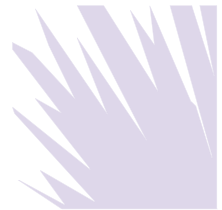


## Case Management Issues in Patent Infringement Litigation

Dianne Brown Elderkin &  
Domingo Manuel Llagostera



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# CASE MANAGEMENT ISSUES IN PATENT INFRINGEMENT LITIGATION

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*Dianne Brown Elderkin  
Akin Gump Strauss Hauer  
& Feld LLP  
Philadelphia, PA*

*Domingo Manuel Llagostera  
Akin Gump Strauss Hauer  
& Feld LLP  
Houston, TX*

## I. INTRODUCTION

In 2011, The Sedona Conference® on Patent Litigation included a panel discussion on “case management issues” in recognition of the fact that the fairness of the outcome in any litigation, not to mention how efficiently and economically the matter is resolved, is often affected by the manner in which the district court manages the case before trial. This paper, prepared for the Conference and updated in May 2012, focuses on aspects of several topics: the level of detail required in pleadings in the post-*Twombly/Iqbal* world; joinder/severance issues in multi-defendant cases; timing of, and restrictions on, claim construction; and procedures being practiced for streamlining cases.

### **Pleading in Patent Infringement Cases After *Twombly* and *Iqbal***

The sufficiency of information provided in the initial pleading of an infringement claim or an invalidity counterclaim is often disputed. This is especially so when an infringement complaint does not provide sufficiently detailed averments so that a defendant can understand the basis of the claim against it.

Under Rule 8 of the Federal Rules of Civil Procedure, a complaint must contain a “short and plain statement of the claim showing that the pleader is entitled to relief.” Decades ago, Rule 8 was interpreted by the Supreme Court as requiring a plaintiff to merely give a defendant “fair notice of what the . . . claim is and the grounds upon which it rests.” *Conley v. Gibson*, 355 U.S. 41, 47 (1957). Under *Conley*, a complaint was not to be dismissed unless it appeared beyond a doubt that the “plaintiff can prove no set of facts in support of his claim which would entitle him to relief.” *Id.* at 45-46.

Federal Rule of Civil Procedure 84 states that the pleadings in the Appendix “suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.” In the Appendix to the Rules is Form 18, which provides a sample complaint for patent infringement. Form 18 consists of only four paragraphs which set forth: (1) a statement of jurisdiction; (2) an identification of the patent at issue and an assertion of ownership; (3) an assertion and description of how the defendant is infringing the patent; and (4) an assertion that the plaintiff has complied with the statutory notice requirements and has given the defendant written notice of the infringement.

But Form 18's continued viability has been called into question by more recent Supreme Court decisions in *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). In *Twombly* and *Iqbal*, the Court held that, to adequately state a claim, allegations must establish a plausible claim to relief, above the speculation level. *Twombly*, 550 U.S. at 555; *Iqbal*, 556 U.S. at 678-679. A plaintiff's obligation to provide the grounds of his entitlement to relief now requires "more than labels and conclusions," and a "formulaic recitation of the elements of a cause of action will not do." *Twombly*, 550 U.S. at 555; *Iqbal*, 556 U.S. at 678. What, then, is required in a patent infringement complaint in this post *Twombly/Iqbal* world?

### *To What Extent Does Form 18 Control Standards for Pleading Patent Infringement?*

Following the *Twombly* decision but before *Iqbal*, the Federal Circuit ruled that "a bare allegation in accordance with Form 16 (now Form 18) would be sufficient under Rule 8 to state a claim." *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1360 (Fed. Cir. 2007) (parenthetical added). Since *Twombly*, *Iqbal*, and *McZeal*, the lower courts have been in disagreement over the application of Form 18 and heightened pleading standards not only with respect to direct infringement, but to indirect infringement as well.

Relying on the Federal Circuit's decision in *McZeal*, many district courts have determined that the Supreme Court's decisions in *Twombly* and *Iqbal* have not affected the adequacy of a patent infringement pleading that complies with Form 18 because, to hold otherwise, would render Rule 84 and Form 18 invalid, which cannot be done by judicial action. For example, in *Automated Transactions, LLC v. First Niagara Fin. Grp., Inc.*, the court noted that reconciling the dictates of *Twombly* and *Iqbal* with the Appendix Forms "is not merely difficult, it is impossible." No. 10-CV-00407, 2010 U.S. Dist. LEXIS 141275, at \*8 (W.D.N.Y. Aug. 31, 2010). However, it also determined that courts are not free to amend a rule outside the process Congress ordered and that, "unless or until Rule 84 is amended, ... the sufficiency of ... [the plaintiff's] ... direct infringement allegations is governed by Appendix Form 18." *Id.* at \*12. See also *Cascades Branding Innovation, LLC v. Walgreen Co.*, No. 11 C 2519, 2012 WL 1570774, at \*2 (N.D. Ill. May 03, 2012); *Realtime Data, LLC v. Stanley*, 721 F. Supp. 2d 538, 542 (E.D. Tex. 2009); *W.L. Gore & Assocs. v. Medtronic, Inc.*, 778 F. Supp. 2d 667, 675 (E.D. Va. 2011); *Mark IV Indus. Corp. v. Transcore, L.P.*, No. 09-418 GMS, 2009 U.S. Dist. LEXIS 112069, at \*6-10 (D. Del. Dec. 2, 2009).

Some courts have found that an infringement complaint that fails to make reference to an infringing product or method is deficient, even under Form 18. See, e.g., *Fifth Mkt., Inc. v. CME Grp., Inc.*, No. 08-520, 2009 U.S. Dist. LEXIS 108776, at \*3-4 (D. Del. May 14, 2009) (dismissing complaint alleging that defendants have infringed asserted patents by "making, using, selling and/or offering for sale products and methods covered by the claims of the asserted patents."); *Realtime Data*, 721 F. Supp. 2d at 543 (plaintiff's allegations referring to "data compression products and/or services" are vague in light of the number of claims asserted and therefore "fail to adhere to Form 18 in that they do not specifically identify any accused products or services."). Other courts have found that an infringement complaint is sufficient to meet the "bare-bones" Form 18 requirements when it identifies a general category of accused products or methods. See *Cascades Branding*, 2012 WL 1570774, at \*2 (complaint averring that defendant infringed its patent by "making, using (for example testing), offering to sell and/or selling" a mobile device application "equates with Form 18."); *Tech. Innovations, LLC v. Amazon.com, Inc.*, No. 11-690, 2012 WL 1441300, at \*2 (D. Del. Apr. 25, 2012) (denying motion to dismiss

where plaintiff's reference to defendant's "books" was sufficient to identify the accused products, including e-readers); *Motivation Innovations, LLC v. Express, Inc.*, No. 11-615, 2012 WL 1415412, at \*3-4 (D. Del. Apr. 24, 2012) (denying defendant's motion to dismiss because reference to "home delivered coupon programs and systems" was sufficient to identify defendant's products under Form 18 and while "[t]rade names can assist in specifying a general class of allegedly infringing products or methods, ... [they]... are not required."); *Lodsys, LLC v. Brother Int'l Corp.*, No. 2:11-cv-90-JRG, 2012 WL 760729, at \*3-4 (E.D. Tex. Mar. 8, 2012) (plaintiff's complaint that defendant "makes, sells, offers to sell, and/or uses infringing computer server(s)" was sufficient under Form 18).

And some courts have simply applied the *Twombly/Iqbal* plausibility standard to patent infringement complaints, without regard to Form 18. See *Gradient Enter., Inc. v. Skype Tech. S.A.*, No. 10-cv-6712L, 2012 WL 864804, at \*1-3 (W.D.N.Y. Mar. 13, 2012) (recognizing that while some courts accept a patent infringement complaint that conforms to Form 18, other courts hold that Form 18 no longer suffices in view of *Iqbal*). Because *McZeal* was decided pre-*Iqbal*, these courts take the position that it is not clear now "whether the Federal Circuit would, post-*Iqbal*, hold that a complaint for patent infringement that tracks Form 18 is necessarily sufficient to withstand a motion to dismiss." *Id.* at \*2. For example, in *MedSquire LLC v. Spring Med. Sys. Inc.*, Judge Nguyen ruled that the *Iqbal/Twombly* "plausibility" standard applies to direct patent infringement actions, and that pleading merely in conformance with Form 18 is insufficient. No. 2:11-cv-04504, at 2-3 (C.D. Cal. Aug. 31, 2011) (order granting motion to dismiss); see also *Avocet Sports Tech., Inc. v. Garmin Int'l, Inc.*, No. C 11-04049, 2012 WL 1030031, at \*2-3 (N.D. Cal. Mar. 22, 2012) ("Form 18 does not provide adequate notice under the heightened pleading standards articulated in" *Twombly* and *Iqbal*); *PageMelding, Inc. v. ESPN, Inc.*, No. C 11-06263, 2012 WL 851574, at \*1-2 (N.D. Cal. Mar. 13, 2012) ("Form 18 provides for nothing more than the type of 'defendant-unlawfully-harmed-me accusation' expressly rejected in *Iqbal*"). In *MedSquire*, Judge Nguyen dismissed a complaint that averred:

Defendant Quest has directly infringed and continues to directly infringe the '526 patent by making, using, selling, and/or offering for sale its Care360 system, which embodies and/or otherwise practices one or more of the claims of the '526 patent. As a direct and proximate result of Quest's infringement of the '526 patent, Plaintiff has been and continues to be damaged in an amount yet to be determined.

*MedSquire*, No. 2:11-cv-04504, at 4. Judge Nguyen found that this allegation contained nothing more than a "threadbare recital" of the elements of direct patent infringement, which the court need not accept as true. *Id.* at 5. She stated that, once these "conclusory recitals" were removed from consideration, the complaint was devoid of any factual allegation to support a plausible claim for relief. *Id.* For example, the plaintiff had failed to "include any facts identifying what aspect of the 'Care 360' system infringes its patents." *Id.* Finally, she stated, "Merely naming a product and providing a conclusory statement that it infringes a patent is insufficient to meet the 'plausibility' standard set forth in *Twombly* and *Iqbal*." *Id.*; see also *Avocet Sports*, 2012 WL 10300331, at \*2-3 (plaintiff's averment to defendant's sale of "altimeter devices" was insufficient because plaintiff does not identify a particular product or component alleged to infringe...) (emphasis added); *PageMelding*, 2012 WL 851574, at \*1-2 ("stating in the most general terms what that product does without identifying how the product accomplishes any of its functions, and...without explanation as to the how or why these products infringe, does not lead to any inference that plaintiff may be entitled to relief.").

There is no form complaint analogous to Form 18 for pleading indirect infringement. Because of this, district courts have diverged on whether a higher standard applies for pleading such. *Compare PA Advisors, LLC v. Google, Inc.*, No. 2:07-cv-480, 2008 U.S. Dist. LEXIS 71285, at \*20-23 (E.D. Tex. Aug. 7, 2008) (Folsom, J.) (granting in part a motion for more definite statement requiring the plaintiff to at least generically identify the end users), *with FotoMedia Techs., LLC v. AOL, LLC*, No. 2:07-cv-255, 2008 U.S. Dist. LEXIS 109403, at \*8-10 (E.D. Tex. Aug. 29, 2008) (Everingham, Mag.) (denying motion to dismiss indirect infringement because neither the sample complaint form nor the Federal Circuit require pleading every element of a claim for indirect infringement), *and Bluestone Innovations Tex., L.L.C v. Formosa Epitaxy Inc.*, No. 2:10-cv-171, 2011 WL 4591906, at \*3 (E.D. Tex. Sept. 12, 2011) (denying defendant's motion to dismiss because plaintiff's indirect infringement claims, drafted in conformance with Form 18, were sufficient). In *Elan Microelectronics Corp. v. Apple, Inc.*, the court dismissed a counterclaim averring that Elan "has been and is currently, directly and/or indirectly infringing, in violation of 35 U.S.C. § 271" the specified patents "through its design, marketing, manufacture and/or sale of touch sensitive input devices or touchpads, including but not limited to the Smart-Pad." No. 09-01531, 2009 U.S. Dist. LEXIS 83715, at \*4 (N.D. Cal. Sept. 14, 2009). Following a discussion of *Twombly* and *Iqbal*, the court acknowledged that it is not easy to reconcile those decisions with Form 18 but concluded that, "[u]nder Rule 84 of the Federal Rules of Civil Procedure, however, a court must accept as sufficient any pleading made in conformance with the forms." *Id.* at \*6-7. However, the court still dismissed Apple's counterclaims that Elan was "directly and/or indirectly" infringing the patents because, while Form 18 provides an example of how *direct* infringement may be alleged, it does not address a pleading of indirect infringement. *Id.* at \*7-8.

Other courts have taken an even narrower approach than the *Elan* court, holding that Form 18 is not relevant at all when evaluating the sufficiency of an indirect infringement complaint. *See Cascades Branding*, 2012 WL 1570774, at \*2-3 ("Form 18 does not apply to indirect infringement") (citing *Elan Microelectronics*, 2009 U.S. Dist. LEXIS 83715, at \*2); *BIAX Corp. v. Motorola Solutions, Inc.*, No. 10-cv-03013, 2012 WL 502727, at \*2 (D. Colo. Feb. 15, 2012) ("Indirect infringement claims...contain additional elements left entirely unaddressed by Form 18."). For example, in *Nielsen Co. (US), LLC v. comScore, Inc.*, the court recognized that Form 18 does not reference the elements of induced or contributory infringement and is therefore irrelevant to indirect infringement claims. 819 F. Supp. 2d 589, 599-600 (E.D.Va. 2011). Instead, claims of indirect infringement must be evaluated under the standard set forth in *Twombly* and *Iqbal*, without reference to the language of Form 18...." *Id.* at 600; *see also DR Sys., Inc. v. Avreo, Inc.*, No. 11-cv-0932, 2012 WL 1068995, at \*1 (S.D. Cal. Mar. 29, 2012) ("because Form 18 does not address induced infringement or contributory infringement, the heightened pleading standard of *Twombly* and *Iqbal* apply to allegations of induced infringement and contributory infringement.").

### *Pleading Affirmative Defenses and Counterclaims*

There is a split of decisions on whether the heightened pleading standards of *Twombly/Iqbal* apply to pleading affirmative defenses and invalidity counterclaims.

In one corner are courts such as the Eastern District of Pennsylvania, as illustrated in *Tyco Fire Prods., LP v. Victaulic Co.*, 777 F. Supp. 2d 893 (E.D. Pa. 2011). In *Tyco*, the defendant charged with infringement pleaded the affirmative defense that plaintiff's patents are "invalid and/or unenforceable for failure to comply with the conditions of patentability

specified in Title 35 of the United States Code, including, without limitation, at least §§ 101, 102, 103 and 112.” *Id.* at 896. The defendant also pleaded a counterclaim averring that the patents are “invalid and/or unenforceable for failure to comply with the conditions of patentability specified in Title 35 of the United States Code, including, without limitation, at least §§ 101, 102, 103 and 112.” *Id.* The court declined to strike the affirmative validity defense as insufficient, but struck the invalidity counterclaim.

The *Tyco* court found that, in the wake of *Twombly* and *Iqbal*, it is clear that an invalidity counterclaim must set forth sufficient facts to give rise to a plausible claim for relief. *Id.* at 898. Several other courts have taken a similar position. For example, in *Memory Control Enter., LLC v. Edmunds.com*, the defendant’s counterclaim averred “[t]he claims of the ‘791 Patent are invalid for failure to comply with one or more provisions of Title 35 of the United States Code related to patentability.” No. cv 11-7658-PA, 2012 WL 681765, at \*3 (C.D. Cal. Feb. 8, 2012). The court found that this and other conclusory statements, with no supporting facts, were insufficient to provide fair notice to the plaintiff. *Id.* The court did “not find it incongruous to require heightened pleading for a counterclaim for declaratory judgment of invalidity when the pleading standard for infringement only needs to meet Form 18’s level of particularity... [and]...[u]ntil such a form is included, defendants must meet the pleading standard the Supreme Court announced in *Twombly* and *Iqbal*.” *Id.*; see also *Gemcor II, LLC v. Electroimpact Inc.*, No. 11-cv-2520-CM, 2012 WL 628199, at \*2 (D. Kan. Feb. 27, 2012); *PPS Data, LLC v. Availity, LLC*, 3:11-cv-747-J-37TEM, 2012 WL 252830, at \*2 (M.D. Fla. Jan. 26, 2012); *Armstrong Pump, Inc. v. Hartman*, 10-cv-446-S, 2011 WL 7628517, at \*7 (W.D.N.Y. Dec. 29, 2011); *Cleversafe, Inc. v. Amplidata, Inc.*, 11 C 4890, 2011 WL 6379300, at \*2 (N.D. Ill. Dec. 20, 2011).

The *Tyco* court also noted that whether *Twombly*’s “plausibility” standard applies to affirmative defenses is far from settled. *Tyco*, 777 F. Supp. 2d at 898. It held that, in light of the differences between FRCP 8(a) and (c) in text and purpose, *Twombly* and *Iqbal* do not apply to affirmative defenses. *Id.* at 900; see also *Ferring B.V. v. Watson Labs., Inc.*, No. 3:11-cv-00481, 2012 WL 607539, at \*3 (D. Nev. Feb. 24, 2012) (holding that while fairness and efficiency suggest that *Twombly* and *Iqbal* should apply to affirmative defenses in patent cases, those Supreme Court decisions apply to Rule 8(a), not Rule 8(c)); *Memory Control*, 2012 WL 681765, at \*4 (unlike Rule 8(a), “Rule 8(c) contain[s] no language that pleaders must ‘show’ that they are entitled to relief.”). An affirmative defense does not have to be plausible to survive; it merely has to provide fair notice of the issue involved. *Tyco*, 777 F. Supp. 2d at 900. “[T]he requisite notice is provided where the affirmative defense in question alerts the adversary to the existence of the issue for trial.” *Id.* at 901.

The *Tyco* court noted that requiring more in an affirmative defense pleading than awareness of the issue’s existence imposes an unreasonable burden on defendants who risk the prospect of waiving a defense at trial by failing to plead it and have a short amount of time to develop the facts necessary to do so. *Id.*; see also *Memory Control*, 2012 WL 681765, at \*5 (the *Twombly* and *Iqbal* requirements are more fairly imposed on plaintiffs who have years to develop a case than on defendants who have 21 days to answer a complaint). It determined that the apparent incongruity in treatment of affirmative defenses and counterclaims is warranted by the different forms of relief accorded by affirmative defenses and counterclaims. *Tyco*, 777 F. Supp. 2d at 901. If a defendant prevails on its counterclaim, it would be entitled to an order declaring plaintiff’s patent invalid. *Id.* On the other hand, a victory on an affirmative defense would not have this effect. *Id.* Many other courts are in agreement with the *Tyco* court’s position on affirmative

defense pleading. See *Whitserve, LLC v. GoDaddy.com, Inc.*, No. 3:11-cv-948, 2011 WL 5825712, at \*2 (D. Conn. Nov. 17, 2011); *J & J Sports Prods., Inc. v. Scace*, No. 10-cv-2496-WQH-CAB, 2011 WL 2132723, at \*1 (S.D. Cal. May 27, 2011).

In another example, in *Bayer Cropscience AG v. Dow Agrosciences LLC*, the District of Delaware provided an exhaustive list of reasons why *Twombly* and *Iqbal* do not apply to affirmative defenses. No. 10-1045 RMB/JS, 2011 WL 6934557, at \*1-2 (D. Del. Dec. 30, 2011). The court recognized that there is disagreement among district courts as to how to treat affirmative defenses in light of *Twombly* and *Iqbal*. *Id.*; see also *Paducah River Painting, Inc. v. McNational Inc.*, No. 5:11-cv-00135, 2011 WL 5525938, at \*2 (W.D. Ky. Nov. 14, 2011) (“*Twombly* and *Iqbal* have provoked a frenzy of district court opinions reexamining...[whether the]...heightened pleading standard or the ‘fair notice’ standard” applies to affirmative defenses.). Nevertheless, the court held that *Twombly* and *Iqbal* do not apply to affirmative defenses because of the following: (1) textual differences between Rules 8(a) and 8(c); (2) plaintiffs have time to obtain more information while defendant have little time to respond; (3) no concern that defense is opening the doors to discovery; (4) limited discovery costs as compared to costs imposed on defendant; (5) low likelihood that motions to strike would be granted; (6) risk of waiver by the defendant; (7) lack of detail in Form 30, which demonstrates affirmative defense pleading; and (8) heightened pleading would produce more motions to strike. *Bayer Cropscience*, 2011 WL 6934557, at \*1-2; see also *Paducah*, 2011 WL 5525938, at \*2 (detailing the various reasons why courts have refused to apply *Twombly* and *Iqbal* to affirmative defenses).

The court in *Teirstein v. AGA Med. Corp.* took an even more liberal approach, declining to apply heightened pleading standards to a defendant’s counterclaim for “declaratory judgment of invalidity.” No. 6:08-cv-14, 2009 U.S. Dist. LEXIS 125002, at \*7-17 (E.D. Tex. Feb. 13, 2009). The counterclaim stated that “[t]he claims of the ’995 patent are invalid for failing to satisfy one or more of the statutory requirements for patentability set forth in 35 U.S.C. §§ 101, 102, 103, and/or 112.” *Id.* at \*11. The court concluded that these allegations comprised “more than mere labels, conclusions, or a formulaic recitation of the elements of a cause of action” and were “more than sufficient to give Plaintiff fair notice of what Defendant is claiming.” *Id.* at \*13-14. It also noted that to require anything more of the defendant at the pleading stage would be to impose a higher burden on the defendant’s claim for invalidity than the plaintiff’s claim for infringement, when these pleading standards are identical under Rule 8. *Id.* at \*14. Moreover, according to this court, requiring the defendant to state facts as to why the patent is invalid or to list prior art would undermine the purpose of the court’s Local Patent Rules, which require a defendant, early in a litigation, to serve invalidity contentions detailing prior art, disclose grounds for indefiniteness, and include a claim chart regarding invalidity. *Id.* at \*14-15; see also *Microsoft Corp. v. Phoenix Solutions, Inc.*, 741 F. Supp. 2d 1156, 1159 (C.D. Cal. 2010) (agreeing with other district courts that “it would be incongruous to require heightened pleading for invalidity counterclaims when the pleading standard for infringement does not require facts such as ‘why the accused products allegedly infringe’ or ‘to specifically list the accused products.’”). Many other courts are in agreement with the *Teirstein* court’s approach. See *Bayer Cropscience*, 2011 WL 6934557, at \*2-3 (similar to invalidity counterclaims, patent unenforceability counterclaims are “not subject to heightened pleading under *Twombly/Iqbal*” for the reasons announced in *Teirstein*); *InvestmentSignals, LLC v. Irrisoft, Inc.*, No. 10-cv-600-SM, 2011 WL 3320525, at \*2 (D. N.H. Aug. 1, 2011) (“as long as patent claims and counterclaims meet the minimal pleading standards modeled in Form 18, they adequately state viable causes of action.”). For example, in *Graphic Packaging Int’l, Inc. v. C.W. Zumbiel Co.*, the court recognized that

no federal court of appeals has considered how the *Twombly/Iqbal* decisions apply to counterclaims or affirmative defenses, and that district courts deciding the issue are in conflict. No. 1:10-cv-3008-AT, 2011 WL 5829674, at \*2 (N.D. Ga. Aug. 1, 2011). Nevertheless, the court held that “invalidity counterclaims and affirmative defenses that allege only their statutory bases are adequate to survive a Rule 12 motion challenging the sufficiency of the pleadings.” *Id.* at \*3.

Although it appears that many courts have determined that heightened pleading standards *do not* apply to invalidity defenses and counterclaims, there are courts in the other camp. For example, the court in *Semco, LLC v. Huntair, Inc.* found that the *Iqbal* and *Twombly* standards *do* apply to the pleading of affirmative defenses. No. 11-4026, 2011 U.S. Dist. LEXIS 82795, at \*3 (W.D. Mo. July 28, 2011); Notably, although the pleading was not stricken by the court, it was also somewhat more detailed than that in the *Tyco* case, including, for example, the following averment reciting an example of prior art:

15. Prior art to the '388 patent exists such that the differences between the prior art and the alleged invention of the '388 patent would have been obvious at the time of the alleged invention to a person of ordinary skill in the art. An example of such prior art is U.S. Patent No. 5,758,511 to Yoho et al., “Desiccant Multi-Duel Hot Air/Water Air Conditioning System.”

*Id.* at \*4-5. Similarly, in *Barnes & Noble, Inc. v. LSI Corp.*, the court determined that *Twombly* and *Iqbal* apply to affirmative defenses. No. C-11-2709, 2012 WL 359713, at \*14 (N.D. Cal. Feb. 2, 2012). The court struck the plaintiff’s laches defense to a counterclaim of infringement on the basis that, while the pleading put the defendant on notice, it failed to allege any facts specific to laches. *Id.* at \*14. The court reasoned that *Twombly*’s rationale of “fair notice” should equally apply to affirmative defenses, and that “applying the same standard will also serve to weed out the boilerplate listing of affirmative defenses which is commonplace in most defendants’ pleadings where many of the defenses alleged are irrelevant to the claims asserted.” *Id.* at \*2 (quoting *Barnes v. AT & T Pension Benefit Plan-NonBargained Program*, 718 F. Supp. 2d 1167, 1171-72 (N.D. Cal. 2010)).

In sum, based on decisions to date, it appears that there is no uniform view among the district courts with respect to the level of detail required to plead patent infringement or invalidity, and that there may never be such uniformity until legislative action is taken to amend Form 18. That leads to the following question: if Form 18 is amended or deleted, just how much detail *should* be required in a pleading? Beyond identifying with specificity the accused products or methods, must a patentee identify the asserted claims? Identify accused products or methods by trade names? Provide a claim chart? Must the defendant/counterclaimant likewise identify all prior art, and apply it to the claims in the same level of detail? How reasonable and fair would it be to require this level of detail in opening pleadings, and would such rigorous requirements bog the courts down in motion practice as parties seek to amend pleadings based on information learned in discovery? Are requirements to provide infringement/invalidity contentions at an early stage in the litigation preferable, over rigorous pleading requirements, as a means for getting meaningful information to the litigants? There are many aspects to consider when addressing the question of pleading requirements, and the debate going forward will be followed with great interest by stakeholders on both sides of the issue.



## Multi-Defendant Cases

Another issue that comes up in the pleading phase of many cases is the appropriateness of joinder of multiple defendants in a single patent infringement suit. Federal Rule of Civil Procedure 20(a) provides that joinder of defendants is appropriate where “any right to relief is asserted against them jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences; and [] any question of law or fact common to all defendants will arise in the action.” Fed. R. Civ. P. 20(a)(2). Where misjoinder is apparent, a court is within its discretion to dismiss or sever the claims against the misjoined parties. Fed. R. Civ. P. 21.

Prior to the Federal Circuit’s very recent decision in *In re EMC Corp.*, district courts around the country were divided on their approach to severance in patent infringement cases. For example, many courts around the country found that patent infringement claims against unrelated defendants independently selling distinct products did not satisfy the transactional relatedness requirement of Rule 20(a)(2) merely because the distinct products are all alleged to infringe the same patent. *See, e.g., Pergo, Inc. v. Alloc, Inc.*, 262 F. Supp. 2d 122, 128 (S.D.N.Y. 2003); *Philips Elec. N. Am. Corp. v. Contec Corp.*, 220 F.R.D. 415, 417 (D. Del. 2004); *Androphy v. Smith & Nephew, Inc.*, 31 F. Supp. 2d 620, 623 (N.D. Ill. 1998); *WiAV Networks, LLC v. 3Com Corp.*, No. 10-03448, 2010 U.S. Dist. LEXIS 110957, at \*19 (N.D. Cal. Oct. 1, 2010); *Tierravision, Inc. v. Research in Motion Ltd.*, No. 11-cv-0639, 2011 WL 4862961, at \*1 (S.D. Cal. Sept. 16, 2011); *Brandywine Commc’ns Tech., LLC v. Apple Inc.*, No. 6:11-cv-1512, 2012 WL 527180, at \*1 (M.D. Fla. Feb. 17, 2012).

On the other hand, in a minority of other courts, and particularly in the Eastern District of Texas where many multi-defendant cases are filed, the courts have held that claims of infringement of the same patent made against multiple defendants, selling different products, can be properly joined in a single lawsuit. These decisions frequently point to judicial economy and some overall similarity between defendants’ accused products as the basis for declining to sever actions.

For example, in *Eolas Techs., Inc. v. Adobe Sys., Inc.*, Eolas accused twenty-three defendants – located all around the country, including several in California – of infringing a patent. No. 6:09-cv-446, 2010 U.S. Dist. LEXIS 104125, at \*13 (E.D. Tex. Sept. 28, 2010). The court denied a request to sever any of the defendants on the grounds that severance would not promote judicial economy. *Id.* at \*15-16. It noted that determining the defendants’ liability would involve substantially overlapping questions of law and fact, such as construing the claims and evaluating the patents’ innovation over the prior art. *Id.* at \*15. Further, it found,

For multiple courts to simultaneously address these identical issues would be a waste of the courts’ and parties’ resources and could potentially lead to inconsistent results. Moreover, the record before the Court does not show that the products or methods at issue are so different that determining infringement in one case is less proper or efficient than determining infringement in multiple cases. Nor does the record show that any defendant will be so prejudiced by joinder that severance is necessary to prevent an inequitable process or result. *See* Fed. R. Civ. P. 42(b).

*Id.* at \*15-16. On defendants' writ of mandamus, the Federal Circuit ruled that the court had not abused its discretion in refusing to sever certain of the petitioner's claims for transfer to the Northern District of California. *In re Google Inc.*, 412 Fed. Appx. 295, 296 (Fed. Cir. 2011). It stated, "Courts have consistently held that judicial economy plays a paramount role in trying to maintain an orderly, effective, administration of justice and having one trial court decide all of these claims clearly furthers that objective." *Id.* at 296; *see also Imperium (IP) Holdings, Inc. v. Apple Inc.*, No. 4:11-cv-163, 2012 WL 461775, at \*2-3 (E.D. Tex. 2012) (refusing to sever claims merely based on infringement of the same patent because the Federal Circuit recognized in *In re Google* that such joinder is appropriate).

In the wake of the Leahy-Smith America Invents Act (H.R. 1249), the Federal Circuit reversed its position on joinder and severance in the landmark decision *In re EMC Corp.*, No. 100, 2012 WL 1563920, at \*1 (Fed. Cir. May 4, 2012). A provision of the Leahy-Smith America Invents Act (H.R. 1249) signed into law on September 16, 2011 appears to strip courts of their power to join multiple defendants in a single lawsuit simply based solely upon the fact that the defendants are all alleged to infringe the same patent. *See Genetic Tech. Ltd. v. Agilent Tech., Inc.*, No. 11-cv-01389, 2012 WL 1060040, at \*3 fn. 2 (D. Colo. Mar. 28, 2012) (finding that, while the AIA did not apply to plaintiffs claims filed prior to September 16, 2011, it is still persuasive authority that severing the claims, which are based solely on the fact that defendants infringe the same patent, is appropriate); *see also Brandywine*, 2012 WL 527180, at \*1.

Section 299 of the Act, which applies to all cases filed on or after September 16, 2011, provides:

§299. Joinder of Parties

(a) JOINDER OF ACCUSED INFRINGERS. – With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if –

(1) any right to relief is asserted against the parties jointly, severally, or in the alternative 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.

(b) ALLEGATIONS INSUFFICIENT FOR JOINDER. – For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

(c) **WAIVER.** – A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.

Unsurprisingly, in the days before the America Invents Act was signed by the President, scores of new patent cases were filed in jurisdictions around the country, accusing hundreds of corporate entities of patent infringement. However, to the dismay of those plaintiffs and perhaps unsurprisingly, on May 4, 2012, the Federal Circuit reversed its position in *In re Google* and applied the stricter standards of the AIA teachings to pre-AIA filings, even though the AIA does not retroactively apply to those cases. *In re EMC*, 2012 WL 1563920, at \*1.

In *In re EMC Corp.*, the Federal Circuit, on a writ of mandamus, overturned an Eastern District of Texas decision denying a severance and transfer of numerous defendants' claims to the District of Utah. *In re EMC*, 2012 WL 1563920, at \*1. The lower court denied the motion to sever the claims on grounds that the defendants offered similar products, and there were common questions of claim scope and validity. *Id.* The defendants argued on mandamus that the Eastern District of Texas had applied the wrong test for joinder. *Id.* The Federal Circuit agreed. While the court recognized that the recently enacted AIA did not apply to the plaintiff's pre-AIA claims, it nevertheless held consistently with the AIA that "the existence of a single common question of law or fact alone is insufficient to satisfy the transaction-or-occurrence requirement" of Rule 20. *Id.* at \*4-5. Importantly, in patent infringement cases, "the mere fact that infringement of the same claims of the same patent is alleged does not support joinder, even though the claims would raise common questions of claim construction and patent invalidity." *Id.* The transaction-or-occurrence test is satisfied when there is a logical relationship between the separate causes of action, i.e., defendant's infringing acts "must *share* an aggregate of operative facts." *Id.* at \*6 (emphasis in original). Because the lower court applied an incorrect test, the Federal Circuit vacated the denial of severance and transfer, and remanded. *Id.*

It seems that the Federal Circuit has finally put to rest the disagreement among courts with respect to joinder and severance. But it still remains to be seen what the real effect of Section 299 will be. One might expect that it will now be easier for an individual defendant to transfer a lawsuit to a more convenient venue, without the need to consider and address the ties of other joint defendants to a forum. But one might also expect that a court before which multiple cases on the same patent remain will consolidate the cases for purposes of pre-trial discovery and claim construction, leaving defendants in much the same position as they were before Section 299. *See also* the discussion below of the *Parallel Networks* case.

### **Claim Construction Proceedings**

The timing of claim construction proceedings varies from court to court – and sometimes from judge to judge within a district – and can affect the likelihood of resolving a lawsuit before trial, either by settlement or summary judgment.

Two general approaches to claim construction have evolved in the district courts since issuance of the *Markman* decision in 1996. The first approach, generally driven by special local patent rules, prescribes disclosure of contentions by each party that purportedly serve to narrow and define claim construction disputes, leading to independent consideration of disputed claim terms through briefing and, usually, a separate claim

construction hearing. Under this approach, claim construction issues are generally resolved before infringement or validity issues are considered.

Under a second and broader approach, claim construction disputes are considered at the time of dispositive motions – usually a summary judgment motion or a request for injunctive relief. For example, Judge Robinson, sitting on the District Court for the District of Delaware, a jurisdiction that does not have special local patent rules, has a standard scheduling order for patent cases. The order provides that, unless the court determines that an earlier claim construction would be helpful in resolving a case, the parties must exchange lists of terms to be construed, and proposed constructions, on an agreed upon date. Furthermore, they must be provided on a date on which the hearing on *both* claim construction and summary judgment motions will be heard. Chambers of the Honorable Sue L. Robinson, <http://www.ded.uscourts.gov/SLRmain.htm>.<sup>1</sup>

Recently, Judge Crabb in the Western District of Wisconsin has announced a new procedure that appears to limit claim construction solely to claim terms raised in summary judgment motions. This new procedure was announced via a magistrate judge's order in a pending patent case, *Dashwire, Inc. v. Synchronoss Techs., Inc.*, No. 11-cv-257 (W.D. Wis. July 28, 2011) (order changing procedures for construing claims). This Order indicated that, under Judge Crabb's new procedure, parties must still exchange claim terms according to deadlines set in the preliminary pretrial conference order, but shall not file motions or briefs requesting claim construction. *Id.* at 1. The Order stated "[t]he court will not hold a stand-alone claims construction hearing and shall not issue an order construing claims. Instead, if any party wants the court to construe a claim, it must make that request and offer its proposed construction in its motion for summary judgment and supporting documents." *Id.* What remains to be seen, however, is how, under this procedure, infringement or invalidity issues that depend on claim construction will be presented to a jury where claim construction disputes exist but did not arise in the context of a proper dispositive motion.

A survey of federal district court patent litigation-experienced judges undertaken by the Federal Judicial Center and reported in a 2008 publication indicated that 79% of judges undertook claim construction unconnected to other motions or proceedings, while 26% undertook claim construction in the context of summary judgment motions. Patent Claim Construction: A Survey of Federal District Court Judges, Federal Judicial Center, February 2008 at 14.

Last year, a Working Group of The Sedona Conference® published a report setting forth a set of "best practices" for claim construction in patent litigation. The Sedona Conference® Report on the *Markman* Process (A Project of The Sedona Conference® Working Group on Markman Hearings & Claim Construction (WG5) November 2010 Version), *available at* <http://www.thesedonaconference.org>. These best practices included early exchange of infringement and invalidity contentions and provided that the *Markman* hearing should take place toward the middle of the case. *Id.* at 6. The Report suggests that this timing is ideal because, if the claim construction hearing is done too early, the parties

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<sup>1</sup> Judge Robinson's approach appears to be unique in the District of Delaware. For example, in his standard Scheduling Order, Chief Judge Sleet sets a date for a *Markman* hearing and allows summary judgment motions only if permission is granted after letter briefing explaining why any such motion is warranted. Chambers of the Honorable Gregory M. Sleet, <http://www.ded.uscourts.gov/GMSmain.htm>. Judge Stark's standard Scheduling Order leaves open the possibility for a "limited earlier claim construction" where it would be helpful in resolving the case, but otherwise sets a date certain for a claim construction briefing separate from summary judgment briefing. Chambers of the Honorable Leonard P. Stark, <http://www.ded.uscourts.gov/LPSmain.htm>.

may not have sufficient time to conduct discovery that might be relevant to the claim construction issues, such as how one skilled in the art uses the term. *Id.* Further, the Report suggests, even if the parties have exchanged contentions, they still may not fully know what terms are in dispute if there has been little or no discovery on infringement and invalidity. *Id.* On the other hand, if the hearing is held too late in the case, the parties may not have sufficient time to conduct additional fact discovery or expert discovery based on the claim construction. *Id.* The Report also suggests that where an issue of infringement or invalidity can be determined solely on the basis of claim construction, then some efficiency could be achieved by coupling summary judgment motions with a *Markman* hearing. *Id.* It also notes, however, that “if the parties dispute the characteristics of the accused product or the disclosure of the prior art, coupling a summary judgment motion with a *Markman* hearing is not likely to achieve judicial economy since a determination of the genuineness of the dispute will be needed and, if it is found, summary judgment would be precluded.” *Id.*

### Streamlining the Case

Faced with many cases involving multiple patents, multiple accused devices, and/or multiple prior art defenses, judges in the Eastern District of Texas have been trying different case management procedures to streamline cases and bring them to resolution as quickly and efficiently as possible.

#### *Streamlining by early and limited claim construction*

For example, in a case in which Parallel Networks LLC originally asserted a web communications patent against 124 defendants, Judge Leonard Davis agreed to an early claim construction – to be held only three months after the initial scheduling conference – of three terms that the defendants believed to be case dispositive, and stayed discovery other than that relating to the early claim construction. *Parallel Networks LLC v. Abercrombie & Fitch*, No. 6:10-cv-111 (E.D. Tex. Mar. 15, 2011) (order denying motion to bifurcate and motion to sever and transfer). He wrote,

Plaintiff’s strategy presents defendants with a *Hobson’s* choice: spend more than the settlement range on discovery, or settle for what amounts to cost of defense, regardless of whether a defendant believes it has a legitimate defense. Because the patent rules and the court’s standard docket control order do not achieve their intended result in this particular case, it is necessary to depart from them in an effort to accomplish both parties’ objectives in the most cost effective manner.

*Id.* at 6. Judge Davis’ order provided that, if the early claim construction and related summary judgment process did not resolve the case, then the court would hold the parties to an originally scheduled *Markman* date set according to a “normal” trial schedule. *Id.* at 9.

The *Markman* ruling did indeed result in summary judgment of non-infringement for ninety-nine of the defendants. *Parallel Networks LLC v. Abercrombie & Fitch*, No. 6:10-cv-111 (E.D. Tex. Aug. 12, 2011) (order construing claim terms and granting summary judgment in part). Judge Davis’ Order stated:

As of the filing of Defendants' claim construction brief and summary judgment motion, 112 Defendants remained in the case. The summary judgment motion on the "dynamically generated" issue has resolved this case as to 99 of the 112 Defendants. The Court notes that in many patent cases before it involving multiple defendants, it is frequently faced with motions for severance and transfer to many different districts. Had the Court taken that approach in this case, Parallel and Defendants would be litigating this patent all over the country in many districts at great additional expense to all parties and the judiciary.

The Court commends the parties in this case for working together to identify issues common to nearly all Defendants and moving the case to resolution of these important issues in a timely and economic manner. By doing so, this case was resolved in a manner of months – as opposed to years – for the vast majority of Defendants. By all Defendants remaining in one case in one District, the Court was able to resolve the controversy in the most judicially economic manner sparing many other courts from repetitive work, and at the same time saving the parties very significant sums of money in attorneys fees.

*Id.* at 16-17.

Other judges in the Eastern District of Texas are also trying to streamline cases with limited, early *Markman* rulings. Judge Love granted a request for an early *Markman* in *Whetstone Elec., LLC v. Xerox Corp.*, No. 6:10-cv-278 (E.D. Tex. Apr. 7, 2011) (order granting early *Markman* request). Judge Love directed the defendants to submit the three claim terms they had represented to be "case dispositive," and he set a *Markman* hearing on the terms only three months later. *Id.* at 1. Pending a claim construction ruling on the three identified terms, discovery was limited to production of user and service manuals of the accused products as well as the deposition of one representative of each defendant regarding the accused products and related manuals. *Id.* at 1-2.

In an effort to improve efficiency and decrease litigation costs, on January 9, 2012, Judge Love turned his *Whetstone* decision into a unique standing order regarding briefing procedures for an "early *Markman* hearing" and summary judgment of noninfringement. According to the Order, 145 days before a scheduled *Markman* hearing, a defendant may submit a letter brief requesting construction of no more than three dispositive claim terms. If accepted, the defendant may then file a summary judgment motion and combined claim construction brief 95 days before trial. After responses are filed, the court will hold an "early *Markman* hearing" to adjudicate the dispositive claim terms and summary judgment. If the case is not resolved at that time, the originally scheduled *Markman* hearing will proceed as scheduled. Chamber of the Honorable John D. Love, <http://www.txed.uscourts.gov/page1.shtml?location=info;judge&judge=1>. As of today, no other judges in the Eastern District of Texas, including Judge Davis, have issued a similar standing order.

#### *Streamlining by Limiting Number of Asserted Claims or Claim Terms*

In *LML Patent Corp. v. JP Morgan Chase & Co.*, No. 2:08-cv-448 (E.D. Tex. Oct. 12, 2010) (order granting modified motion to sever and stay), Judge Folsom ordered the plaintiff to elect a limited number of claims. He then granted plaintiff's motion to sever

and stay the non-elected claims and rejected the defendants' argument that plaintiff had waived any right to seek severance because it had not challenged the court's requirement to elect a limited number of claims. *Id.* at 2. Judge Folsom ruled that the limitations on the number of asserted claims were necessary for effective and efficient management of the case:

If the patentee wins, infringement of a single claim can support an award of damages, so the patentee generally need not then pursue nonelected claims. If the patentee loses, then the likelihood of any subsequent litigation is low because the patentee presumably elected the claims that "they believe are most likely to be infringed." If Defendants' estoppel arguments were accepted, however, enforcement of the Court's claim election requirement would foreclose Plaintiff's rights as to all non-elected claims without ever reaching the merits of those claims.

Finding no clear support from the Court of Appeals for either the Fifth Circuit or the Federal Circuit for Defendants' position, this Court rejects it. This conclusion is necessary to avoid what would appear on its face to be a significant due process violation.

*Id.* at 2-3 (internal citations omitted); *see also Round Rock Research, LLC v. Oracle Corp.*, No. 4-11-cv-00332 (E.D. Tex. Mar. 26, 2012) (holding that "limiting the amount of claims asserted by Plaintiff is appropriate at this time to aid in efficiency and narrowing the claims prior to claim construction.").

Similarly, Judge Everingham granted a motion to stay certain patent claims, pending resolution of fifteen claims that the plaintiff was required to elect. *Personalized Media Commc'ns, LLC v. Motorola, Inc.*, No. 2:08-CV-70 (E.D. Tex. Aug. 15, 2011) (order granting motion to stay non-elected claims). The order provided that the non-elected claims would not be severed into a new cause of action; instead, the non-elected claims could be addressed, "if need be," after the merits of the elected claims are resolved. *Id.*

Numerous other courts across the country have imposed limitations on the number of asserted claims. *See, e.g., XPRT Ventures LLC v. eBay Inc.*, No. 1-10-cv-00595 (D. Del. September 9, 2011) (order limiting asserted claims) (finding that the duty falls upon the judge to "select a number which respects [plaintiff's] proprietary interests and due process rights on the one hand, while protecting the Defendants from suffering undue burden, and more importantly, ensuring that this case proceeds in an orderly manner."); *Gen-Probe Inc. v. Becton Dickinson & Co.*, No. 3-09-cv-02319 (S.D. Cal. Feb. 22, 2012) (order granting motion to limit asserted claims); *Havco Wood Prods., LLC v. Indus. Hardwood Prods., Inc.*, No. 3-10-cv-00566 (W.D. Wis. Nov. 10, 2011) (order granting motion to limit asserted claims).

Other courts have imposed limitations on the number of asserted claims *terms*, regardless of the number of claims. For example, Judge Guilford of the Central District of California just recently struck down a Joint Claim Construction and Prehearing Statement, requesting the court to construe 45 claim terms. *Vizio, Inc. v. LSI Corp., Inc.*, No. SACV 10-1602 AG (C.D. Cal. May 8, 2012) (order striking joint claim construction statement). In a scheduling order, the court limited the number of claim terms to just 12, finding that "placing a ceiling on claim construction furthers the interests of justice by 'requir[ing] counsel to think about coalescing, joining, and I think simplifying, which I think ultimately produces a good – a better product to be presented to the jury.'" *Id.* at 1. Because the

plaintiff and defendant did not comply with the court by filing a motion requesting construction of additional terms, the joint construction statement was struck, and the parties were ordered to resubmit their claim construction statements identifying no more than 12 claim terms for construction. *Id.* at 2.

Interestingly, at least one court has limited both the number of asserted claims, and the number of claim terms, not just to improve efficiency, but also in the interests of fairness to the parties. In *DCG Sys., Inc. v. Checkpoint Tech., LLC*, the Northern District of California limited the number of terms for construction to 10, notwithstanding the defendant's plea to the court to construe 23 terms. No. 11-cv-03792-PSG (N.D. Cal.) (order limiting asserted claims and claim terms). "Without such a limit, the court faces a glut of terms that threatens the efficiency of the claim construction." *Id.* at 2. On the other hand, to mitigate the defendant's burden, and to improve efficiency, the court ordered the plaintiff to identify 25 of the originally 57 asserted claims on which to proceed. *Id.* "This itself may not be the final cut, but it is a reasonable start down that road." *Id.*

### *Streamlining by limiting discovery*

A different approach was used in *Adjustacam LLC v. Amazon.com, Inc.*, No. 6:10-cv-329 (E.D. Tex. April 27, 2011) (order denying motion to stay and sever claims and granting request for leave to file early summary judgment motion). In this case, the parties agreed that infringement issues were not complex, that much of the discovery would relate to damages, and that a limited, initial damages disclosure would help streamline the case. *Id.* at 2. Judge Davis approved of the parties' requests to: (1) streamline and limit discovery; (2) address certain issues on summary judgment (pre-suit damages and laches); and (3) attend an early mediation. *Id.* His opinion provided comments on the results of the status conference in the case:

While the Patent Rules efficiently govern and manage most cases, the parties in this case have identified and agreed on specific modifications to the Court's standard schedule that would streamline and potentially lead to an early resolution of the dispute. In this case, the issues of laches and recoverable damages are amenable to an early determination. Therefore, the Court will consider an early summary judgment motion on these issues. As set forth at the hearing, the parties shall exchange limited damages disclosures relating to these issues (e.g., Adjustacam's compliance with the marking statute and the quantity of accused devices sold by Defendants in the United States and revenue from those sales). Although the parties may file an early summary judgment motion, the Court strongly encourages the parties to meaningfully meet and confer to potentially resolve or narrow these issues before expending significant resources and incurring unnecessary litigation costs. Although the parties have agreed to this specific course of action, they remain obligated to comply with the disclosure requirements provided in the Local Rules.

*Id.*

Another approach to streamlining discovery is to place limitations on overburdensome document productions. For example, the Federal Circuit Advisory Council recently promulgated an E-Discovery Model Order in an effort to "to promote economic and judicial efficiency by streamlining ediscovery, particularly email production, and



requiring litigants to focus on the proper purpose of discovery – the gathering of material information – rather than permitting unlimited fishing expeditions.” Introduction to [Model] Order Regarding E-Discovery in Patent Cases, Federal Circuit Advisory Council, at 2 (2011). Among other things, the Model Order greatly limits the scope of email production, which “carry staggering time and production costs that have a debilitating effect.” *Id.* at 2. While the Model Order proposals would seemingly reduce the expenses and burdens of discovery on patent infringement litigants, it is too early to tell whether these proposals will actually improve efficiencies in patent litigation.

### *Streamlining by limiting trial time*

Eastern District of Texas judges have also routinely limited trial time. In *SynQor, Inc. v. Artesyn Techs., Inc.*, following a trial against eleven defendants, a jury entered a verdict finding infringement of the patent by seven of the defendants and awarding \$95 million in damages. No. 2:07-cv-497, 2011 U.S. Dist. LEXIS 91693, at \*6 (E.D. Tex. Aug. 17, 2011). The defendants moved for a new trial on several grounds, including that they had had an inadequate amount of time to present evidence. *Id.* at \*51. The defendants (represented by four law firms) were given twenty hours of trial time, while SynQor was given seventeen hours. *Id.* In denying the motion, the court ruled that its decision to limit the parties’ available trial time was reasonable and not unduly prejudicial. *Id.* at \*52. It noted that courts have broad authority to impose reasonable time limits to prevent undue delay, waste of time, or needless presentation of cumulative evidence. *Id.* The court also noted that the defendants had submitted a joint letter estimating that they would need 25 hours of trial time, and that the court had given them only 20% less than what had been requested, while the court reduced plaintiff’s requested time by 32%. *Id.* at \*53. Furthermore, at the time the estimate was provided, there were more issues in the case than wound up being tried. *Id.* at \*53-54. Thus, the court concluded that it was within its discretion to take into account the defendants’ estimates and the narrowing issues. *Id.* It also noted that the defendants failed to use their time wisely. *Id.* at \*55.

The court also denied defendants’ motion seeking a new trial on the ground that they had allegedly been unfairly limited to 40 prior art references. *Id.* at \*56. The court noted that it had only limited the number of asserted prior art references as a reciprocal measure after a group of the defendants had successfully moved to limit the number of claims SynQor would be permitted to assert. *Id.* Further, it noted that the defendants had not pointed to a single reference that they would have otherwise offered and that would have changed the jury’s verdict. *Id.* Without a specific identification of prejudice that allegedly resulted from the court’s ruling, the defendants had identified no basis for granting a new trial. *Id.* at \*56-57.

### *Streamlining by discouraging assertion of questionable patents*

Judge Davis has also expressed concern about plaintiffs who may assert questionable patents in order to extract “nuisance value” settlements. He summarized his views in an order denying sanctions in *Raylon LLC v. Complus Data Innovations*:

[T]his Court has some concerns about plaintiffs who file cases with extremely weak infringement positions in order to settle for less than the cost of defense and have no intention of taking the case to trial. Such a practice is an abuse of the judicial system and threatens the integrity of and respect for the courts. Often in such cases, a plaintiff asserts an

overly inflated damages model, seeking hundreds of millions of dollars, and settles for pennies on the dollar, which is far less than the cost of defense. Where it is clear that a case lacks any credible infringement theory and has been brought only to coerce a nuisance value settlement, Rule 11 sanctions are warranted.

No. 6:09-cv-355, at 5 (E.D. Tex. Mar. 9, 2011) (order denying Rule 11 sanctions). Judge Davis found that Raylon's claim constructions "stretch[ed] the bounds of reasonableness" but concluded that sanctions were not warranted because Raylon's positions were not "objectively frivolous." *Id.* at 4. In another case, Judge Davis indicated that he may now require the submission of settlement agreements *in camera* as part of the initial Scheduling Conference and will probe a plaintiff's litigation and settlement strategy at the conference. See *PacID Grp., LLC v. Cisco Sys., Inc.*, No. 6:09-cv-324 (E.D. Tex. Mar. 16, 2011) (order consolidating cases).

Notably, the Federal Circuit affirmed an "exceptional case" finding an award of Rule 11 sanctions against a plaintiff-patent holding company for litigation misconduct and for filing a baseless infringement action in bad faith for an improper purpose. *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314 (Fed. Cir. 2011). Writing for the Court, Judge Lourie found that the lawsuit "was part of Eon-Net's history of filing nearly identical patent infringement complaints against a plethora of diverse defendants, where Eon-Net followed each filing with a demand for a quick settlement at a price far lower than the cost to defend the litigation." *Id.* at 1326. The Court also noted that Eon-Net had the ability to impose disproportionate discovery costs on Flagstar, at least in part because accused infringers often possess enormous amounts of potentially relevant documents that are ultimately collected and produced. *Id.* at 1327. At the same time, Eon-Net placed little at risk when filing suit. *Id.* As a non-practicing entity, it was generally immune to counterclaims for patent infringement, antitrust, or unfair competition and did not face any business risk resulting from the loss of patent protection over a product or process. *Id.* These circumstances, coupled with the court's supported findings of litigation misconduct, led the Court to conclude that the district court did not clearly err in its exceptional case finding. *Id.* at 1328; see also *MarcTec, LLC v. Johnson & Johnson*, 664 F.3d 907, 918-21 (Fed. Cir. 2012) (upholding lower courts imposition of sanctions where plaintiff's "proposed claim construction was so lacking in any evidentiary support that assertion of this construction was unreasonable and reflects a lack of good faith."); *IA Labs CA, LLC v. Nintendo Co., Ltd.*, No. PJM 10-833, 2012 WL 1565296, at \*2-3 (D. Md. May 1, 2012); *Pfizer Inc. v. Teva Pharm. USA, Inc.*, 820 F. Supp. 2d 751, 760-62 (E.D. Va. 2011).

