

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

eSPEED, INC.; CANTOR FITZGERALD,)
L.P.; and CFPH, L.L.C.,)
)
Plaintiffs,)
)
v.) Civil Action No. 03-612-KAJ
)
BROKERTEC USA, L.L.C.; BROKERTEC)
GLOBAL, L.L.C.; GARBAN, LLC; ICAP)
PLC; OM AB; and OM TECHNOLOGY)
(U.S.), INC.,)
)
Defendants.)

MEMORANDUM ORDER

I. INTRODUCTION

This is a patent infringement case. Jurisdiction is proper under 28 U.S.C. § 1338. Presently before me is the Defendants’ Motion to Sever Plaintiffs’ Claim Against Garban LLC.¹ (Docket Item [“D.I.” 248; the “Motion”].) For the reasons that follow, the Defendants’ Motion will be denied.

II. BACKGROUND²

ICAP PLC (“ICAP”) acquired BrokerTec USA L.L.C. (“BrokerTec”) and Garban LLC (“Garban”) on May 7, 2003, one day after the patent-in-suit issued.³ (D.I. 249 at 7;

¹ The Plaintiffs are eSpeed, Inc., Cantor Fitzgerald, L.P., and CFPH, L.L.C. The Defendants are BrokerTec USA, L.L.C., Garban LLC, ICAP PLC, OM Technology AB, and OM Technology (U.S.), Inc.

² The facts recited herein are taken from the parties’ briefs and the appendices submitted therewith for the purpose of providing background information only, and should not be construed as findings of fact.

³ The patent-in-suit is U.S. Patent No. 6,560,580 B1, entitled “Automated Auction Protocol Processor” (issued May 6, 2003) (“the ‘580 patent”). (D.I. 1, ¶ 12.) Plaintiff

D.I. 267 at 6.) At that time, Garban operated an electronic broking (or trading) platform called the Electronic Trading Community, or ETC. (D.I. 267 at 1.) Prior to the acquisition, Garban and BrokerTec were separate companies and competitors, each operating its own independently designed electronic broking systems.⁴ (D.I. 249 at 4-5.) After the acquisition, however, Garban and BrokerTec became sister companies owned by ICAP. (D.I. 249 at 5.) In a public filing pertaining to the acquisition, ICAP announced its intention to combine the BrokerTec and ETC electronic broking platforms. (D.I. 267 at 2; D.I. 268, Ex. A at 7 (“The combination of BrokerTec and ICAP’s electronic broking platform (ETC) will generate synergies and transform our electronic broking capability.”).) On July 1, 2003, ICAP issued a bulletin announcing that BrokerTec and Garban were “now combined in a single entity officially known as ICAP Electronic Broking” which was in the process of integrating BrokerTec’s electronic trading platform with the ETC, using a system referred to as the “Cross Connect Project.”⁵ (D.I. 267 at 2, 9; D.I. 268, Exs. B and C; D.I. 287 at 1.)

Upon its completion in September 2003 (*id.* at 10; D.I. 268, Ex. G), the Cross Connect Project allowed Garban’s and BrokerTec’s customers to trade electronically on

eSpeed, Inc. is the exclusive licensee of the ‘580 patent. (D.I. 1, ¶ 11.) For a full description of the technology disclosed in the ‘580 patent and additional background information pertaining to this case, see *eSpeed, Inc. v. BrokerTec USA, L.L.C.*, 2004 U.S. Dist. LEXIS 385 at *3-*4 (D. Del. Jan. 14, 2004) (denying eSpeed’s motion for a preliminary injunction).

⁴ The Defendants state that the entity that exists today as Garban was founded in 1976, while BrokerTec was founded in 1999. (D.I. 249 at 4 n.1.)

⁵ The Plaintiffs assert that Garban and BrokerTec began analyzing and comparing the functionality of their two systems and thinking about technological compatibility issues around September 2002, just after ICAP signed a letter of intent to acquire BrokerTec. (D.I. 389 at 2; D.I. 390, Ex. A.)

either the ETC or BrokerTec “front end” trading system, but both front ends were modified so that they automatically directed the trade to either the ETC or BrokerTec “back end” or “matching engine.” (*Id.* at 11; D.I. 268 at Ex. B.) As a result, BrokerTec and Garban customers are able to trade on both matching engines simultaneously, whereas they were unable to do so before. (*Id.*) The ETC user interface also contains BrokerTec icons, referred to as “Btec flags,” representing securities which, while traded on the ETC, are routed to the BrokerTec back end matching engine. (D.I. 389 at 4-5; D.I. 390, Ex. P.) As the Defendants put it, the parties, by way of the Cross Connect Project, “implemented some user-friendly software initiatives...to enable customers of both companies to execute trades on the other company’s system....”⁶ (D.I. 287 at 1.)

In their complaint, filed on June 30, 2003, the Plaintiffs allege that the Defendants are infringing and contributing to the infringement of the ‘580 patent.⁷ (D.I. 1.) The Plaintiffs claim that the Defendants’ electronic trading platforms infringe the technology disclosed in the ‘580 patent, specifically, the “workup” protocol described therein. (D.I. 200 at 2.) The Plaintiffs also filed a Motion for a Preliminary Injunction directed to the activities of defendants BrokerTec, OM Technology AB, and OM Technology (U.S.) Inc. (together, the “OM Defendants”) with respect to the development and operation of

⁶ The Defendants state that Cross Connect did not involve any merging or linking of the Garban and BrokerTec back end systems. (D.I. 249 at 8.)

⁷The Plaintiffs named Garban as a defendant when they first filed their complaint. (See D.I. 1.) Since then, two defendants initially named in the complaint, OM AB and Broker Tec Global, L.L.C., have been dismissed (D.I. 134, 201), and OM Technology AB was added as a defendant on November 13, 2003 (D.I. 134). Though not relevant to the discussion herein, the Plaintiffs have also filed a motion to amend their complaint to add eSpeed Government Securities, Inc. as a plaintiff. (D.I. 226.)

BrokerTec's electronic trading platform.⁸ (D.I. 3.) The Plaintiffs' Motion for a Preliminary Injunction was denied on January 14, 2004. (D.I. 200.)

On February 10, 2004, the Plaintiffs moved to compel the production of documents and information relating to Garban's ETC (D.I. 232), which was granted on February 12, 2004 (D.I. 236). Shortly thereafter, on February 24, 2004, the Defendants filed the instant Motion. (D.I. 248, 249.) At a hearing held on May 24, 2004, I granted the Plaintiffs leave to file a supplemental brief in opposition to the Defendants' Motion (D.I. 389), to which the Defendants replied on June 10, 2004 (D.I. 420).

III. STANDARD OF REVIEW

Federal Rule of Civil Procedure 21 provides that "[a]ny claim against a party may be severed and proceeded with separately." Fed. R. Civ. P. 21 (2004). Whether to grant or deny severance is left to the discretion of the trial judge. See *U.S. v. Donsky*, 825 F.2d 746, 754 (3d Cir. 1987) (citation omitted). Motions to sever are routinely granted when parties are improperly joined in an action. See, e.g., *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998) (granting motion to sever defendants because they were two "separate companies that independently design, manufacture, and sell different products in competition with each other"); *Paine, Webber, Jackson & Curtis, Inc. v. Merrill Lynch*, 564 F. Supp. 1358, 1370 (D. Del. 1983) (severing claims against unrelated parties in the absence of any allegation that their acts of infringement were related).

Federal Rule of Civil Procedure 20(a) provides, in pertinent part:

All persons...may be joined in one action as defendants if there is asserted against them jointly, severally, or in the alternative, any right to relief in respect of

⁸ The Plaintiffs do not dispute the Defendants' assertion that Garban's ETC system was not part of these preliminary injunction proceedings. (D.I. 249 at 5.)

or arising out of the same transaction, occurrence, or series of transactions or occurrences and if any question of law or fact common to all defendants will arise in the action.

Fed. R. Civ. P. 20(a) (2004). Thus, Federal Rule of Civil Procedure contemplates two tests for joinder: (1) the occurrence of some question of fact or law common to all parties, and (2) the existence of a right to relief predicated upon or arising out of a single transaction or occurrence or series thereof. *Paine, Webber*, 564 F. Supp. at 1370. In order to permit joinder, both tests must be satisfied. *Id.* (citing *Mesa Computer Utilities, Inc. v. Western Union Computer Utilities, Inc.*, 67 F.R.D. 634, 636 (D. Del. 1975)).

IV. DISCUSSION

In support of their Motion, the Defendants argue that the Plaintiffs improperly joined Garban in this case. (D.I. 249 at 12.) The Defendants also assert that, even if joinder of Garban were theoretically proper, I should still order a separate trial against Garban due to the “distinctiveness and separateness of the plaintiffs’ claims against BrokerTec and Garban” and to “avoid significant prejudice to the defendants” while conserving party and judicial resources. (*Id.* at 13, 16-17.)

In response, the Plaintiffs argue that they have satisfied both of the requirements for permissive joinder set forth in Federal Rule of Civil Procedure 20(a) with respect to Garban. (D.I. 267 at 17.) The Plaintiffs also argue that the Defendants’ Motion should be denied because the Defendants have failed to demonstrate that they will be prejudiced unless the claims against Garban are tried separately. (*Id.* at 23.) Finally, the Plaintiffs assert that the Defendants’ Motion should be denied as premature since

discovery pertaining to Garban is ongoing, and because the Defendants have refused to produce discovery pertaining to the ETC. (*Id.* at 29.)

I hold that Garban is properly joined as a defendant in this case. First, neither party disputes that a common question of law exists where, as here, the Plaintiffs allege that related Defendants⁹ have infringed or contributed to the infringement of the same patent, namely, the '580 patent. (D.I. 249 at 12-13; D.I. 267 at 17 (citing *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998).)

Second, common questions of fact also exist. The Defendants rely heavily on the argument that, because Garban and BrokerTec were separate entities who independently developed their respective trading platforms prior to ICAP's acquisition, proceeding against both defendants requires "the development of two factually separate cases because the two disputed trading systems operate differently and autonomously." (D.I. 287 at 3.) The Defendants do not dispute, though, that, as a result of the Cross Connect Project, the BrokerTec electronic trading platform and Garban's ETC were merged to the extent that customers can conduct trades on either electronic interface. (D.I. 287 at 1.) Hence, there are common questions of fact pertaining to the interaction of BrokerTec's and Garban's allegedly infringing trading platforms.

Accordingly, the liberal requirements of Federal Rule of Civil Procedure 20(a) are satisfied, and the joinder of Garban as a defendant is proper in this case. See Fed. R. Civ. P. 20(a); see also *Poff v. General Elec. Co.*, 1990 WL 69106 at *1 (E.D. Pa. May

⁹Infringement of the same patent by different machines and parties does not constitute the same transaction or occurrence to justify joinder. See *Paine Webber*, 564 F. Supp. at 1371. However, here, BrokerTec and Garban are related parties by virtue of ICAP's acquisition. The Defendants concede that BrokerTec and Garban "are not 'unrelated' parties at this stage[.]" because they are both subsidiaries of ICAP. (D.I. 249 at 13.)

21, 1990) (quoting *Mosley v. General Motors Corp.*, 497 F.2d 1330, 1333 (8th Cir. 1974) (“...Rule 20 has been interpreted to permit ‘all reasonably related claims for relief by or against different parties to be tried in a single proceeding. Absolute identity of all events is unnecessary.”)).

The Defendants also argue that a separate trial against Garban is necessary in order “to prevent a party from being embarrassed, delayed, or put to expense by the inclusion of a party against whom the party asserts no claim and who asserts no claim against the party, and...to prevent...prejudice.” Fed. R. Civ. P. 20(b) (2004). That argument is unpersuasive in this case. The Defendants rely on the assertion that, because Garban and BrokerTec were competing companies that independently developed their respective trading platforms prior to the time the Plaintiffs filed this case, they will be prejudiced if forced to defend against Plaintiffs claims of patent infringement together with Garban. (D.I. 249 at 14.) The Defendants state that, because counsel for Plaintiffs indicated that he may have a stronger case against Garban than against BrokerTec, the jury is likely to draw inferences and reach conclusions regarding the different claims that could unfairly prejudice the Defendants. (See D.I. 249, Ex. B, Transcript from February 12, 2004 Teleconference at 10:9-14 (“[I]t would appear that, based on at least the defendants’ theory of infringement, the ETC system might be even a stronger case on infringement.”).) In response, the Plaintiffs assert that BrokerTec’s and Garban’s electronic trading platforms “have been so thoroughly integrated that Plaintiffs cannot hope to obtain complete relief unless Garban remains a party.” (D.I. 267 at 27.)

It is undisputed that, as a result of the Cross Connect Project, customers can conduct trades on either BrokerTec's or Garban's electronic interface. (D.I. 287 at 1.) Were the Plaintiffs to proceed against Garban in a separate trial, it is highly likely that they would have to present the same evidence and arguments regarding whether Garban's ETC, on its own and in connection with BrokerTec's trading platform, infringes the '580 patent. Thus, the interests of judicial economy will not be served by severing Garban from this case. This is so even though the Defendants state that "Garban is prepared to abide by the outcome of any claim construction and validity rulings or judgments rendered in this case as to BrokerTec USA and the OM Defendants." (D.I. 249 at 11.) As the Plaintiffs point out, they will still need to present largely overlapping evidence concerning damages if there is a separate trial. (D.I. 267 at 28.) The same is true concerning the Plaintiffs' case on willfulness and laches. (See D.I. 267 at 25.) Finally, this case is distinguishable from the recent decision in *Philips Electronics North America Corp. v. Compo Micro Tech, Inc.*, 220 F.R.D. 415 (D. Del. 2004) (granting defendant's motion for severance and a separate trial in a patent infringement case). In *Philips*, the defendant Compo Micro Tech ("CMT") moved for severance from another defendant, Hango Electronics Co. ("Hango"), just after fact discovery was complete and two months before the scheduled trial date. 220 F.R.D. at 417. Hango chose to rely solely upon CMT's defenses rather than mounting its own defense, even though there was no joint defense agreement between the parties. *Id.* at 418. CMT's motion to sever was granted in that case because there was no relationship between the two defendants and there was "a substantial risk of prejudice to CMT were the jury to believe that CMT [was] somehow linked to Hango," who was standing defenseless at

trial. *Id.* For that reason, severance and separate trials were appropriate. *Id.* Such prejudice to the Defendants here does not exist. In this case, Garban has been properly joined as a defendant, and it is undisputed that Garban and BrokerTec are connected to one another as sister subsidiaries of ICAP. The timing of this case does not prevent Garban from mounting its own defense to the Plaintiffs' claims of patent infringement. Garban has been a defendant in this case since its inception in June 2003, has participated in discovery, (see *generally* D.I. 389), and is aware of its responsibility to defend against Plaintiffs' claims. Since none of the Defendants should be unfairly prejudiced by Garban's remaining in the case, the *Philips* case is inapposite.

V. CONCLUSION

For these reasons, it is hereby ORDERED that the Defendants' Motion (D.I. 248) is DENIED.

Kent A. Jordan
UNITED STATES DISTRICT JUDGE

Wilmington, Delaware
June 15, 2004