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IP Alert: Heightened Patent Pleading Standard, Discovery Proportionality, and Other Recent Amendments to the Federal Rules of Civil Procedure

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HEIGHTENED PATENT PLEADING STANDARD, DISCOVERY PROPORTIONALITY, AND OTHER RECENT AMENDMENTS TO THE FEDERAL RULES OF CIVIL PROCEDURE

By Jeffrey H. Chang

Amendments made by the Supreme Court to the Federal Rules of Civil Procedure (Rules) took effect December 1, 2015. The amendmentsfundamentally change litigation in federal courts, including heightening the standard for pleading direct patent infringement and emphasizing proportionality in discovery.

Heightened Patent Pleading Standard

Under the new Rules, complaints alleging direct patent infringement can no longer safely rely on Form 18 as a model complaint. These complaints are now subject to the pleading requirements established by the Supreme Court in Twombly[1] and Iqbal[2]. Specifically, the complaint must plead "sufficient factual matter" that, when accepted as true, "state[s] a claim to relief that is plausible on its face" and "allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."[3]

Today, in order to survive a motion to dismiss, patent complaints must arguably include more factual matter than patent complaints filed before the amendments. For example, Form 18 did not require the plaintiff to specifically identify an asserted patent claim or to specifically identify an accused product. While the pleading standard for patent cases is still uncertain, complaints must now plead "sufficient factual matter" that supports a plausible

claim on its face. Factual matter may include identifying one or more of the specific accused products, identifying one or more of the specific asserted claim(s), and one or more claim charts mapping the asserted claims to the accused products.

Please see here for an additional Banner & Witcoff IP Alert on the heightened pleading standard.

Discovery Proportionality

The amendments also eliminate the "reasonably calculated to lead to the discovery of admissible evidence" standard for determining the scope of discovery and replace it with a "proportional" discovery standard. Specifically, Rule 26(b)(1) has been amended as follows:

Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties' relative access to relevant information, the parties' resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit. Information within the scope of discovery need not be admissible in evidence to be discoverable. ~~including the existence, description, nature, custody, condition, and location of any documents or other tangible things and the identity and location of persons who know of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(C).~~

Notably, the Advisory Committee to the amendments moved the proportionality factors listed in previous Rule 26(b)(2)(C) to Rule 26(b)(1) because the committee believed that proportionality was missing in too many cases. While the Rules and the committee fail to define proportionality, courts will likely use rulings interpreting previous Rule 26(b)(2)(C) to interpret proportionality under new Rule 26(b)(1).

In addition to these rulings, attorneys and their clients have other resources available to them to determine proportionality. For example, Magistrate Judge Elizabeth Laporte of the U.S. District Court for the Northern District of California and Jonathan Redgrave recently authored, "A Practical Guide to Achieving Proportionality Under New Federal Rule of Civil Procedure 26."[4] The article includes a proportionality matrix that lists essential proportionality factors and how each factor weighs for or against the discovery requested by a party.[5] The exemplary factors listed in the article include:

1. Importance of the issues at stake in the action;
2. Amount in controversy;
3. Parties' relative access to relevant information;
4. Parties' resources;
5. Importance of the discovery at issue in resolving the issues;
6. Whether the burden and/or expense associated with the discovery sought outweighs its likely benefit;
7. Whether the discovery sought is unreasonably cumulative or duplicative;
8. Whether the discovery sought can be obtained from some other source that is more convenient, less burdensome, or less expensive;
9. Whether the party seeking discovery had ample opportunity to obtain the information by discovery in the action;
10. Whether the discovery sought can be staged and/or tiered to reduce the burden and then proceed further incrementally only as needed;

11. Whether the discovery is directed to non-parties; and
12. Whether the discovery sought affects the rights of non-parties (e.g., privacy, trade secrets, etc.).

The proportionality matrix, court rulings, and other resources will prove invaluable to attorneys and courts as they navigate the waters of new Rule 26(b)(1).

Other Amendments to the Rules

Several other amendments were made to the Rules, and two of those amendments are highlighted here.

New Rule 34(b)(2) requires that a party "state with specificity the grounds for objecting" to a document request and that the "objection must state whether any responsive materials are being withheld on the basis of that objection." The new rule also addresses the timing of production, stating that "production must … be completed no later than the time for inspection specified in the request or another reasonable time specified in the response."

New Rule 37(e) lists specific actions that the court may take if electronically stored information (ESI) is lost because a party failed to take reasonable steps to preserve the information. The court:

(1) upon finding prejudice to another party from loss of the information, may order measures no greater than necessary to cure the prejudice; or

(2) only upon finding that the party acted with the intent to deprive another party of the information's use in the litigation may:

(A) presume that the lost information was unfavorable to the party;

(B) instruct the jury that it may or must presume the information was unfavorable to the party; or

(C) dismiss the action or enter a default judgment.

It will take some time for the courts to interpret the new Rules, including the heightened patent pleading standard, discovery proportionality under Rule 26(b)(1), discovery objections under Rule 34(b)(2), and measures the court may take if ESI is not preserved under Rule 37(e). Patent litigants should nonetheless understand the amendments to the Rules and their effect.

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[1]Bell Atl. Corp. v. Twombly, 550 U.S. 544 (2007).

[2]Ashcroft v. Iqbal, 556 U.S. 662 (2009).

[3]Id. at 678.

[4]Hon. Elizabeth Laporte & Jonathan Redgrave, A Practical Guide to Achieving Proportionality Under New Federal Rule of Civil Procedure 26, 9 Fed. Cts. L. Rev. 19 (2015).

[5]Id. at pp. 47-50.

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