

STREAMLINING PATENT LITIGATION THROUGH NON-STATUTORY TOOLS



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Fueled by high financial stakes and the specter of injunctions, patent litigation is incredibly complex, expensive and can involve protracted battles at every step of the process. Consequently, it can be important to understand the tools available to streamline and economize pending

INITIAL DISCLOSURES

One important tool is the early disclosure of critical information, which is often accomplished through local patent rules² and is also encouraged by the Patent Damages Committee.³ For example, a patentee can be required to disclose all documentation related to the development of the invention, the prosecution history, ownership and sales of the patented invention.⁴ On the other hand, the

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or expected patent litigation. With recent attention focused on statutory patent reform, it is important not to overlook the host of emerging non-statutory proposals that have been advanced by courts, bar organizations, and individual judges for making patent litigation more efficient. Importantly, because courts have the inherent power to control their dockets these recommendations and variants thereof can be used in any jurisdiction, provided counsel can present cogent grounds for their adoption.¹ Following this article is a check-list highlighting some of the tools recommended for making patent litigation more efficient.

DISCOVERY REFORM

While discovery can be an arduous process, particularly when working with expansive electronic records, there are many tools for streamlining the discovery process in patent litigation.

accused infringer can be required to provide documentation related to the operation and construction of the accused product/method and copies or a description of all known prior art.⁵ Each party can also be required to provide documents related damages, covering license agreements, royalty rates and sales information for the invention and the accused product(s).⁶ Requiring parties to produce evidence on all of these grounds is intended to focus the issues early and help eliminate unfair surprise later in the case.

CONTENTION DISCLOSURES

By mandating the prompt disclosure of the specific bases for claims and defenses, local patent rules and the Sedona Conference have advocated requiring parties to “crystallize their theories” and “adhere to those theories” throughout the case.⁷ Patentees’ disclosures can include at least the asserted claims, the type(s) of alleged infringement, **MORE▶**

¹ See, e.g., Hon. Randall R. Rader, Chief Judge U.S. Court of Appeals for the Fed. Cir., *The State of Patent Litigation*, Address before the 2011 Eastern District of Texas Bench and Bar Conference, at 10 (September 27, 2011), (transcript available at www.patentlyo.com/files/raderstateofpatentlit.pdf) [hereinafter “Rader Address”]; Federal Circuit Advisory Council, *AN EDISCOVERY MODEL ORDER*, at 2; available at (http://www.ca9.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf) (2011) (“Fortunately, district courts have inherent power to control their dockets to further ‘economy of time and effort for itself, for counsel and for litigants.’”) (citing *Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936)).

² The following Districts have enacted Local Patent Rules: (N.D. Cal.); (S.D. Cal.); (N.D. Ga.); (D. Idaho); (N.D. Ill.); (S.D. Ind.); (D. Mass.); (D. Minn.); (E.D. Mo.); (D. Nev.); (D.N.J.); (E.D.N.C.); (W.D.N.C.); (N.D. Ohio); (S.D. Ohio); (W.D. Pa.); (E.D. Tex.); (S.D. Tex.); and (W.D. Wash.).

³ Dr. Alan Cox, et al., *COMPENSATORY DAMAGES ISSUES IN PATENT INFRINGEMENT CASES: A HANDBOOK FOR FEDERAL DISTRICT COURT JUDGES*, at 7, (2010) available at http://www.law.berkeley.edu/files/bclt_PatentDamages_Ed.pdf (last visited January 20, 2012).

⁴ See, e.g., N.D. Ill. L.P.R. 2.1.

⁵ *Id.*

⁶ Cox et al., *supra* note 3, at 7.

⁷ *Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1123 (N.D. Cal. 2006); The Sedona Conference, *Report on the Markman Process*, at 2 (2010) available at http://www.thosedonaconference.org/content/miscFiles/publications_html?grp=wgs150 (last visited January 21, 2012).

the accused products, a claim chart and any basis for willful infringement.⁸ Conversely, the accused infringer must provide its own claim charts for non-infringement and invalidity, each piece of prior art and explanations for any grounds of invalidity or unenforceability.⁹ Typically, contentions cannot be amended absent a showing of good cause.¹⁰

ELECTRONICALLY STORED INFORMATION CONFERENCES

The large volume of electronically stored information (“ESI”) and the associated expenses of dealing with it has become a significant cost issue in patent cases. To help address this, the Seventh Circuit Electronic Discovery Program requires parties to meet early in the case to discuss sources of discovery and establish the scope of preservation, narrowing the contentious issues and allowing prompt attention by the court to problem areas.¹¹ Two district courts have enacted their own e-discovery programs that urge or require similar meetings.¹² The Seventh Circuit program also requires parties to designate an “e-discovery liaison” who is typically an employee of the party that has access to the party’s electronic systems, has knowledge of those systems as well as the technical aspects of electronic discovery, and is aware of the party’s electronic discovery efforts.¹³ Use of a liaison can be an important tool to help parties craft a discovery plan that is based on technological feasibility and economy.

PROTECTIVE ORDERS

Because parties in patent disputes are often direct competitors, broad protective orders are commonplace in patent cases.¹⁴ The Patent Damages Committee observes that these orders often need to be imposed as early in the case as possible to avoid delays in discovery and should be crafted to address the scope and types of discovery by designating multiple

levels of confidentiality when needed.¹⁵ The Seventh Circuit Discovery Program also encourages early discussion regarding protective orders.¹⁶ This practice is credited with mitigating distracting discovery disputes when sensitive information is a necessary component of the case while still protecting the interests of the disclosing party.¹⁷

REGULATING THE ONGOING DISCOVERY PROCESS

There are a number of initiatives to streamline the ongoing discovery process. One of the most prominent initiatives, the concept of “proportionality,” is led by the Sedona Conference but is also endorsed by the Seventh Circuit Discovery Program,¹⁸ the Federal Circuit Advisory Council,¹⁹ the Patent Damages Committee²⁰ and multiple district court discovery programs.²¹ The Sedona Conference recommends courts balance the burden of obtaining requested evidence against its genuine benefit for the case in light of the needs of the case, the amount in controversy, the parties’ resources and the importance of the issues.²² Importantly, principles of proportionality dictate that less expensive, more efficient forms of discovery be exhausted before resorting to costly and typically less productive ESI discovery, e.g., discovery of email.²³ Other proposals advocate for firmer deposition limits absent substantial justification,²⁴ provide relaxed waiver and clawback provisions,²⁵ or prohibit indiscriminate ESI search terms unless they are combined with another narrowing term.²⁶

PHASING DISCOVERY

While several of the proposals discussed above address the weighing of burdens versus the benefits of particular discovery requests, in some cases it may be helpful for litigants to apply this approach on a bigger scale and divide the discovery process into phases. For example, the Federal Circuit **MORE▶**

⁸ N.D. III. L.P.R. 2.2.

⁹ N.D. III. L.P.R. 2.3.

¹⁰ N.D. III. L.P.R. 3.4; *Cox et al.*, *supra* note 3, at 17.

¹¹ 7th CIR. ELECTRONIC DISCOVERY COMMITTEE, *STANDING ORDER RELATING TO THE DISCOVERY OF ELECTRONICALLY STORED INFORMATION*, 2-4, http://www.discoverypilot.com/sites/default/files/StandingOrde8_10.pdf.

¹² THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS, *Guidelines for Discovery of Electronically Stored Information (ESI)*, 2-3, <http://www.ksd.uscourts.gov/wpcontent/uploads/2010/03/electronicdiscoveryguidelines.pdf>; Paul W. Grimm *et al.*, *Suggested Protocol for Discovery of Electronically Stored Information (“ESI”)*, 3, <http://www.mdd.uscourts.gov/news/news/esiprotocol.pdf>.

¹³ 7th CIR. ELECTRONIC DISCOVERY COMMITTEE, *supra* note 11, at 3.

¹⁴ *Cox et al.*, *supra* note 3, at 11.

¹⁵ *Id.*

¹⁶ 7th CIR. ELECTRONIC DISCOVERY COMMITTEE, *supra* note 11, at 2.

¹⁷ *Cox et al.*, *supra* note 3, at 11-12.

¹⁸ 7th CIR. ELECTRONIC DISCOVERY COMMITTEE, *supra* note 11, at 2.

¹⁹ Federal Circuit Advisory Council, *supra* note 1, at 3-4.

²⁰ *Cox et al.*, *supra* note 3, at 15-16.

²¹ THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS, *supra* note 12, at 2; Grimm *et al.*, *supra* note 12, at 1.

²² The Sedona Conference, *THE SEDONA CONFERENCE MORE COMMENTARY ON PROPORTIONALITY IN ELECTRONIC DISCOVERY*, 11 SEDONA CONFERENCE J. 289, 294 (2010), available at <http://www.thesedonaconference.org/dlTForm?did=Proportionality2010.pdf> (last visited January 21, 2012).

²³ *Id.* at 294-97.

²⁴ *Cox et al.*, *supra* note 3, at 14-15.

²⁵ Federal Circuit Advisory Council, *supra* note 1, at 4. The Maryland Electronic Discovery Program also discusses clawback agreements. Grimm *et al.*, *supra* note 12, at 4.

²⁶ Federal Circuit Advisory Council, *supra* note 1, at 3.

Advisory Council's Model Order specifies that parties exchange initial disclosures regarding the core issues of the case before parties can

recommends that the hearing be scheduled in the middle of the discovery process to provide the possibility of concurrent summary

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resort to email discovery requests.²⁷ This requires parties to exhaust and evaluate the more easily found evidence that has a greater likelihood of relevance to the case before moving to more costly discovery mechanisms. The Seventh Circuit Program encourages parties to discuss phasing²⁸ and the Sedona Conference provides that parties should first produce and evaluate the “clearly relevant” information to then determine if more burdensome discovery is actually necessary.²⁹ Similarly, the Maryland Discovery Program requires a party seeking additional, more costly information to provide narrow search requests and with the factual basis explaining the need for each request.³⁰

MARKMAN HEARINGS

The Sedona Conference has provided a number of recommendations regarding the Markman process. Beginning with the initial case management conference, Sedona suggests discussing the format and content of the hearing, such as the evidentiary standards or the need for live testimony or a tutorial, in an effort to cut down on motion practice leading up to the hearing.³¹ Sedona further recommends that parties submit a statement identifying those terms on which the parties agree and states each party's proposed constructions of disputed claim terms 45 days before briefing is due to focus attention upon the critical language and foster agreement on less important terms.³² Sedona also

judgment motions,³³ except for larger cases until the parties are able to narrow the patents and claims at issue as much as possible before trial.³⁴

USE OF SUMMARY JUDGMENT

Chief Judge Rader recently suggested that “summary judgment is the key to efficient resolution of disputes,”³⁵ and that even if no case dispositive motions are appropriate, the use of summary judgment to resolve issues can lower the time and expense of trial.³⁶ For example, the Patent Damages Committee notes that evidence of notice to the alleged infringer of the patent or a non-infringing use of an accused article can settle particular damages theories as a matter of law.³⁷ Likewise, district courts can grant summary judgment on particular claim limitations of the asserted patent.³⁸ There are also proposals to align summary judgment with other stages of the case to conserve resources. For example, the Patent Damages Committee recommends that summary judgment on damages issues can be tied to Daubert challenges of damages experts.³⁹ By staging summary judgment in synch with key patent litigation issues, a court can efficiently resolve linked matters rather than addressing them again at a much later stage of the case.

SETTLEMENT AND ALTERNATIVE DISPUTE RESOLUTION

As the momentum of litigation proceeds toward trial and positions **MORE>**

²⁷ *Id.* at 2-3.

²⁸ 7th CIR. ELECTRONIC DISCOVERY COMMITTEE, *supra* note 11, at 2.

²⁹ The Sedona Conference, *supra* note 22, at 297.

³⁰ Grimm *et al.*, *supra* note 12, at 23.

³¹ The Sedona Conference, *supra* note 7, at 1.

³² *Id.* at 2-3.

³³ *Id.*

³⁴ *Id.*

³⁵ Rader Address, *supra* note 1, at 6.

³⁶ *Id.* at 12-13.

³⁷ Cox *et al.*, *supra*, note 3, at 18

³⁸ See, e.g., *SynQor, Inc. v. Artesyn Technologies, Inc.*, No 7-497, 2011 WL 3625036, at *26 (E.D. Tex., Aug. 7, 2011)

³⁹ Cox *et al.*, *supra* note 3, at 17

[STREAMLINING, FROM PAGE 11]

harden, parties' views of when settlement opportunities exist may not align. To help ensure that settlement considerations maintain a prominent position in the parties' litigation calculus, a number of local rules raise the issue throughout the litigation process. For example, the District of Nevada requires three mandatory settlement conferences, one after the party's contention disclosures, one after the Markman construction and the final one just before trial.⁴⁰ Other districts approach settlement in other ways, such as requiring discussion alternative dispute resolution at the beginning of the case,⁴¹ mandating settlement offers and responses,⁴² or requiring counsel for each party and representatives with settlement authority to meet and discuss mediation or arbitration.⁴³ These procedures can be built into a case management plan to ensure that relevant settlement moments are not missed in the heat of active litigation.

CONCLUSION

By considering the proposals discussed in this paper at the outset of a case litigants have a menu of options from which they can develop and recommend streamlining case management proposals to opposing counsel and the court. Importantly, identifying which tools are best for any given case begins with a thorough understanding of your client's goals in the litigation. To that end, considering the checklist that follows and discussing the mechanisms above with your client can become a regular part of your initial case assessment and go a long way to ensuring that recommended case management procedures further your client's strategic goals in the most efficient manner possible. ■

⁴⁰ D. Minn. L.R. 16. 1-19

⁴¹ D. Minn. L.R. 26.1

⁴² *Id.* Form 4 (Rule 26(f) Report for Patent Cases), available at www.mnd.uscourts.gov/local_rules/forms/Form-4.doc <http://www.mnd.uscourts.gov/local_rules/forms/Form-4.doc>

⁴³ S.D. Ohio L.R. 104.1.

INITIAL CASE PLANNING – STREAMLINING CONSIDERATIONS

INITIAL DOCUMENT DISCLOSURES

Would initial exchange of documents facilitate future discovery efforts? Initial document disclosures could cover topics relating to:

- the sale or transfer of the claimed invention prior to the date of the patent application;
- the conception and development of the claimed invention;
- communications with the United States Patent and Trademark Office;
- ownership of the asserted patent;
- licenses, market share data, profitability, royalty rates, damages;
- operation/construction of the accused device(s); and
- prior art.

CONTENTION DISCLOSURES

Contention disclosures require parties to frame key issues at logical points in a case's life. Consider:

For Plaintiff: Identification of asserted claims and type(s) of infringement alleged; accused products/conduct and infringement claim chart(s); priority date(s) for each asserted claim; alleged willful infringement; and damages.

For Defendant: Responsive non-infringement claim chart(s); identification of prior art and grounds for invalidity; invalidity claim chart(s); and explanation of non-prior art based invalidity arguments.

ELECTRONICALLY STORED INFORMATION

Three key areas should be discussed: (1) use of proportional, targeted requests consistent with relevant systems at issue; (2) phasing of ESI discovery so that the most relevant, accessible systems are discovered first; and (3) preservation and production procedures and protocols. Consider involving ESI liaisons early in the discovery process.

PROTECTIVE ORDERS

Consider whether information likely to be discovered will require outside counsel eyes' only protection? Should special procedures apply to disclosure of information to patent prosecutors?

REGULATING THE ONGOING DISCOVERY PROCESS

Consider what document review systems will be used throughout the litigation and what form of production will best facilitate review. Consider formalizing agreements to minimize the risk of waiving attorney-client-privileges and/or work product protections, especially where voluminous ESI productions will be made. Consider relaxing claw-back provisions for inadvertently produced documents. Discuss phasing of discovery to further principles of proportionality and to focus on most relevant, most accessible sources of discovery, especially ESI discovery, first.

MARKMAN HEARINGS

Develop case management plan deadlines for identifying key disputed claim terms. Consider whether a technology synopsis would assist the court. Will live testimony be helpful or necessary? Should federal evidence rules be relaxed for any hearing? Evaluate when claim construction will be most likely to focus the issues and narrow the dispute.

USE OF SUMMARY JUDGMENT

Consider when a given case is likely to encounter summary judgment moments and whether multiple opportunities for filing summary judgment motions should be scheduled. Evaluate whether discrete summary judgment issues can coincide with other stages of the case, for example, during claim construction, expert reports, and/or damages discovery.