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Implications of the 2015 Amendments to the Federal Rules on Patent Cases

By **Paul W. Garrity** and **Tyler E. Baker**



The December 1, 2015 amendments to the Federal Rules of Civil Procedure (“FRCP”), including amendments to Rules 1, 4, 16, 26,

33, 34, 37, 55, and 84, will have a clear and immediate impact on federal court litigants. The amendments apply to newly filed cases, as well as pending cases insofar as “just and practicable.” This article examines some of the key amendments to the FRCP and considers the impact these new procedural rules will have on patent litigation practice.

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Rules 26(b) and (c)

Some of the most significant amendments include those to Rules 26(b) and 26(c), which seek to codify a discovery rule of proportionality. According to the notes of the Civil Rules Advisory Committee (the “Advisory Committee”), the amendments to Rule 26 are intended to promote efficiency and prompt early discussion about discovery between the parties. Broad language previously found in the Rule (“reasonably calculated to lead to the discovery of admissible evidence”) has been replaced with the language that will impact the scope of discovery. The revised Rule now requires that the parties consider whether discovery is “proportional to the needs of the case” in making discovery requests, responses, and objections. See Rule 26(b)(1). In determining proportionality, amended Rule 26(b)(1) considers:

- (1) The importance of the issues at stake;
- (2) The amount in controversy;
- (3) The parties’ relative access to relevant information;
- (4) The parties’ resources;
- (5) The importance of the discovery in resolving the issues; and
- (6) Whether the burden or expense of the discovery outweighs its likely benefit.

No single factor is designed to outweigh the other factors in determining whether the discovery sought is proportional. While acknowledging that the burden of responding to discovery lies heavier on the party who has more information, the Advisory Committee Note explains that this change to Rule 26 neither places the burden of addressing all proportionality considerations on the party seeking discovery, nor permits the opposing party to refuse discovery by making boilerplate objections based on proportionality.

Proportionality will be welcome in patent disputes. The patent bar has come a long way since the court in *Minnesota Mining & Mfg. Co. v. Norton Co.*, 36 F.R.D. 1, 3-4 (N.D. Ohio 1964), bemoaned, when considering patent suits, that “no other segment of cases on our docket produces such consistent examples of bitterness,

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stubbornness and pettiness.” That said, it remains the case that intellectual property litigation costs substantially more on average than other types of civil litigation. While multiple jurisdictions, including the Southern District of New York, have adopted local patent rules, these rules do not speak to the scope of discovery. The amendments to the FRCP should function to close this gap. Indeed, the new rules have already been applied in patent cases. The Eastern District of Michigan, in a ruling granting a motion to quash a third party subpoena in a patent dispute, noted with respect to the construction of proportionality that it must be read in conjunction with the additional limitations on the scope of discovery found in Rule 26(b)(2)(C). *Hemlock Semiconductor Corp. v. Kyocera Corp.*, No. 15-cv-11236 (E.D. Mich. Jan. 6, 2016).

Rule 84

An additional change to the FRCP is the abrogation of Rule 84. This Rule had provided that the forms in the Appendix of Forms “suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.” Form 18 of the Appendix (“Complaint for Patent Infringement”) had long allowed patent owners to file a complaint without articulating a theory of infringement with particularity. The sufficiency of such pleading had been upheld by the U.S. Court of Appeals for the Federal Circuit, ruling that “a proper use of a form contained in the Appendix of Forms effectively immunizes a claimant from attack regarding the sufficiency of the pleading [i.e., a motion to dismiss]” (*K-Tech Telecomm., Inc. v. Time Warner Cable, Inc.*, 714 F.3d 1277, 1283 (Fed. Cir. 2013)), and “to the extent the parties argue that *Twombly* and its progeny conflict with the Forms create differing pleadings requirements, the Forms control.” (*In re Bill of Lading Transmission and Processing Sys. Patent Litig.*, 681 F.3d 1323, 1334 (Fed. Cir. 2012)).

Under the old Rules, artful patent litigators commonly filed bare-bones complaints that provided little notice of the asserted claims. As such, the plaintiff faced minimal risk of being confined to a particular theory of infringement and the accused infringer bore the

burden of advancing a non-infringement position without any meaningful understanding of the patentee's claims. Non-practicing entities, who have dominated the statistics for patent-infringement actions, often exploited this tactic to initiate litigation without incurring the expense of a thorough investigation, and to instigate swift nuisance-value settlements by placing the financial cloud of discovery and establishing non-infringement on the alleged infringer.

More constructively, the liberal patent infringement pleading standards were truly beneficial in situations where the patentee genuinely suspected infringement, but was unable to extensively compare the patent claims to the accused product in the absence of some meaningful discovery, for instance, infringement actions concerning computer-based systems that seemingly operate in a black-box. The Rule also afforded the plaintiff the further benefit of developing its infringement position according to the substantive responses of the accused infringer.

The abrogation of Rule 84 will have at least some impact on patent litigation even though the Advisory Committee Note for the amendment states that “[t]he abrogation of Rule 84 does not alter existing pleading standards or otherwise change the requirements of Civil Rule 8.” Practitioners asserting claims for patent infringement are, of course, now advised to satisfy the pleading standards set forth by the U.S. Supreme Court in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). To meet these standards, patent owners will likely be required to enumerate a specific infringement theory, state with particularity the patent claims that are being infringed, and provide more detail supporting their infringement allegations.

For traditional filers of patent infringement actions who diligently performed pre-filing investigation, the difference should be subtle and not necessarily significant. For others, the requirement for more factual detail supporting infringement allegations should deter the pursuit of questionable claims for the purpose of instigating nuisance-value based settlements. The new pleading standards also

should balance the odds between the parties by providing the accused infringer with more adequate notice of the asserted claims and a chance to challenge frivolous claims on non-infringement grounds at the pleading stage. Moreover, the new rule should further serve the interests of judicial economy by allowing the federal courts to define more targeted discovery parameters at an earlier stage and reduce the volume of defensive motions challenging the sufficiency of pre-filing investigations under Rule 11.

Editor's note: Paul W. Garrity is the managing partner of Sheppard Mullin Richter & Hampton LLP's New York office. Tyler E. Baker is an associate in the firm's New York office.



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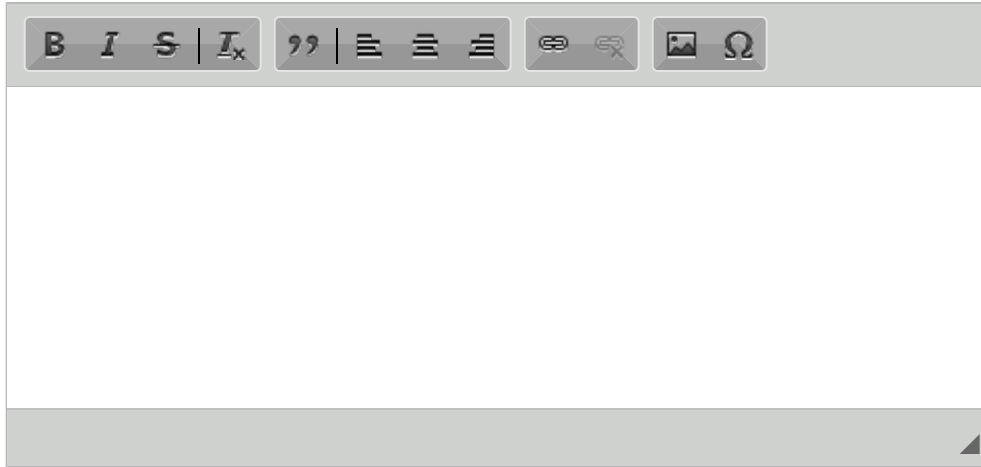
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