 2d 1096, 1107 (C.D. Cal. 2001); *United States v. Trucking Employers, Inc.*, 72 F.R.D. 98, 100 (D.D.C. 1976).

in patent cases due to a venue statute specific to patent cases, 28 U.S.C. § 1400(b).³² The cases are split as to whether the complaint must satisfy § 1400(b) as to all defendants in the class, named or unnamed.³³ The courts that hold § 1400(b) requires venue over every member of the class reason that, since F.R.C.P. 82 by its terms prohibits the federal rules from being interpreted to extend venue beyond what is permitted by statute, the class action procedures set forth in Rule 23 cannot negate the “specific venue provisions” of § 1400(b).³⁴

Section 1400(b), however, notes nothing directly about class actions.³⁵ In addition, none of the courts that have invoked § 1400(b) have expressly stated what particular aspect of § 1400(b) requires venue over all unnamed defendants in a patent infringement class action.³⁶ Those courts *may* be focusing on the use of the singular “the defendant” in § 1400(b) in contrast to the use of “any defendant” in the general federal question jurisdiction venue statute, 28 U.S.C. § 1391(b);³⁷ one could legitimately question, though, whether that slight difference in terminology was meant to create a real distinction.

Furthermore, any argument that the scope of venue under the specific venue statute differs greatly from that of the general venue statute is weakened by the fact that in 1988 Congress amended § 1391(c), the section considering where a corporation “reside[s]” for venue purposes so that, for purposes of both the general venue statute (§ 1391) *and* specific venue statutes (like § 1400(b)), a defendant corporation resides in any jurisdiction in which it is subject to personal jurisdiction.³⁸

³² 28 U.S.C. § 1400(b) (2000) (“Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”).

³³ See *Webcraft*, 1985 U.S. Dist. LEXIS 16966 at *2; 8 CHISUM, *supra* note 1, § 21.03 (7)(b), at 586–87).

³⁴ *Technitrol, Inc. v. Control Data Corp.*, Nos. 17653, 18317, 19515, 1970 U.S. Dist. LEXIS 13294, at *7–8 (D. Md. Jan. 9, 1970); see also *Sperberg v. Firestone Tire & Rubber Co.*, 61 F.R.D. 70, 73 (N.D. Ohio 1973); *D. Klein & Son, Inc. v. Giant Umbrella Co.*, 179 U.S.P.Q. (BNA) 34, 35 (S.D.N.Y. 1972) (expressing the same view in dicta).

³⁵ 28 U.S.C. § 1400(b) (2000).

³⁶ *Technitrol, Inc. v. Control Data Corp.*, Nos. 17653, 18317, 19515, 1970 U.S. Dist. LEXIS 13294, at *7–8 (D. Md. Jan. 9, 1970); see also *Sperberg v. Firestone Tire & Rubber Co.*, 61 F.R.D. 70, 73 (N.D. Ohio 1973); *D. Klein & Son, Inc. v. Giant Umbrella Co.*, 179 U.S.P.Q. (BNA) 34, 35 (S.D.N.Y. 1972) (expressing the same view in dicta).

³⁷ 28 U.S.C. § 1391(b) (2000). Section 1391(b) states:

A civil action wherein jurisdiction is not founded solely on diversity of citizenship may, except as otherwise provided by law, be brought only in (1) a judicial district where *any defendant* resides, if all defendants reside in the same State, (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (3) a judicial district in which *any defendant* may be found, if there is no district in which the action may otherwise be brought.

Id. (emphasis added).

³⁸ *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 (Fed. Cir. 1990). Section 1391(c) states in part that “[f]or purposes of venue *under this chapter*, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.” 28 U.S.C. 1391(c) (2000) (emphasis added). The court in *VE Holding* held that this definition of “reside” applied not only to the general venue statute (§ 1391) but also to use of the term later in the chapter, as in § 1400(b). *VE Holding Corp.*, 917 F.2d at 1583. Previous to *VE Holding*, courts had interpreted the term “resides” in § 1400(b) for a

The patent cases holding that venue must be shown for every member of the defendant class were decided before 1988.³⁹

A patentee facing a venue challenge from its defendant class could therefore argue (assuming the accused infringers are all corporations) that § 1400(b), like § 1391(b), does not require jurisdiction over every defendant in the class in a patent case⁴⁰ since Congress clearly intended, by the 1988 amendment to § 1391(c), that the specific patent venue statute should be interpreted the same way as § 1391(b) as to venue of corporations. Such an argument is persuasive and consistent with the Federal Circuit's interpretation of § 1400(b),⁴¹ but no reported case has applied § 1400(b) to a defendant class action after the 1988 amendment.⁴² Consequently, counsel should be aware of the issue as a potential response to a motion to dismiss the class allegations as to individual class members over whom the court lacks venue.⁴³

III. MEETING THE REQUIREMENTS OF RULE 23

One would reasonably expect that a judge interested in administrative efficiency and uniformity would find that the advantages of lower costs, avoidance of conflicting decisions, and avoidance of trying the same issue repeatedly favor use of the defendant class action in patent cases. Defense counsel will certainly point out, however, that the Supreme Court has taken the position that mere administrative convenience cannot save a class action that is otherwise not permitted by the text of Rule 23.⁴⁴ Under the rule, any class action must meet all the prerequisites of section (a) and fall into at least one of the three categories of class actions listed in section (b).⁴⁵

At first glance, the current state of case law and opinion on Rule 23 seems good for the patentee: one encounters a number of commentators and cases confidently stating that the defendant class is commonly used in patent cases.⁴⁶ Closer scrutiny,

corporate defendant narrowly to cover only the defendant's state of incorporation. *Id.* at 1578 (citing *Fouroco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 229 (1957)).

³⁹ *Id.* at 1583.

⁴⁰ *Appleton Elec. Co. v. Advance United Expressways*, 494 F.2d 126, 140 (7th Cir. 1974) (in dicta); *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 292 n.6 (N.D. Cal. 1978) ("As with plaintiff class actions courts will look to the residence of the named parties for determining whether venue is proper since the utility of class actions might otherwise be seriously impaired."); *see also* *Shell v. Shell Oil Co.*, 165 F. Supp. 2d 1096, 1107 (C.D. Cal. 2001); *United States v. Trucking Employers, Inc.*, 72 F.R.D. 98, 100 (D.D.C. 1976).

⁴¹ 28 U.S.C. § 1391(b)–(c) (2000).

⁴² *VE Holding Corp.*, 917 F.2d at 1583.

⁴³ In addition, "absent" defendant class members, i.e., class members who are not named as class representatives and over whom the court lacks personal jurisdiction, can provide a basis for due process challenges to the class action where the patentee is seeking money damages. *See infra*, at Section IV.

⁴⁴ *E.g.*, *Amchem Prods., Inc. v. Windsor*, 521 U.S. 591, 628–29 (1997) (holding that Rule 23 did not permit the certification of a settlement-only class).

⁴⁵ *See* FED. R. CIV. P. 23.

⁴⁶ CONTE & NEWBERG, *supra* note 28, § 4:51 ("Another common use of defendant classes arises in patent infringement cases in which a common question of patent validity is litigated against a defendant class of infringers."); Notes, *Defendant Class Actions*, *supra* note 20, at 632 (patent cases

though, reveals that support for such an assertion is actually on the thin side: the sources usually cite to the same three district court cases dating to the late 60s and early 70s.⁴⁷ Those cases may not have much persuasive authority today, since they were decided shortly after the comprehensive revision of Rule 23 in 1966,⁴⁸ and were thus to some extent plowing new ground. In addition, there are no cases favorable to certification of defendant infringer classes directly on point at the appellate level.⁴⁹ As it turns out, meeting the requirements of Rule 23 for defendant class actions in a patent case could be problematic under current case law.

A. *The General Prerequisites of Rule 23(a)*

among the “most typical” uses for defendant class action); *Thillens, Inc. v. Comty. Currency Exchange Ass’n of Ill.*, 97 F.R.D. 668, 674 (N.D. Ill. 1983) (“Defendant classes seldom are certified. If at all, such certification most commonly occurs (1) in patent infringement cases; (2) suits against local public officials challenging the validity of state laws; or (3) in securities litigation” (citations omitted)); *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 292 (N.D. Cal. 1978) (noting that defendant classes “are most commonly found in patent infringement cases”).

⁴⁷ *Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 538 (D.N.H. 1971) (defendant class certified for validity determination); *Research Corp. v. Pfister Associated Growers Inc.*, 301 F. Supp. 497, 504 (N.D. Ill. 1969), *overruled on other grounds sub nom. Felzer v. Andreas*, 134 F.3d 873, 878 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 725–27 (N.D. Ill. 1968) (certifying a defendant class as to invalidity and enforceability issues).

⁴⁸ “[M]odern class action practice emerged in the 1966 revision of Rule 23.” *Ortiz v. Fibreboard Corp.*, 527 U.S. 815, 833 (1999). The 1966 amendments to the rule, among other changes, added the prerequisites set forth in 23(a) and replaced the former categories of “true,” “hybrid,” and “spurious” class actions with the functional categories of permissible class actions set forth in subsection (b) of the revised rule. 7A CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 1753, at 45 (2005).

⁴⁹ The Federal Circuit has touched on the issue of defendant class actions in patent cases only once, in *In re Datapoint Corp.*, in which the court denied a petition for a writ of mandamus against a district court that had refused to certify a defendant class action in a patent case. No. 483, 1996 U.S. App. LEXIS 31119, at *6–7 (Fed. Cir. Nov. 14, 1996). Given the posture of the case (“The remedy of mandamus is a drastic one, to be invoked only in extraordinary situations,” when “the right to issuance of the writ is ‘clear and indisputable,’”) nothing can be deduced as to the court’s view of the propriety of a defendant class action in patent cases. *Id.* at *2–3 (quoting *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 34, 35 (1980)). The court said nothing of substance on the subject of class actions, merely noted in passing that one of the defendants had argued that there was “scant authority” for class certification in patent cases. *Id.* at *5.

The Federal Circuit would not be fashioning its own jurisprudence on defendant class actions in any event. The court has exclusive jurisdiction over appeals from cases arising under the patent laws (28 U.S.C. § 1295(a)(1)), but on procedural issues not unique to patent infringement cases it applies the law of the regional circuit in which the case arose. *Lans v. Digital Equip. Corp.*, 252 F.3d 1320, 1326 (Fed. Cir. 2001) (“On purely procedural issues, this court applies the law of the regional circuit . . .”). The court has not directly addressed the choice-of-law question on the class action issues discussed in this article; on the broad subject of joinder, though, it has ruled that grant of a motion to join a party is a matter not unique to patent law, thus requiring applicability of the law of the regional circuit. *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 385 F.3d 1360, 1372 (Fed. Cir. 2004). The Federal Circuit should not look at the certification of a class of patent infringers as a matter of patent law within its exclusive jurisdiction, and should therefore apply the law of the appropriate regional circuit, on the ground that the class certification decision does not hinge on substantive patent law.

Rule 23(a) sets forth the four general requirements any class action must have in order to be certified, which are usually referred to for convenience as (a) numerosity, (b) commonality, (c) typicality, and (d) adequacy of representation.⁵⁰ Setting aside for a moment the numerosity requirement, the other three Rule 23(a) prerequisites should be easily met in the typical patent infringement case.

Commonality should be strong in the patent context. The invalidity determination (almost always counterclaimed by the alleged infringer), focused as it is on the patent itself, will depend on common issues and facts.⁵¹ One leading treatise notes, “[i]t would seem that this requirement can normally be met as to the common issues concerning validity,”⁵² and, in practice, courts that have certified a defendant class in patent cases have usually found commonality based on the validity issues.⁵³ In addition, to the extent all of the alleged infringers are using the same infringing technology (for example, a group of manufacturers of a similar product, or a group of manufacturers of products that contain the same infringing component), the case for commonality should be even stronger because the often-dispositive step of claim construction⁵⁴ should raise the same issues in each case. Furthermore, even

⁵⁰ Fed R. Civ. P. 23 (2000). Rule 23(a) states:

Prerequisites to a Class Action. One or more members of a class may sue or be sued as representative parties on behalf of all only if (1) the class is so numerous that joinder of all members is impracticable, (2) there are questions of law or fact common to the class, (3) the claims or defenses of the representative parties are typical of the claims or defenses of the class, and (4) the representative parties will fairly and adequately protect the interests of the class.

Id.; see also, e.g., *Amchem*, 521 U.S. at 613.

⁵¹ For example, the test for the defense of invalidity due to “obviousness” has four parts, none of which relate in any way to the characteristics of the defendant or the defendant’s products.

The legal conclusion, that a claim is obvious within [35 U.S.C.] § 103(a), depends on at least four underlying factual issues: (1) the scope and content of the prior art; (2) differences between the prior art and the claims at issue; (3) the level of ordinary skill in the pertinent art; and (4) evaluation of any relevant secondary considerations.

Princeton Biochemicals, Inc. v. Beckman Coulter, Inc., 411 F.3d 1332, 1336–37 (Fed. Cir. 2005). The evidence considered in these factual determinations should not vary from case to case where each case involves the same claims of the same patents. *Id.*

⁵² 8 CHISUM, *supra* note 1, § 21.03(7)(c).

⁵³ *Webcraft Techs., Inc. v. Alden Press, Inc.*, No. 85 C 3369, 1985 U.S. Dist. LEXIS 16966, at *2, *3–4, 228 U.S.P.Q. (BNA) 182, 184–85 (N.D. Ill. 1985); *Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 538 (D.N.H. 1971); *Research Corp. v. Pfister Associated Growers Inc.*, 301 F. Supp. 497, 499 (N.D. Ill. 1969) (“In effect, a ruling on the issue of validity will be dispositive of most of the patent issues in this case.”), *overruled on other grounds sub nom.* *Felzen v. Andreas*, 134 F.3d 873, 878 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 725 (N.D. Ill. 1968).

⁵⁴ *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 540 (Fed. Cir. 1998) (“In this case, as so often occurs, the question of literal infringement was resolved upon the court’s construction of the claims.”); *Markman*, 52 F.3d at 989 (Mayer, J., concurring) (“[T]o decide what the claims mean is nearly always to decide the case.”); *id.* at 999 (Newman, J., dissenting) (“Deciding the meaning of the words in the patent is often dispositive of the question of infringement.”); *Lucas Aerospace, Ltd. v. Unison Indus., L.P.*, 890 F. Supp. 329, 332 n.3 (D. Del. 1995) (“[C]laim construction more often than not determines the outcome on infringement.”); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 HARVARD J. L. & TECH. 1, 3 (2000) (“[T]he patent claim defines the proprietary boundaries of the invention, and determining where exactly these boundaries reside is often dispositive of such crucial issues as patent validity and infringement.”) (footnote omitted).

if the infringement question does raise unique issues among the defendants, commonality should still be met by the claim construction and validity issues, since the commonality test does not require all issues to be common but rather that there merely *be* common issues.⁵⁵ The verbal formula used by the courts is that the commonality test is “qualitative not quantitative.”⁵⁶

The requirement that the arguments of the named class representatives be “typical,” and the requirement of adequacy of representation (these requirements “tend to merge”),⁵⁷ should also be shown easily. As to typicality, “it is only when there is a unique defense forwarded by the representative which will consume the merits of the case that a court should refuse to certify a class based on a lack of typicality.”⁵⁸ Adequacy of the class representative⁵⁹ ought not to be difficult for the patentee to show, either, as long as there are truly no intra-class conflicts of interest, and as long as the patentee does not overreach and deliberately choose as class representative a defendant whose resources are limited, or whose infringing activities are so minimal as to give that particular defendant little stake in the outcome.⁶⁰ The representatives of a defendant class may have their representative capacity thrust upon them, but if there is enough at stake, they will vigorously defend *themselves*, and will thus defend the class if their interests align with the class (and if they are represented by competent patent counsel).⁶¹

⁵⁵ *In re Am. Med. Sys., Inc.*, 75 F.3d 1069, 1080 (6th Cir. 1996) (“The commonality test ‘is qualitative rather than quantitative, that is, there need be only a single issue common to all members of the class.’” (quoting 1 HERBERT B. NEWBERG & ALBA CONTE, *NEWBERG ON CLASS ACTIONS* § 3.10, at 3-50 (3d ed. 1992))).

⁵⁶ *Id.*; *In re Pharm. Indus. Average Wholesale Price Litig.*, 230 F.R.D. 61, 78 (D. Mass. 2005); *Dukes v. Wal-Mart Stores, Inc.*, 222 F.R.D. 137, 145 (N.D. Cal. 2004); *In re Terazosin Hydrochloride Antitrust Litig.*, 220 F.R.D. 672, 685 (S.D. Fla. 2004).

⁵⁷ *Gen. Tel. Co. of Southwest v. Falcon*, 457 U.S. 147, 158 n.13 (1982) (“Those requirements [commonality and typicality] therefore also tend to merge with the adequacy-of-representation requirement, although the latter requirement also raises concerns about the competency of class counsel and conflicts of interest.”); see also 1 CONTE & NEWBERG, *supra* note 28, § 3:22 (2002) (“In recognition of the significant sphere of interdependence of the typicality and adequate representation tests, many courts discuss these two criteria together when making a class action determination.”).

⁵⁸ *Alexander Grant & Co. v. McAlister*, 116 F.R.D. 583, 588 (S.D. Ohio 1987). A court may also name additional class representatives to ensure the typicality requirement is met. CONTE & NEWBERG, *supra* note 28, § 4:60.

⁵⁹ For the representative to be adequate, “1) [t]he representative must have common interests with unnamed members of the class, and 2) it must appear that the representatives will vigorously prosecute the interests of the class through qualified counsel.” *Senter v. General Motors Corp.*, 532 F.2d 511, 524–25 (6th Cir. 1976).

⁶⁰ For instance, the plaintiff may pick on “weak adversaries.” 7A WRIGHT ET AL., *supra* note 48, § 1770, at 476–77.

⁶¹ See *Major League Baseball Properties, Inc. v. Price*, 105 F. Supp. 2d 46, 55 (E.D.N.Y. 2000) (“[T]here is little doubt whether the named defendants would adequately represent the class. . . . [R]epresentatives defending their own interests would also protect the class’s interests. Contrary to what defendants suggest, it makes no difference whether the defendant representatives are unwilling. Adequate representatives are all that is required.” (citation omitted)); *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 290 (N.D. Cal. 1978) (“Ironically, the best defendant class representative may well be the one who most vigorously and persuasively opposes certification since he is the one most likely to guarantee an adversary presentation of the issues.”).

Numerosity may be the most difficult of the Rule 23(a) prerequisites to meet, foundering unavoidably in some cases—in most cases, one could even say—on the fact that there are relatively few alleged infringers. There is no bright-line test for “relatively few;” “[t]he numerosity requirement requires examination of the specific facts of each case and imposes no absolute limitations.”⁶² The oft-cited rule of thumb, though, is that the numerosity requirement can usually be met by a class of forty defendants.⁶³

There is conflicting authority on the appropriateness of classes of under forty members in a patent case. The patentee’s favorite case on the numerosity issue will be *Dale Electronics v. R.C.L. Electronics, Inc.*,⁶⁴ in which the court certified a class of thirteen accused infringers,⁶⁵ finding numerosity on the ground that “[j]oinder [of all defendants] is not only impracticable, but impossible” due to lack of activity in the forum by some of the defendants⁶⁶ and the “practical aspects” of trying the validity issue in one setting rather than repeatedly.⁶⁷ However, the defendants can counter with *Tracor, Inc. v. Hewlett-Packard Co.*,⁶⁸ in which the court held that a class of, again, thirteen accused infringers, six of whom could not be sued in the chosen forum, “falls far short of meeting the numerosity requirements of 23(a)(1) and is quite unlike the class of eighty manufacturers in *Technograph* or the class of 400 seed corn producers in *Research*.”⁶⁹ Similarly, the court in *Sperberg v. Firestone Tire & Rubber Co.*⁷⁰ held that a defendant infringer class of twenty-one members, “eight of whom are not amenable to venue,” did not meet the numerosity requirement of Rule 23(a)(1).⁷¹

The impracticability of obtaining personal jurisdiction over many of the defendants may be the tie-breaker for certifying a class of less than forty alleged

⁶² Gen. Tel. Co. v. EEOC, 446 U.S. 318, 330 (1980).

⁶³ CONTE & NEWBERG, *supra* note 28, § 3:5; *Stewart v. Abraham*, 275 F.3d 220, 226–27 (3d Cir. 2001); *Mullen v. Treasure Chest Casino, LLC*, 186 F.3d 620, 624 (5th Cir. 1999); *Consolidated Rail Corp. v. Town of Hyde Park*, 47 F.3d 473, 483 (2d Cir. 1995); *Davis v. Thornburgh*, 903 F.2d 212, 233 n.19 (3d Cir. 1990); *AAL High Yield Bond Fund v. Rutenberg*, 229 F.R.D. 676, 680 (N.D. Ala. 2005) (“[G]enerally more than forty class members satisfies the numerosity requirement.” (citing *Cox v. Am. Cast Iron & Pipe Co.*, 784 F.2d 1546, 1553 (11th Cir. 1986) and 3B JAMES WM. MOORE ET AL., MOORE’S FEDERAL PRACTICE, ¶ 23.05(1) n.7 (1978))); *Evans v. Am. Credit Sys., Inc.*, 222 F.R.D. 388, 393 (D. Neb. 2004); *In re Relafen Antitrust Litig.*, 218 F.R.D. 337, 342 (D. Mass. 2003); *Ikonen v. Hartz Mountain Corp.*, 122 F.R.D. 258, 262 (S.D. Cal. 1988) (“As a general rule, classes of 20 are too small, classes of 20 to 40 may or may not be big enough depending on the circumstances of each case, and classes of 40 or more are numerous enough.” (citing 3B J. MOORE & J. KENNEDY, MOORE’S FEDERAL PRACTICE, ¶ 23-05(1) (2d ed. 1987))). *Cf. Danis v. USN Commc’ns, Inc.*, 189 F.R.D. 391, 399 (N.D. Ill. 1999) (“Certification of classes containing less than twenty-five members is generally not permitted absent special circumstances.”) (collecting cases).

⁶⁴ 53 F.R.D. 531 (D.N.H. 1971).

⁶⁵ *Id.* at 532–33.

⁶⁶ *Id.* at 534.

⁶⁷ *Id.* at 536.

⁶⁸ 176 U.S.P.Q. (BNA) 505 (N.D. Ill. 1973).

⁶⁹ *Id.* at 508. Classes of alleged patent infringers were certified in *Technograph* and *Research*. *Research Corp. v. Pfister Associated Growers Inc.*, 301 F. Supp. 497, 504 (N.D. Ill. 1969), *overruled on other grounds sub nom. Felzer v. Andreas*, 134 F.3d 873, 878 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 725–27 (N.D. Ill. 1968) (certifying a defendant class as to invalidity and enforceability issues).

⁷⁰ 61 F.R.D. 70 (N.D. Ohio 1973).

⁷¹ *Id.* at 76.

infringers. Indeed, a leading treatise on class actions asserts that courts should interpret numerosity loosely for defendant classes because of the greater difficulties, due to “jurisdiction and venue requirements,” of simply joining “dispersed” defendants in one suit.⁷² There is also some support in the case law (beyond *Dale*) for such an approach.⁷³ As a leading federal civil procedure treatise states, “[t]he Supreme Court has indicated that the Rule 23(a)(1) standard may be satisfied when it would be impossible to obtain personal jurisdiction over some of the class members.”⁷⁴ In *Webcraft Technologies, Inc. v. Alden Press, Inc.*,⁷⁵ a patent case, the court focused on the “joinder of all members is practicable” language of subsection (a)(1), ruling that a class of forty-one defendant-infringers “located throughout the country would be so numerous as to make joinder impractical,” and noting that only seven of the forty-one defendants could be joined if not for the class action mechanism.⁷⁶ In another defendant class case, in which a class of less than forty was certified, the court held that “[t]he determination of whether joinder of the members is impractical turns on the facts that each case, not solely on the number of members. Considerations of the geographical dispersion of the defendants is also necessary.”⁷⁷ “Geographical dispersion” in fact is well-established as a criterion in determining whether a proposed class meets the numerosity prerequisite in *plaintiff* class action cases,⁷⁸ so there is a reasonable basis for invoking the same factor when analyzing 23(a)(1) as to a defendant class.

In short, the requirements of Rule 23(a) should not present a great hurdle in cases contemplating a truly large, geographically-dispersed defendant class of patent infringers. Nevertheless, there are many factual variations in which one can imagine an alleged infringer making a strong argument against class certification based on the Rule 23(a) factors. My list of factors a defendant should analyze under Rule 23(a), without attempting to be all-inclusive, is as follows:

1. Numerosity—a class of fewer than forty members leaves room for defendants to contest this point, especially if the class is not particularly “geographically dispersed.” If there are, for example, twenty class members at most, will the plaintiff

⁷² CONTE & NEWBERG, *supra* note 28, § 4:57. Note that this point presumes that it is unnecessary, for purpose of a class action, for the court to have jurisdiction over every member of the class, the issue discussed in Section II *supra*.

⁷³ *Alvarado Partners, L.P. v. Mehta*, 130 F.R.D. 673, 674, 676 (D. Colo. 1990) (certifying class of 34 defendants, in a securities case).

⁷⁴ 7A WRIGHT ET AL., *supra* note 48, § 1762 (citing *Hansberry v. Lee*, 311 U.S. 32, 41 (1940) (plaintiff class)).

⁷⁵ 228 U.S.P.Q. (BNA) 182 (N.D. Ill. 1985).

⁷⁶ *Id.* at 184 (citing *Zeidman v. J. Ray McDermott & Co.*, 651 F.2d 1030, 1038 (5th Cir. 1981) for the proposition that “geographic dispersion [is] a factor to be considered in determining numerosity”).

⁷⁷ *Alvarado Partners, L.P. v. Mehta*, 130 F.R.D. 673, 674, 676 (D. Colo. 1990) (certifying class of 34 defendants, in a securities case) (citations omitted) (citing *Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 534 (D.N.H. 1971), and CONTE & NEWBERG, *supra* note 28, § 3.04 (1985)).

⁷⁸ *See, e.g.*, *Pastor v. State Farm Mut. Auto. Ins. Co.*, No. 05 C 1459, 2005 U.S. Dist. LEXIS 22338, at *10 (N.D. Ill. Sept. 30, 2005) *LV v. New York City Dep’t. of Educ.*, 03 Civ 9917 (RJH) (KNF), 2005 U.S. Dist. LEXIS 20672, at *9 (S.D.N.Y. Sept. 15, 2005); *Choice Inc. v. Graham*, No. 04-1581, 2005 U.S. Dist. LEXIS 11585, at *6–7 (E.D. La. June 3, 2005); *Carlson v. C.H. Robinson Worldwide, Inc.*, No. 02-3780 (JNE/JGL), 2005 U.S. Dist. LEXIS 5674, at *24 (D. Minn. Mar. 31, 2005).

be faced with twenty separate suits, or can all the defendants be joined in two or three jurisdictions?

2. Commonality—are there really common validity and infringement issues? Are defendants, for example, selling many different types of infringing devices? The same patents may be asserted against each defendant, but are there many different sets of patent claims asserted against different defendants, raising different validity and infringement (and *Markman*) issues?

3. Typicality and adequacy of representation—has the patentee suspiciously avoided naming as a representative defendant the obvious “ringleader” of the infringement? Has the patentee picked on a weak adversary, perhaps one that cannot sustain the financial burden of a litigation? Maybe the patentee has sued a relatively disinterested party, one that no longer infringes or whose allegedly infringing product is not selling well enough to make a full-out fight attractive. Also, does the class representative have a unique defense (laches, for example) given its unique product configuration or its unique circumstances? That fact may mean that it will not concentrate on defenses it deems less attractive but that other alleged infringers, who do not have the luxury of many defenses, view as critical to their case.

B. The Rule 23(b) Categories

In addition to meeting all of the prerequisites of F.R.C.P. 23(a) the proposed class must fall into at least one of the categories of class action set forth in 23(b).⁷⁹ The Rule 23(b) requirements are likely to present difficulties in the typical patent infringement scenario. The advantages the class action vehicle presents to a patent owner translate awkwardly, if at all, into the factors that the court looks to in determining whether a proposed defendant class falls under one of the definitions of permissible classes in Rule 23(b).

Rule 23(b) categorizes permissible class actions under three subsections. Of the three subsections, a patentee will most likely seek certification under subsection (b)(1), since there are fundamental problems with the applicability of (b)(2) and (b)(3) in defendant class actions, as discussed in the next subsection.

1. Rule 23(b)(3) and (b)(2)

The subsection (b)(3) defendant class action, despite setting the most relaxed requirements for a class action of all of the subsection (b) categories,⁸⁰ will seldom if ever be a realistic option for a defendant class because certification of a Rule 23(b)(3) class, unlike a Rule 23(b)(1) or Rule 23(b)(2) class, must allow class members to “opt

⁷⁹ See Fed. R. Civ. P. 23(b).

⁸⁰ Section (b)(3) authorizes a class action where the court finds that “the questions of law or fact common to the members of the class predominate over any questions affecting only individual members, and that a class action is superior to other available methods for the fair and efficient adjudication of the controversy.” FED. R. CIV. P. 23(b)(3).

out” of the litigation.⁸¹ One would presume that alleged infringers, given a choice in the matter, would prefer not to be sued, or would prefer to force the patentee to pursue them in jurisdictions other than that chosen by the patentee for the class action.⁸² If so, the named defendants would soon find themselves literally in a class by themselves, and the case would not be a real class action at all.

In contrast, the fundamental problem with subsection (b)(2) in the defendant class context is not usefulness but applicability. There are some district court cases recognizing defendant patent classes under Rule 23(b)(2), but the discussion in those cases is conclusory and lacking a parsing of the language of (b)(2).⁸³ However, a number of circuits have flatly held, based on the clear focus in the language of the rule on injunctive relief on *behalf* of the class,⁸⁴ that (b)(2) does not permit a defendant class.⁸⁵ “Always it is the alleged wrongdoer . . . who will have ‘acted or refused to act on grounds generally applicable to the class,’”⁸⁶ which means, according to this line of cases, that the wrongdoers (the defendants) cannot also *be* the class.⁸⁷

⁸¹ See Fed. R. Civ. P. 23(b)(3).

⁸² “[T]he potential defendant (b)(3) class member need only decide to opt out to be entirely free of the litigation, unless and until the plaintiffs choose to pursue him individually. Few defendants would decline to avail themselves of such an option.” Diane P. Wood, *Adjudicatory Jurisdiction and Class Actions*, 62 IND. L.J. 597, 609 (1987); see also *Henson v. E. Lincoln Twp.*, 814 F.2d 410, 413 (7th Cir. 1987) (“Henson is not interested in bringing the action under (b)(3). Any member of a defendant (as of a plaintiff) class in a (b)(3) suit can ‘opt out’ and thus not be bound by the judgment . . . Henson fears that every member of the defendant class would do just that.”); *Clark v. McDonald’s Corp.*, 213 F.R.D. 198, 225 (D.N.J. 2003) (“The possibility of a mass opt-out [from the defendant class] is a real one.”).

At least one commentator on class actions nevertheless asserts that there are certain scenarios in which defendants would voluntarily participate in a (b)(3) class and leave the laboring oar to the class representatives. CONTE & NEWBERG, *supra* note 28, § 4:62. Courts *have* certified (b)(3) defendant classes on occasion. See *Consolidated Rail Corp. v. Town of Hyde Park*, 47 F.3d 473, 475, 484–85 (2d Cir. 1995) (suit by railroad against state and local governments regarding their taxing authority); *Endo v. Albertine*, 147 F.R.D. 164, 172 (N.D. Ill. 1993) (securities case); *Alvarado Partners, L.P.*, 130 F.R.D. at 674, 676 (securities case); *Alexander Grant & Co. v. McAlister*, 116 F.R.D. 583, 587, 591 (S.D. Ohio 1987) (unspecified “misconduct” by partnership); *Thillens, Inc. v. Comty. Currency Exchange Ass’n*, 97 F.R.D. 668, 677, 682–83 (N.D. Ill. 1983) (antitrust case); *Osborn v. Pennsylvania-Del. Serv. Station Dealers Ass’n*, 94 F.R.D. 23, 24, 26 (D. Del. 1981) (antitrust case).

⁸³ See *Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971) (Defendants “have chosen to ignore the patent rights of the plaintiff. If the facts as alleged by the plaintiff are true, then the plaintiff has no alternative but to seek injunctive relief.”); *Research Corp. v. Pfister Associated Growers Inc.*, 301 F. Supp. 497, 500 (N.D. Ill. 1969) (Plaintiff’s pursuit of its infringement actions shows that “the plaintiff has acted on grounds generally applicable to the class.”), *overruled on other grounds sub nom.* *Felzer v. Andreas*, 134 F.3d 873 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968) (same reasoning as *Research*); see also *Webercraft Techs., Inc. v. Alden Press, Inc.*, 228 U.S.P.Q. (BNA) 182, 186, (N.D. Ill. 1985) (certifying a class based on the authority of in *Dale*, *Research*, and *Technograph*).

⁸⁴ “[T]he party opposing the class has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final *injunctive relief or corresponding declaratory relief with respect to the class* as a whole” FED. R. CIV. P. 23(b)(2) (emphasis added).

⁸⁵ *Tilley v. TJX Cos.*, 345 F.3d 34, 39–40 (1st Cir. 2003); *Paxman v. Campbell*, 612 F.2d 848, 854 (4th Cir. 1980) (per curiam); *Henson*, 814 F.2d at 413–17; *Thompson v. Bd. of Educ.*, 709 F.2d 1200, 1203–04 (6th Cir. 1983).

⁸⁶ *Henson*, 814 F.2d at 414 (quoting Rule 23(b)(2)).

⁸⁷ *Tilley v. TJX Cos.*, 345 F.3d 34, 39–40 (1st Cir. 2003).

Tilley v. TJX Cos.,⁸⁸ is the most damaging to a patentee of those circuit court decisions, since it involved an action for infringement, albeit copyright rather than patent.⁸⁹ In *Tilley*, the plaintiff moved to certify a defendant class of alleged copyright infringers, but the First Circuit held:

This language is quite clear: “the party opposing the class” means the opposing party in the litigation. . . . In cases involving garden-variety defendant classes, there will be no single act or refusal to act on the part of the plaintiff (the party opposing the class) that makes injunctive or declaratory relief appropriate. Rather, it will be the defendants—the members of the putative class—who allegedly have acted in the same tortious or unlawful way (here, by selling infringing articles). The language of Rule 23(b)(2) leaves no room for such a circumstance to ground certification of a defendant class. For this reason, defendant classes generally lie outside the contemplation of Rule 23(b)(2).⁹⁰

The court also noted the Advisory Committee notes for Rule 23(b)(2) reference only plaintiff classes.⁹¹

In addition, the court distinguished the one circuit court case to approve a (b)(2) class, the Second Circuit’s decision in *Marcera v. Chinlund*,⁹² on the ground that the court in *Marcera* supplied no reasoning, relied on a pre-1966 case, and limited its holding to a defendant class consisting of local public officials.⁹³ Outside of the Second Circuit, and possibly even within the Second Circuit, it is unlikely that a court will permit a (b)(2) class in a patent infringement case.⁹⁴

Another drawback of Rule 23(b)(2), even if it did apply to a defendant class, is that it requires that injunctive and declaratory relief predominate over damages.⁹⁵ One option to meet that requirement of the rule is for the court use its authority under Rule 23(c)(4)(A)⁹⁶ to limit the issues on which the class is certified to validity and claim construction issues on the ground that, in contrast to the proof on those issues, the proof regarding whether particular accused products infringe and

⁸⁸ *Id.*

⁸⁹ *Id.* at 36.

⁹⁰ *Id.* at 39–40 (footnote omitted).

⁹¹ *Id.* at 40.

⁹² 595 F.2d 1231 (2d Cir.), *vacated on other grounds sub nom.* Lombard v. Marcera, 442 U.S. 915 (1979).

⁹³ *Tilley*, 345 F.3d at 40 (citing *Marcera*, 595 F.2d at 1238). The Sixth Circuit in *Thompson v. Bd. of Educ.*, similarly to *Tilley*, generally rejected the availability of (b)(2) for a defendant class while holding open only a narrow exception for a group of local officials enforcing a state statute or uniform administrative policy. 709 F.2d 1200, 1204 (6th Cir. 1983)

⁹⁴ In the Second Circuit, *Marcera* has so far been followed only as to actions against a defendant class of government officials. *See, e.g.*, Luyando v. Bowen, 124 F.R.D. 52, 59 (S.D.N.Y. 1989) (noting that the Second Circuit’s view is in the minority). I found no reported cases following *Marcera* in certifying a (b)(2) class in other contexts.

⁹⁵ The rule itself speaks in terms of “injunctive relief or corresponding declaratory relief,” and the 1966 Advisory Committee Note states “[t]he subdivision does not extend to cases in which the appropriate final relief relates exclusively or predominantly to money damages.”

⁹⁶ “[A]n action may be brought or maintained as a class action with respect to particular issues” FED. R. CIV. P. 23(c)(4)(A).

regarding calculation of damages will diverge too significantly from defendant to defendant to enable all of those issues to be tried in one proceeding.⁹⁷ If the court followed such a route, the class issues would be limited to equitable relief in the nature of a declaratory judgment and would therefore fall under section Rule 23(b)(2).⁹⁸ The cases that have certified defendant classes have in fact tended to do so only on validity and enforceability issues, regardless of the subsections of Rule 23(b) on which the certification is based.⁹⁹

The court could also permit a Rule 23(b)(2) action for damages if the damages sought are deemed incidental to injunctive relief.¹⁰⁰ A patentee who argues that its damages request is incidental, though, needs to be aware that the circuits have taken several different approaches to determining when damages are truly incidental to the primary relief sought.¹⁰¹ Few patent infringement claims for damages would pass muster as “incidental” under the test set forth by the Fifth Circuit in *Allison v. Citgo Petroleum Corp.*¹⁰² for plaintiff class actions:

By incidental, we mean damages that flow directly from liability to the class *as a whole* on the claims forming the basis of the injunctive or declaratory relief. Ideally, incidental damages should be only those to which class members automatically would be entitled once liability to the class (or subclass) as a whole is established. . . . Moreover, such damages should at least be capable of computation by means of objective standards and not dependent in any significant way on the intangible, subjective differences of each class member’s circumstances. Liability for incidental damages should not require additional hearings to resolve the disparate merits of each individual’s case; it should neither introduce new and substantial legal or factual issues, nor entail complex individualized determinations.¹⁰³

In contrast, the Second Circuit test for a Rule 23(b) class seeking damages in addition to equitable relief is whether “even in the absence of a possible monetary

⁹⁷ *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 293 (N.D. Cal. 1978).

⁹⁸ *See Lemon v. Int’l Union of Operating Eng’rs Local No. 139*, 216 F.3d 577, 581–82 (7th Cir. 2000); *Jefferson v. Ingersoll Int’l Inc.*, 195 F.3d 894, 898 (7th Cir. 1999) (advocating limiting the Rule 23(b)(2) certification to injunctive issues in a case where both damages and equitable relief requested).

⁹⁹ *See Dale Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971); *Research Corp. v. Pfister Associated Growers Inc.*, 301 F. Supp. 497, 500 (N.D. Ill. 1969), *overruled on other grounds sub nom. Felzer v. Andreas*, 134 F.3d 873 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968) (same reasoning as *Research*); *see also Webcraft Techs., Inc. v. Alden Press, Inc.*, 228 U.S.P.Q. (BNA) 182, 186, (N.D. Ill. 1985) (certifying a class based on the authority of in *Dale*, *Research*, and *Technograph*). Even a treatise that is an advocate of defendant class actions contemplates in patent cases “the disposition of common issues followed by separate trials for class members on the individual issues.” CONTE & NEWBERG, *supra* note 28, § 4:60; *see also In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 293 (N.D. Cal. 1978) (“[D]efendant class actions are commonly used in a conservative fashion to adjudicate less than the whole controversy.”).

¹⁰⁰ *Lemon*, 216 F.3d at 580.

¹⁰¹ *Molskli v. Gleich*, 318 F.3d 937 (9th Cir. 2003).

¹⁰² 151 F.3d 402 (5th Cir. 1998).

¹⁰³ *Id.* at 415 (emphasis in original; citations omitted); *see also Murray v. Auslander*, 244 F.3d 807, 812 (11th Cir. 2001); *Lemon*, 216 F.3d at 580–81.

recovery, reasonable plaintiffs would bring the suit to obtain the injunctive or declaratory relief sought” because “[i]nsignificant or sham requests for injunctive relief should not provide cover for (b)(2) certification of claims that are brought essentially for monetary recovery.”¹⁰⁴ Since, as discussed below, injunctive relief should seldom be deemed “insignificant” in a patent infringement case, the Second Circuit standard for determining when injunctive relief predominates combined with the Second Circuit recognition of a Rule 23(b)(2) defendant class in *Marcera*¹⁰⁵ makes the Second Circuit the most hospitable forum—so far the only hospitable forum—for a Rule 23(b)(2) defendant class action seeking damages for patent infringement.

Injunctive relief in some instances may be the primary relief sought in patent litigation; the injunction that a patent owner may receive after a finding of liability is one of the more powerful weapons patent law places in the hands of the patentee, and much in the public eye at the time of this writing.¹⁰⁶ However, if the prospect of past damages is the driving force behind the patentee’s litigation efforts, or if injunctive relief is irrelevant (for example, if all of the infringers have already implemented a non-infringing workaround or if the patent has expired) then a (b)(2) class is not likely to further the patentee’s goals, even if the patentee is fortunate enough to be before the rare court that recognizes defendant class actions under (b)(2).

2. Rule 23(b)(1)

With (b)(3) certification likely to be ineffective and (b)(2) certification likely to be unavailable, the patentee is left with (b)(1) as the most promising avenue for class certification.

Subsections (b)(1)(A) and (B) set forth two types of class actions involving the “risk” caused by separate actions.¹⁰⁷ Subsection (b)(1)(A) provides for a class action

¹⁰⁴ *Robinson v. Metro-N. Commuter R.R.*, 267 F.3d 147, 164 (2d Cir. 2001). In *Molskli v. Gleich*, the Ninth Circuit also declined to follow *Allison* in determining when a (b)(2) action seeking damages is permissible and instead announced that it would “examine the specific facts and circumstances of each case . . . and the intent of the plaintiffs in bringing the suit.” 318 F.3d 937, 950 (9th Cir. 2003) (concluding in that particular case that “injunctive relief appeared to be the primary goal in the litigation”).

¹⁰⁵ *Marcera v. Chinlund*, 595 F.2d 1231 (2d Cir. 1979).

¹⁰⁶ *eBay Inc. v. MercExchange, L.L.C.*, No. 05-130, 2006 U.S. LEXIS 3872 (May 15, 2006) (addressing the standard for granting a permanent injunction against an infringer); Heather Green, *NTP Sticks It to RIM*, Dec. 15, 2005, BUSINESS WEEK ONLINE, http://www.businessweek.com/technology/content/dec2005/tc20051215_806425.htm?campaign_id=search (“the U.S. District Court in Virginia overseeing the case is expected to decide as early as next month whether to uphold an earlier injunction that would in effect shut down the Blackberry e-mail service in the U.S.”); Ian Austen, *Bye Bye Blackberry?*, N.Y. TIMES, Dec. 3, 2005, at C1 (“[A] long-running patent infringement battle between the maker of Blackberry, Research In Motion, and NTP, a tiny patent holding company, might cause a service shutdown.”); Grace Wong, *Blackberry Blackout Could Be Costly*, Jan. 24, 2006, CNNMoney.com, <http://money.cnn.com/2006/01/24/technology/blackberry/index.htm> (“Research in Motion . . . was dealt a setback Monday after the Supreme Court turned down a request to review a major patent infringement ruling against it. RIM now faces a possible injunction that could result in service disruptions to its more than 4 million users.”).

¹⁰⁷ FED. R. CIV. P. 23(b)(1)(A), (b)(1)(B).

where separate actions create the risk of “inconsistent or varying adjudications with respect to individual members of the class which would establish *incompatible standards of conduct* for the party opposing the class.”¹⁰⁸ The key is whether the party opposing the class will face a “dilemma”¹⁰⁹ by which in obeying one court’s order it violates another’s.

There is some authority for invoking Rule 23(b)(1)(A) as justification for a defendant class action in a patent case due to the problem of inconsistent validity determinations, but these decisions simply note the possibility of inconsistent results without really grappling with the “incompatible standards of conduct” requirement of (b)(1)(A).¹¹⁰

The contrary view, set forth in *Winder Licensing, Inc. v. King Instrument Corp.*,¹¹¹ should be more persuasive to a court. As *Winder* notes, while multiple patent cases may lead to different results, the patentee will never be in danger of the court imposing “incompatible standards of conduct” on it:

Even when injunctive relief is sought . . . at worst inconsistent or varying adjudications would result in the patent’s [sic] being enforceable against some but not other alleged patent infringers. Although the ways in which a plaintiff may be required to act with respect to different parties may be inconsistent, they would not be incompatible since the plaintiff would not find itself with court orders both permitting and prohibiting the enforcement of the patent against a *particular* alleged patent infringer. Consequently, this court finds the cases denying class certification under Rule 23(b)(1)(A) under these circumstances to be better reasoned, and so follows them.¹¹²

¹⁰⁸ FED. R. CIV. P. 23(b)(1)(A).

¹⁰⁹ The 1966 Advisory Committee Notes state that a (b)(1)(A) “class action can be used effectively to obviate the actual or virtual dilemma which would thus confront the party opposing the class.” FED. R. CIV. P. 23(b)(1)(A) Advisory Committee Note (1966).

¹¹⁰ See *Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971); *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 499–500 (N.D. Ill. 1968), *overruled on other grounds sub nom. Felzer v. Andeas*, 134 F.3d 873 (7th Cir. 1998); *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 722 (N.D. Ill. 1968). A later case similarly equates inconsistent results with incompatible standards of conduct. *Standal’s Patents Ltd. v. Weyerhaeuser Co.*, 2 U.S.P.Q.2d (BNA) 1185, 1190 (D. Ore. 1986) (certifying class under (b)(1)(A)).

¹¹¹ 130 F.R.D. 392 (N.D. Ill. 1990).

¹¹² *Id.* at 394 (emphasis added);

[A]lthough absent a class action, Webcraft would be forced to separately sue each alleged infringer, this does not establish incompatible standards of conduct for Webcraft. Webcraft would merely be faced with the possibility of recovery in one case and none in the other. This state of affairs hardly throws Webcraft on the horns of a dilemma as contemplated by Rule 23(b)(1)(A)

Webcraft Techs., Inc. v. Alden Press, Inc., 228 U.S.P.Q. (BNA) 182, 185–86 (N.D. Ill. 1985) (citations omitted); see also 8 CHISUM, *supra* note 1, § 21.03(7)(d) (“It would seem that condition (A) will normally not exist in patent infringer class situations. While a patentee may recover against some accused infringers but not against others, such does not put him/her under any dilemma or inconsistent standards of conduct.”) (footnote omitted); 5 JAMES WM. MOORE, MOORE’S FEDERAL PRACTICE § 23.41(7)(b) (2005) (“Incompatibility would exist only if one court order permitted the enforcement of the patent against that same alleged infringer and another court order prohibited the enforcement of the patent against that same alleged infringer.”).

It thus appears that adherence to the text of Rule 23 will in this instance trump the patentee's interest in avoiding having one adverse validity ruling undo any previous favorable ones.¹¹³ In fact, one district court has taken the position that the collateral estoppel effect of an invalidity determination is a reason to *withhold* class action certification, stating that "*Blonder-Tongue, Inc. v. University of Illinois Foundation*. . . has greatly reduced the risk of inconsistent adjudications within the meaning of subsection (b)(1)(A)," since "[a] finding of invalidity in one suit would estop [the patent owner], in most situations, from further litigating the patent's validity in subsequent actions."¹¹⁴

While (b)(1)(A) thus looks like a dubious basis for a defendant class action in a patent case, (b)(1)(B) presents "a closer question."¹¹⁵ Section (b)(1)(B) focuses on prejudice to the absent class members, the risk that "adjudications with respect to individual members of the class . . . would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests."¹¹⁶ "This clause takes in situations where the judgment in a nonclass action by or against an individual member of the class, while not technically concluding the other members, might do so as a practical matter"¹¹⁷ such as when there are multiple claimants on a limited fund.¹¹⁸

A patentee's reason for bringing a class action, though, does not fit well with the purpose of this section of the rule. The patentee will want all of the eggs in one basket in order to avoid the risk that an initial favorable decision on claim construction or validity will not be followed by other courts in which actions are pending. The impairment in a defendant class action under (b)(1)(B), however, must be to the rights of parties *opposing* the class action, the "absent class members," rather than the proponent of the class action who, in this context, is the patentee.¹¹⁹ An impediment to the patentee in future cases would not fall under the literal language of the rule.¹²⁰ As the court in *Webercraft* pointed out, section (b)(1)(B) applies "where separate actions would *harm* the absent members," but in a patent case "one adjudication of invalidity would virtually preclude [the patentee] from any further litigation. Therefore, separate actions might *benefit* rather than harm the class."¹²¹ In other words, alleged infringers not a party to the first action can take a wait-and-see approach, since a pro-plaintiff result will not preclude subsequent defendants

¹¹³ That interest is discussed in Section I, *supra*.

¹¹⁴ *Webercraft*, 228 U.S.P.Q. (BNA) at 185; *see also* D. Klein & Son Inc. v. Giant Umbrella Co., 179 U.S.P.Q. (BNA) 34, 36 (S.D.N.Y. 1972) ("Inconsistent or varying adjudications is exactly what is contemplated by the *Blonder-Tongue* doctrine . . .").

¹¹⁵ 8 CHISUM, *supra* note 1, § 21.03(7)(d).

¹¹⁶ FED. R. CIV. P. 23(b)(1)(B).

¹¹⁷ FED. R. CIV. P. 23(b)(1)(B) Advisory Committee Note (1966).

¹¹⁸ "The most common use of Rule 23(b)(1)(B) class actions is in 'limited fund' cases." MOORE, *supra* note 112, § 23.42(2)(a); *see also* *Ortiz v. Fibreboard Corp.*, 527 U.S. 815, 834–36 (1999).

¹¹⁹ FED. R. CIV. P. 23(b)(1)(B) (emphasizing that the court will focus on the party opposing the class certification).

¹²⁰ *In re Yarn Processing Patent Litig.*, 56 F.R.D. 648, 654 (S.D. Fla. 1972) ("The only impediment created is one for the patentee, not the other class members.").

¹²¹ *Webercraft Techs., Inc. v. Alden Press, Inc.*, 228 U.S.P.Q. (BNA) 182, 186 (N.D. Ill. 1985) (second emphasis added).

from raising the same arguments that were unsuccessful in the first case to go to trial, while, in the event of an earlier pro-defendant result, the subsequent defendants can free ride by invoking the *Blonder-Tongue* doctrine as to an invalidity ruling and by (possibly) invoking collateral estoppel as to the *Markman* ruling. As a result, even if the patentee claims with a straight face to have the interests of absent defendant class members at heart, the court should not necessarily agree, especially where absent members are not clamoring to join the litigation.

Furthermore, despite the likely persuasive effect from an earlier claim construction or validity decision, defendants can argue that that effect does not constitute the impairment required by (b)(1)(B). Indeed, *stare decisis* is generally not considered sufficient impairment of absent class members' interests to justify certification under (b)(1)(B).¹²² Courts instead apply a "precedent plus" standard under (b)(1)(B), which requires precedential effect plus some other factor in order to justify certification under this section of Rule 23.¹²³

The patentee nonetheless might still make a case that the *practical*, real-world effect of a court's validity ruling or the court's claim construction ruling goes beyond mere precedent and amounts to substantial impairment of class members' interests sufficient to certify the class under (b)(1)(B). Courts are likely to defer—not just as a matter of comity but also to conserve scarce judicial resources—to the first court that undertakes the formidable tasks, unique to a patent case, of studying the patents at issue, learning the underlying technology, reviewing highly technical expert reports and testimony, and then issuing detailed claim construction and validity rulings.¹²⁴

There is some support in the case law for such an argument. Early cases to certify patent defendant class actions under Rule 23(b)(1)(B) in fact cited to the "great weight" courts would give a prior ruling out of a sense of comity.¹²⁵ In addition, the First Circuit in the more recent copyright infringement case, *Tilley v. TJX Cos.*, although reversing the trial court's certification of a defendant class of infringers on the basis of *stare decisis* only, noted that the trial court had "hinted at other (unelucidated) bases for an impairment of rights," and, with a wink and a nudge, sent the case back to the trial court with instructions that it was "free on remand to explore whether some suitable basis for class certification in fact exists."¹²⁶

¹²² *Tilley v. TJX Cos.*, 345 F.3d 34, 42 (1st Cir. 2003) (defendant class action case) (collecting cases); WRIGHT ET AL., *supra* note 48, § 1774; MOORE ET AL., *supra* note 112, § 23.42(3)(a), (5); *see also* Nat'l Union Fire Ins. Co. v. Midland Bancor., Inc., 158 F.R.D. 681, 683, 687–88 (D. Kan. 1994) (defendant class action case).

¹²³ *Tilley*, 345 F.3d at 42–43.

¹²⁴ While invalidity, unlike claim construction, is not a strictly legal issue, it is nevertheless a frequent subject of summary judgment practice.

¹²⁵ *Technograph Printed Circuits, Ltd. v. Methode Elecs., Inc.*, 285 F. Supp. 714, 723 (N.D. Ill. 1968); *see also* *Research Corp. v. Pfister Associated Growers, Inc.*, 301 F. Supp. 497, 500 (N.D. Ill. 1969) ("more than the usual weight"), *overruled on other grounds sub nom. Felzer v. Andreas*, 134 F.3d 873 (7th Cir. 1998). The court also invoked "[t]he difficulty of subject matter inherent in most patent cases." *Id. Cf. Dale Elecs. v. R.C.L. Elecs., Inc.*, 53 F.R.D. 531, 537 (D.N.H. 1971) (stating that courts will give a prior ruling only "some weight," but nevertheless certifying under (b)(1) because "[a] final determination at one time and one place of either validity or invalidity will eliminate once and for all any uncertainty as to the status of these patents").

¹²⁶ 345 F.3d. at 43. The court also recognized, more generally, that class certification could be "an attractive device in cases such as *Tilley's* (in which a single copyright holder seeks to prevent continued infringement on the part of many defendants who sell identical articles)." *Id.*

A case in which an insurer brought a declaratory judgment class action against a potential claimant supplies a similar rationale for recognizing a class action under (b)(1)(B) in patent cases.¹²⁷ In *Employers Ins. of Wausau v. Federal Deposit Insurance Corp.*,¹²⁸ the court, in denying certification under Rule 23(b)(1)(B), distinguished the case before it from “multi-forum patent infringement suits:”

It appears to the undersigned that it has only been in the area of multi-forum patent infringement suits that the courts have granted class certification due to the weight one court may give to another court’s determination on questions of patent validity, misuse and fraud. However, *these decisions reflect that factors such as the inherent difficulty of the subject matter in patent cases and the expense involved have lead these courts to reason that a later court would probably accord great weight to its decision on the same subject matter*, and impede the ability of the nonparty class members to protect their interests. Furthermore, in these patent cases, given the sensitivity of the marketplace, individual adjudications adverse to the interests of a class of alleged infringers could, as a practical matter, be dispositive of the rights of other retailers, manufacturers or wholesalers, and accordingly warrant certification under Rule 23(b)(1)(B).¹²⁹

In another insurance case, the court similarly held that a precedential or *stare decisis* effect was not enough to justify certification of a defendant class under Rule 23(b)(1)(B), but then cited *Employers Ins. of Wausau* for the proposition that “[a]n exception to this rule may exist in the area of multi-forum patent infringement cases.”¹³⁰

The patentee could thus derive from case law some support for the argument that the complexity of substantive patent law may as a practical matter give the initial rulings on validity and claim construction issues much more precedential effect than rulings in other areas of law.¹³¹ For a court sympathetic to the patentee’s goals of consistent, definitive rulings, this argument may tip the balance in favor of certification under Rule 23(b)(1)(B), especially when coupled with the admonitions of the Supreme Court and Federal Circuit that there should be uniformity in claim construction rulings.¹³²

¹²⁸ 112 F.R.D. 52 (E.D. Tenn. 1986).

¹²⁹ *Id.* at 56–57 (emphasis added; citations omitted).

¹³⁰ Nat’l Union Fire Ins. Co. v. Midland Bancor, Inc., 158 F.R.D. 681, 687 n.5 (D. Kan. 1994).

¹³¹ In addition, the court in *Tilley* noted in dicta that “precedent plus” might be supplied by “marketplace sensitivity” to a patent validity or infringement suit, meaning, apparently, that the customers of alleged infringers would treat the first case to go to trial as a bellwether and be reluctant to deal with any of the alleged infringers, even those not bound by the court’s judgment. *Tilley*, 345 F.3d at 42–43 (citing CONTE & NEWBERG, *supra* note 28, § 4:10 for “marketplace sensitivity”).

¹³² *Markman*, 517 U.S. at 390 (“[W]e see the importance of uniformity in the treatment of a given patent as an independent reason to allocate all issues of construction to the court.”); *Cybor*, 138 F.3d at 1455 (reasoning that “this court’s role in providing national uniformity to the construction of a patent claim . . . would be impeded” if claim construction were viewed as a mixed fact-legal question).

3. Summary As to the Rule 23(b) Categories

As we have seen, in order to fit the class allegations into one of the Rule 23(b) categories, the patentee will be forced to rely on policy arguments to trump textual rigor as to all categories but Rule 23(b)(3), the latter of which will most likely not be a practical option due to its “opt-out” provision.¹³³ As to the other categories, Rule 23(b)(1)(B) is the most promising, but overall, the 23(b) requirements will be a major obstacle to convincing a court to certify a class of infringers.

IV. DUE PROCESS ASPECTS OF A DEFENDANT CLASS: ANOTHER POTENTIAL HURDLE

Lastly, even if the patentee’s class allegations meet the requirements of Rule 23, a constitutional challenge lurks when the patent owner seeks money damages, since courts and commentators have raised due process concerns as to entering a money judgment against a class where the court lacks personal jurisdiction over some of the class members.¹³⁴

The due process issue derives primarily from the Supreme Court’s comments in *Phillips Petroleum Co. v. Shutts*.¹³⁵ In *Shutts*, the Court held that due process required that absent plaintiff class members, i.e., plaintiff class members over whom the trial court lacked personal jurisdiction, be given notice and an opportunity to opt out, just as in a class action certified under F.R.C.P. 23(b)(3).¹³⁶

The court limited its holding to actions for money damages.¹³⁷ The court also expressly stated that it was not ruling on the due process requirements for absent members of a *defendant* class.¹³⁸ As the Seventh Circuit noted though, the reasoning of *Shutts* strongly implied that the same notice and opt-out protections would be required in defendant class actions: “throughout its discussion . . . [the court] frequently drew comparisons between the position of absentee plaintiff class members and defendants, and virtually every one of those comparisons implied that defendants, have, if anything, greater rights.”¹³⁹ In the same case, the Seventh

¹³³ FED. R. CIV. P. 23(b)(3).

¹³⁴ *Phillips Petroleum Co. v. Shutts*, 472 U.S. 797, 811–12 (1985).

¹³⁵ 472 U.S. 797 (1985).

¹³⁶ *Id.* at 811–12. *Shutts* actually involved a state-law equivalent of F.R.C.P. 23, but the court referenced the opt out provisions of the federal rule in explaining what is required. *Id.*

¹³⁷ *Shutts*, 472 U.S. at 811 n.3.

¹³⁸ *Id.*

¹³⁹ *Ameritech Benefit Plan Comm. v. Comm’n Workers of Am.*, 220 F.3d 814, 820 (7th Cir. 2000). An example of the kind of comments the court panel in *Ameritech* may have had in mind is the remark in *Shutts* that, “[i]n sharp contrast to the predicament of a defendant haled into an out-of-state forum, the plaintiffs in this suit were not haled anywhere to defend themselves upon pain of a default judgment.” *Shutts*, 472 U.S. at 809.

In contrast to the approach in *Ameritech*, at least one court has asserted that the court in *Shutts* excluded defendant classes from its holding because the due process issue regarding absent class members would not arise in the context of a defendant class, in that “the forum court must have personal jurisdiction over each member of a defendant class.” *Whitson v. Heilig-Meyers Furniture, Inc.*, No. CV 94-PT-0309-E, 1995 U.S. Dist. LEXIS 4312, at *49 n.17 (N.D. Ala. Feb. 9, 1995). As discussed in Section I *supra*, however, there is authority for the proposition that personal jurisdiction over all of the defendant class members is *not* required, which would negate the basis

Circuit also noted, in dicta, the general due process concerns that defendant classes invoke: “Defendant classes, initiated by those opposed to the interests of the class, are more likely than plaintiff classes to include members whose interests diverge from those of the named representatives, which means they are more in need of the due process protections afforded by (b)(3)’s safeguards.”¹⁴⁰ More specifically, “[r]isks of diverging interests are particularly high in actions seeking monetary remedies.”¹⁴¹

The Supreme Court, subsequent to *Shutts*, also raised the possibility that due process and Seventh Amendment rights might preclude certification of a case for money damages under the “mandatory” class action categories of (b)(1) and (b)(2) (i.e., those that do not permit opting out by unwilling class members) altogether—regardless of whether the class is of plaintiffs or defendants, and regardless of whether the court has personal jurisdiction over the parties.¹⁴²

The Court, though, has not gone further than hinting at the constitutional issue, so the law as it stands is that there is no absolute due process barrier to a mandatory defendant class action. Well-established case law in fact holds that due process in some circumstances permits absent class members to be bound.¹⁴³ The general test on whether absent parties are bound by a class action judgment, as stated by the Supreme Court in *Hansberry v. Lee*, is that the absent class members will be bound as long as the named parties adequately represent the class.¹⁴⁴

Hansberry involved a plaintiff class, but the Court later applied this principle in an oblique fashion to defendant classes in *Sam Fox Publishing Co. v. United States*.¹⁴⁵ In *Sam Fox*, in commenting on parties who were attempting to intervene as of right to challenge a defendant class action settlement, the Court noted the paradox in the intervenors’ argument: to intervene under Rule 24(a) the appellants would have to show that they were not adequately represented in the class action and that they might be bound by the judgment in the class action; yet, if the parties truly were not adequately represented, then they would not be bound by the

for the court’s speculation in *Whitson* as to why the Court limited its holding in *Shutts* to plaintiff classes.

¹⁴⁰ *Ameritech*, 220 F.3d at 820.

¹⁴¹ *Id.*

¹⁴² See *Coleman v. GMAC*, 296 F.3d 443, 447 (6th Cir. 2002) (citing *Ortiz v. Fibreboard Corp.*, 527 U.S. 815, 846 (1999); *Ticor Title Ins. Co. v. Brown*, 511 U.S. 117, 121 (1994); *Tilley v. TJX Cos.*, 345 F.3d 34, 43 n.8 (1st Cir. 2003) (expressly not reaching the due process issue)).

¹⁴³ *Hansberry v. Lee*, 311 U.S. 32, 42–43 (1940) (citing *Plumb v. Goodnow’s Adm’r*, 123 U.S. 560 (1887)).

¹⁴⁴ 311 U.S. 32, 42–43 (1940).

Courts are not infrequently called upon to proceed with causes in which the number of those interested in the litigation is so great as to make difficult or impossible the joinder of all because some are not within the jurisdiction In such cases where the interests of those not joined are of the same class as the interests of those who are, and where it is considered that the latter fairly represent the former in the prosecution of the litigation of the issues in which all have a common interest, the court will proceed to a decree.

Id. at 41–42.

¹⁴⁵ 366 U.S. 683 (1961).

judgment under the test set forth in *Hansberry*.¹⁴⁶ The underlying assumption in this discussion was that the *Hansberry* test would also apply to a defendant class.¹⁴⁷

Similarly, the Second Circuit in *Marcera* later held that there is no due process bar to injunctive relief against absentee defendant class members as long as they were adequately represented in the suit.¹⁴⁸ One district court case in the Second Circuit following *Marcera* emphasized that *Shutts* limited its holding to claims for money damages and that “[n]o convincing reasons have been offered to expand the rule of *Shutts*’ to cases seeking equitable relief.¹⁴⁹ The court noted that absent, yet adequately represented, defendant class members would be bound.¹⁵⁰

The general tendencies that emerge from this still unsettled area of class action law are that courts are relatively comfortable with binding absent defendant class members to equitable decrees such as an injunction or declaratory judgment¹⁵¹ if the class members are deemed to be adequately represented by the named defendants,¹⁵² but they will be reluctant to certify an action for money damages against a class without granting opt-out rights, which, as noted above, will in most instances be fatal to a defendant class action.

The most that a patentee should realistically expect from the class action device, then, is a ruling on validity issues and claim construction issues, with separate trials over individual defendants on infringement and damages, and with some of those individual defendants needing to be pursued in other jurisdictions to collect damages.¹⁵³ Claim construction, though, is often case-dispositive,¹⁵⁴ and in many

¹⁴⁶ *Id.* at 688, 691. The Court’s interpretation of the interest required to intervene as of right became inapplicable to Rule 24 after it was amended in 1966. *Atlantis Dev. Corp. v. United States*, 379 F.2d 818, 822 (5th Cir. 1967).

¹⁴⁷ *See* *Thillens Inc. v. Cmty. Currency Exchange Ass’n*, 97 F.R.D. 668, 674 (N.D. Ill. 1983) (citing *Sam Fox* as applying the *Hansberry* test to defendant classes).

¹⁴⁸ *Marcera v. Chinlund*, 595 F.2d 1231, 1240 n.13 (2d Cir. 1979), *vacated on other ground sub nom.* *Lombard v. Marcera*, 442 U.S. 915 (1979).

¹⁴⁹ *Major League Baseball Properties Inc. v. Price*, 105 F. Supp. 2d 46, 55 (E.D.N.Y. 2000).

¹⁵⁰ *Id.*

¹⁵¹ There is nothing unusual about a federal injunction binding non-parties. Every injunction issued by a federal court is binding not just upon the parties but also “those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.” FED. R. CIV. P. 65(d).

¹⁵² Courts also tend to require, as a due process matter, that plaintiff attempt to send notice to all members of the defendant class, regardless of which subsection of 23(b) under which the class is certified. *Webcraft Techs., Inc. v. Alden Press, Inc.*, 228 U.S.P.Q. (BNA) 182, 186 (N.D. Ill. 1985); *Thillens, Inc.*, 97 F.R.D. at 675; *In re Gap Stores Sec. Litig.*, 79 F.R.D. 283, 291 (N.D. Cal. 1978).

¹⁵³ CONTE & NEWBERG, *supra* note 28, § 4:49.

Personal jurisdiction over each member is required before an effective personal judgment can be reached against that member individually, so that collateral proceedings potentially in a variety of forums will generally be required subsequent to a finding of liability against a class of defendants in order for the plaintiff to realize any judgment for monetary relief against any particular member of a defendant class.

Id.

¹⁵⁴ *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 540 (Fed. Cir. 1998) (“In this case, as so often occurs, the question of literal infringement was resolved upon the court’s construction of the claims.”); *Markman*, 52 F.3d at 989 (Mayer, J., concurring) (“[T]o decide what the claims mean is nearly always to decide the case.”); *id.* at 999 (Newman, J., dissenting) (“Deciding the meaning of the words in the patent is often dispositive of the question of infringement.”); *Lucas Aerospace, Ltd.*

cases the defendants' chief hope of escaping liability is a declaration of invalidity. Thus, a patentee who emerges from the class action proceeding with a favorable *Markman* ruling and a declaration of validity should normally be in a very strong position; one would think many of the defendants would settle at this point, with the case all over but for the numbers-crunching on damages. Such a result is well worth pursuing. The trick, given the state of case law, will be getting a class certified in the first place.

V. CONCLUSION

We have seen that the assertion that recognition of defendant class actions is "common" in patent cases is not necessarily true, and that the pursuit of a defendant class action is fraught with complex legal issues. Class actions are also not a cure-all for the problems of inconsistent or potential inconsistent rulings since those problems will potentially exist as to any patent infringed by multiple parties. Furthermore, the class action procedure can be invoked only in those relatively rare situations where there are more than a handful of class members. The advantages are such, though, that patentees who are faced with a large number of infringers should definitely make the effort to convince the courts to reinvigorate the use of the defendant class action in patent cases.

v. Unison Indus., L.P., 890 F. Supp. 329, 332 n.3 (D. Del. 1995) ("[C]laim construction more often than not determines the outcome on infringement."); Craig Allen Nard, *A Theory of Claim Interpretation*, 14 HARVARD J. L. & TECH. 1, 3 (2000) ("[T]he patent claim defines the proprietary boundaries of the invention, and determining where exactly these boundaries reside is often dispositive of such crucial issues as patent validity and infringement.") (footnote omitted).