IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
WICHITA FALLS DIVISION

NEWCO ENTERPRISES, LLC,	§	
Plaintiff/Counter-Defendant,	§	
v.	§	
SUPER HEATERS NORTH DAKOTA, LLC,	§	
Defendant/Counter-Claimant,	§	
	§	**Civil Action No. 7:14-cv-00087-O**
SUPER HEATERS, LLC, and HEAT ON-THE-FLY, LLC,	§	
Third-Party Plaintiffs,	§	
v.	§	
RONALD CHANDLER,	§	
Third-Party Defendant.	§	

ORDER

Before the Court are Super Heaters North Dakota, LLC ("SHND"), Super Heaters, LLC ("SH"), and Heat On-The-Fly, LLC's ("HOTF") (collectively, "Super Heaters Parties") Motion to Amend Counterclaim and Third-Party Petition and to Join Parties and Brief in Support (ECF Nos. 25–26), filed December 1, 2014; Newco Enterprises, LLC ("Newco") and Ronald Chandler's ("Chandler") (collectively, "Newco Parties") Response and Brief and Appendix in Support (ECF Nos. 28–30), filed December 5, 2014; and Super Heaters Parties' Reply (ECF No. 31), filed December 12, 2014. Having considered the motion, related briefing, and applicable law, the Court

finds that it should be and is hereby **GRANTED**.

I. BACKGROUND

Plaintiff Newco initiated a breach of contract action against Defendant SHND in the District Court for the 30th Judicial District of Wichita County, Texas. *See* Notice Removal Ex. D-1 (Original Pet.), ECF No. 1. According to the Original Petition, both entities agreed, under "The Purchase, Use and License Agreement," that Newco would sell Oil-Fired Frac Water Heaters exclusively to SHND, that Newco would have the exclusive right to use these water heaters, and that SHND would pay a monthly royalty to Newco. *Id.* at 2–3. Newco alleged that SHND failed to pay royalties due under the contract, and Newco sought damages and declaratory relief. *Id.* at 6.

On July 18, 2014, the Super Heaters Parties filed their Original Counterclaim and Third-Party Petition, alleging breach of contract (Count I) and asserting claims arising under patent law (Counts II–IV). Notice Removal 2–3, ECF No. 1. The Super Heaters Parties asserted claims for correction of inventorship of U.S. Patent No. 8,534,235 ("the 235 Patent") under 35 U.S.C. § 256 (Count II); for direct infringement of the 235 Patent under 35 U.S.C. § 271 (Count III); and for inducing infringement of U.S. Patent No. 8,171,993 ("the 993 Patent") under 35 U.S.C. § 271 (Count IV). *See* Notice Removal Ex. D-7 (Original Countercl. & Third-Party Pet.), ECF No. 1. The claims arose from the Newco Parties' manufacturing and sales of water heaters to competitors of the Super Heaters Parties in breach of the contract. Notice Removal 3, ECF No. 1.

The action was removed to this Court on July 25, 2014. In accordance with the parties' stipulation, the Court dismissed without prejudice the portion of Count I of the Original Counterclaim and Third-Party Petition that was asserted on behalf of HOTF. Order Granting Stip. Partial Dismissal, Aug. 29, 2014, ECF No. 20. The Court also dismissed without prejudice the

portions of Counts II–IV that were asserted by SHND and SH. *Id.*

The Super Heaters Parties now move to amend their Original Counterclaim and Third-Party Petition to add claims for direct and induced patent infringement against Chandler Mfg., LLC and SuperTherm Fluid Heating Services, LLC. *See* Super Heaters Parties' Motion Am., ECF No. 25. The motion was timely filed on the Court's December 1, 2014 deadline. *See* Scheduling Order 3, Aug. 29, 2014, ECF No. 17. The motion has been fully briefed and is ripe for determination.

I. LEGAL STANDARDS

A. Federal Rule of Civil Procedure 15(a)

Under Federal Rule of Civil Procedure 15(a), "'leave to amend shall be freely given when justice so requires,' and should be granted absent some justification for refusal." *U.S. ex rel. Willard v. Humana Health Plan of Tex. Inc.*, 336 F.3d 375, 386 (5th Cir. 2003).

B. Leahy–Smith America Invents Act

Although Federal Rule of Civil Procedure 20 generally governs joinder, the Leahy–Smith America Invents Act ("AIA"), 35 U.S.C. § 299, governs actions involving patents. *Smartflash LLC v. Apple, Inc.*, No. 6:13-CV-447, 2014 WL 4421657, at *1-2 (E.D. Tex. Sept. 8, 2014). Under the AIA, patent defendants or counterclaim defendants may be joined only if:

> (1) Any right to relief is asserted against the parties jointly, severally, or in the alterative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
>
> (2) Questions of fact common to all defendants or counterclaim defendants will arise in the action.

Id. at *1-2 (quoting 35 U.S.C. § 299(a)).

"The AIA's joinder requirement is more stringent than Rule 20," adding the "requirement that the transaction or occurrence must relate to making, using, or selling of the same accused product or process." *Summit 6 LLC v. HTC Corp.*, No. 7:14-CV-0014-O, 2014 WL 4449821, at *14 (N.D. Tex. Sept. 10, 2014) (O'Connor, J.) (citing *In re Nintendo*, 544 F. App'x 934, 939 (Fed. Cir. 2013)); *see also In re EMC Corp.*, 677 F.3d 1351, 1359 (Fed. Cir. 2012) ("[J]oinder is not appropriate where different products or processes are involved.").

"[D]istrict courts have the discretion to refuse joinder in the interest of avoiding prejudice and delay, ensuring judicial economy, or safeguarding principles of fundamental fairness." *Smartflash*, 2014 WL 4421657, at *2 (citing *In re EMC*, 677 F.3d at 1360).

III. ANALYSIS

The Super Heaters Parties' motion to join parties satisfies the requirements of the AIA. *See* 35 U.S.C. § 299(a). The motion seeks to add Chandler Mfg. and SuperTherm, two entities that are owned, operated, and controlled by Chandler. Super Heaters Parties' Mot. Am. Ex. A (Prop. Am. Countercl. & Third-Party Pet.), ¶¶ 6–7, ECF No. 25. As alleged, the action arises from the same patents and involves the same infringing acts. *See id.* at ¶¶ 44–59. The only new claim, direct patent infringement of the 993 Patent, will not cause prejudice because the alleged direct infringement would have been a component of the indirect patent infringement that had already been pleaded. *See id.* at ¶¶ 48–55. Further, the motion was timely filed, such that a continuance would not be necessary. *See* Scheduling Order 3, Aug. 29, 2014, ECF No. 17.

Under Federal Rule of Civil Procedure 15(a), "'leave to amend shall be freely given when justice so requires,' and should be granted absent some justification for refusal." *U.S. ex rel. Willard*, 336 F.3d at 386. The Newco Parties opposing the motion have presented no valid justifications to

refuse amendment or joinder. Instead, the Newco Parties raise a separate issue, arguing that the Court should stay the case or reschedule trial until after a similar action involving the validity of the 993 Patent has concluded. Newco Parties' Br. Resp. Mot. Am. 2, ECF No. 29. However, the Court will consider the question of whether to grant a stay or amend its Scheduling Order only upon a proper motion by a party. The Newco Parties also contend that they would be burdened because of the financial cost of litigation. However, the burden would fall primarily on the parties which are to be added and not the Newco Parties, and, moreover, the burden of litigation is not a sufficient reason for denying a motion to amend. *See U.S. for & on Behalf of Mar. Admin. v. Cont'l Ill. Nat. Bank & Trust Co. of Chicago*, 889 F.2d 1248, 1255 (2d Cir. 1989) ("In any event, the adverse party's burden of undertaking discovery, standing alone, does not suffice to warrant denial of a motion to amend a pleading."). In summary, the Court finds that granting leave to amend will not prejudice the opposing parties and therefore is appropriate.

IV. CONCLUSION

For the foregoing reasons, the Court **GRANTS** the Super Heaters Parties' Motion to Amend Counterclaim and Third-Party Petition and to Join Parties (ECF No. 25).

SO ORDERED on this **19th day** of **December, 2014**.

Reed O'Connor
UNITED STATES DISTRICT JUDGE