The Ethical Implications of Discovery and Pleading Reform Efforts

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Form 18 and Pleading a Patent Infringement Claim

Form 18 Suffices Under the FRCP

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Rule 84: “The forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate.”

Form 18:

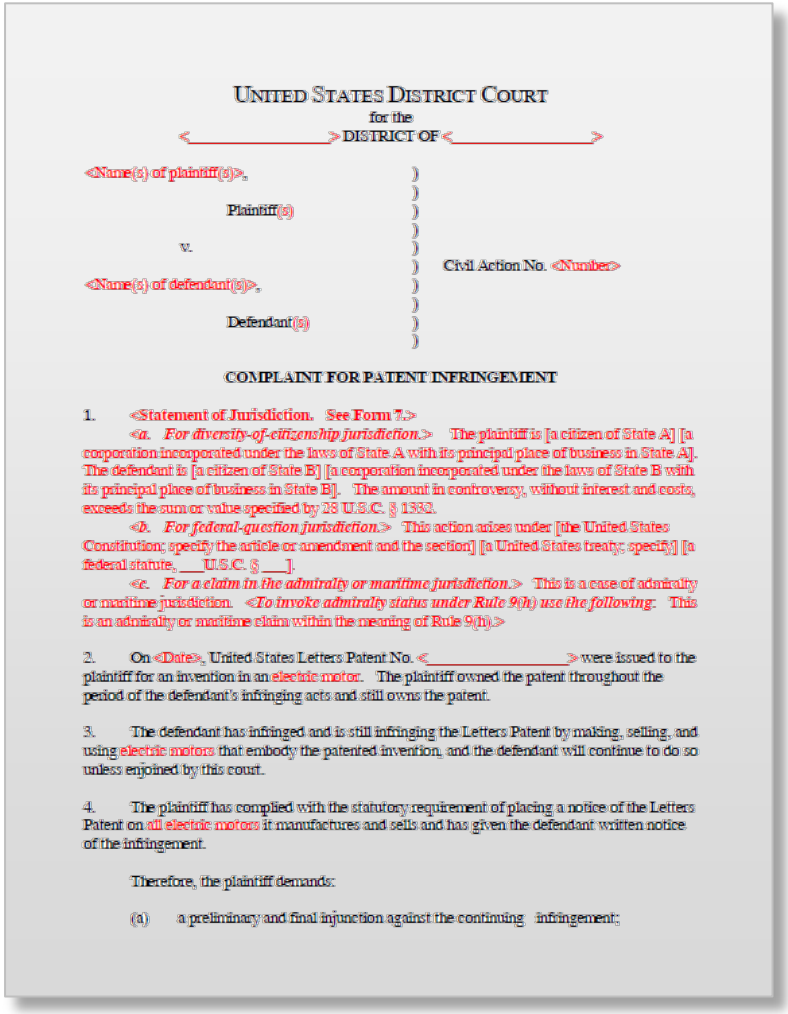
1. <Jurisdiction>

2. On <Date>, United States Letters Patent No. <_____> were issued to the plaintiff for an invention in an electric motor. The plaintiff owned the patent throughout the period of the defendant's infringing acts and still owns the patent.

3. The defendant has infringed and is still infringing the Letters Patent by making, selling, and using electric motors that embody the patented invention, and the defendant will continue to do so unless enjoined by this court.

4. The plaintiff has complied with the statutory requirement of placing a notice of the Letters Patent on all electric motors it manufactures and sells and has given the defendant written notice of the infringement.

Form 18 as a Fillable Form



UNITED STATES DISTRICT COURT
for the
<_____> DISTRICT OF <_____>

<Name(s) of plaintiff(s)>,
Plaintiff(s)
v.
<Name(s) of defendant(s)>,
Defendant(s)
Civil Action No. <Number>

COMPLAINT FOR PATENT INFRINGEMENT

1. <Statement of Jurisdiction. See Form 7.>
<a. For diversity-of-citizenship jurisdiction.> The plaintiff is [a citizen of State A] [a corporation incorporated under the laws of State A with its principal place of business in State A]. The defendant is [a citizen of State B] [a corporation incorporated under the laws of State B with its principal place of business in State B]. The amount in controversy, without interest and costs, exceeds the sum or value specified by 28 U.S.C. § 1332.
<b. For federal-question jurisdiction.> This action arises under [the United States Constitution; specify the article or amendment and the section] [a United States treaty; specify] [a federal statute, ___ U.S.C. § ___].
<c. For a claim in the admiralty or maritime jurisdiction.> This is a case of admiralty or maritime jurisdiction. *<To invoke admiralty status under Rule 9(h) use the following:* This is an admiralty or maritime claim within the meaning of Rule 9(h).>

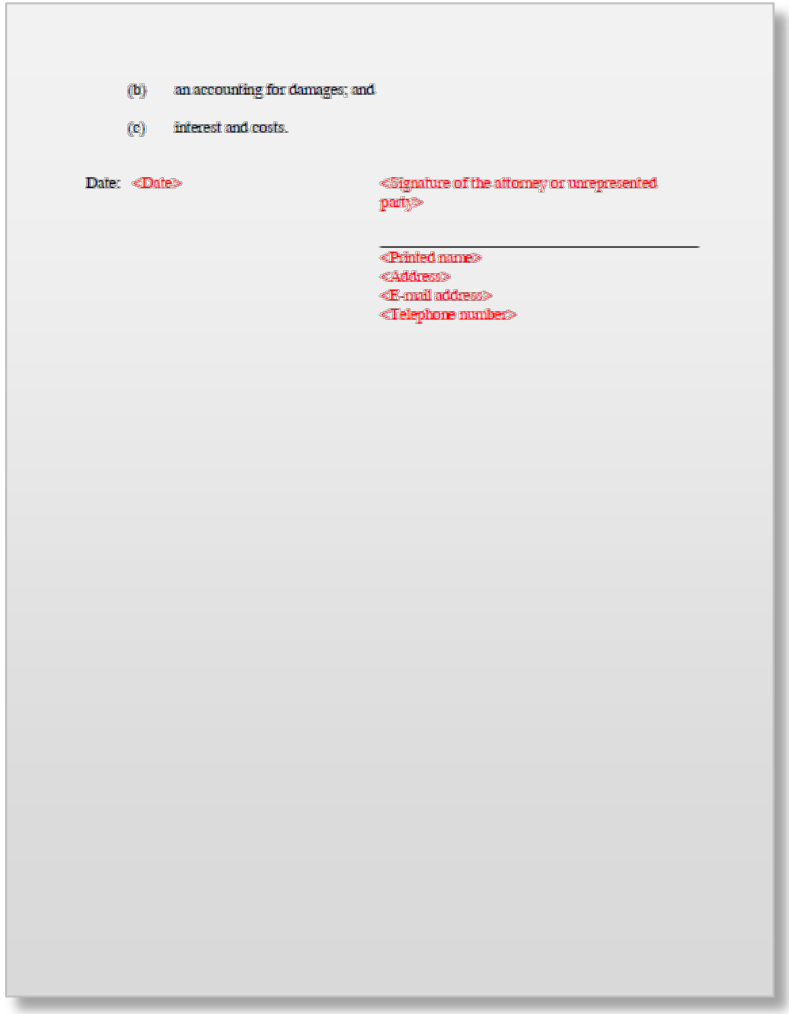
2. On <Date>, United States Letters Patent No. <_____> were issued to the plaintiff for an invention in an electric motor. The plaintiff owned the patent throughout the period of the defendant's infringing acts and still owns the patent.

3. The defendant has infringed and is still infringing the Letters Patent by making, selling, and using electric motors that embody the patented invention, and the defendant will continue to do so unless enjoined by this court.

4. The plaintiff has complied with the statutory requirement of placing a notice of the Letters Patent on all electric motors it manufactures and sells and has given the defendant written notice of the infringement.

Therefore, the plaintiff demands:

(a) a preliminary and final injunction against the continuing infringement;



(b) an accounting for damages; and

(c) interest and costs.

Date: <Date>

<Signature of the attorney or unrepresented party>

_____
<Printed name>
<Address>
<E-mail address>
<Telephone number>

http://www.uscourts.gov/uscourts/RulesAndPolicies/Rules/Usable_Rules_Forms_Civil/CIV18-Complaint_for_Patent_Infringement.rtf

Tension Between *Twiqbal* and Form 18

- *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007)
  - Antitrust
- *Ashcroft v. Iqbal*, 556 U.S. 662 (2009)
  - Discrimination and detention after 9/11
- *Twombly* and *Iqbal* rejected boilerplate pleading
  - Reciting labels and conclusions is not enough
  - Complaint must include enough factually detailed allegations to show claim is "plausible"
- Federal Circuit consideration of *Twiqbal*
  - *McZeal v. Sprint Nextel*, 501 F.3d 1354 (Fed. Cir. 2007)
    - Direct infringement allegations that follow Form 18 are OK
  - *In re Bill of Lading Transmission & Processing Sys. Patent Lit.*, 681 F.3d 1323 (Fed. Cir. 2012)
    - Direct infringement allegations that follow Form 18 are OK
    - But Form 18 does not cover indirect infringement

Form 18 is a Lame Duck

- Judicial Conference has approved the abrogation of Rule 84 and all three dozen official forms in the Appendix of Forms
- Effective December 1, 2015, if approved by the Supreme Court and not disapproved by Congress
- 2013's House-passed Innovation Act and companion Senate bills also would have targeted Form 18 for abolition.

What Would *Twiqbal* Require, Compared with 2013 Patent Reform Bills?

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Twiqbal Rulings re Indirect Infringement

- ***In re Bill of Lading Transmission & Processing Sys. Patent Lit.*, 681 F.3d 1323 (Fed. Cir. 2012)**
  - "The Forms are controlling only for causes of action for which there are sample pleadings. … Form 18 should be strictly construed as measuring only the sufficiency of allegations of direct infringement"
  - Contributory infringement – allegations must include facts that allow an inference of no substantial noninfringing use
  - Induced infringement – allegations must include facts plausibly showing that defendant specifically intended its customers to infringe and knew that the customers' acts constituted infringement
- **District courts are split on pleading requirements for indirect infringement**

Patent Reform Bills

- **Innovation Act – complaint must:**
  - Identify patent
  - Identify each asserted claim
  - Identify each accused instrumentality (by product name/model number) for each asserted claim
  - Explain how each accused instrumentality satisfies each element of each asserted claim (infringement claim chart)
  - Description of alleged indirect infringement
  - Plaintiff's authority to assert the patent
  - Identify principal business of the plaintiff
  - List all prior litigation of the asserted patents
  - State whether the asserted patents are Standards-Essential Patents
- **S. 1013 (Cornyn bill) – adds:**
  - More disclosure of real parties in interest

What Will Happen to Mass-Produced Patent Infringement Complaints?

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Should Defendants Attack Form 18 Complaints Before 12/1/2015?

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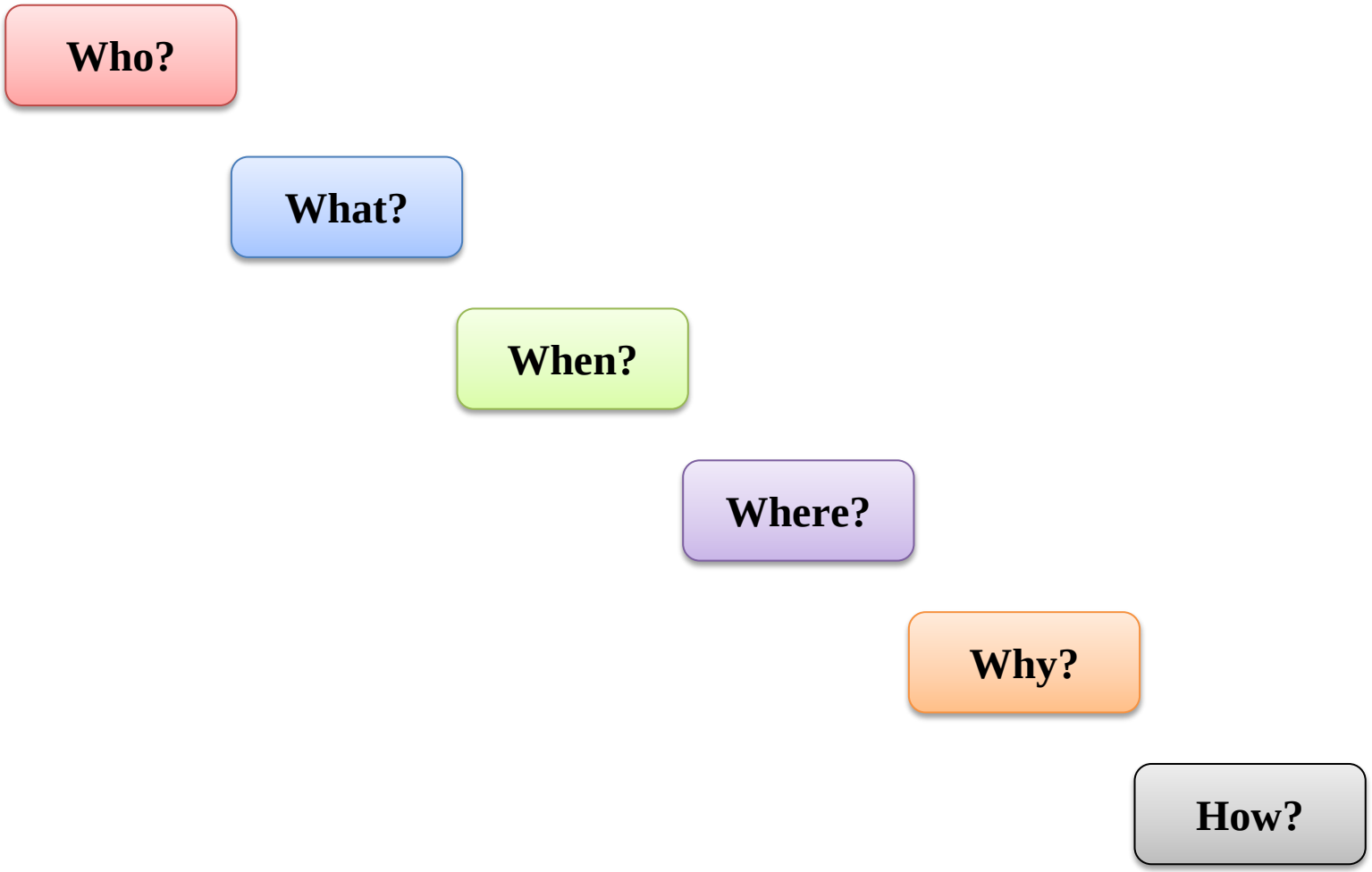
- *Macronix* (Judge Payne, E.D.Va., March 2014)
  - Interpreted *Twiqbal* as superseding Form 18
  - Reasoned that *McZeal* was wrong

- Was Judge Payne right?
  - Formally?
    - Twombly → McZeal → Iqbal → In re Bill of Lading
    - (5/21/07) (9/14/07) (5/18/09) (6/7/12)
  - Substantively?
  - Practically?

- Does the *Macronix* ruling open the door to early *Twiqbal* challenges?
  - Rule 11 considerations

ESI Preservation: Ethical Obligations and Emerging Issues

ESI Preservation Basics



Evolution of the Obligation to Hold

- *Zubulake v. UBS Warburg LLC*, 229 F.R.D. 422 (SDNY 2004)
  - Setting the bar for what constitutes ESI spoliation
- *Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. LLC*, 685 F.Supp.2d 456 (SDNY 2010)
  - Reinforcing the bar
- *Chin v. Port Authority of NY & NJ*, 685 F.3d 135 (2nd Cir. 2012)
  - Arguably raising the bar
  - Seen as a sign that courts appreciate the burdens of ESI preservation

Common ESI Preservation Pitfalls

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- Scope of materials to preserve
- Overlooked repositories
- Hold notice:
  - delay
  - failure to update
  - failure to issue
- Omitted custodians
- Departing employees
- Failure to implement/enforce the hold
- Misuse of search terms

Case Study in ESI Pitfalls

- *Brown v. Tellermate Holdings Ltd., 2014 WL 2987051 (S.D. Ohio July 1, 2014)*
  - Counsel failed to "examine critically" the info provided by their client re ESI
  - Counsel took too narrow a view of "possession, custody or control"
  - Counsel failed to provide a timely and adequate privilege log
  - Search terms were not tailored to capture information relevant to claims and defenses
  - Court issued severe evidentiary sanctions and awarded fees to moving party for expense of motions to compel
  - Court relied upon Rule 39(b)(2) for sanction authority

The Case For Change: Rule 37(e)

- Until pleading requirements are clarified, litigants will still face the over-preservation vs. spoliation dilemma
- Existing case law is inconsistent both in terms of what rises to the level of spoliation and what sanctions are appropriate
- A clearer distinction is necessary between the consequences of innocent ESI destruction and intentional destruction of evidence

Text of Proposed Rule 37(e), F.R.C.P.

- Failure to Preserve Electronically Stored Information

  If electronically stored information that should have been preserved in the anticipation of conduct or litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery, the court:

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

Text of Proposed Rule 37(e), cont.

(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.